

Following the Money: Czech Republic

What is the Just Transition Fund going to finance?



Photo: CEE Bankwatch Network

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For more information

Miłoslawa Stępień

Just Transition Coordinator
CEE Bankwatch Network

mioslawa.stepien@bankwatch.org

Zuzana Vondrova

Just Transition Campaigner
for the Czech Republic
Centre for Transport and Energy

zuzana.vondrova@bankwatch.org

Michiel Stapper

Assistant Professor at Tilburg
University
Department of Public Law and
Governance

E.W.Stapper@tilburguniversity.edu

Learn more: bankwatch.org



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The briefing aims to provide an understanding of the just transition envisioned in the Czech Territorial Just Transition Plan (TJTP) for the three regions designated to receive money from the Just Transition Fund (JTF): Ústecký, Moravskoslezský and Karlovarský. 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 TJTP, 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 the Czech Republic 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 (JTM) 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 JTF, 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 TJTPs 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 JTF 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 TJTPs approved.³ Only Bulgaria continues to work on its plan, owing to the ongoing political instability in the country.

There are three just transition coal regions in the Czech Republic: Ústecký, Moravskoslezský and Karlovarský. The three regions are covered by one joint TJTP, which was approved by the European Commission on 26 September 2022.⁴ The Czech Republic is due to receive around EUR 1.7 billion in funding (including both the JTF itself and related technical assistance). Of this total, 46 per cent will be allocated to Moravskoslezský, 39 per cent to Ústecký and 15 per cent to Karlovarský.

All countries that have had their TJTPs 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 the Czech Republic, 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 Regional Development of the Czech Republic, [Plán spravedlivé územní transformace](#), Ministry of Regional Development of the Czech Republic, 26 September 2022.

Methodology⁵

The plan for the Czech Republic 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 Data open data platform⁶ to investigate the allocation of funds to specific policies. We calculated the percentage of the total budget allocated within the JTF 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 pillars of the JTM, the European Social Fund, the Modernisation Fund, the general Cohesion Funds, etc.) and national funds; however, it was not possible to include an analysis of all these additional allocations in this brief.

⁵ This methodology was designed in 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 November 2023.

Following the money: the Just Transition Fund for the Czech Republic

Planned policy implementation outcomes

Table 1: Planned outcomes of the just transition process in the Czech Republic based on the Territorial Just Transition Plan.⁷

Regions	Sectors targeted	Estimated job losses	Estimated new jobs	Greenhouse gas emission reduction	Fossil fuel phase-out date	Percentage of renewable energy in 2030
Moravskoslezský, Karlovarský, Ústecký	Lignite and hard coal mining and energy production	21,600 (direct jobs) 18,000 in coal mining and 3,600 in energy production 19,000 (indirect jobs)	Corresponding amounts to those numbers of jobs lost in the coal industry	44 Mt CO ₂ equiv. by 2030 (corresponding to a 30% reduction in emissions as compared to 2005)	2033	22% RES in the energy mix by 2030

The TJTP for the Czech Republic primarily focuses on the phasing out of lignite coal mining and energy production in three regions: Moravskoslezský, Karlovarský, and Ústecký. It fails to describe the process towards achieving climate neutrality in sufficient detail. It also contains references to outdated and unambitious national strategies and guiding documents, namely the State Energy Policy (2015),⁸ the Climate Protection Policy (2017)⁹ and the National Energy and Climate Plan (2020).¹⁰ The plan does indicate that the highest drop in emissions will occur between 2030 and 2033, which is expected to coincide with the country’s final coal phase-out. The main goal of the Czech Republic’s climate policy is to reduce emissions by 30 per cent by 2030 compared with 2005 levels. In terms of renewable energy sources, the plan outlines the goal of achieving 22 per cent of energy production from renewable energy sources in the Czech energy mix by 2030 (in 2020, this amounted to 13 per cent). However, this level of ambition is not enough and should be raised in the upcoming revised national energy and climate plan.

⁷ Developed by CEE Bankwatch Network based on a methodology prepared by Michiel Stapper and data contained in the TJTP for the Czech Republic.

