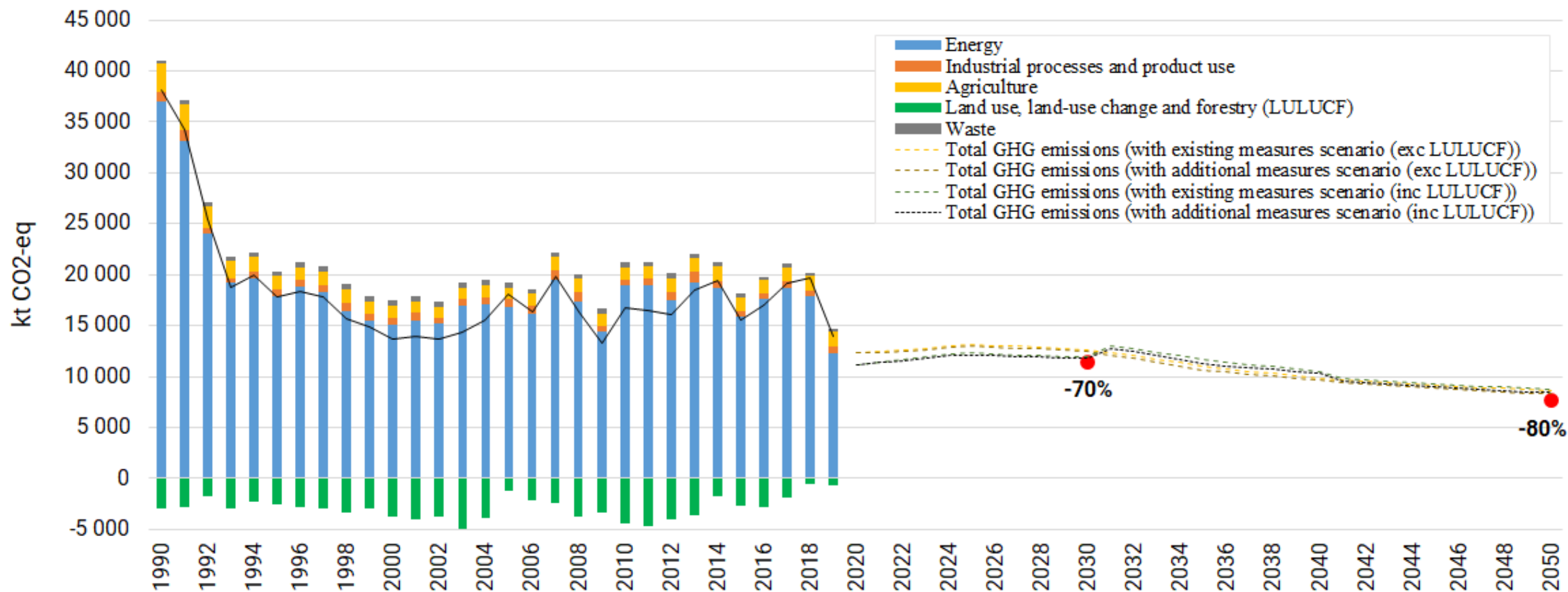


# Preparing the Just Transition in North-Eastern Estonia

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## Context: Estonia's climate goals

Estonia is the member of UNFCCC, has ratified the Paris agreement and accepted the EU 2050 climate neutrality target, currently on track meeting climate goals.

# Impact of the transition

- + Estonia's biggest pollutor — the oil shale sector — is highly concentrated in the eastern-most region of Estonia, **Ida-Virumaa** (or Ida-Viru).
- + In 2019, oil shale related companies located in the region accounted for over **50% of Estonia's total GHG emissions**.
- + This means that the transition to climate neutrality will have — and is already having — the largest **impact** specifically on the Ida-Viru region of Estonia.



