

Following the money: Bulgaria

What is the Just Transition Fund going to finance?



Photo: Thermal power plant in Galabovo, CEE Bankwatch Network

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This briefing provides an overview of the just transition envisioned in Bulgaria’s Territorial Just Transition Plan¹ for the three regions designated to receive money from the Just Transition Fund: Stara Zagora, Pernik and Kyustendil. It scrutinises and evaluates the economic, environmental and social aspects of the plans and shows how the investments are to be divided among the respective policies for each of these areas. Unlike our previous briefings, this time we not only focus on the content of the Territorial Just Transition Plans themselves, but also on how the objectives described in the plans specifically translate into the allocation of funds. In short, we follow the money.

The briefing consists of three sections. Following a brief introduction to the Just Transition Mechanism, the second section provides an overview of the methodology underpinning our analysis. The third section identifies what Bulgaria actually plans to do to alleviate the impacts of the transition on carbon neutrality and explores the allocation of funds for specific types of projects.

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¹ Ministry of Energy, Ministry of Regional Development, [Версия 2.2 на програма “Развитие на регионите” 2021-2027](#), *European Structural and Investment Funds Information Portal*, 22 December 2023.

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 briefing on the second and third pillars of the Just Transition Mechanism.² 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.³

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. The European Commission approved⁴ Bulgaria's Territorial Just Transition Plan on 20 December 2023, making it the last country in the central and eastern European region to have its plans approved. The plan for Bulgaria covers the country's three main lignite regions: Stara Zagora (EUR 936 million), Pernik (EUR 92 million) and Kyustendil (EUR 122 million).

The Territorial Just Transition Plans that have been approved by the European Commission have now entered the implementation phase, which means that potential investors are able to apply for funding under all three mechanisms, in accordance with what was established as funding priorities in the approved plans. In most countries, including Bulgaria, monitoring committees have been established to oversee the use of EU funds and the implementation of projects is now underway.

² CEE Bankwatch Network, [The Second and Third Pillars of the Just Transition Mechanism](#), CEE Bankwatch Network, 13 March 2023.

³ European Commission, [The Just Transition Mechanism: making sure no one is left behind](#), European Commission, accessed 9 March 2023.

⁴ European Commission, [Just Transition Platform](#), European Commission, accessed 25 March 2024.

Methodology⁵

The plans for Bulgaria were carefully examined and assessed in a four-step process. First, we delved into the primary intended policy outcomes. This involved identifying the key sectors targeted in the plans, summarising the estimated jobs lost and created, 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 plans. This encompassed a comprehensive analysis of six critical elements: the economic, environmental, employment, and social implications of the plans, as well as potential areas for growth and retraining requirements.

In 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 improving 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 organisations active in social work and healthcare, education (excluding retraining or upskilling), and public research. Economic policies were further categorized into those related to employment, retraining or upskilling, SMEs, and large corporations. Social policies were divided into areas such as social issues, care for children and older people, 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 platform⁶ to investigate the allocation of funds for specific policies. We calculated the percentage of the total budget allocated within the Just Transition Fund for each policy. It should be noted that just transition regions are also due to receive money from other European funds, including the second and third pillars of the Just Transition Mechanism, the European Social Fund, the Modernisation Fund and the Cohesion Fund, as well as national funds. However, it was not possible to include an analysis of all these additional allocations in this brief.

⁵ Our methodology has been developed in collaboration with Michiel Stapper, Assistant Professor at Tilburg Law School, drawing from his previous 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 Bulgaria

Planned policy implementation outcomes

Table 1. Planned outcomes of the just transition process in Bulgaria according to the Territorial Just Transition Plan.⁷

Regions	Sectors targeted	Estimated job losses	Estimated new jobs	Reduction in greenhouse gas emissions	Phase-out of fossil fuels	Renewable energy percentage in 2030
Stara Zagora, Pernik, Kyustendil	Lignite extraction and energy production	14,600	15,000 by 2038	An 80 per cent reduction in CO ₂ emissions in the energy sector by 2030 compared to 1990 (35 million tonnes of base year emissions) and a 90 per cent reduction in CO ₂ emissions from the energy sector from 2035 onwards.	2038	7.5 GW, including offshore wind