⁸ Ministry of Industry and Trade of the Czech Republic, [Státní energetická koncepce České Republiky](#), Ministry of Industry and Trade of the Czech Republic, 18 May 2015.

⁹ Ministry of the Environment of the Czech Republic, [Politika ochrany klimatu v ČR](#), Ministry of the Environment of the Czech Republic, 29 March 2017.

¹⁰ Government of the Czech Republic, [Vnitrostátní plán České republiky v oblasti energetiky a klimatu](#), Government of the Czech Republic, 22 January 2020.

The Czech TJTP outlines four objectives for achieving a reduction in emissions:

- support productive investments that change the structure of the economy and reduce the impacts of the just transition in the industry and energy sectors as a result of the decline in coal mining;
- promote a low-carbon circular economy based on decontamination, revitalisation and resocialisation, including developing local infrastructure as a means of diversifying the economy and supporting mining culture heritage projects;
- maximise the potential of human resources to drive the transformation of the energy industry, phase out coal mining, and develop new economic activities;
- enable innovation through research and development initiatives that deliver tangible benefits to businesses and the economy as a whole.

Anticipated economic, employment, environmental and social impacts of the just transition process in the Czech Republic

Based on the Czech TJTP, which presents the 2033 coal phase-out scenario, ‘the reduction of coal is associated with relatively higher costs of up to approx. CZK 471 billion’. The phase-out needs to be continuously managed and monitored with regard to the employment infrastructure in the coal mining and processing sector. Large energy companies are adapting their long-term strategies and have already declared the end of the use of coal for the production of heat and electricity and the transition to low-emission technologies around 2030, to become fully emissions-free by 2050 at the latest.

The Czech TJTP forecasts significant job losses in various sectors: 18,000 in the coal industry, 3,600 in coal power generation, and 19,000 in indirectly related professions. The problem of job losses is estimated to impact roughly 20 per cent of employees linked to coal mining and related power generation at the most significant companies operating in this sector, of which more than 40 per cent of the employees belong to the 51-60 age group and 30 per cent to the 41-50 age group. Approximately 18,000 people are directly involved in mining activities. The transformation process is expected to affect local communities dependent on coal and coal mining energy, as more than 21,000 people are employed in these sectors; an estimate is provided of more than 19,000 indirect jobs being impacted by the transition, i.e. over 10,000 indirect jobs in the northwestern region, approximately 4,000 in the Moravian-Silesian region, and more than 5,000 in other Czech regions. The TJTP emphasises the importance of creating corresponding amounts of new jobs, but the projected job losses indicated in the plan are considerable and, therefore, it remains to be seen whether the planned measures will be sufficient to ensure a just transition.

The Czech TJTP aims to address the social, employment, economic and environmental impacts of the transition through the following measures:

- modernise industry and actively promote new businesses – especially SMEs with higher added value – such as through the development of business incubators and consultancy services;
- provide support for infrastructure construction and modernisation as well as research and development initiatives, particularly those focused on sustainable mobility and businesses that contribute to the development of renewable resources;

- accelerate decontamination, revitalisation and resocialisation after mining activities cease in affected regions;
- support the circular economy and facilitate the development of related technologies and consultancy services;
- implement outplacement projects for vulnerable groups in the labour market, including retraining schemes, active assistance for job seekers, and prevention programmes to address the consequences of social exclusion;
- educate local communities on transitioning to the new economy in the context of the changing labour market.

To achieve economic diversification, the plan focuses on the potential of the transition to low-carbon industries through adaptive measures aimed at saving jobs within existing value chains linked to carbon-intensive industries. The plan also highlights the importance of productive investments in SMEs, as well as in research and innovation. However, it should be noted that the projected job losses indicated in the plan are considerable and, therefore, it remains to be seen whether the planned measures will be sufficient to ensure a just transition. The labour market will change, as new economic activities and low-carbon energy will require new or adjusted competencies and expertise, both in terms of manual labour professions and those linked to development or research.

