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# NATIONAL RESOURCES FOR THE JUST TRANSITION

POLICY BRIEF



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## National Resources for the Just Transition

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# 1. Introduction

Time, planning and resources are all essential in order to shift the local economy of lignite areas towards a sustainable path without dependence on lignite activity as well as to provide support to local communities during this transition. Hence, the utilization of all available funds -both European and national- is of paramount importance.

Recently, the public debate has focused on the European resources available for the Just Transition. With regard to the lignite areas in Greece, these amount to approximately €1.4 billion for the period 2021-2027 and will be disbursed through the Just Development Transition Program (PDAM) 2021-2027<sup>1</sup>, which brings together resources from the European Just Transition Fund, the European Regional Development Fund (ERDF) and the European Social Fund (ESF+), combined with the required national co-financing. In order to make use of these resources, Territorial Just Transition Plans (TJTPs) have been developed for the lignite areas.

Equally significant, however, are the purely national resources, which derive from the revenues of greenhouse gas emission (GHG) allowances auctions. The idea for this measure was first put forward into public debate by WWF Greece at a meeting of the Parliament's Special Standing Committee on the Environment<sup>2</sup>, following the Paris Agreement in 2015. Subsequently, on the occasion of a bill on how to distribute public revenues from the auctioning of emission allowances for the period 2016-2020, the mayors of Greece's 5 energy municipalities (Kozani, Eordaia, Amyntaio, Florina and Megalopolis) -primarily on the initiative of the then mayor of Kozani- proposed a specific relevant amendment<sup>3</sup> for the establishment of a National Just Transition Fund, namely, a distinct financial instrument for the Just Transition of the country's lignite regions; this fund would draw resources from the revenues of GHG emission allowances auctions. This proposal was rejected by the then Minister of Environment and Energy<sup>4</sup>, but was accepted in 2018 by the Deputy Minister of the same government in the context of the discussion on the sale of part of PPC's lignite portfolio<sup>5</sup>. Thus, almost three years after the lignite municipalities mayors' and WWF Greece's initial efforts, it was established that part of the revenues from the auctioning of emission allowances would be channeled to the Just Transition of the lignite areas<sup>6</sup>. Through this decision and by adopting this measure, Greece became the first European country to employ the relevant

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<sup>1</sup> Just Development Transition Program 2021-2027, <https://bit.ly/41agpWd>

<sup>2</sup> Permanent Committee on Environmental Protection of the Hellenic Parliament, session entitled "COP21 in Paris and Greece's climate change policy", 18.11.2015, statement by WWF Greece representative: 1:47-1:58. <https://cutt.ly/Gabkqsv>

<sup>3</sup> Network of Energy Municipalities. 2015, December. Letter to the Minister and Deputy Minister of Environment and Energy. <https://cutt.ly/daj2oy9>

<sup>4</sup> Statement by Mr P. Skourletis, Minister of Environment and Energy, regarding PPC special tariffs for Western Macedonia. 2016, February. <http://goo.gl/qe6hgi>

<sup>5</sup> Press release, Ministry of Environment and Energy 5.6.2018. S. Famellos, Deputy Minister of Environment and Energy: "We are launching the National Just Transition Fund for the lignite areas of Western Macedonia and the Municipality of Megalopolis". <https://cutt.ly/maj9xr6>

<sup>6</sup> GG A/ 216/ 24.12.2018

provision of the Directive governing the operation of the Emissions Trading System (ETS)<sup>7</sup>. It is worth noting that the measure was maintained by the next government elected in July 2019, while its implementation was extended at least until 2030, as reflected in the National Energy and Climate Plan (NECP)<sup>8</sup> of December 2019.

Five years after the adoption of the measure to channel part of the revenues from the auctioning of allowances to the Just Transition of the lignite areas, this brief provides a review of the course of its implementation, presenting the total revenues and their absorption, as well as the type of projects which benefit from these resources and are currently at various stages of development.

