

Challenges for leaving no one behind in green transition – case of Croatia

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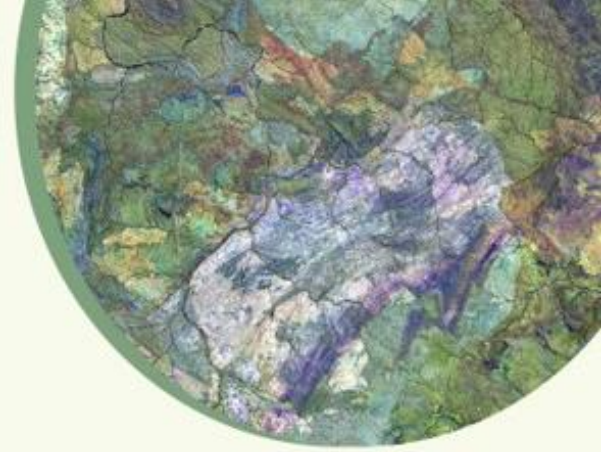
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Local challenges:

- High carbon intensity of the local economy
- Reorientation of long-term investments towards innovative, climate-neutral industries
- Creation of new businesses and job opportunities
- Rebuilding skills and qualifications of local workforce
- Low participation of local people and civil society in decision making
- Lack of intersectoral cooperation
- Lack of financial resources

Key-messages:

- Effective use of post-industrial and post-mining areas by creating and implement local green plans using participatory approach and intersectoral cooperation.
- Active engagement of local and regional stakeholders, communities and companies and
- Increase awareness and equal participation of marginalized communities in the design and implementation of green transition
- Increase funding for all actors of civil society



Introduction

In accordance with the priority investment areas and the framework conditions for effective implementation of the – Just Transition Fund 2021 - 2027 investments, two regions were selected in Croatia. These are Sisak-Moslavina and Istria County. Both were identified based on the intensity of greenhouse gas emissions, even though they differ geographically (mainland and coastal region of Croatia). In order to create a green transition in the two target regions, many things need to be changed at all levels (national, state, local and civil). This policy brief therefore analyses the challenges and key steps for a successful Just Transition process in the target regions.

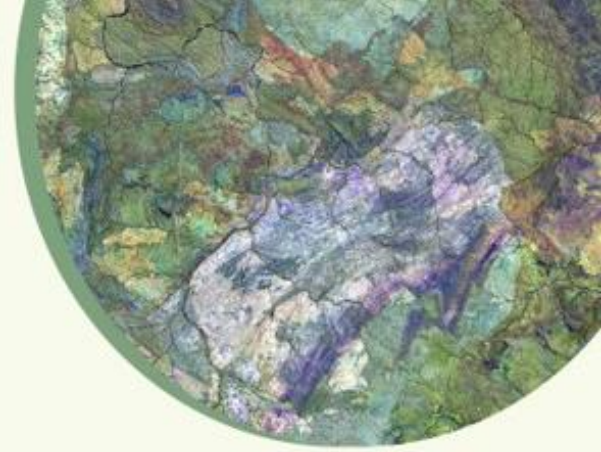
Specific characteristics of targeted regions

Sisak-Moslavina county is located in the southern part of the central part of the Republic of Croatia, in the area where Pannonian and Mountain Croatia touch.



Figure 1 - Location of Sisak-Moslavina county

It consists of an area of 4468 square kilometers and is one of the largest counties in the Republic of Croatia by area, occupying about 7.9% of the land territory of the Republic. In the structure of the total area, the largest share is agricultural land (52%), followed by forest land (44%) and barren land (4%). According to today's territorial structure,



there are 19 local self-government units in the county (7 cities and 12 municipalities). In addition, it is the poorest area, but also one of the historically most important industrial regions in the Republic of Croatia. The economic development of the area is based on the chemical industry and oil refining. The most important factories are located here, such as: Petrokemija d.d., ABS Sisak d.o.o., HEP d.o.o. - TE Sisak, Gavrilović d.o.o., INA d.d. - Sisak Refinery, where electricity, steel, food and fertilizers are produced. These industries employ a significant number of people (about 2,350 employees). In addition to those directly employed in these industries, an estimated 250 suppliers and partners based in the district depend on these industries. Of the five factories listed, none has a clear intention to cease operations. However, most intend to restructure operations, increase capacity and production, and develop investment plans focused on new climate goals to reduce emissions. Decarbonization requires long-term investment in carbon-neutral technologies, and financial resources are limited. Adding to the county's economic woes, poverty was exacerbated by the earthquake that

struck the county in 2020, setting it back in every way.

