

Discussion paper on the future of Upper Nitra

Bankwatch is working to find sustainable alternatives to brown coal mining in the Upper Nitra region of Slovakia.

Our experience from other coal mining regions across central and eastern Europe shows that:

- Modern re-development programmes, which create new jobs and enable new economic activities, must go hand in hand with the phase out of brown coal mining.
- Unemployment is at a historical low in Slovakia, coupled with a lack of qualified workers. This means that there are opportunities for targeted re-training and economic diversification.
- Phasing out brown coal mining and energy production is just a question of time due to its economic, social, climate, health and environmental impact. Coal mines and coal power plants are closing in developed countries and there is a long term decrease in employment in the sector;
- The participation of trade unions, regional and (inter)national stakeholders and experts and communities is crucial for a successful just transition;
- It is better to tailor transition plans to the region rather than solve problems afterwards;
- Well-utilised EU funding can create jobs;
- It is possible to build on the experience from the Czech Republic, Germany and other countries;
- Just transition is a development model that is based on locally-designed public policies that aim to create the basis for fair incomes and a decent life for all workers and communities affected by pollution-reduction measures.ⁱ

We suggest an open debate about the development perspectives of Upper Nitra as a first step. We offer these topics for discussion:

Main characteristics of the region

The Prievidza district belongs to the Upper Nitra region, which is part of the Trenčín administrative area. The rate of unemployment in the Prievidza district of 135 750 inhabitants was 6.11 per cent in May 2017, in comparison to 11.14 per cent in May 2015. The mining company Hornonitrianske bane Prievidza (HBP) employs on average 3 948 people, including 92 qualified Romanian miners.^{ii iii} HBP claims that 11 000 jobs are linked to coal mining. According to other sources, the possible expansion of mining threatens the nine hundred-year tradition of the Bojnice spa and its 300 to 1000 jobs.^{iv v}

According to the Ministry of Economy of Slovakia, the main alternative for the employees of the mines is that new investors enter the region and offer job opportunities for adequately remunerated work.^{vi} But the model of foreign direct investment is controversial, and Slovakia as one of the most open EU economies^{vii} is highly vulnerable to the whims of the market. It also does not leave much space for local people to shape their own future.

Risks of illegal state aid within the subsidy system

Electricity from domestic coal is subsidised through a feed-in-tariff based on a decision of the Ministry of Economy from 2015, which was published without broader expert and political discussion and covers an unusually long period: 14 years (2017-2030) instead of one to two years as it was in preceding years.^{viii}

The Regulatory Office for Network Industries set the electricity company - Slovenske elektrarne (SE) a fixed price of EUR 95.4 million for the production of 1584 GWh annually till 2021.^{ix}

The European Institute for Consumer Protection and the Rule of Law submitted a complaint to the European Commission in September 2016 due to a suspicion of illegitimate state aid to HBP through SE via this subsidy.^x The complaint states that “According to European law, compensation of costs within the general economic interest mechanism cannot exceed unavoidable level of corresponding costs and should be a result of an objective analysis.”^{xi} The Commission is investigating the issue and has asked the Slovak government for its opinion and requested more details on the case.^{xii}

Role of trade unions and other actors

In a 2016 publication, the European Trade Union Confederation (ETUC)^{xiii} says that member states need to develop regional strategies for a just transition to a low-carbon industry, accelerate the deployment of breakthrough technologies, increase the involvement of trade unions and employers, invest in skills and increase local support for decarbonisation.

A report by the US-based Stanley Foundation^{xiv} states that it is necessary to prepare an approach specific to the needs of the region, cooperate with various stakeholders and NGOs on policies and that the real choice is not whether to preserve jobs or the environment, but rather both or none.

Discussion about the future of Upper Nitra

The Government office of the Slovak republic organised an internal roundtable discussion in July with representatives of HBP, the Commission, relevant ministries and municipal authorities. The mayor of Prievidza plans to organise a roundtable discussion about the future of Upper Nitra in autumn. The meeting will discuss changing demographic and economic conditions, in addition to mine closures. The Prime Minister, representatives of the Commission and the mines, other employers and experts have all been invited.^{xv}

Statements from the Minister of Economy

According to the Minister of Economy Peter Ziga „*phase out of mining in Slovakia is inevitable.*“^{xvi} and he is prepared to discuss discontinuing subsidies for it as early as 2025.^{xvii} Ziga says that Slovakia needs to have „*a clear roadmap in order to be able to say that if yes, then how and when*“ to realise this change.^{xviii} „*We can say to HBP...if you close it by 2025 or 2021, you can apply for these money, these funds, these grants, employ people here. There are several options, I’m not saying which specifically, but we are looking into it,*“^{xix}

