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Following the Money: Slovakia

What is the Just Transition Fund going to finance?

Photo: Tomas Halasz

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The briefing aims to provide an understanding of the just transition envisioned in the Slovak Territorial Just Transition Plan for the three regions designated to receive money from the Just Transition Fund: Upper Nitra, Košický and Banskobystrický. It scrutinises and evaluates the economic, environmental and social aspects of the plan, while also showing how the investments are to be divided among economic (including employment), environmental and social policies. Unlike our previous briefings, this time we will not only be looking at what is written in the Territorial Just Transition Plan, but will primarily be following the money, i.e. analysing how the objectives and focus described in the plan are translated into fund allocation.

This briefing consists of three sections. Following a brief introduction to the Just Transition Mechanism, the second section provides an overview of the methodology we applied to conduct this analysis. The third section identifies what Slovakia actually plans to fund to alleviate the impacts of the transition to carbon neutrality and looks at the allocation of the funds to specific types of projects.

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Introduction to the Just Transition Mechanism

The Just Transition Mechanism is a regional development programme announced by the European Commission in January 2020. Its purpose is to provide targeted support to regions in the EU that are likely to be disproportionately impacted by the transition to a carbon-neutral economy under the European Green Deal.

The mechanism rests on three separate pillars. The first is the Just Transition Fund, the second is a dedicated just transition scheme under the InvestEU programme, and the third is a new public sector loan facility financed with EU grants and loans from the European Investment Bank. The latter two are discussed in more detail in our recent briefing on the second and third pillars of the Just Transition Mechanism.[1] Overall, the targeted support provided by the Just Transition Mechanism has led to the mobilisation of around EUR 55 billion in private and public investments.[2]

To be eligible for funding under the pillars of the Just Transition Mechanism, EU Member States were required to negotiate Territorial Just Transition Plans for regions identified as likely to suffer negative socio-economic impacts from the transition to a carbon-neutral economy. This process lasted from the launch of the Just Transition Fund Regulation in June 2021 until the European Commission's approval of the plans, which had to be completed by 31 December 2022. Of the eight countries covered by CEE Bankwatch Network – Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Poland, Romania and Slovakia – seven have had their Territorial Just Transition Plans approved.[3] Only Bulgaria continues to work on its plan, owing to the ongoing political instability in the country.

Slovakia has prepared one Territorial Just Transition Plan[4] covering three just transition regions: Upper Nitra, Košický and Banskobystrický. Upper Nitra is a coal region, and the remaining two are designated carbon-intensive regions. The Slovak plan was approved on 25 November 2022. The approximate allocation for Slovakia is as follows: EUR 226 million for Upper Nitra, EUR 158.5 million for Košický and EUR 56.4 million for the Banskobystrický region.

All countries that have had their Territorial Just Transition Plans approved have now entered the implementation phase, which means that potential investors are able to apply for funding under all three mechanisms, in accordance with the established funding priorities in the approved plans. In most countries, including Slovakia, monitoring committees for European funds have been established and project implementation has been initiated.

[1] CEE Bankwatch Network, The Second and Third Pillars of the Just Transition Mechanism, *CEE Bankwatch Network,* 13 March 2023.

[2] European Commission, The Just Transition Mechanism: making sure no one is left behind, *European Commission*, accessed 9 March 2023.

[3] European Commission, Just Transition Platform, *European Commission*, accessed 9 March 2023.

[4] Ministry of Investments, Regional Development and Informatization of the Slovak Republic, Plán Spravodlivej Transformácie Územia, *Ministry of Investments, Regional Development and Informatization of the Slovak Republic*, 24 November 2022.

Methodology[5]

The plan for Slovakia was carefully examined and assessed in a four-step process. Firstly, we delved into the primary intended policy outcomes. This involved identifying the key sectors targeted in the plan, summarising estimated job losses and job creation, and analysing the proposed reduction in carbon emissions. We also scrutinised the aspirations related to the phase-out of fossil fuels and the promotion of renewable energy.