## 2. Revenues from emission allowances auctions

The beneficiaries of the public revenues from the auctioning of greenhouse gas emission allowances are determined each year by a respective Ministerial Decision (MD). The latter show large fluctuations in the allocation percentage and the corresponding amounts channeled to lignite areas through the implementation of this measure. Specifically:

- Following the adoption of Law 4585/2018, in April 2019, the first Ministerial Decision<sup>9</sup> was issued, channeling 6% of public revenues from this source for 2018 (€31.4 million).
- In February 2020, the corresponding Decision for the 2019 revenues<sup>10</sup> was issued, providing again for the allocation of 6% of these revenues, which corresponded to an amount similar to that of the previous year (approximately €30.5 million).
- The Decision on the allocation of emissions trading revenues for 2020<sup>11</sup>, however, drastically reduced the percentage to be allocated to 1% (€5.1 million).
- This percentage was increased to 4.5% for 2021 revenues<sup>12</sup>, extending the highest annual amount allocated to lignite areas -to date- via this measure (€45.7 million).
- The relevant MD regarding the distribution of revenues from the auctioning of emission allowances in 2022 initially provided for 4.5% to be allocated to the lignite areas<sup>13</sup>. Nonetheless, this decision was revised twice later that year, reducing the percentage to be directed to the lignite areas initially to 3.5%<sup>14</sup> and finally to 1.125% (€15 million)<sup>15</sup>. The resources originally earmarked for the lignite areas, were eventually channeled into the Energy

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<sup>7</sup> Directive 2018/410 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814. European Commission, <https://bit.ly/2K2TqVB>

<sup>8</sup> GG B / 4893/ 31.12.2019

<sup>9</sup> GG B / 1149/ 05.04.2019

<sup>10</sup> GG B / 584/ 24.2.2020

<sup>11</sup> GG B / 5901/ 31.12.2020

<sup>12</sup> GG B / 5029/ 30.10.2021

<sup>13</sup> GG B / 481 / 08.02.2022

<sup>14</sup> GG B / 1787 / 12.04.2022

<sup>15</sup> GG B / 5404 / 19.10.2022

Transition Fund to address the energy crisis<sup>16</sup>, thus depriving the lignite areas of €44,870,846.23, compared to the initial allocation for 2022.

- The relevant Decision<sup>17</sup> regarding the allocation of the corresponding revenues for 2023 was issued in February 2023, maintaining the percentage directed to the lignite areas at the same low level of 2022 (1.125%). Based on the trading allowances that have been allocated to Greece for 2023 and assuming that their average price in 2023 will remain at 2022 levels (80 €/ton), this percentage is estimated to correspond to €18.9 million.

The percentages of revenues from the auctioning of GHG emission allowances that were allocated to the lignite areas from 2018 to date, along with the corresponding amounts, are presented in Table 1.

**Table 1:** Emission auctioning revenues allocated to lignite areas. Source: DAPEEP; Green Fund

<b>Year</b>	<b>Total ETS revenues (€)</b>	<b>% allocated to lignite areas</b>	<b>Amount allocated to lignite areas (€)</b>
2018	523,533,885.00	6%	<b>31,412,033.10</b>
2019	509,450,305.00	6%	<b>30,567,018.30</b>
2020	506,690,390.00	1%	5,066,903.90
2021	1,014,627,560.00	4.5%	45,658,240.20
2022	1,329,506,555.00	1,125%	14,956,948.74
<b>TOTAL</b>			<b>127,661,144.24</b>
2023	<i>(estimate)</i> 1,676,760,000.00	1.125% (MD, Feb 2023)	<i>(estimate)</i> 18,863,550.00

In addition to the different provisions of MDs on the percentage of revenues to be reserved for the lignite areas, the final amounts allocated through the implementation of this measure depend on the total number of GHG emission allowances allocated to Greece, as well as on the allowance price, which changes in each auction.

Overall, from 2018 to 2022, the revenues collected from GHG emissions allowances auctions to support the lignite areas amount to €127,661,144.24; if the 1.125% rate is maintained for the 2023 revenues, the total amount for the 2018-2023 period is estimated to exceed €146 million.

<sup>16</sup> Chronos of Kozani Newspaper. 24.10.2022. "The government is reducing the share of CO<sub>2</sub> allowances auctioning revenues allocated to our area", <https://bit.ly/3lOeHKv>

<sup>17</sup> GG B / 603 / 08.02.2023

As reflected in all Ministerial Decisions determining the allocation of total revenues from GHG emission trading, the Green Fund has been designated as the competent body to distribute these funds to the lignite areas. The Green Fund is overseen by the Ministry of Environment and Energy. However, since 2021, based on Law 4872/2021<sup>18</sup>, the approval of the programmes concerning the lignite areas is made by a joint ministerial decision of the Minister of Environment and Energy and the Minister responsible for the Just Development Transition.

