

# The just transition in Ida-Virumaa, Estonia

## **Intro and opportunities for SMEs and start-ups**

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# Context

- + **Climate change** is the paramount challenge facing our civilization. A **green transition** is both necessary and inevitable, if we want humanity to last.
- + The EU has committed to a **common goal** of achieving climate neutrality by 2050.
- + This transition is not uniform: some **regions** — especially those dependent on fossil fuels — will find themselves in a much more vulnerable position than others.





# Green transition in Estonia

- + **Estonia** has been a member of the UNFCCC since 1994, ratified the Paris Climate Agreement in 2016, and joined the EU's common goal of achieving climate neutrality by 2050.
- + In view of our climate targets we need to **revise our entire *modus operandi***: how we produce electricity and heat, how we commute, how we do business and how we build our cities.
- + Currently, the majority of Estonia's energy production is based on fossil fuels, most importantly **oil shale**.





# Oil shale

- + Oil shale — a sedimentary rock containing a solid mixture of **organic chemical compounds**, which can be **burned directly** for power generation or used as a raw material in the **chemical industry**.
- + Via a process called pyrolysis one can extract liquid „**shale oil**“ and combustible **gas** from oil shale.
- + Oil shale use has high environmental costs: the sector processes 9x more **water** than the rest of Estonia combined, produces over 90% of all **waste** and is highly **CO<sub>2</sub>**-intensive — making it Estonia's biggest pollutor.





# Exiting oil shale in Ida-Virumaa

- + 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 our transition to climate neutrality (incl phasing out oil shale) will have — and is already having — the **most impact** specifically on Ida-Virumaa.
- + This transition has the potential to exacerbate the **challenges** already present in the region (low wages, high unemployment, declining and aging population, etc.)