Bojnice spa and the twelfth mining field

The Bojnice spa submitted a complaint on the environmental impact statement within the environmental impact assessment regarding the “Coal exploitation in 12. Mining field DP Novaky I” project proposal.^{xx} The spa claims that mine expansion would undermine its nine hundred years-tradition and threaten its existence, together with approximately 300 current and 1000 potential jobs.^{xxi xxii}

The Novaky power plant and an ‘operational experiment’

SE reportedly announced a possible phase out of the Novaky power plant in September 2016.^{xxiii} According to SE, the Novaky power plant is – despite investments from 2015 – obsolete, which increases its breakdown rate. The company assumes that this will result in longer shutdowns for repairs and maintenance, which would lead to a decrease in the planned supply of electricity to 900 GWh in 2021. SE does not plan to operate the power plant after this year due to technical reasons.^{xxiv xxv}

HBP started an ‘operational experiment’ on 7 November 2016 due to the faults of the power plant in the decommissioned third boiler, which does not comply with EU emissions rules.^{xxvi} SE requested that HBP immediately discontinue the ‘operational experiment’ in January 2017 due to decreased air quality.^{xxvii} HBP stopped on 28 February 2017. Despite burning approximately 200 000 tonnes of brown coal in the third decommissioned boiler, HBP and SE were not able to produce the amount of electricity set by a decision from the Ministry of Economy.^{xxviii} The Minister of Environment informed the mayor of a nearby city by letter that the sulphur dioxide emissions during the ‘operational experiment’ were ten times higher than the allowable emissions limits.^{xxix}

Moreover HBP has projects to replace approximately 96 MW of heat power with an incinerator that will burn up to 60 000 tonnes of municipal waste alone or together with coal.^{xxx} This would undermine Slovakia’s efforts to meet EU recycling targets, which are already insufficient at around 14.9 per cent of municipal waste recycled in 2015^{xxxi} and which might have a significant negative impact on air pollution.

Electricity price in Slovakia

Slovakia has the highest share (14.5 per cent in 2014) of energy expenditures per household in all EU Member States.^{xxxii} Support for brown coal is included in the price of electricity as a feed-in-tariff as described above.

Experience from other countries

The Czech Republic adopted a strategic framework for economic restructuring of regions^{xxxiii} and related action plans. Great Britain, France, Spain, Germany and other countries show that the lack of dialogue with employees, trade unions and other stakeholders resulted in social conflicts, unemployment and depopulation.^{xxxiv} The German energy transition shows the necessity of developing policies for a just transition in a way that communities and workers in the coal sector are not left behind.^{xxxv} Citizens and communities have played a crucial role in the German Energiewende and continue to do so. In 2012, they owned 47 per cent of all renewable energy capacity in Germany. Decentralised, sustainable and citizen-driven energy production insulates against blackouts and fuel poverty, improves the quality of air, water and soil and enables citizens to generate revenue for the production and distribution of local energy.

Financial support for industrial regions

EU funds are crucial for re-training and economic diversification. The Commission states that regions can utilise also the European Globalisation Adjustment Fund (EGF) for their development under certain conditions, such as loss of more than 500 jobs in a particular

company, sector or region as a result of major structural changes in world trade patterns caused by globalisation.^{xxxvi}

Coal mining and EU climate and energy targets

The Commission mentioned Slovakia's support for environmentally-harmful electricity production from domestic coal in its European Semester Country Report.^{xxxvii} The Novaky power plant is the second biggest source by volume of emitted CO₂ emissions in Slovakia.^{xxxviii} The phase out of domestic coal would decrease CO₂ emissions by 5 per cent, contributing to the achievement of the 2030 climate and energy targets.^{xxxix}

Health impacts

The Environmental Policy Institute of the Ministry of Environment and the Department of Valuation for Money of the Ministry of Finance state in a review of expenditures on the environment^{xl} that a phase out of electricity production from coal would bring health benefits of EUR 500 million annually and lower expenditures for electricity consumers by EUR 100 million annually. The Novaky power plant produces as much as 72 per cent of all sulphur dioxide and 8 per cent of dust particles from of the industrial companies monitored in Slovakia.

HBP is more or less the only operating coal and lignite mining company in Slovakia, and its economic activity had the highest number of newly recognized occupational diseases in the last three years combined (2014 - 2016) and in each 2015 (37 cases) and 2016 (38 cases).^{xli}

A study by the medical magazine the Lancet^{xlii} states that the production of 1584 GWh of electricity from lignite leads to approximately 51 deaths, 472 serious illnesses and 27998 minor illnesses annually.^{xliii} The data are relevant for Europe, not a region with the lowest ecological standards or the highest population density.^{xliv}

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