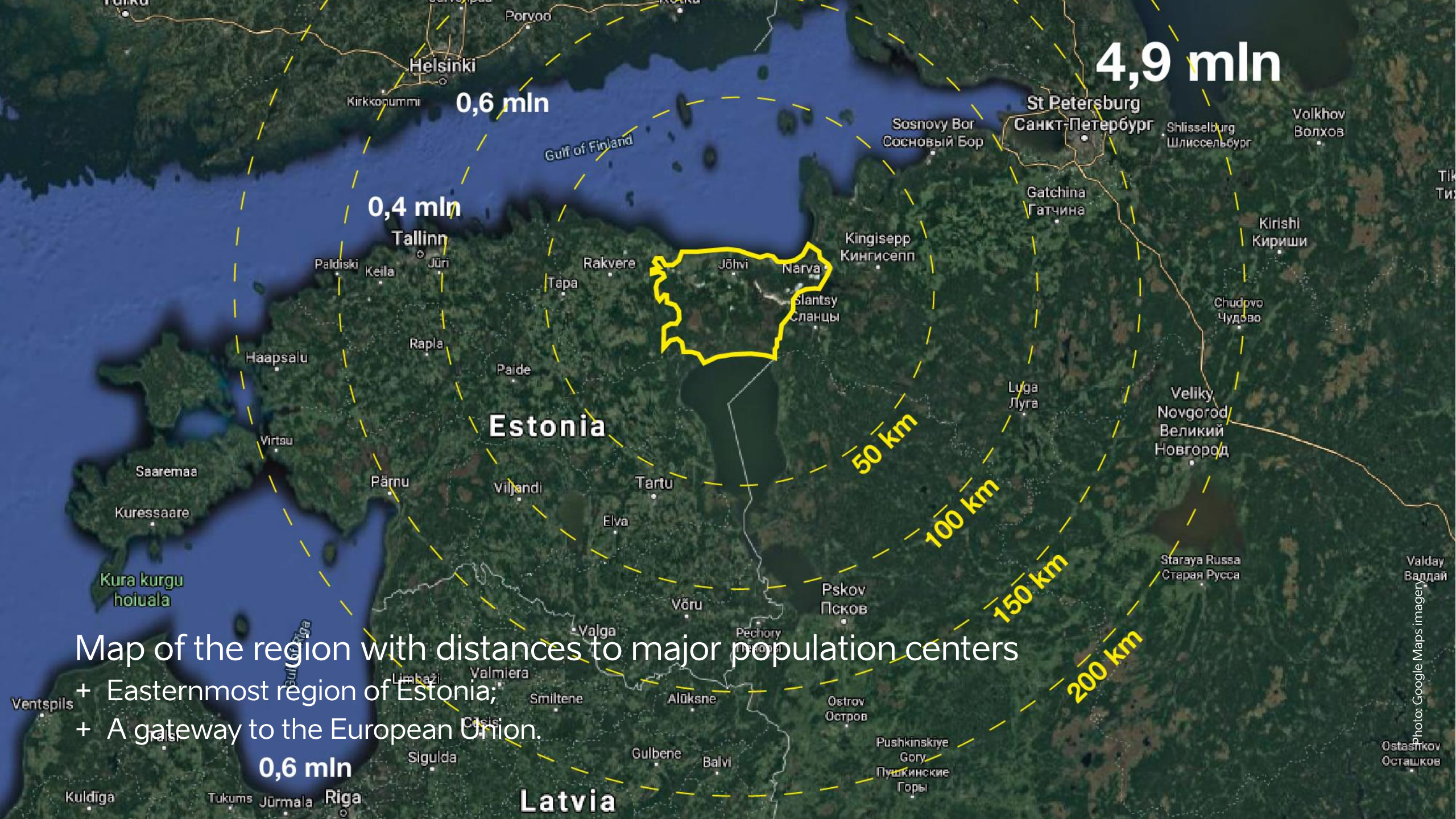




Photo: Tõnu Tunnel

Please meet the Ida-Viru  
region of Estonia!