In the second step, we closely evaluated the expected impact of the plan. This encompassed a comprehensive analysis of six critical elements: the economic, environmental, employment, and social implications of the plan, as well as potential areas for growth and retraining requirements.

Moving on to the third step, we categorised the most significant economic, social, and environmental policies in a table format. Economic policies were defined as those directly aimed at the private sector or the improvement of employment conditions. Employment policies, for instance, were grouped under economic policies due to their primary benefits for private companies or individuals. Economic policies encompassed initiatives such as investments in small and medium-sized enterprises (SMEs), workforce retraining or upskilling, and investments in large businesses. Environmental policies focused on measures to enhance the environment, including increasing renewable energy production and brownfield decontamination. Social policies aimed to improve the communal and public conditions of regions and were designed to benefit large segments of the population. These policies covered investments in social and healthcare, education (excluding retraining or upskilling), and public research organisations. Economic policies were further categorised into those related to employment, retraining/upskilling, SMEs, and large corporations. Social policies were divided into areas such as social issues, child and elder care, public sector research and development, education, and small-scale community initiatives. Environmental policies were categorised based on their relationship to energy and land development.

In the fourth and final step, we utilised the Cohesion Open Data Platform[6] to investigate the allocation of funds to specific policies. We calculated the percentage of the total budget allocated within the Just Transition Fund to each policy. It should be noted that just transition regions will also be receiving money from other European funds (e.g. the second and third pillar of the Just Transition Mechanism, the European Social Fund, the Modernisation Fund, the general Cohesion Fund, etc.) and national funds; however, it was not possible to include an analysis of all these additional allocations in this brief.

[5] The methodology was based on our collaboration with Michiel Stapper, Assistant Professor at Tilburg Law School, based on his earlier work. See Michiel Stapper, The Road to a Just Transition. A Comparative Analysis of Territorial Just Transition Plans, *Foundation for European Progressive Studies*, April 2022.

[6] European Commission, Cohesion Open Data Platform, *European Commission*, accessed 9 September 2023.

Following the money: the Just Transition Fund for Slovakia

Planned policy implementation outcomes

Table 1: Planned outcomes of the just transition process in Slovakia according to the Territorial Just Transition Plan.[7]

Regions	Sectors targeted	Estimated job losses	Estimated new jobs	Greenhouse gas emission reduction	Phase-out of fossil fuels	Percentage of renewable energy in 2030
Upper Nitra, Košický, Banskobystrický	Nováky lignite mine and power plant (Upper Nitra); steel industry in Košice; carbon-intensive industries (especially metallurgy) in Banskobystrický	5 540	5 801	7.77 million tonnes (only 1.2 million tonnes confirmed)	All lignite mines to be closed by December 2023	No percentages provided. Additional production capacity energy from renewable resources (40 MW Upper Nitra and 19 in Košice and 5 in Banskobystrický) and Result: Total produced energy from renewable sources (34,026 Mw/h per year in upper Nitra and 27,973 in Košice)

In the Slovak Territorial Just Transition Plan, the key transition steps outlined in the plan are restricted to the cessation of coal mining in 2023 and to planned measures by the most significant EU emissions trading systems operators to implement technological changes to how their industries function. The Territorial Just Transition Plan primarily focuses on the coal phase-out in Upper Nitra, which is due to be completed in 2023. It also alludes to technological advances by large enterprises operating within the emissions trading system, particularly those involved in steel production in the Košický region and metallurgy in the Banskobystrický region, but there is no specific timeline provided for these changes. Emission reductions in these two regions are defined as emission reduction potential, i.e. 0.37 million tonnes of CO_2 in the Banskobystrický region and 6.2 million tonnes of CO_2 in Košice by 2030. Prognoses with a timeline are given only in the case of the Nováky and the Vojany power plants. Despite the fact that the prognosis for the Vojany power plant

[7] Developed by CEE Bankwatch Network using methodology prepared by Michiel Stapper and data available in the Territorial Just Transition Plan for Slovakia.

does not indicate an interruption of operations, at the time of preparation of this briefing, the management of the power plants had already announced the cessation of activities in the course of 2024. Thus, the plan is vague with regard to the key transition steps that need to be taken to achieve the 2030 climate and energy targets. Implementing key decarbonisation measures in the steel and energy industries has the potential to substantially reduce most greenhouse gas emissions, which will result in significant socio-economic impacts in the region. Despite allocating a high amount of funds to the development of renewable energy sources, the Slovak Territorial Just Transition Plan does not provide a comprehensive description of how these targets are to be achieved.

