

**POST-EVENT BRIEF**

# **ESPO Conference on Sustainable Development and Regional Restructuring in the Baltic Sea Region**

Virtual - 13th October 2021

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## Summary



This event looked at the challenges, potentials, and possible paths of sustainable development and regional restructuring in the Baltic Sea Region. Presentations and discussions were oriented towards answering the guiding questions dealing with the specific nature and magnitude of the consequences of decarbonisation in the Baltic Sea Region, the spatial distribution of the challenges, and the different regional approaches to structural change. Furthermore, the integration of these regional approaches into planning processes and their mutual relationship were included. Their respective translation to the different Sustainable Development Goals (SDGs) were examined.

## Objectives and target groups

The ESPON Conference on Sustainable Development and Regional Restructuring in the Baltic Sea Region summarised and synthesised the evidence gathered from recent ESPON studies on the restructuring of regional economies, particularly focusing on the context and challenges of declining regions. The conference aimed to enhance understanding of the connections between spatial planning and SDGs.

The efforts to decarbonise European economies entail a wave of structural and social consequences. The discussions during the conference responded to the following policy questions:

- What is the specific nature and magnitude of the consequences of decarbonisation in the Baltic Sea Region?
- How are these challenges spatially distributed?
- What are the different regional approaches to structural change?
- How are these approaches translated to SDGs and how are they integrated in different planning levels?
- What are the factors hampering the smooth involvement of SDGs in spatial planning?
- Are there success stories where SDGs guide the planning process and the implementation of the plan?

The policy questions raised were intended to initiate a debate among researchers, government officials, and institutional stakeholders, helping them to set priorities, implement better policies, and ensure the long-term future of Europe.

To achieve these objectives, the conference was divided in 3 parts:

- The specific nature and magnitude of structural and social consequences of decarbonisation
- Localisation of SDG goals
- The role of the ESPON programme in decarbonisation and SDGs

The thematic sessions were each preceded by an introductory presentation to set the scene and give context to the participants.

## Programme and presentations

The thematic sessions were preceded by welcome notes from the ESPON EGTC by Mr. Martin Gauk and from the Estonian ESPON Monitoring Member Mr. Eedi Sepp from the Regional Policy Unit of the Estonian Ministry of Finance. They both pointed out the current relevance of the topic and underlined that opportunities for growth are increasingly related to new modes of decarbonisation and sustainable exploitation of resources. The conference was envisioned to help participants better understand the challenges related to decarbonisation and spatial distribution in the Baltic Sea area, what the growth opportunities are available for regions in a “green transition”, and how regional actions in this context could be better translated to SDG goals.

In the following instructions for the conference, Dr. Wiktor Szydarowski, the director of the ESPON EGTC, gave a short overview on the ESPON programme and activities and explained the upcoming sessions of the conference.

Before launching the thematic sessions, Dr. Høgni Kalsø Hansen, Associate Professor at Copenhagen University, gave a keynote presentation. The presentation detailed the regional development, labour market dynamics, and the public sector in a Nordic perspective, with focus on Denmark. He explained the potential role of the public sector as a lever for regional development by taking into account the different regional capacities in terms of competitiveness and resilience. Dr. Hansen then identified the driving forces of regional development in Denmark and the existing interrelation between development and employment, available educational skills, population density and migration patterns. The public sector is strongly dependent on population density in order to play an active role. However, it can also provide opportunities for job growth in less population-dense areas and in less-favoured regions.

## Session 1: The specific nature and magnitude of structural and social consequences of decarbonisation

Moderator: Dr. Antti Roose, Tartu Regional Energy Agency

In this introduction to the decarbonisation session, Dr. Roose referred to the recent policy discussions and the territorial priorities of the Territorial Agenda 2030 and the EU Green Deal Just Transition mechanism (JTM). He underlined the need to phase out the dependence on carbon-containing fossil fuels and that decarbonisation must be embedded in other societal and industrial processes. He formulated the guiding policy questions of the session:

- What is the specific nature and magnitude of the consequences of decarbonisation in the Baltic Sea Region?
- How are these challenges spatially distributed?
- What are the different regional approaches to structural change?