4,9 mln

0,6 mln

0,4 mln

Estonia

Latvia

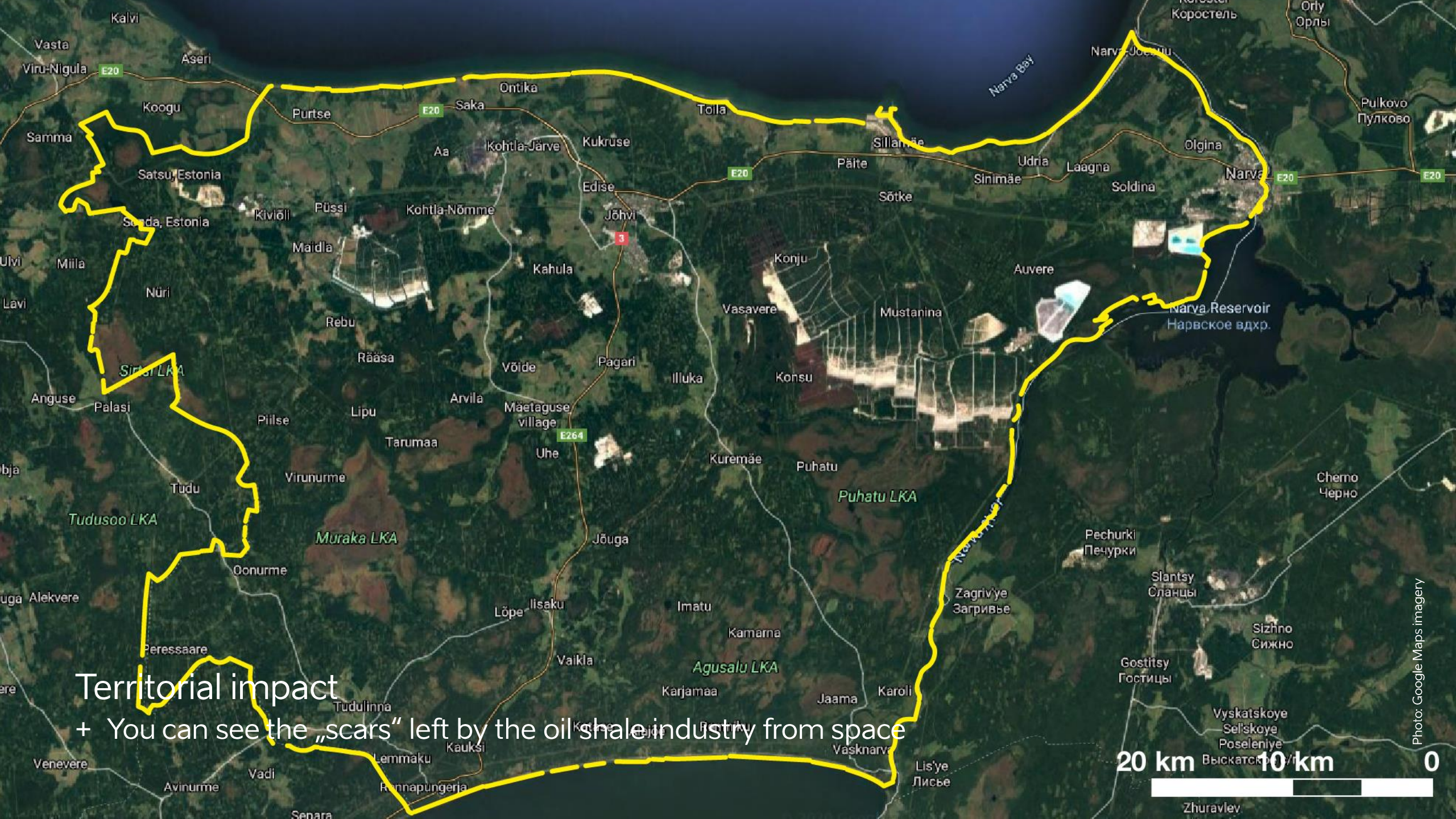
Map of the region with distances to major population centers

- + Easternmost region of Estonia;
- + A gateway to the European Union.