The Territorial Just Transition Plan for Bulgaria mostly focuses on phasing out lignite extraction and lignite energy production from the national energy mix. Three regions have been selected: Stara Zagora, Pernik and Kyustendil. The plans fail to lay out a comprehensive annual strategy or a roadmap for achieving climate neutrality. Additionally, the proposed coal phase-out date of 2038 is one of the least ambitious in the EU. Bulgaria is one of the few eastern European countries that compares their targets for reducing greenhouse gas emissions with the situation in 1990, which preceded the collapse of carbon-intensive industries and the subsequent reduction in emissions due to the shift in Bulgaria’s economic and political landscape. Using 1990 as its baseline, the plans set targets of reducing carbon dioxide emissions by 80 per cent by 2030 and by 90 per cent by 2035. The plans predict that 14,600 jobs will be lost as a result of the transition and subsequently replaced with the creation of over 15,000 jobs by the coal phase-out date of 2038. The plans allocate significant investments, including from the Just Transition Fund, in renewable energy sources, setting an ambitious target of increasing renewable energy production by 7.5 gigawatts (GW) by 2030.

⁷ Developed by CEE Bankwatch Network based on a methodology by Michiel Stapper and data contained in Bulgaria’s territorial just transition plans.

Predicted economic, employment, environmental and social impacts of the just transition in Bulgaria

The plans forecast that the impact of the just transition on employment in the coal mining and coal-fired power generation sectors will result in an average annual reduction of approximately 8 to 10 per cent in direct and indirect jobs by 2030. This underscores the need to create alternative employment opportunities for workers affected by these changes.

The plans have identified Stara Zagora, heavily reliant on its coal-fired thermal power plants and lignite mines, as the region most likely to face significant job losses as it transitions away from coal. In keeping with the target of completely phasing out coal-fired power generation by 2038, the Bulgarian government plans to gradually reduce employment in coal-fired mines and power plants from 2030 onwards. But for the transition to be as smooth as possible, workers need to be given opportunities to secure high-quality alternative jobs so that they are not left behind.

The dominance of the mining sector in Stara Zagora has limited the development of other industries in the region. For instance, employers in non-mining industries have reported challenges in recruiting new employees, as the salaries offered to employees in thermal power plants and mines tend to be higher than those in other industries. In fact, Stara Zagora has one of the highest average salaries in Bulgaria.

In Kyustendil, there is a chronic shortage of job opportunities in other sectors, which is compounded by the demographic challenges posed by the region's ageing population. Additionally, due to the proximity of Kyustendil to Sofia and Pernik, young people may prefer to travel to work in these larger urban areas, which could increase the depopulation of the region.

The plans reference an analysis by PwC, which concludes that in Stara Zagora at least 12,000 alternative jobs need to be created in other economic sectors by 2030 due to the reduced use of coal-fired power plants.⁸ At least another 15,000 new jobs will need to be created in other economic areas by 2038, the final phase-out date for the decommissioning of coal plants.

The plans envision that transitioning workers will need to develop new skills to succeed in the post-coal economy. The focus is on equipping workers with the skills required for the switch to solar, hydrogen and geothermal sources of energy. These skills will be needed to install and maintain the electrical equipment and technical components needed for photovoltaic panels such as cables, inverters and aluminium frames, the electrolyzers and additional equipment needed to produce hydrogen, as well as the pipes, valves, automation and electricity storage devices, tools and spare parts needed for geothermal solutions.

If the Bulgarian government is to successfully achieve the goals of the European Green Deal and achieve climate neutrality by 2050, it will need to tackle the critical socio-economic impacts associated with decarbonising the electricity sector. In particular, the specific vulnerabilities of the three coal regions must be addressed in a way that prioritises the needs of the stakeholders likely to be most affected.

Of the three regions, Kyustendil is most at risk due to the socio-economic and demographic trends specific to this region and the gradual decline in coal mining and coal-fired production over the last 20 years. The plan for Kyustendil measures the social impacts of job losses caused by the transition by considering how

⁸ Ministry of Energy, Ministry of Regional Development, [Версия 2.2 на програма "Развитие на регионите" 2021-2027](#), *European Structural and Investment Funds Information Portal*, 152, 22 December 2023.

many families will be affected by direct and indirect job losses as well as issues such as ‘brain drain’ and the ageing population. As a result of the transition, the plan estimates that around 80,000 family members and around 22,000 jobs will be indirectly affected, which represents 80 per cent of the total number of indirectly affected jobs in the three regions.