Ms. Marta Koreniecka from the Department of Economic and Social Development of the University of Białystok presented the role of the Upper Silesian Industrial Region in the Polish energy transition.

The importance of coal mining and as well as energy and production industry of Upper Silesia for Poland is representative of the difficulties for the Polish energy transition. Poland's energy sector is still heavily reliant on coal and the high consumption of coal is planned to be sustained for the next decade. It will be difficult for Poland to reach climate neutrality by 2050. In Poland, the energy transition faces multiple challenges in respect to demography, economy, and social affairs.

Clear communication of the long-term perspective related to industrial change is needed to give industries and labour markets, as well as local communities, the time and resources to adapt to change.

Mr. Ivan Sergejev from the Regional Development Department in the Estonian Ministry of Finance, and coordinator of Estonia's Just Transition Plan, reported on the path to a Just Transition in the Ida-Viru region in north-eastern Estonia. He remarked that Estonia and Ida-Viru are on track in their efforts to achieve this and that they are making progress towards green development. But the challenges of this transition are numerous, especially in regions where oil shale industry plays an important role for the labour market.

In the light of the Just Transition mechanism and the respective funds for which the Ida-Viru region is one of the target territories, a path and consequent steps for the application of the Just Transition Plan were set-up. It considers the involvement of partners on national, regional, and local level and takes into account the development needs and the programmatic strands of the intervention logic.

A prolonged panel discussion dealt with questions related to the dependencies of green industry on raw material from outside Europe e.g. from Africa, which are needed for green transition. Overcoming this might require increased mining activities in Europe, which depends on national and regional resources and respective activities. This problematic, however, is not yet in focus in Estonia. Another topic in the discussion was the energy crisis and its impact on the paths to achieve a Just and Green transition, on energy security and on energy poverty. These are important topics in Poland as the country depends on imports from Russia or other countries. It was clarified that the energy crisis, at this very moment, is not caused by green energy (in fact, renewable energy is cheaper than fossil fuels) but is due to other global economic factors including an economic

recovery from the COVID-19 pandemic. In this respect, a revival of nuclear energy is not out of the discussion in Estonia.

## Session 2: Localisation of the Sustainable development goals (SDGs)

Moderator: Dr. Pille Metspalu, University of Tartu, Estonian Planners Association

Mr. Daniel André is a project manager in the Swedish National Board of Housing, Building and Planning and Swedish MC Member of ESPON. He opened the session with a view on the Integration of SDGs in Swedish spatial planning.

Mr. André pointed out the discrepancies in the Swedish planning system, where it is the municipalities that decide what is planned and built. He also explained how Swedish national agencies act within their responsibilities. In the frame of SDG implementation, the state agencies need to take on their national responsibility for the overview and coordination of local actors. The state agencies' responsibilities imply the spatial translation of SDGs in function of the territorial specificities of regions and municipalities. This responsibility thus includes application of a functional perspective and to mobilise the local actors to reach the SDG goals. A comprehensive plan on land use is needed for all municipalities to achieve national and regional goals.

Mr. Tiit Oidjärv, Deputy Head of the Planning Department in the Estonian Ministry of Finance, talked about the recognition of supranational environmental goals in subnational land use planning by Finnish and Estonian planners.

He introduced the key findings of a recent study that addressed the SDGs from three perspectives. The first used an operational list of environmental goals relevant for land use planning. The second gathered opinions of Estonian and Finnish local-level land use planners that have responsibilities closely related to environmental goals. Finally, the third identified factors in planning processes that support or hinder the achievement of environmental goals.

The study combines various environmental goals by quantifying attitudes of influential actors and by establishing distinct patterns. In Finland, environmental goals are more frequently attributed as a responsibility of planners than in Estonia. Moreover, Finnish planners tend to concentrate more on urban spaces and larger municipalities rather than rural areas and smaller municipalities. They do, however, address the issue through more comprehensive and detailed planning.