### 3. Green Fund Financing Program

With regard to lignite areas, the activity sectors which may receive emission allowances trading revenues were defined by Law 4585/2018<sup>19</sup> for the remainder of the 3<sup>rd</sup> phase of the ETS (2018-2020) and by Law 4819/2021 for the 4<sup>th</sup> phase (2021-2030). Both laws refer to the "*development of sustainable economic activities with a low carbon and environmental footprint, aiming to strengthen and gradually diversify local economies, as well as to create new jobs in the lignite areas*". This general direction is further specified into priority axes and measures described in the Green Fund's financing program "*Financing of projects and actions for the development of sustainable economic activities with a low carbon and environmental footprint in the Regional Units of Kozani and Florina and the Municipality of Megalopolis in the Regional Unit of Arcadia*".

Based on Green Fund decisions, only the 2018 and 2019 resources (€61,979,051.40 million) have been allocated for use, while decisions are pending with regard to the remaining funds for 2020, 2021 and 2022 (totaling €65,682,092.84).

The program regarding the distribution of the 2018 funds was published in May 2020, namely two years after the funds were collected and one year after the respective MD was issued. With an overall budget of €31.4 million, it was structured on eight (8) priority axes:<sup>20</sup>:

1. Sustainable Energy and Climate Action Plans (€7,000,000)
2. Circular Economy Action Plans (€7,250,000)
3. Energy Communities Program (€3,560,000)
4. Pilot project for urban wastewater Cyclical Management in the Regional Units of Kozani and Florina (€2,500,000)
5. Development of a specialized Clean Energy and Environmental Technologies Innovation Zone in Western Macedonia (€ 150,000)
6. Small and Medium-Sized Enterprises Support and Assistance Program (€10,202,033.10)
7. Megalopolis Business Park (€80,000)
8. Technical Assistance Program (€670,000)

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<sup>18</sup> GG A / 247 / 10.12.2021, article 25

<sup>19</sup> GG A / 129/13.07.2021, article 131

<sup>20</sup> Green Fund. 27.05.2020. Decision 181.7/2020. <https://bit.ly/40EoEZI>

The respective program for 2019 resources<sup>21</sup>, amounting to €30.6 million, was also published two years later than the fundraising year, in November 2021, and provided for different priority axes than the 2018 program. In particular:

1. Reduction of energy footprint – Environmental Protection (€18,690,000)
2. Green Transformation of Just Development Transition (JDT) areas (€2,294,400)
3. Promotion of innovation and support for enterprises’ productive model transformation (€4,336,000)
4. Intelligent systems to support strategic planning and JDT policy implementation (€4,417,280)
5. Technical Assistance (€829,338.30)

However, as the majority of funds of both aforementioned programs were not absorbed during the respective years, in February 2023, the Green Fund issued the financing program currently in force, which has a three-year duration (2023-2025); with a total budget of €60,671,543.13, it draws on the 2018 and 2019 auction revenues that have not been spent to date<sup>22</sup>. This program is structured around the priority axes below, including most -but not all- actions comprised in the previous ones, and in particular:

1. Sustainable Energy and Climate (€15,727,806.45)
2. Circular Economy (€9,719,566.15)
3. Energy Communities (€3,000,000)
4. Small and Medium Enterprises Support and Assistance Program (€13,967,875.09)
5. Special Urban Plans (€204,600.00)
6. Energy Footprint Reduction (€8,010,000)
7. Green Transformation of JDT areas (€8,296,318.20)
8. Promotion of innovation and support for enterprises’ productive model transformation (€880,590.43)
9. Technical Assistance Program (€583,448)

An additional sum of €281,338.81 will be available but, according to the same decision, has not yet been allocated. The actions included in the previous years’ programs that were not selected for funding again -since their implementation did not proceed during the period that the relevant decision was in force- were the following:

1. Actions in support of energy communities (€1 million)
2. Pilot projects for energy communities (€1.3 million)
3. Intelligent systems to support the transition to the post-lignite era (€ 4.4 million)
4. Guide to the post-industrial planning of lignite settlements - The case of Akrini (€650,000).