Main prognosed impacts (economic, employment, environmental and social) of the just transition process in Slovakia

Due to the termination of mining activities in Upper Nitra, it will be necessary to diversify the local economy and create sustainable value-added jobs. The regional economy is already partially diversified, but it does not have a single strongly developing sector that could become the driving force of future economic development. The regional labour market is structurally mismatched between the qualifications held by job seekers and the available job offers. There is not much scientific research or innovation-focused activity being conducted in the regions, and higher education institutions are also lacking.

The mismatch between offered and required skills is also caused by the lack of ability to adapt the secondary vocational education and training and the tertiary education system to the quickly changing circumstances. The low birth rate and high migration from the regions (primarily Upper Nitra and Banskobystrický) contribute to both the overall population decline and to its rapid ageing. Specifically, the region faces the challenge of the high outflow of young people because it is not perceived as an attractive place to live (up to 11.7 per cent of all the graduates in the Trenčín Self-Governing Region leave to study abroad). Due to the significant loss of jobs, the provision of assistance to job seekers will be required.

The plan anticipates more than 2,700 job losses in the Upper Nitra region (miners and employees of the Novaky Power Plant), with the highest amounts of layoffs expected to occur in 2024. The plan also anticipates the creation of 900 new jobs there, a projection based on a list of projects proposed by various large enterprises. However, this list is purely indicative and may be subject to modifications and additions. Based on its own indicators, the plan also foresees an additional 303 jobs created by other supporting entities by 2029. Considering the age profile of the current workforce, the measures intended to create replacement employment opportunities seem sufficiently credible. In the other two regions (Košický and Banskobystrický), the job losses are expected to amount to 2,840; however, the relevant industries will not be phased out, but rather decarbonised, signifying that the jobs will not be completely lost, but will undergo some modifications. An exception is the company Slovalco (an aluminium plant), which ceased operations in the summer of 2023, and the aforementioned Vojany power plant is expected to cease operations in 2024.

Demographic risks are mentioned several times in the plan. Two of the three transformed regions have difficulties with population ageing. It is mentioned that supporting start-ups and new enterprises and activities in the field of research and innovation might partially reverse the negative migration trend and the population ageing. However, a youth-specific strategy is not really mentioned in the plan. Additionally, the Slovak Territorial Just Transition Plan does not provide strategies with a focus on gender-related issues or on the inclusion of other vulnerable groups in the transition process.

The plan notes the high potential for revitalising and repurposing industrial areas, including improving indicators in waste management on brownfields. It is noted that municipalities should implement integrated, sustainable projects and support the circular economy. The Upper Nitra region must replace the heating sources in municipalities after decommissioning the Nováky Power Plant. For complex regional energy solutions, it is necessary to increase energy efficiency in the region for the purpose of reducing energy consumption. At the same time, it will be necessary to support the installation of renewable energy sources to cover energy supply losses. Problems have been identified with transport links, and deficiencies in the infrastructure (e.g. insufficient integration of public transport and alternative types of mobility) could hinder the development of the entire region.

The Slovak plan outlines a strategy for economic diversification based on supporting the development of small and medium-sized enterprises and start-ups, as well as focusing on industries with a large potential for growth, such as sustainable agriculture and tourism.

Where will the money go?

