



Central Europe Energy Partner's feedback on the Just Transition Fund

Central Europe Energy Partners (CEEP) as an organization representing energy and energy-intensive companies from Central European Member States supports a fair transition to a climate neutral economy. CEEP has been advocating for the creation and operation of the special dedicated mechanism, which would help and facilitate this transition, for a long time. Therefore we welcome the proposal for a regulation establishing the Just Transition Fund presented by the Commission on 14th January 2020 and submit the following remarks.

The transition towards a carbon-neutral economy will transform the functioning of modern societies. Such a transformation should not result in a surge in energy prices for consumers, a loss of competitiveness of the European industry or a reduction in accessibility and security of supply levels. Were that to happen, associated costs incurred by end-users may well result in a decrease in their acceptance of, and support for such changes.

The costs of this transition will be staggering. EC's Long Term Climate Strategy "A Clean Planet for all" assumes that investments in low-carbon energy and related infrastructure have to increase from an annual 2% of EU's GDP to 2.8% or to EUR 520-575 bn for carbon neutrality to be reached by 2050. We consider that a Just Transition Fund should become a tool of support and mitigation of the changes, available to those regions and countries for which this transition is much more technologically difficult and economically challenging.

First of all it should be acknowledged that Member States have different starting points for energy transition. They are determined by the level and structure of their economies, in particular the energy-intensive branches, but also their energy-mixes, which rely vastly on fossil fuels. It is the case of several Central European Member States. Thus, the switch to low carbon technologies will be a longer process, will pose bigger challenges and will be more costly.

Taking into account the challenges ahead, the budget of the fund should be significantly higher. EUR 7.5 bn is certainly not enough to make a tangible change. Moreover, the cap for maximum allocation of the fund cannot be limited to EUR 2 bn, if the overall budget would increase. The number of jobs in mining and energy use of coal and lignite should be key eligibility criteria and thus its value should increase beyond 25%. Also the GNI per head adjustment factor should better mirror the discrepancies in the economic development among member states. Additionally we propose to consider the CO₂ emission intensity (g CO₂/kWh) of the economy, which is another factor that indicates the transition challenges.

The Just Transition Fund should prioritise highly carbon-intensive regions, notably those heavily reliant on coal-mining (and coal power plants) and with GDP per capita below the EU average.

The Aid Intensity Rule proposed in the regulation should be aligned to the 75% included in the European Investment Bank's Energy Transition Package. It will make rules of the Fund more consistent and more effective.

We suggest that the transfer of sources from ERDF and ESF+ should be optional and not mandatory. It will allow for more flexibility and better assessment of the specific needs of particular country.

We consider that the scope of the projects eligible for funding should be as vast as possible. This will allow more investments and activities to impact economic growth and change the energy mix. Local and national circumstances, which determine costs and risks of projects, should also be taken into account. Despite decreasing costs of RES technologies, considerable differences in capital cost of RES investments within the EU still exist. We believe that this issue should be addressed by the legislator in order to boost development of RES in Central and South-Eastern Europe. Supported activities should be assessed against the following criteria: job creation, decrease in CO₂ emissions, enhancement of security of supply.

With article 5 stating, that fossil fuels and nuclear energy will not be supported by the JTF, we consider the restrictions to severe, as they leave no flexibility for Member States to choose the way of the transition. Therefore, we opt for inclusion of nuclear energy and use of solid fossil fuels. Particularly, natural gas can play an important part in the rapid decrease of emissions, providing fuel switch in power generation and district heating. Moreover, it can constitute a backup for development of RES. Coal-to-gas switching has already been effective at reducing GHG emissions in many European countries.

We consider that not only SMEs should be eligible for funding under the JTF. Big companies can handle bigger projects with substantive job creations effects and thus bring tangible benefits for the affected regions.

Finally, as the energy transition is a long-term challenge, the JTF should be a constant element of the MFF beyond the currently discussed period (2021-2027) and should remain one of the fundamental funds for EU's policies.

We call for the Just Transition Fund to enable the affected regions to carry out a just energy transition, taking into consideration local, economic, social and technological restrictions of Central European Member States.