It should be noted here that while the new three-year program foresees resources for energy communities; nevertheless, the rationale is different, as these funds are directed to a particular energy community<sup>23</sup>. Hence, the energy community support actions and pilot projects expected to

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<sup>21</sup> MD of the Ministry of Environment and Energy Ref. No. 189 / 17.11.2021. <https://bit.ly/3G0jT4T>

<sup>22</sup> JMD of the Ministry of Environment and Energy – Ministry of Development and Investment Ref. No. 860 / 14.02.2023. <https://bit.ly/3K0cYde>

<sup>23</sup> Namely the Energy Community for the Local Land Improvement Organization of the Region of Western Macedonia.

receive funding from the 2018 resources were not implemented and are no longer included in the planning.

To date, only €1,307,508.27 (2.1% of the resources for 2018 and 2019 or 1% of total resources) have been spent on project implementation, as evidenced by deducting the resources corresponding to the program announced for the period 2023-2025 (€60,671,543.13) from the emission allowances trading revenues for 2018 and 2019 channeled to the Green Fund (€61,979,051.40). In addition, projects amounting to €32,347,847.69 (52% of the resources for 2018 and 2019 or 25.3% of total resources) have been announced and are in progress, as evidenced by both the MD of the three-year program 2023 - 2025 (resources 2018 - 2019) and the calls for proposals that have been issued to date under the Green Fund's financing program for lignite areas. In particular, the following have been announced:

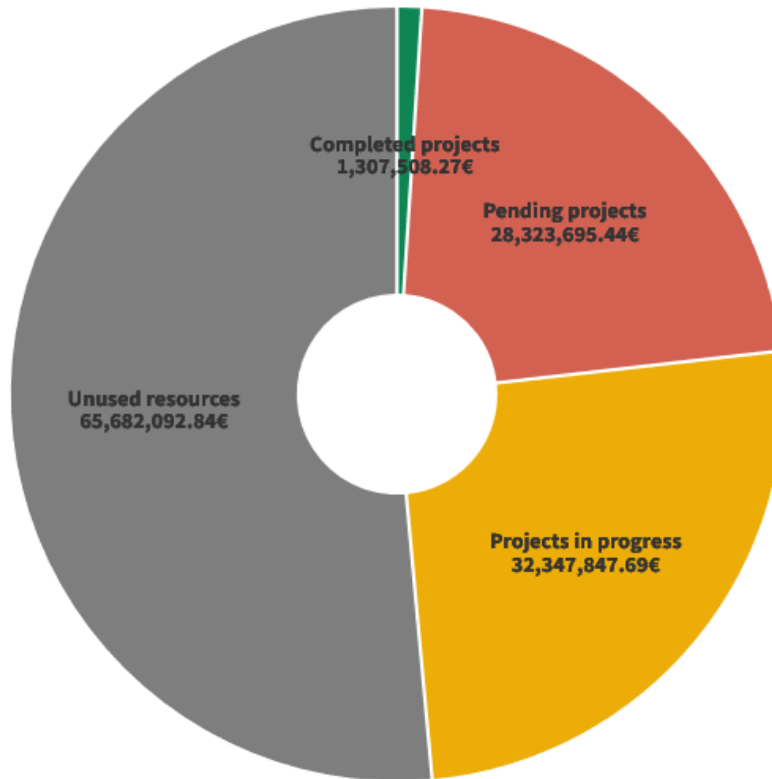
- Update of Sustainable Energy and Climate Action Plans (SECAPs) and Circular Economy Action Plans (CEAPs) and preparation of new plans (€5,806.45).
- Small and Medium Enterprises Support and Assistance (€13,967,875.09).
- Pilot Energy Interventions for priority actions and for the development of actions based on the guidelines of the SECAPs and CEAPs (€17,050,000).
- Special Urban Plans (€204,600).
- Axis Implementation Phase 1: "Preparation of required studies and planning and licensing procedures for the integrated waste management system" (€794,566.15).
- Development of a Collection and Management Network for used pesticide Packaging (€325,000).

Therefore, out of the current 2023-2025 financial program's total available funds (€60,671,543.13), €28,323,695.44 (46% of the resources for the years 2018 and 2019 or 22.2% of total resources) remain to be activated; these have been already allocated to measures and actions but are on hold.

Figure 1, below, illustrates the distribution of projects to be carried out using the total resources allocated so far to the Green Fund (€61,979,051.40) according to their development stage, as well as the unused resources for the years 2020, 2021 and 2022 (€65,682,092.84).