Table 2: Planned allocation of money for Slovakia[8]

			Amount (EUR)	**Percentage (approximates)**
Economic policies	Employment		0	0%
	Retraining / upskilling		24 538 310	5.5%
	SMEs (≈13.8%)	Investments in SMEs	39 915 600	9%
		Incubators	3 727 400	0.9%
		R&D&I SMEs	17 327 582	3.9%
	Large corporations (≈11.5%)	Investments in large corporations	36 013 000	8%
		R&D&I large corporations	14 972 238	3.5%
TOTAL			136 494 130	≈31%
Environmental policies	Energy (≈31%)	Investments in renewable energy sources	92 979 531	21%
		Infrastructure of renewable energy sources	2 000 000	0.5%

[8] Developed by CEE Bankwatch Network using methodology prepared by Michiel Stapper and data on JTF allocation for the 2021-2027 budgeting period, available at the Cohesion Data open data platform: https://cohesiondata.ec.europa.eu/funds/jtf/21-27. See also Annex 1.

		Energy communities	0	0%
		Energy efficiency and retrofitting	42 328 201	9.5%
	Land development and other environmental projects (≈18%)	Decontamination of land	28 313 000	6.4%
		Waste	10 556 693	2.4%
		Mobility	38 859 000	8.8%
		Climate adaptation (including water management projects)	0	0%
TOTAL			215 036 425	≈49%
Social policies	Social issues		5 000 000	1.1%
	Child and elder care (≈1%)		0	0%
	R&D&I public sectors		13 163 180	3%
	Education (not retraining or upskilling)		68 464 507	15.5%
	Small-scale community initiatives (≈19%)		2 500 000	0.5%
TOTAL			89 127 687	≈20%
FULL SUM FOR SLOVAKIA			440 658 242	

The total planned sum of money that has been allocated from the Just Transition Fund to Slovakia currently amounts to roughly EUR 440 million, the 11th highest allocation in the European Union. In addition, EUR 18.4 million has been designated for the provision of technical assistance.

There are many striking aspects of the Just Transition Fund allocation in Slovakia that are worth noting. In comparison to many other EU countries,[9] Slovakia has a relatively even distribution between investments related to economic (31 per cent), environmental (49 per cent) and social (20 per cent) policies. In addition, Slovakia plans to allocate the highest percentage of the fund (31 per cent) to energy-related investments (renewable energy sources, energy infrastructure and energy efficiency), which, with the approach applied in this briefing, is considered a part of the investments related to environmental policies.

Such an equal division of the funds reflects the key areas of activities emphasised in the Slovak Territorial Just Transition Plan, i.e. (1) economic diversification, (2) transition to clean energy and the revitalisation of territories, and (3) the development of human capital and skills.

The plan outlines several activities under each of the three categories. Under economic diversification, the following areas are to receive funding: business support, development of small and medium-sized enterprises, creation of sustainable jobs, research and development, and innovation. Looking at this category, it is noticeable that more funds have been allocated from the Just Transition Fund to provide support for small and medium-sized enterprises (almost 14 per cent) than for large corporations (ca. 11.5 per cent). Thus, the Just Transition Fund is to focus on the development of small and medium-sized enterprises, including productive investments, as well as to provide support for the development of micro-enterprises and start-ups, especially in new, emerging and transformed sectors of the economy. Simultaneously, the almost equal support for large enterprises is justified based on a gap analysis between the number of jobs lost and those created. Such support within the Just Transition Fund also makes sense in the case of the industries that will not be phased out completely, but rather will be transitioning to low-carbon technologies (e.g. the steel industry in Košice). To this aim, there is also an allocation of 3.5 per cent of the Slovak Just Transition Fund for business research support and cooperation between scientific research institutions and companies with a focus on developing and introducing new, advanced or breakthrough technologies and their transfer into practice. Generally, Slovakia plans to invest through the Just Transition Fund in research and innovation, not only within businesses and industries, but also in public research institutions (3 per cent of the Just Transition Fund), focusing on green technologies and innovations in the green economy, including low-carbon economy, resilience, and adaptation to climate change.

In the transition to clean energy and revitalisation of territories category, there are plans to fund the following areas: clean energy, the circular economy, repurposing and reusing abandoned industrial sites, territory and land restoration, sustainable local transport, development of infrastructure for alternative fuels, and intelligent mobility.