The plans outline a number of steps that the three coal regions should take to reduce their dependence on lignite. To contribute to the country’s decarbonisation goals, the development of clean technologies and clean energy is considered crucial. The aim is to achieve low-carbon emissions in the chemicals, agriculture, tourism, electricity generation and storage, recycling and sustainable mobility industries. The increasing use of low-carbon electricity generation sources is expected to drive an 80 per cent reduction in carbon dioxide emissions from the power sector by 2030 compared to 1990 levels, amounting to an overall decrease of 35 megatonnes. Emissions from the energy sector are projected to fall by over 90 per cent from 2035 onwards.

Stara Zagora, in particular, has huge potential to harness the potential of its existing infrastructure, human capital and land assets to transform the energy sector in the region. Adopting this approach would allow the region to preserve its strong energy industry profile while creating high-quality jobs and boosting the local economy. This shift depends on mobilising large-scale investments in clean technologies and attracting new, high-value industries to the sector.

Controversially, the hydrogen-based economy is seen as a strategic priority for the transformation of Stara Zagora. According to the plans, the region has the potential to become one of the EU’s hydrogen hubs. But investments in large-scale hydrogen projects make little sense for Bulgaria, as the country has only recently started to significantly invest in renewable energy production. The focus should instead be on projects that will benefit individual households.⁹ It can only be assumed that the hydrogen strategy is viewed as a way of attracting investment that would have a synergistic effect on the region, presumably by reducing carbon emissions, increasing regional gross domestic product, creating employment opportunities and developing human capital.

⁹ Za Zemiata, [Green hydrogen – realistic potential and capacity and the Bulgarian context](#), *Za Zemiata*, 16 February 2023.

Where will the money go?

Table 2. Planned allocation of funds for Bulgaria.¹⁰

			Amount (EUR)	Percentage (approximate)	
Economic policies	Employment		34 000 000	3.0%	
	Retraining and upskilling		102 552 358	9.2%	
	Small and medium-sized enterprises (≈11.1%)	Investments in small and medium-sized enterprises		123 418 722	11.1%
		Incubators		0	0%
		Research, development and innovation in small and medium-sized enterprises		0	0%
	Large corporations (≈18.0%)	Investments in large corporations		201 088 815	18.0%
		Research, development and innovation in large corporations		0	0%
TOTAL			461 059 895	≈41.4%	
Environmental policies	Energy (≈40.5 %)	Investments in renewable energy sources	228 506 057	20.5%	
		Infrastructure for renewable energy sources	92 248 885	8.3%	
		Energy communities	0	0%	
		Energy efficiency and retrofitting	130 411 404	11.7%	
		Land decontamination	201 232 000	18.1%	

¹⁰ Developed by CEE Bankwatch Network based on a methodology by Michiel Stapper and data on the Just Transition Fund allocation for the 2021–2027 budgeting period obtained from the Cohesion Open Data Platform. See: European Commission, [Just Transition Fund \(JTF\)](#), *Cohesion Open Data Platform*, accessed 29 November 2023; see also: Annex 1.

	Land development and other environmental projects (≈18.1%)	Waste	0	0%
		Mobility	0	0%
		Climate adaptation (including water management projects)	0	0%
TOTAL			652 398 346	≈58.6%
Social policies	Social issues		0	0%
	Care for children and older people		0	0%
	Public sector research, development and innovation		0	0%
	Education (not retraining or upskilling)		0	0%
	Small-scale community initiatives		0	0%
TOTAL			0	0%
SUM TOTAL			1 113 458 241*	

*The full amount allocated to Bulgaria is EUR 1.15 billion. Approximately EUR 43 million is allocated to a category entitled 'other', which is not included in the above table.

The total sum of money allocated to Bulgaria from the Just Transition Fund is roughly EUR 1.1 billion, the sixth highest allocation in the EU. An additional EUR 47.9 million has been designated for technical assistance.