■ Unused resources ■ Projects in progress ■ Completed projects ■ Pending projects

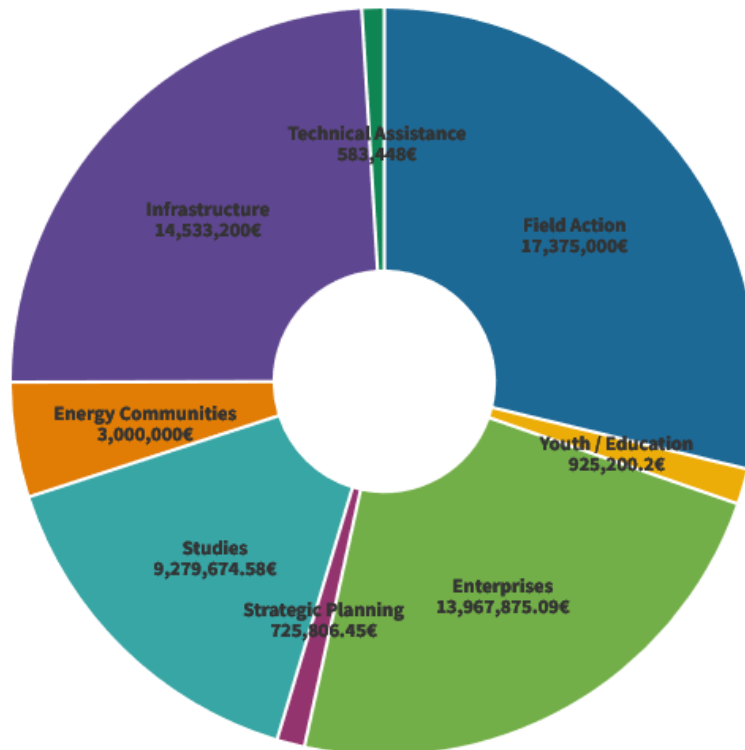


Source: Green Fund

**Figure 1:** Absorption stages of 2018 – 2022 resources totaling €127,661,144.24

The projects to which the existing available resources (€60.7 million) for the period 2023 - 2025 are allocated are classified into different categories, based on the title and nature of each action, namely, whether it concerns strategic planning (e.g. SECAPs, SEAPs), a study (e.g. irrigation study), an infrastructure project (e.g. building infrastructure), a field action (e.g. design implementation such as SECAP pilot projects), enterprises (e.g. SME support program), energy communities or youth/education (e.g. measures targeting youth, such as the establishment of a youth and education center in Florina). The outcome of this classification is presented in Figure 2.

■ Field Action 
 ■ Youth / Education 
 ■ Enterprises 
 ■ Strategic Planning 
 ■ Studies 
 ■ Energy Communities 
 ■ Infrastructure 
 ■ Technical Assistance



Source: Green Fund

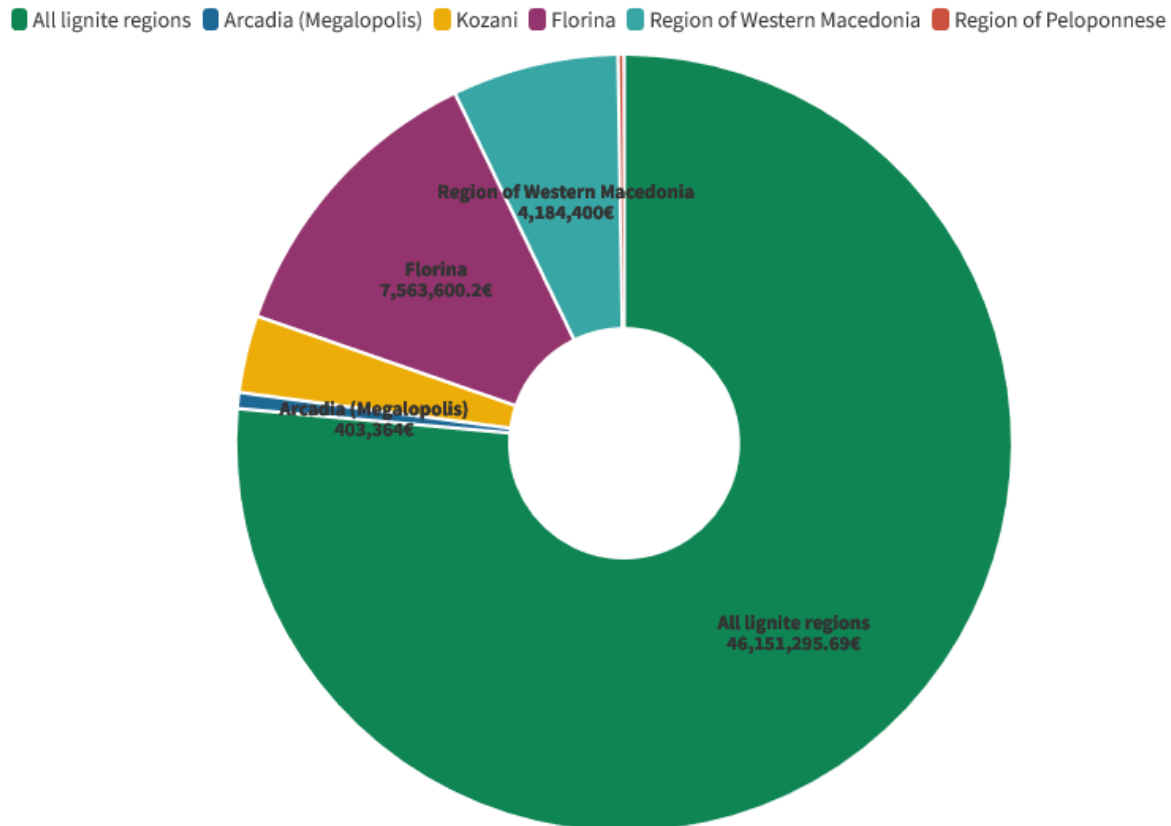
**Figure 2:** Distribution of funded actions (2018 and 2019 resources)