With the high allocation for energy-related investments (ca. 31 per cent of the Slovak Just Transition Fund), there are plans to primarily provide additional resources for renewable energy sources (21 per cent), mainly for their construction and energy infrastructure, including heat production from renewable energy sources

[9] This comparative statement is based on our currently conducted analyses of six other countries in central and eastern Europe based on the same methodology, which will all be published soon. It also refers to the analyses conducted by Michel Stapper (see fn. 5).

and storage of renewable energy sources. These investments will focus on constructing new geothermal energy sources for heat production in district heating and investments in solar energy, specifically on brownfields. The Just Transition Fund will also be used in Slovakia to support the production of green hydrogen (exclusively) for sustainable purposes, as well as local public transport with zero emissions. There is also a small allocation (0.5 per cent) for smart energy systems (including smart grids and ICT systems) and related storage, and a much larger one (9.5 per cent) for energy efficiency measures aimed at public buildings. Unfortunately, there are no plans to provide support for energy communities within the Just Transition Fund.

In terms of the revitalisation of brownfields (mostly in the former mining and energy production areas of Upper Nitra), aside from the above aim of repurposing them as renewable energy source areas, funding will also be provided for other projects, such as an industrial park or cultural and tourist areas with the aim of protecting the mining heritage. However, it is concerning that soil regeneration is not given the attention it deserves, not only in Slovakia, but in other just transition regions as well. This aspect of revitalisation should probably be given more focus in the future.

The small sum allocated for supporting circular economy solutions will focus on developing an integrated and sustainable approach to waste management at the regional level by utilising the potential of brownfields. It is necessary to build infrastructure for waste processing, which could successfully be done on abandoned brownfields. There are also plans to introduce small-scale pilot projects in the field of sustainable local public transport, mobility based on alternative fuels (electromobility and hydrogen-fuelled), and micro-mobility. However, it should be noted that the economic feasibility of developing hydrogen-based public transport remains quite doubtful. No financing from the Just Transition Fund has been planned for any form of direct climate adaptation measures, except for the previously mentioned research and innovation in the area of green technologies and innovations in the green economy.