The TJTP states that a number of other problems need to be solved simultaneously with the transformation to a climate-neutral economy. These include the concentration of an extensive range of impacts caused by the coal industry-related economic structure, coal mining and derived activities (e.g. extensive degenerated areas impacted by mining, damaged and altered habitats, disrupted urban systems), and related negative phenomena (e.g. the social composition of the population and the concentration of socially pathological phenomena in excluded localities).

The plan states that when the transition from coal is completed in 2033, it will be possible to assume total emissions savings of individual years up to 172 million tonnes of carbon dioxide (CO₂). The impacts of the considered scenario follow the current trend of reducing CO₂ in the Czech Republic, and the plan assumes savings and a significant contribution to the reduction of CO₂ emissions in the following years as well, which leads to achieving the set goals for the year 2050. Considering the relatively small area of the entire Czech Republic, it states that it is currently difficult to predict emissions reductions for individual regions until 2050.

In terms of the development of the regions, the plan states that it is necessary to implement new productive investments, especially in supporting SMEs, research and innovation, and the transfer and deployment of advanced technologies, digital technologies and networks. It states that there is a need to focus on economic transformation and restructuring or the reduction of the impacts of energy transformation and coal mining, both in energy fields and other related sectors. Effective, systematic and targeted information and professional support should be provided for companies, so that they can take advantage of the provided opportunities and adapt to the new circumstances; thus, this will be one of the key functions of public administration and business associations. Therefore, several types of interventions to support and initiate SME projects and help their further development are planned.

Where will the money go?

Table 2: Planned allocation of money for the Czech Republic¹¹

			Amount (EUR)	Percentage (approximates)	
Economic policies	<i>Employment</i>		68 211 162	4.7%	
	<i>Retraining / upskilling</i>		0	0%	
	<i>SMEs (≈19.9%)</i>	Investments in SMEs		291 204 825	19.9%
		Incubators		0	0%
		R&D&I SMEs		0	0%
	<i>Large corporations (≈10.3%)</i>	Investments in large corporations		107 688 676	7.4%
		R&D&I large corporations		42 352 542	2.9%
TOTAL			509 457 205	34.9%	
Environmental policies	<i>Energy (≈12.8%)</i>	Investments in renewable energy sources	79 741 055	5.5%	
		Infrastructure of renewable energy sources	106 784 431	7.3%	
		Energy communities	0	0%	
		Energy efficiency and retrofitting	0	0%	
	<i>Land development and other environmental projects (≈22.1%)</i>	Decontamination of land		303 912 792	20.8%
		Waste		0**	0%
		Mobility		19 525 508	1.3%

¹¹ Developed by CEE Bankwatch Network based on a methodology prepared by Michiel Stapper and JTF allocation data for the 2021-2027 budgeting period obtained from: European Commission, [Cohesion Open Data Platform](#), European Commission, accessed 12 December 2023. See also Annex 1.

		Climate adaptation (including water management projects)	0	0%
TOTAL			509 963 786	34.9%
Social policies				
	<i>Social issues</i>		18 933 468	1.3%
	<i>Child and elder care</i>		0	0%
	<i>R&D&I public sectors</i>		303 507 019	20.8%
	<i>Education (not retraining or upskilling)</i>		118 640 038	8.1%
	<i>Small-scale community initiatives</i>		0	0%
TOTAL			441 080 525	30.2%
FULL SUM FOR THE CZECH REPUBLIC			1 460 501 516*	

*The full amount allocated to the Czech Republic is EUR 1.57 billion; however, around EUR 124.7 million is allocated to the category ‘other’ and has not been included in the above table.

** Circular economy and waste management projects are part of the promoted fields of investment for SMEs; thus, please look at the allocation for investments in SMEs above.

The total planned sum of money that has been allocated from the JTF to the Czech Republic currently amounts to roughly EUR 1.57 billion, the fourth highest allocation in the European Union (after Poland, Germany and Romania). In addition, EUR 65.7 million is designated for the provision of technical assistance.

One of the most striking aspects of the JTF allocation in the Czech Republic worth noting is the relatively even distribution between investments related to economic (34.9 per cent), environmental (34.9 per cent), and social (30.2 per cent) policies, as defined in the applied methodology. In addition, the Czech Republic plans to allocate the highest percentage of the fund to two types of projects: 20.8 per cent to land decontamination projects and 20.8 per cent to research, development and innovation in the public sectors.