The most important category (29%) has a budget exceeding €17 million dedicated to field actions and concerns studies for the projects proposed in SECAPs and SEAPs, material procurement, project construction, as well as information and training provided to end-users. Infrastructure projects rank second with a budget of approximately €14.5 million (24%), followed by the Small-Medium Enterprise Support and Assistance action with a budget of nearly €14 million (23%), and studies with a budget of €9.3 million (15%), which is similar to the category of strategic planning with a budget of €0.7 million (1%). Studies is the category which includes the largest number of measures. Finally, the smaller percentages correspond to the energy communities -and in particular to the project aimed at reducing the energy footprint of Local Land Improvement Organizations (TOEB) in lignite areas- with a budget of €3 million (5%) and to projects targeting youth (€0.9 million or 2%).

We observe that, to date, the allocation of resources from emission allowances auctions to lignite areas does not adhere to the Just Transition planning, as the latter is reflected in the Just Development Transition Program (PDAM) 2021 - 2027 and the lignite areas' Territorial Just Transition Plans (TJTPs). The current distribution of funds, rather than being based on a holistic and long-term planning, aims at meeting the ad hoc needs of the local community, rather than the urgent needs of the Just Transition. Such had been also the case for many years with respect to the

lignite resource, namely, the funds channeled by the Public Power Corporation (PPC) to the lignite areas as compensatory benefits to lignite activity.

Furthermore, looking at the beneficiaries or the project implementation areas, we note that the largest part of the resources of the current 2023-2025 program (€46.2 million or 76%) is earmarked for lignite areas as a whole. The remainder, amounting to €14,520,247.5 (24%), is distributed distinctly among the three lignite Regional Units (RUs), the Region of Western Macedonia, and the Region of Peloponnese (Figure 3).



Source: Green Fund

**Figure 3:** Geographical distribution of 2018 and 2019 resources

The largest share (€7.6 million or 13%) is channeled to the RU of Florina, followed by the RU of Kozani with €1.9 million (3%); the smallest share (€0.4 million or 1%) is allocated to the RU of Arcadia (Municipality of Megalopolis). With regard to the two lignite Regions, the largest share is allocated to the Region of Western Macedonia (€4.2 million or 7%), while only €0.2 million (0.2%) is reserved for the Region of Peloponnese. The RU of Florina gets the lion's share due to the fact that significant resources are to be spent on irrigation studies in this area, while it will also host the Youth, Education and Innovation Center.

## 4. Conclusions

Since 2018, when the measure was introduced to channel part of the ETS revenues to the Just Transition of lignite areas, and up to 2022, the relevant funds collected amount to €127,661,144.24. Of these resources, €61,979,051.40 -corresponding to the years 2018 and 2019- have been dispersed and are currently being deployed, while resources for the years 2020, 2021 and 2022, amounting to €65,682,092.84, still remain unused.