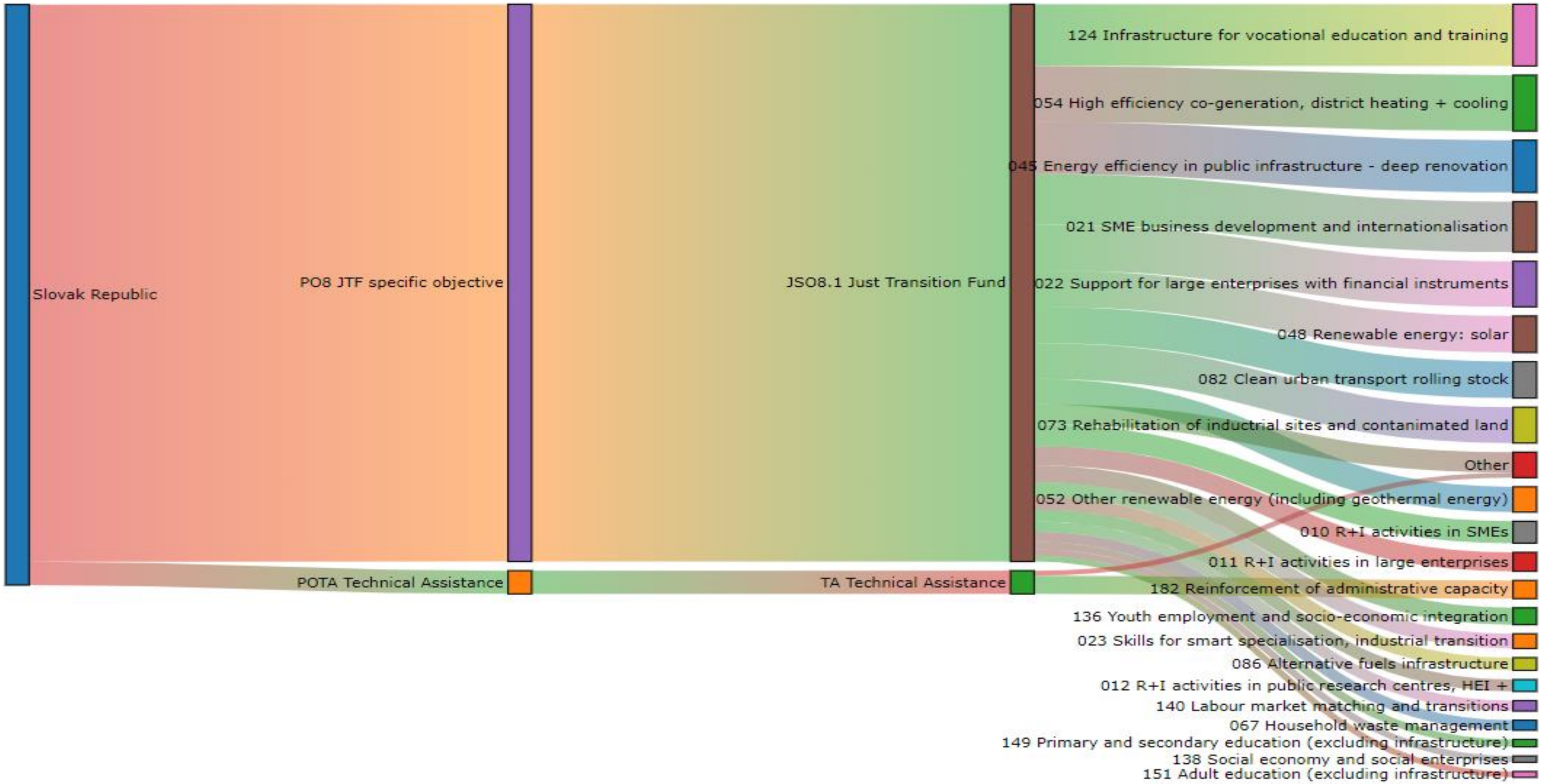
In the category defined within the Territorial Just Transition Plan as the development of human capital and skills, funding is planned for lifelong training and retraining, the development of intelligent specialisations, industrial transformation, entrepreneurship infrastructure, and formal and non-formal education development. Thus, there is generally a very high allocation (over 20 per cent) within the plan for educational purposes. In the short term, financial support is focused on those groups at risk of losing their jobs and having issues finding new ones, e.g. the low-skilled labour force, but – when compared to many other regions – this allocation is quite low (only ca. 5.5 per cent). Such a small allocation can be explained by the fact that many employees are nearing retirement age and many of them will be leaving the labour market. However, there is a very high allocation (at least 15 per cent) for the medium- and long-term educational aims of developing digital and other future skills, mainly through the development of educational infrastructure in just transition areas and sectors affected by the transition to climate neutrality to improve the available formal and non-formal education.

There are also some minor allocations for other social issues. While there is no comprehensive youth strategy in the Slovak plan, one specific measure (amounting to 0.5 per cent of the Just Transition Fund) is mentioned; it is aimed at creating a financial scheme to support youth organisations and young people under the age of 29, providing support for them in the process of transformation, and it involves activities related to participatory projects introduced by informal groups, initiatives consisting of young people or youth organisations. The above-mentioned education-related allocation can also be perceived as being aimed at addressing demographic issues in the transitioning regions.

There is also a small allocation for supporting social economy enterprises (1.1 per cent of the Just Transition Fund). No allocation at all was planned for the support of projects aimed at improving various care services, i.e. for older people or children, which comes as no surprise, as there was little analysis of the gender-related implications of the transition process in the Slovak Territorial Just Transition Plan.

Annex 1

Open Cohesion Data platform table showing fund allocation for the Just Transition Fund in Slovakia



Source: https://cohesiondata.ec.europa.eu/funds/jtf/21-27, accessed 3 November 2023.