An interesting aspect of the JTF allocation is the very low allocation to job replacement and the direct creation of new jobs in the business sector (4.7 per cent), and the lack of allocation to retraining and upskilling purposes. This is despite the very high number of expected job losses (almost 22,000 direct jobs and roughly 19,000 indirect jobs). This suggests that it is expected in the Czech Republic that people from the mining and energy sectors will find employment in other sectors that will be developed thanks to the high allocation to the advancement of small and medium enterprises (19.9 per cent), i.e. the implementation of digital solutions in SMEs and the public sector in the Karlovarský region and in the Ústecký region, the construction of facilities for the sorting and subsequent processing of waste material used in SMEs, and investment in fixed capital or the intangible assets of businesses for the purpose of producing goods or providing services in the area of circular economy. There are also plans to construct an

industrial park in a post-mine location (with an allocation of 7.4 per cent of the Czech JTF) that would involve: (1) the development of local agricultural production using aquaponic systems, (2) the development of circular solutions through the regeneration and decontamination of sites, and (3) the production of granules for industrial use and the production of sand, involving production expansion and the building of a production line. These identified sectors that will be developed in the future can be seen as linked to plans to invest in research, development and innovation, with allocations to this aim targeting large industries (2.9 per cent) and the public sector (20.8 per cent). All this does, however, seem to support our earlier analyses¹² that there might be issues with replacing jobs in the regions, as there seems to be little direct funding planned for supporting workers looking for re-employment or for their reskilling or upskilling.

In terms of funds planned for the development of renewable energy sources, there is a direct allocation of 5.5 per cent of the Czech JTF for this purpose. A more specific plan is being developed for the Ústecký and Moravskoslezský regions, i.e. a hydrogen valley, including the complete chain from research and development for the production, storage and use of green hydrogen in energy, industry and transport (7.3 per cent). There is also a small allocation for the construction of technical and transport infrastructure (1.3 per cent). Energy communities are mentioned in the just transition plan, specifically the need for new local electricity distribution systems based on energy communities in the Ústecký and Karlovarský regions and the development of energy communities in the Moravskoslezský region, but this will be funded by other sources. Similarly, the plan notes that in the Karlovarský region, it is necessary to increase energy savings in cities and municipalities, while the Moravskoslezský region needs assistance in the preparation and implementation of projects increasing energy efficiency, the establishment of renewable energy sources, and smart solutions, but funding will probably be provided for these aims from other sources, as the region was not allocated direct funding from the JTF.