0,6 mln

Photo: Google Maps imagery





Territorial impact

+ You can see the „scars” left by the oil shale industry from space

20 km 10 km 0

Photo: Google Maps imagery



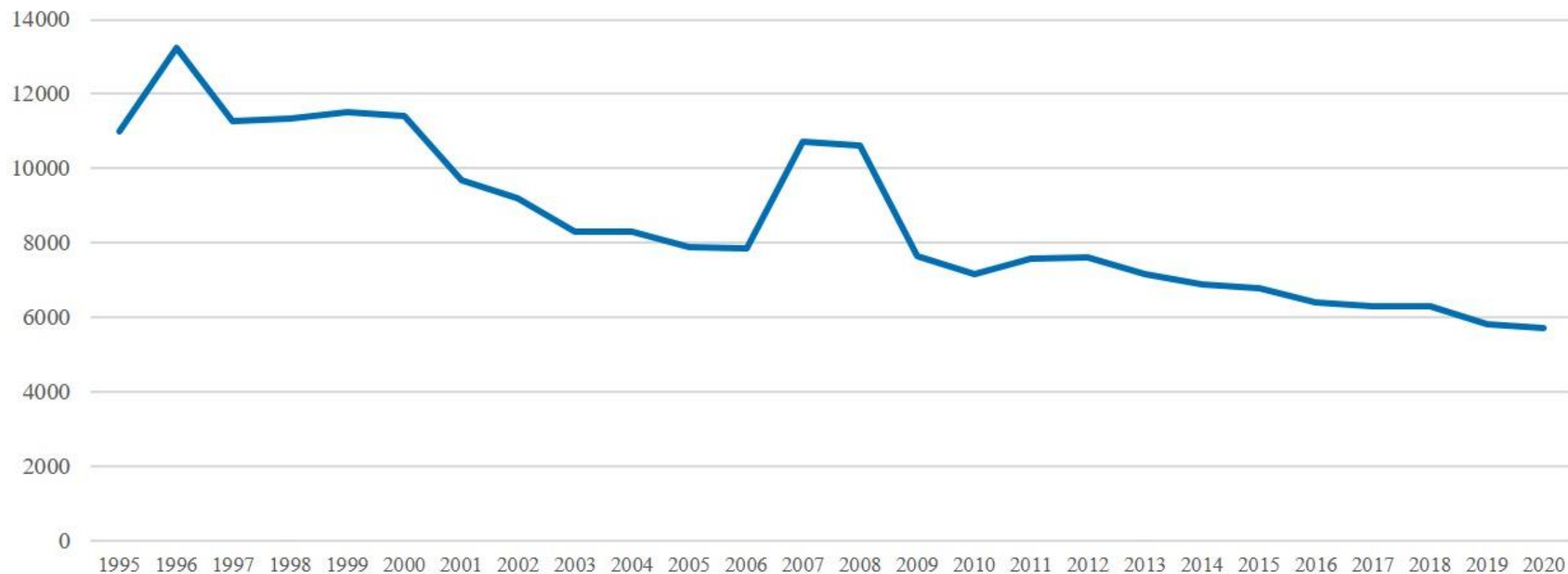
# Ida-Viru factsheet

- + **Population** as of 01.01.2021 – 133 888 people, rapidly ageing and decreasing. If current trends continue, by 2045 the population of Ida-Viru will decrease by ~50,000 people.
- + **The economy** of the region depends on 5,900 companies with a combined quarterly turnover of 505 mln €, employing a total of 40,800 people. There are 15 large employers in the area; 11 of those employers are business companies and of those – 67% are companies in the oil shale sector.
- + **Incomes** in Ida-Virumaa are among the lowest nationally and amount to an average of 1161 €/mo (compared to Estonia's average of 1448 €/mo; 2020), with the exception of the oil shale sector, where an average salary is 1,663 €/mo.
- + **Unemployment** rate in Ida-Virumaa has long exceeded the Estonian average. Pre-COVID 2019, the unemployment rate in Ida-Virumaa was 10,2%, being twice as high as in Estonia as a whole (5,3%). Unemployment rate as of 01.01.2021 is 13,9%.
- + **Relative poverty** is a daily reality for 35% of the county's population (vs. the Estonian average of 21%), and this share has steadily increased over the last decade.
- + **Only 17.5%** of the county's residents speak Estonian as their mother tongue.

# Oil shale industry in the Ida-Viru region

- + The oil shale sector has been strategically important for the Estonian economy since 1920's and has substantially influenced the socio-economic and environmental conditions of Ida-Viru county. In 2019, oil shale industry accounted for an estimated ~5% of the national economy and ca 2.5% of total employment. Employees in the sector make up 13% of all employees in the region, but labor taxes paid for them account for 1/4 of the region's labor taxes.
- + The sector is undergoing major transition. The peak of oil shale mining and processing in Ida-Viru was in the 1980s, with over 14,000 people working in the mines alone. Since the 1990s the sector has been in decline (see Figure 7 below). As of 31.12.2019, 5,813 people worked in the oil shale sector in Ida-Virumaa. During 2020, 1,033 of them stopped working and another 43 contracts have been suspended.
- + The largest employer in the sector is the state energy company Eesti Energia and the related group of companies, which employ a total of almost 3,500 people.





# The transition is ongoing

Number of people, employed in the oil shale sector in Ida-Virumaa (1995 – 2020).





Photo: Archival imagery, courtesy of the Narva Museum

# We have to get this right

The local community has not yet fully recovered from the identity crisis and emotional trauma, following the collapse of the Soviet industry 30 years ago.



# Impact of the transition

According to the results of public outreach and the results of the study “Adaptation of Ida-Virumaa county’s economy and labor market to the reduction of oil shale industry” carried out by Praxis Centre for Policy Studies, impacts of the transition are numerous:

- + a cascading economic effect on the entire economy of the region;
- + impact on employment, jobs in the region, career and training opportunities;
- + impact on the feeling of social security, satisfaction with the environment and one’s prospects, integration and social inclusion;
- + impact on migration decisions;
- + impact on the state of the environment and the health of the population in the area;
- + impact on electricity and heat prices and security of supply;
- + the impact on the budget of local governments in the region and thus on public services and regional development;
- + impact on the reputation of the region among both the local population, the Estonian population.