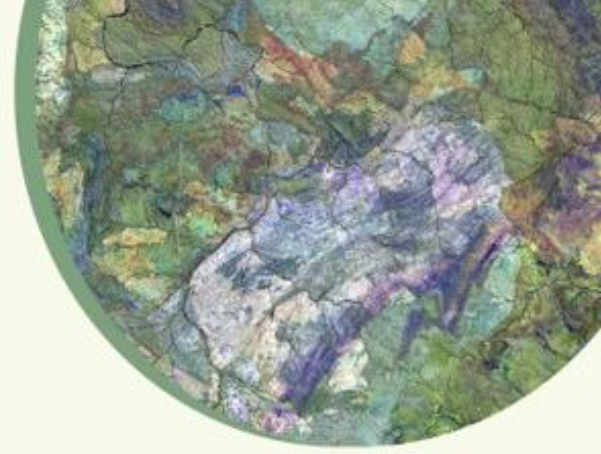


Figure 2 - INA d.d Sisak Refinery

The Istria county includes most of Istria - the largest Adriatic peninsula. It covers an area of 3,476 square kilometers. This area is shared by three countries: Croatia, Slovenia and Italy.



Figure 3 - Location of Istria county

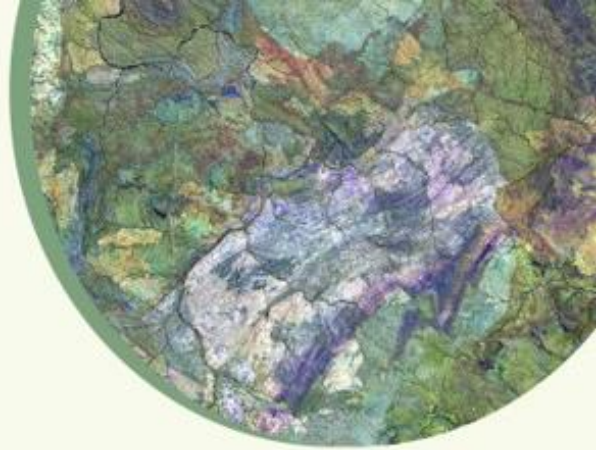


The Istrian economy is very diverse. In the field of industry, the production of building materials (lime, cement, brick, stone), tobacco products, furniture, electrical machines and devices, parts for the automotive industry, glass, metal processing, plastic, wood, textiles and food production has been developed. The industry that has to go through the transition process in Istria County employs about 850 people, 90% of whom live in the area of this county. In addition to the significant impact on employment, the transition will also affect suppliers, and it is estimated that the number of workers employed by suppliers (directly and indirectly) is about 3 800.

It is estimated that the affected sector contributes the most to greenhouse gas emissions, generates 25% of the regional gross domestic product and represents 20% of employment. The problem is that apart from one factory, none of the other polluters have clear plans to close down, but there are plans to restructure the operation to some extent in order to reduce greenhouse gas emissions and reduce the carbon footprint.



Figure 4 - Cement industry in Istria



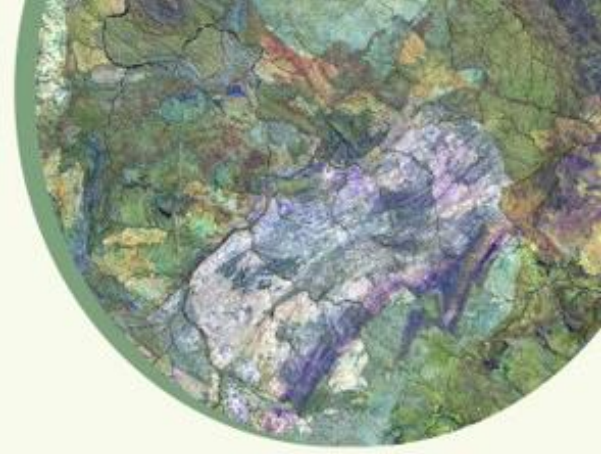
Policy implications

To ensure the green transition in Sisak-Moslavina and Istria counties, the following steps are required:

Table 1: Steps for green transition

Sisak-Moslavina county	Implement skills development programs and employment opportunities
	Grants for the retraining of workers who have lost their jobs due to changes in the economic structure
	Development of the ICT industry as an employment engine with high added value and improvement of employment opportunities for workers who have lost their jobs due to change
	Promote the competitiveness and recognition of artisans and entrepreneurs from the district by creating an infrastructure for the development of new business incubators throughout the district
	Mobilize the emissions trading system sector to reduce regional greenhouse gas emissions as a percentage of the total national footprint through direct investment
Istria county	Invest in business infrastructure that needs to be focused on the green and digital economy
	Invest in the improvement of the circular economy
	Implement the programs aimed at future skills through retraining and training of adults and improving the skills of students
	Establish four business support facilities with a total capacity of 40 users and 2 enterprise zones with an area of approximately 16 ha to be used by 20 users, with the aim of creating conditions for economic diversification, strengthening a favorable environment for the development of entrepreneurship and entrepreneurial climate in the area that will be affected by the transition
	Mobilize the emissions trading system sector to reduce the share of regional greenhouse gas emissions in the overall national balance.

Source: Territorial Just Transition Plan for Croatia, https://strukturnifondovi.hr/wp-content/uploads/2022/04/TPPT_10042022.pdf, accessed 10 November 2023



Conclusions

In both counties, the green transition will bring a number of economic benefits. Two target regions in Croatia will receive 179 million euros from the Just Transition Fund to mitigate the economic and employment impacts of the green transition. Investing in new technologies to reduce greenhouse gasses and transitioning to green systems will create new jobs for technical occupations as well as linkages to local SMEs. Action is also needed to encourage further diversification of the local economy, including the establishment of sustainable and green technology innovation centers focused on decarbonization and enabling circular business models in the manufacturing sector. All of this will serve as a platform for collaboration that directly connects students, researchers, entrepreneurs, startups, small and medium enterprises, and large manufacturing companies. There is also a need to support investment in entrepreneurial infrastructure focused primarily on the green and digital economy, particularly in the context of decarbonization, as well as investment in the research and development sector and encouraging

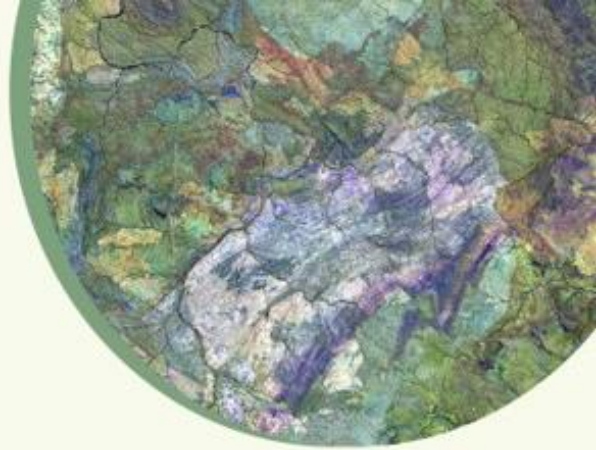
small and medium enterprises to leverage innovations in green and digital technologies in their business. electronic typesetting, remaining essentially unchanged.

In addition, to overcome identified challenges, following things needs to be taken into account (answers from participants of Regional Dialogue 2023):

- Effective use of post-industrial and post-mining areas in Sisak-Moslavina and Istria county
- Regular joint discussions between stakeholders, regional and local communities and companies
- Secure equal participation of marginalized communities in the design and implementation of green transition
- Increase awareness of local people and marginalized communities for green transition
- Participatory approach should be more developed
- Create and implement local green plan for each targeted county
- Establish intersectoral cooperation
- Increase funding for all actors of civil society



Bridging Organizations and marginalized
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References

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