The majority of Bulgaria's Just Transition Fund allocation is designated for environmental policies (58.6 per cent), mostly linked to investments in energy efficiency, the deployment of renewables, and the recultivation of former mines. The remainder of the allocation focuses on economic policies (41.4 per cent). The absence of any allocation for social policies is concerning, even though it is consistent with a trend observed in other countries in the region such as Hungary and Romania, which have also neglected to invest in the social aspects of the just transition.

Although a high number of jobs (14,600) are expected to be lost during the transition, they will all be replaced. Altogether, over 15,000 new jobs are expected to be created in the coal regions. This will be achieved by allocating 3 per cent of the total funds to initiatives aimed at creating employment opportunities and nurturing business start-ups, and a larger portion of 9.2 per cent to support retraining and upskilling programmes. These funds will be used to help workers develop new skills as they adapt to

the changing economy, with a focus on ‘smart specialisation’ and industrial transition. The Territorial Just Transition Plan for Stara Zagora specifically focuses on retraining workers for the ‘hydrogen economy’.

On the one hand, the overall allocation for small and medium-sized enterprises (11.1 per cent) is one of the lowest among the countries in central and eastern Europe. These funds will be used to help small and medium-sized enterprises build infrastructure, develop and broaden the international appeal of their businesses, and adopt environmentally friendly production processes. On the other hand, the allocation for large corporations (18.1 per cent), particularly in Stara Zagora, is the highest of all the countries in the region. The reason for including large enterprises is linked to their ability to create more employment opportunities, although the feasibility of this approach is a matter of some debate. Placing a strong focus on large corporations and minimal focus on small and medium-sized enterprises makes Bulgaria’s strategy for creating new jobs questionable. Large corporations do not contribute to organic economic diversification and can easily lock regions into dependence on a single new industry. Research and development are mentioned in the Territorial Just Transition Plans, but no funds are allocated for this purpose.

When it comes to investments in renewable energy sources, Bulgaria has the highest allocation among countries in the central and eastern European region at 20.5 per cent. These funds will be split into three energy categories: solar, biomass, and other sources such as geothermal. However, the allocation for biomass is concerning, as it remains uncertain whether it will be used in a sustainable manner. Hopefully, these significant investments will contribute to the creation of new green jobs and complement the allocations for economic policies. The allocation for infrastructure for renewable energy sources (8.3 per cent) will be used to create smart energy and storage facilities, high-efficiency cogeneration units, and district heating and cooling systems.

In an effort to prioritise energy efficiency, the Bulgarian government has committed 11.7 per cent of its Just Transition Fund budget to deep renovation projects for both public and private buildings. This allocation will also be used to tackle energy poverty in Bulgaria’s just transition regions. However, the plans do not provide sufficient clarity on what specific measures will be taken to support energy-poor households or provide individual households with better access to renewable energy.