The management of national resources for the Just Transition, to date, has the following positive aspects:

1. In principle, the existence of national resources for the Just Transition of the lignite areas is valuable, as it supplements the limited resources of the Just Development Transition Program (PDAM) 2021-2027 with indispensable funds.
2. The extension of the duration of the funding program from one to three years is also beneficial, as neither the absorption of funds nor the completion of actions was feasible within the one-year timeframe.
3. As of April 2022, decisions on the financing program are no longer approved only by the Minister of Environment and Energy, who oversees the Green Fund, but also by the Minister of Development and Investment, among whose responsibilities is the implementation of the Just Development Transition. Therefore, there appears to be a will with regard to reserving national resources to complement the overall planning of the Just Transition

However, there are certain particularly worrying signs with regard to resource utilization. In particular:

1. There are large fluctuations in the allocation percentage and the corresponding amounts channeled to lignite areas each year, impeding the planning of funds distribution.
2. Of the total available resources, amounting to €127.7 million, 51.5% (€65.7 million) remain unused.
3. With regard to the 2018-2019 resources allocated to projects - actions (€62 million), a very low absorption rate is noted -just 2.1% (or 1% of total resources); moreover, a long delay is observed from auctioning year to activation of available resources from ETS revenues. Specifically, to date, both the publication of the financing programs and the related calls for projects and actions are behind schedule (€28.3 million, namely 46% of the 2018 and 2019 resources or 22.2% of total resources are on hold).
4. There is a lack of complementarity and continuity between the programs regarding 2018 and 2019 resources. The allocation of 2019 resources, as reflected in the corresponding MD, differed significantly from that of 2018, focusing mainly on the funding of studies (€7,970,400 or 26% of total resources in 2019 compared to €1,690,000 or 5% of resources in 2018), even though the latter were not linked to a subsequent implementation stage of specific projects. In

addition, the resources channeled to entrepreneurship amounted to just €4 million in 2019, as opposed to a budget of €10.2 million foreseen in the 2018 program.

5. To date, the proposed use of national resources is not in line with the Just Transition planning reflected in the Just Development Transition Program 2021-2027 and the TJTPs of the three lignite regions. Resource allocation is driven by the rationale of meeting the ad hoc needs of the lignite areas; this had been largely the case with the resources channeled by the PPC to the lignite areas as compensatory benefits to lignite activity.
6. The prioritization in the allocation of resources does not meet the urgent and long-term challenges of the transition faced by local communities. Data show that 24% is directed to infrastructure projects of a wider interest and 16% is dedicated to planning and studies. On the contrary, the entrepreneurship support program, which is the only effective action directly targeted at local entrepreneurs, accounts for 23% of the program, while energy communities and youth -whose support should be a priority- receive only 5% and 2%, respectively.

## 5. Policy Recommendations

In order to address the issues identified above, as well as to make optimal use of the national resources reserved for the lignite areas, the following are recommended:

1. A fixed amount or percentage of resources from the revenues of the remaining years of the 4<sup>th</sup> phase of the ETS (2023 - 2030) should be allocated each year to the lignite areas, so as to ensure the predictability required for optimal use of resources over time.
2. The 2020, 2021 and 2022 revenues, totaling €65,682,092.84, should be immediately utilized as part of the overall Just Transition planning, without further delay.
3. The existing national resources for the Just Transition should be brought into line with the overall transition planning (PDAM 2021 - 2027; TJTPs), in order to ensure the necessary complementarity of resources. The distribution of Green Fund resources should not be a matter revisited on a yearly basis; the recent decision to disburse the 2018 and 2019 revenues over a three-year period (2023 - 2025) is a step in the right direction.
4. Priority should be given to actions directly addressing the local community, such as supporting young citizens and curbing youth drain with programs related to youth training, employment and education. Furthermore, part of the national resources could be employed to establish a Youth Fund for Just Transition, aimed at creating an ecosystem of youth entrepreneurship and financing relevant initiatives and business ideas<sup>24</sup>.
5. In the same spirit, energy communities should constitute a fixed priority axis in the Green Fund's financing program. In particular, financial support should be readily available to energy

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<sup>24</sup> The Green Tank, 2022, The role of Youth in the Just Transition: The case of Western Macedonia, <https://bit.ly/3NpQOED>

community projects aimed at meeting own energy needs, as there is already a marked interest in such projects in the lignite regions, and especially in Western Macedonia<sup>25</sup>.

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<sup>25</sup> The Green Tank, 2023, Energy communities in Greece and its lignite areas, Review of Developments #3, <https://bit.ly/3AIU3PT>