# Just transition mechanism

**The goal of the so-called „just transition mechanism“, established by the EU:**

*„to enable regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union’s 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, based on the Paris Agreement.“*

In the context of Estonia, the JTM target territory is **Ida-Viru** County. In order to tap into the JTM resources, Estonia needs to compile a „**territorial just transition plan**“ (TJTP).



# Areas of support under the Just Transition Fund (JTF):

- + **productive investments** in SMEs, including microenterprises and start-ups, leading to economic diversification, modernisation and reconversion, creation of new firms and jobs;
- + investment in **research and innovation activities**;
- + **professional development and retraining** of employees, job search assistance;
- + certain investments in the fields of **education and social integration**;
- + digitalisation, energy efficiency, circular economy, regeneration of brownfields, etc.

## **Excluded from JTF support:**

- + production, processing, distribution, storage or combustion of fossil fuels;
- + production of tobacco products;
- + nuclear energy;
- + enterprises in financial difficulties.



# Involvement of partners

In preparing its TJTP Estonia has organised and implemented a comprehensive partnership taking into account the specificities of the JTF:

- + On the *national level*, **A steering committee** has been set up by the Ministry of Finance to both prepare and monitor the implementation of the just transition plan. The committee is composed of 18 different parties: relevant ministries, regional bodies, representatives of employers, employees, environmental organizations, universities, etc.
- + On the *regional level*, a **Regional Just Transition Platform** has been created by the Ida-Viru County Association of Local Governments (IVOL). Some 50+ stakeholders are involved in the work of the platform;
- + **"Soft" networking structures**, such as a regional scientific council, tourism and educational clusters, etc also provide input to the development of the TJTP.
- + **Public consultation activities** include public seminars, written consultations, focus groups, discussions with stakeholders, public communication and information dissemination etc.



# Development needs

**1. Restructuring the economy** of the Ida-Viru region with the view of diversifying it and creating new high value-added jobs:

- + Modern manufacturing industry;
- + Diversification and viable service economy;
- + Development of higher value-added products and services;
- + Addressing market failures in access to capital for investments and R&D.





# Development needs

## 2. Supporting the people and communities impacted by the transition process:

- + Re-profiling and labor mobility support for oil shale sector employees;
- + Skills development as part of restructuring;
- + Providing a social safety net;
- + Active participation of the communities;
- + Mobilizing municipal finances;
- + Un-linking district heating from oil shale production (while avoiding energy poverty).





# Development needs

## 3. Alleviating environmental impacts related to the mining and oil-shale processing activities:

- + Rewilding and rehabilitation of contaminated brownfield sites
- + Increasing the region's circular capacity (and developing it as part of restructuring the economy).





# Intervention logic

The JTF in Estonia is planned to be split into two main programmatic strands:

## 1. “Economy and labor”

The strand aims to **restructure and diversify the economy and workforce** of the region, e.g.: *large investments (153 mln €), raising knowledge intensity of entrepreneurship (50 mln €), education and requalification (25 mln €), support for oil shale sector employees (5 mln €), etc.*

Volume: 273 million € (~ 80%).

## 2. “Environment and social inclusion”

The strand tackles the **social, environmental and community aspects** of the transition, e.g.: *decoupling of district heating from oil shale (25 mln €), alleviating environmental impacts (10 mln €), supporting local initiatives (~17 mln€), etc.*

Volume: 66,7 million € (~ 20%)