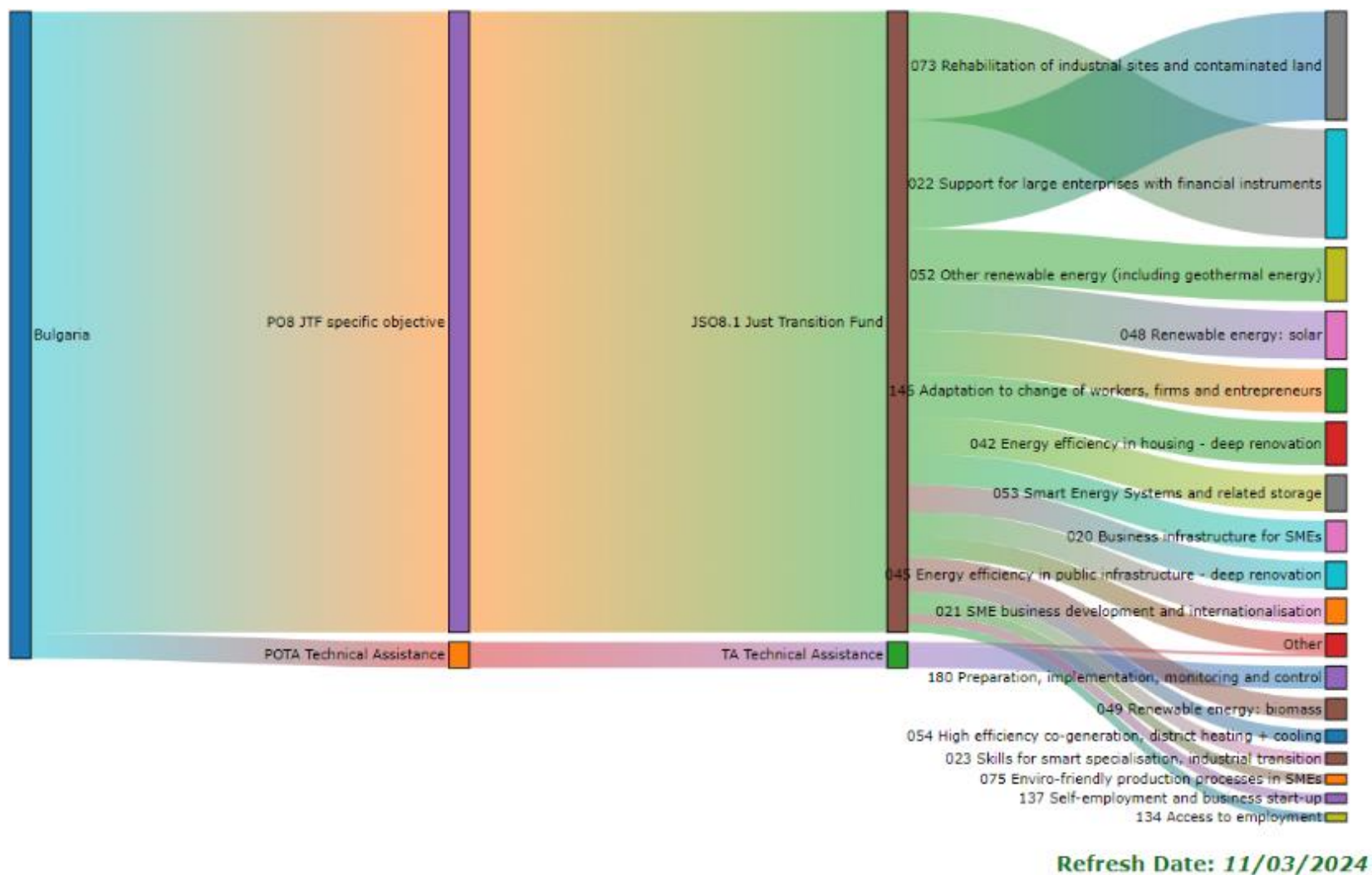
A sizeable 18.1 per cent of the budget will be invested in the recultivation of contaminated land. However, the Bulgarian government needs to make sure that coal operators respect the ‘polluter pays’ principle, since they are principally responsible for covering these recultivation investments. To ensure accountability, the situation should be closely monitored to prevent mining companies from using these funds to cover the costs for which they are ultimately responsible. Concerningly, the plan suggests that Just Transition Fund support may be allocated for direct recultivation activities in cases of insufficient funds. Although the plan refers to the utilisation of waste generated by biomethane and biogas production, no funds have been allocated for this purpose.

The Just Transition Fund allocation only partially addresses the urgent need to create green jobs in Bulgaria over the next few years. The disproportionate focus on large corporations is likely to adversely impact industrial regions that need to diversify their local economies. Nevertheless, the smaller allocation for small and medium-sized enterprises should contribute to balancing the economy and creating more diversity. Although the renewable energy investments are a positive step in driving the economic diversification of

coal regions in Bulgaria and helping the country achieve its climate goals, the lack of any investments in research and development could blunt the competitive edge of businesses in the regions. Carefully considered investments that support both the social and environmental aspects of the transition, particularly through the creation of energy communities, would be a welcome development. However, Bulgaria's long-term approach, which mirrors that of many eastern European countries, completely fails to address the social implications of the just transition.

Annex 1.

Table 3. Just Transition Fund allocation for Bulgaria



Source: European Commission, [Just Transition Fund \(JTF\)](#), *Cohesion Open Data Platform*, accessed 11 March 2024.