Mrs. Elita Jermolajeva, Leading Researcher and Mrs. Inese Trusina, Ph.D. student at the Latvia University of Life Sciences and Technologies, explained the tendencies of sustainable regional development in the context of SDGs, referring to the situation in Latvia.

In conclusion, the almost 50 years of discussions about sustainable development can actually be summarised as being centralised around the difficulty of identifying clear quantifiable goals. As SDG indicators are very broad points of attention, society is forced to make decisions based on approximations and broad perspectives. This often leads to decisions based on biased information that is dependent on points of view. This situation is caused by the lack of adequate methodology and technology for measuring sustainable development. All the criteria for sustainable development do not fully meet the general system requirements and do not answer the need for smart parameters to reach the goals.

Therefore, they propose an approach based on three quantifiable principles: the first principle would focus on sustainable development (expressed in units of power), the second on conservation (energy flow), and the third on the conservation of sustainable development. The first approach can be considered as a basis for identifying trends in sustainable development in the frame of SDGs as encompassing concepts.

Mr. Mika Raunio, Senior Researcher at the Migration Institute of Finland spoke about the Seinäjoki city-region and how the region used SDGs for future development.

He pointed at the important role of migration in the light of SDGs and development. Migration should be more imbedded in the interpretation because it is closely related to economic development.

The analysis of immigration and emigration, their mutual relationship and the ensuing migration dynamics (job and study, social relations, and qualities of life/amenities) indicate dominant emigration trends to the bigger centres in Finland and immigration from the surrounding more rural areas.

These dynamics have an influence on the achievement of the SDGs. Focusing on local challenges might be a starting point for a sustainable transformation of the migration system in the Seinäjoki city-region.

## Session 3: The role of the ESPON programme in decarbonisation and SDGs

Moderator: Mr. Martin Gauk, (ESPON EGTC)

A brief introduction to ESPON studies addressing decarbonisation, structural transformation and SDGs opened this session.

Dr. Andrew Copus, Honorary Associate at the James Hutton Institute, gave an outline based on the ESPON ESCAPE project - European Shrinking Rural Areas Challenges. ESCAPE focused on demographic trends in rural Europe and analysed shrinking processes. This form of active shrinking is driven by ongoing migration and by natural population decrease (due to effects on age structure). This active shrinking is particularly evident in the Baltic region and in Eastern Europe.

Concerning policy responses, two generic types of policies have been identified. The first type uses mitigation from the perspective that a degree of shrinking is inevitable. Based on this assumption, it seeks to find ways to stimulate in migration or adaptation. The second type tends to find ways to sustain the well-being of the remaining population, which is sometimes dubbed “smart shrinking”.

The reaching of equifinality implies a complete understanding of the unique set of regional/local processes that have resulted in shrinking, rather than “off the peg” (ready-made) responses.

In the context of the Just Transition of fossil fuel-dependent regions, reaching equifinality is likely to be just as much of an issue. It will be of equal importance here to take the previous development path and local/regional context into account and applying a form of multi-level governance. A systematic approach and clarity in the intervention logic, tailored to local opportunities and challenges, will be essential.

Rural areas with no history of fossil fuel extraction or related industries, including shrinking ones, might have development opportunities in renewable energy. However, there is a potential reversal of “complex shrinking” that depends on the level of support to entrepreneurship in associated economic activities. This support can be an explicit strategy to both upgrade local human capital resources and attract “new blood” from outside.

In the very end, policies should be people-based rather than place-based.

Dr. Lukas Kranzl from Vienna University of Technology presented the results of the ESPON LOCATE - Territories and Low-Carbon Economy project on the potential for renewable energy and its exploitation at a regional level.

The project evaluated and created a broad range of energy-related data and indicators from a European perspective. The data ranges from final energy demand for space heating, hot water and cooling, residential buildings, to final energy demand for road transport, the share of renewable energy carriers for space heating, and wind and solar energy potentials.

Energy consumption of space heating and cooling are (amongst others) driven by climatic conditions (e.g. higher consumption in Central and Northern European Countries), energy performance of buildings, and economic wealth. These factors define the levels of energy services that are available.