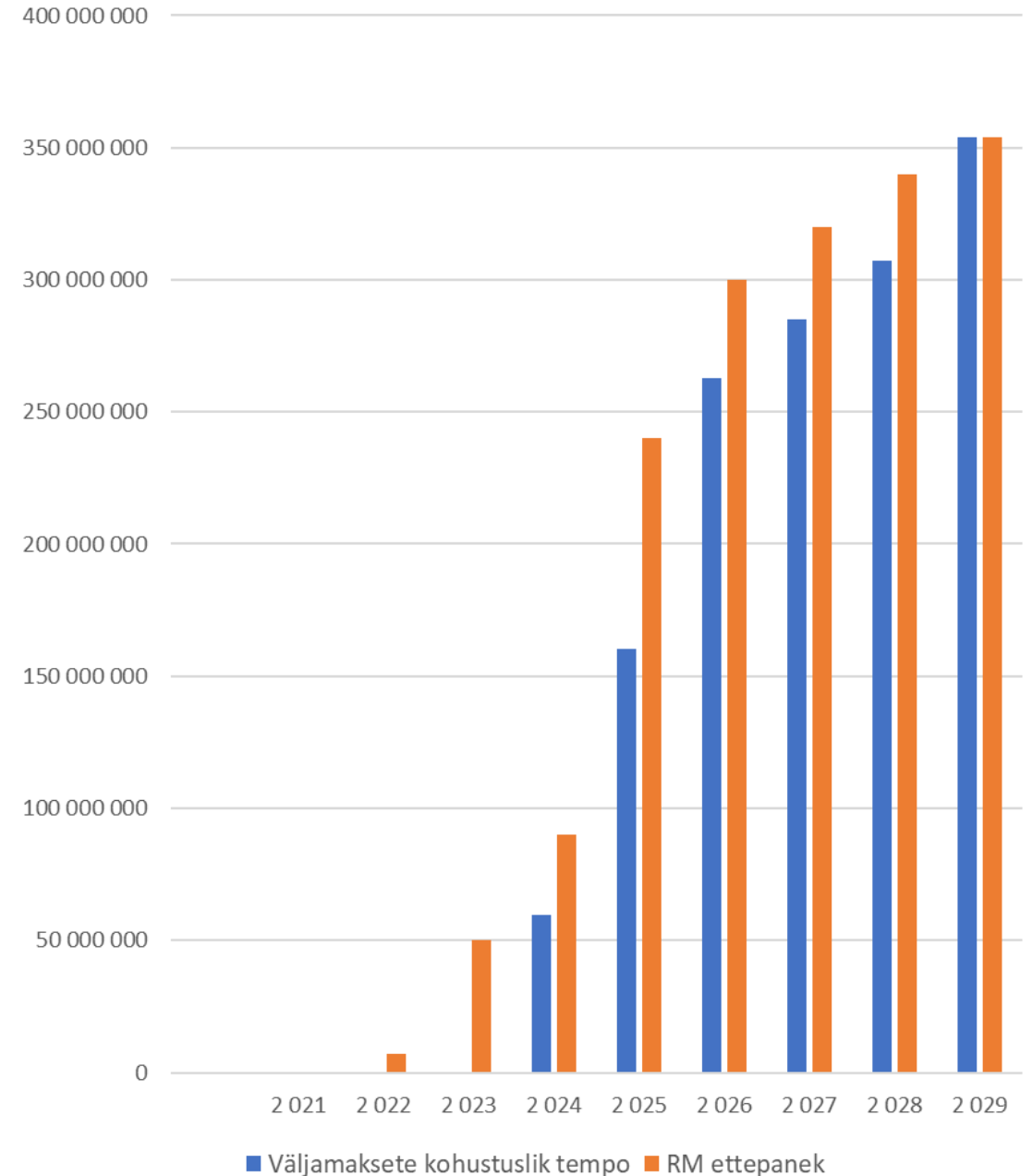
# Timeframe

## Commitments:

- + By the end of 2022, applications should be submitted and decisions made on project proposals in the amount of at least € 134 million (support, not total investment volume);
- + By the end of 2023 – 191 million € worth of grants need to be committed.

## Payouts:

- + By 2024, € 60 million worth of projects should be completed;
- + By 2026 – at least 252 million €.





# Complexities of the JTF

**Implementing the JTF is not just about finding suitors for a few hundred million €. We need to constantly keep in mind also the following:**

- + „*Where were you?*” - The transition has been going on for years, but the JTF arrived just now. Expectations are high;
- + „*This is who I am!*” - Leading people through grief over their past glory and into a yet unclear future is not easy;
- + „*Who gets the money?*” - High risk of stifling competition between municipalities and stakeholders within the region;
- + „*Are we going to make it?*” - The necessary speed of implementation stretches the capacity of the region to absorb both the funds and the new philosophy behind the JTF;
- + „*What about us?*” - The perception of the JTF by other regions of Estonia;
- + „*A European initiative*” — the JTF has the potential to enstall faith in the European project in this border region. Climate policy, guiding the JTF, has the potential to do the opposite;
- + „*A brave new world*” — the effect the JTF has on the youth;
- + ...and numerous other aspects.



An aerial photograph of a dense forest. The trees are mostly deciduous, with many showing bright yellow autumn foliage, while others are still green. The perspective is from directly above, looking down on the canopy.

# Thank you! Aitäh!

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