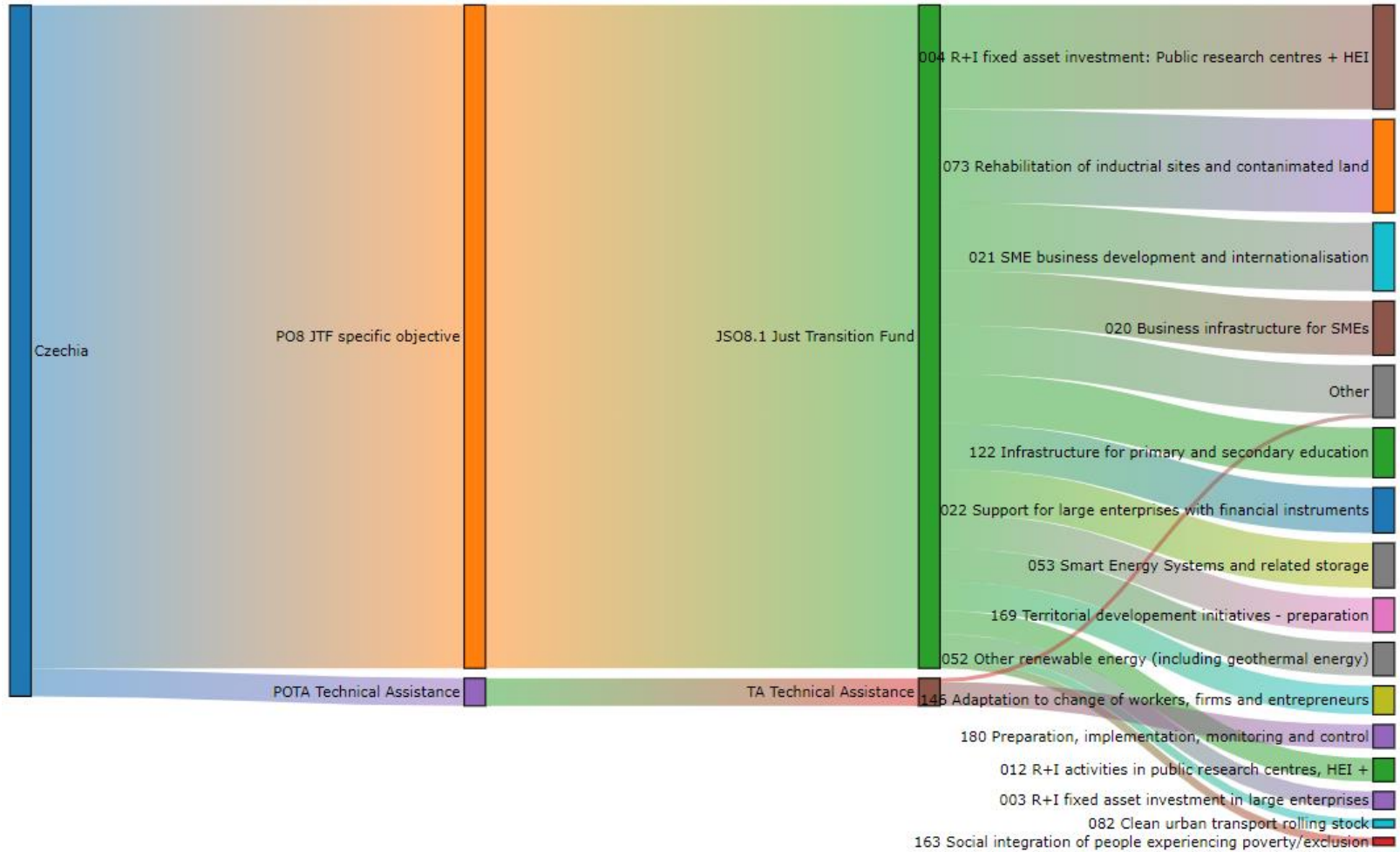
According to the TJTP, since the decision of the coal phase-out date will be earlier than when the current mining permits end, the number of areas requiring reclamation will rapidly increase. This is the reason behind allocating 20.8 per cent to the reuse of land after coal mining and related industry. It is planned that these investments should follow the statutory reclamation provided by mining companies and should respect the polluter pays principle. However, these aspects should be monitored closely to ensure that this money is not used by the mining companies to cover costs that they should be handling themselves.

Looking at the allocation towards social issues, it has already been noted above that a huge portion of this will go towards research, development and innovation projects within public institutions (20.8 per cent). There are also plans to modernise the regional education facilities and improve school connectivity (8.1 per cent). Despite indicating the need to address this problem, the plan does not make much of an attempt to address other social and economic impacts that are likely to arise in the affected regions, particularly the growing problem of energy poverty, which has been exacerbated by the war in Ukraine and the ongoing energy crisis. There is a small allocation of 1.3 per cent of the JTF for projects aimed at improving the social integration of people experiencing poverty or exclusion. This is definitely far below the actual needs of this sort in the targeted regions. To address these issues, it is vital that additional funding for appropriate measures is allocated through other funding streams.

¹² CEE Bankwatch Network, [Mapping the road to a just transition in central and eastern Europe: an analysis of Territorial Just Transition Plans in 7 countries. September 2023 update – part I](#), CEE Bankwatch Network, 26 September 2023.

Annex 1

Cohesion Open Data Platform table showing allocations for the Just Transition Fund in the Czech Republic



Refresh Date: 13/11/2023

Source: <https://cohesiondata.ec.europa.eu/funds/jtf/21-27>, accessed 13 November 2023.