Renewable energy potentials show considerable variances due to geographical and climatic differences. Regions with high wind energy potentials also exist in the Baltic Sea Region. There, the changes in the exploitation of renewable energy potentials in the last decade were generally determined by national policies.

Closing and wrap-up comments by Dr. Antti Roose and Dr. Pille Metspalu

A long-term strategy needs to overcome the energy trilemma of security, equity, and environmental sustainability. Knowledge is necessary to understand the cascading effects related to drivers and triggers and the interrelations with demography and population as well as their social and economic implications. Development is not straightforward or linear. The approach must be people-oriented, or in other words citizen-centred, especially in the transition regions with many social issue-related challenges. Job transition measures are, in fact, still market and job creation-oriented and focus very much on entrepreneurship.

Further discussions between regional policymakers and researchers in similar ESPON events are needed. Key policy questions should more closely and deeply analyse the risk of widening territorial gaps. In relation to European directives and the Green Deal, the elaboration and interpretation of legislative instruments for a real

policy-making is required. A multi-level holistic approach is needed to balance sector based policies and crosscutting territorial approaches.

## Delivered input and the efficacy of the proposed structure

The conference took place virtually and was almost one day long. Due to the well-structured agenda, this format was successful and carried the attention and interest of attendees over the whole session.

The ESPON event took place in a joint ESPON-NoRSA Conference taking place on the same day with parallel session organised by the Estonian ECP. The event was organised under the umbrella title of “Post-COVID-19 Sustainable Development and Regional Restructuring in the Baltic Sea Region”. In the timing of the two events, participants were given the possibility to switch “event rooms”.

Despite the fact that it was a virtual conference, the participation rate was concentrated in the Baltic Sea Region. Nevertheless, one quarter of the participants came from other parts of Europe. While the event had a total of 69 registrations, the number of attendees during the event varied from a number of 45 attendees to a maximum number of 91. This variance resulted from the possibilities given by the organisation to change between the parallel events; registrations for the TNO conference have been only counted via the ESPON side.

The European-wide interest for the topic again shows the advantage of virtual events. This is a point of considerations in a post-COVID-19 era in respect to the broadening of outreach activities. In fact, the total number of regional participants in this virtual format was impressive, even if more could have been expected in a physical event.

Interest outside of the scientific world was remarkable, almost 60% of the participants who took part in the survey were policymakers or came from planning practices. One third of the policymakers came from the local and regional scale.

The degree of satisfaction regarding the event was very high. Reactions gathered from the post-event survey indicated that it gave a good overview of the coming transitions in Nordic countries and presented suitable ideas and tips to achieve regional sustainable goals.

## Main conclusions

- The path to sustainable development, decarbonisation, and green energy is difficult for a lot of regions in the Baltic Sea Region, especially for those in which the fossil energy sector is still heavily reliant on coal and energy production and that depend on high consumption of fossil fuels. In these regions especially, a clear communication of the long-term perspective related to industrial change is needed to give industries and labour markets, as well as local communities, the time and resources to adapt to change.
- To achieve a more sustainable development and transition of fossil fuel dependent regions, it is important to take the development path and local/regional context into account. Multi-level governance and a systematic approach that includes clarity in the intervention logic, tailored to local opportunities and challenges, will be essential.
- In this respect, Just Transition Plans must consider the involvement of partners on national, regional, and local levels, should take into account their development needs, and should include a clear intervention program. JTM funds don't just mean money but also consideration of the time needed for the guidance and the collaboration with communities and stakeholders.
- Sustainable development, regional restructuring and energy transition goes along with the implementation of SDGs. The translation of SDGs into actions and activities needs to consider the interdependency of national, regional, and local initiatives, in which national responsibility creates the framework and takes over coordination of regional and local activities. This framework should include the spatial translation of SDGs from a functional perspective.
- A long-term strategy is needed to overcome the trilemma between 1) sustainable development and transition; 2) energy security; and 3) equity, potential labour market, and social issues. Knowledge is necessary to understand the cascading effects of drivers and triggers and their interrelation with the demographic dynamics, the population and their social and economic implications.



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