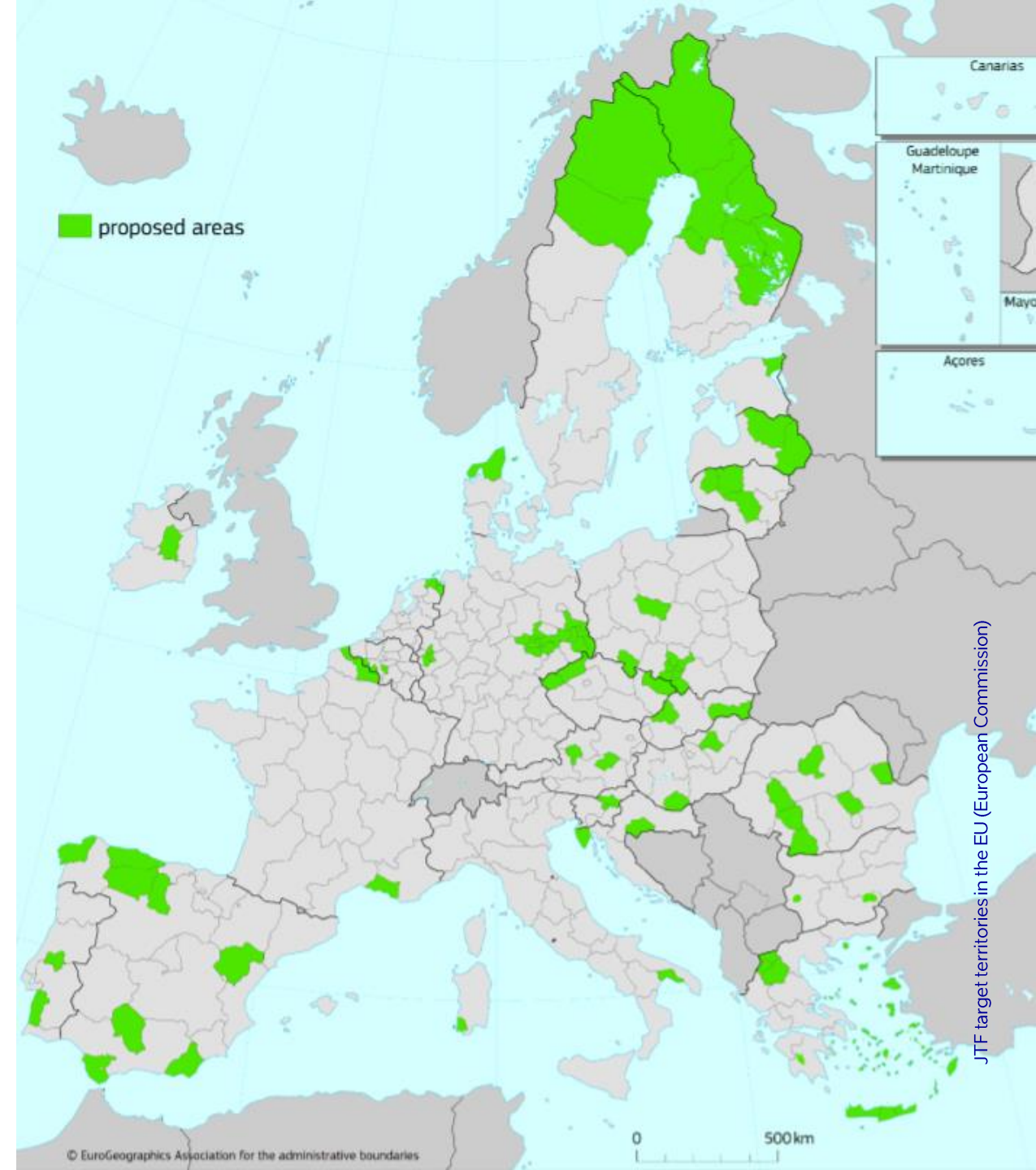


# Just transition fund (JTF)

**The goal of the so-called „just transition fund“, 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 Estonia, the volume of the fund is **340 mln eur**.  
Implementation period: **2021 – 2027**.  
Focus on **SMEs**; fossil fuels **excluded**.





# Development needs

As a result of our outreach activities we've identified three main development needs for Ida-Virumaa:

1. **Restructuring the economy** of the Ida-Viru region with the view of diversifying it and creating new high value-added jobs;
2. **Supporting the people and communities** impacted by the transition process;
3. **Alleviating environmental impacts** related to the mining and oil-shale processing activities.



# Interventions

## 1. “Economy and labor”

- 273 mln € (~80% of JTF volume)

1. **Ida-Viru grand investment grant** — 153 million €
2. **Increasing the knowledge intensity of Ida-Viru entrepreneurship** — 50 million €
3. **Services in support of economic diversification** — 25 million €
4. **Ida-Viru SMEs investment grant** — 15 million €
5. **JTF labor market measures** — 5 million €
6. **Increasing the volume of in-service training, vocational and higher education offering** — 25 million €

## 2. “Environment and social inclusion”

- 66,74 mln € (~20% of JTF volume)

1. **Decoupling district heating from oil shale** — 20 million €
2. **Alleviating environmental and health impacts of oil shale mining and processing** — 10 million €
3. **Empowering people's wellbeing in Ida-Virumaa** — 5 million €
4. **Local government investments in JTF-eligible areas** — 15 million €
5. **Support for regional initiatives amplifying the just transition** — 16,74 million €



# 1. Services in support of economic diversification

**Implementing ministry, volume:** Ministry of Economic Affairs and Communications, 25 million €

**Goal and implementation principle:**

- + Creating preconditions for changing the economic structure of Ida-Virumaa, fostering the creation of new companies, developing products and services that meet modern requirements and creation of new jobs in the region through the implementation of incubation and counseling services.
- + Action will be based on a development plan, currently in development by regional partners.

**Supported actions:**

- + Construction of an industrial incubator in Narva and a business and creative industries incubator in Jõhvi, incl. services;
- + Increasing the volume of services supporting the creation of new businesses and building the capacity of existing ones, incl. the development of support services for the start-up ecosystem, specifically in the audio-visual and creative sectors, etc.

## 2. Ida-Viru SMEs investment grant

**Implementing ministry, volume:** Ministry of Economic Affairs and Communications, 15 million €

**Goal and implementation principle:**

- + Increasing the long-term competitiveness and export capacity of existing SMEs operating in Ida-Virumaa via supporting the development of innovative high value-added products, services and technologies, as well as human and structural capital (know-how, processes).
- + Funding distributed via open calls.

**Supported actions (TBC):**

- + Diversification and reorganization, development of innovative products or services, digitalization, innovation, introduction of novel technologies, reduction of GHG emissions, circular economy, etc.

**Support rates (TBC):**

- + 35% - 65% depending on the size of company, project size, implementation period, etc. Grant amounts: 30 – 500 K EUR.



# 3. Support for regional initiatives amplifying the just transition

**Implementing ministry, volume:** Ministry of Finance, 16,7 million €

**Goal and implementation principle:**

- + Giving the community of Ida-Virumaa an opportunity to actively participate in shaping the transition process via offering financial support to grass-route initiatives, supporting the transition.
- + Funding distributed via open calls.

**Supported actions:**

- + Investments in fixed assets and „soft“ projects, containing awareness and cooperation activities.
- + Supported fields of activity: social entrepreneurship, education and social inclusion, skill development, promotion of environmental awareness and circular economy, preservation and interpretation of industrial heritage; youth-oriented and youth-initiated activities, etc.

**Support rates (TBC):**

- + Up to 90%. Grant amounts: „soft“ projects — up to 200 K EUR, investments — up to 1,5 mln EUR.

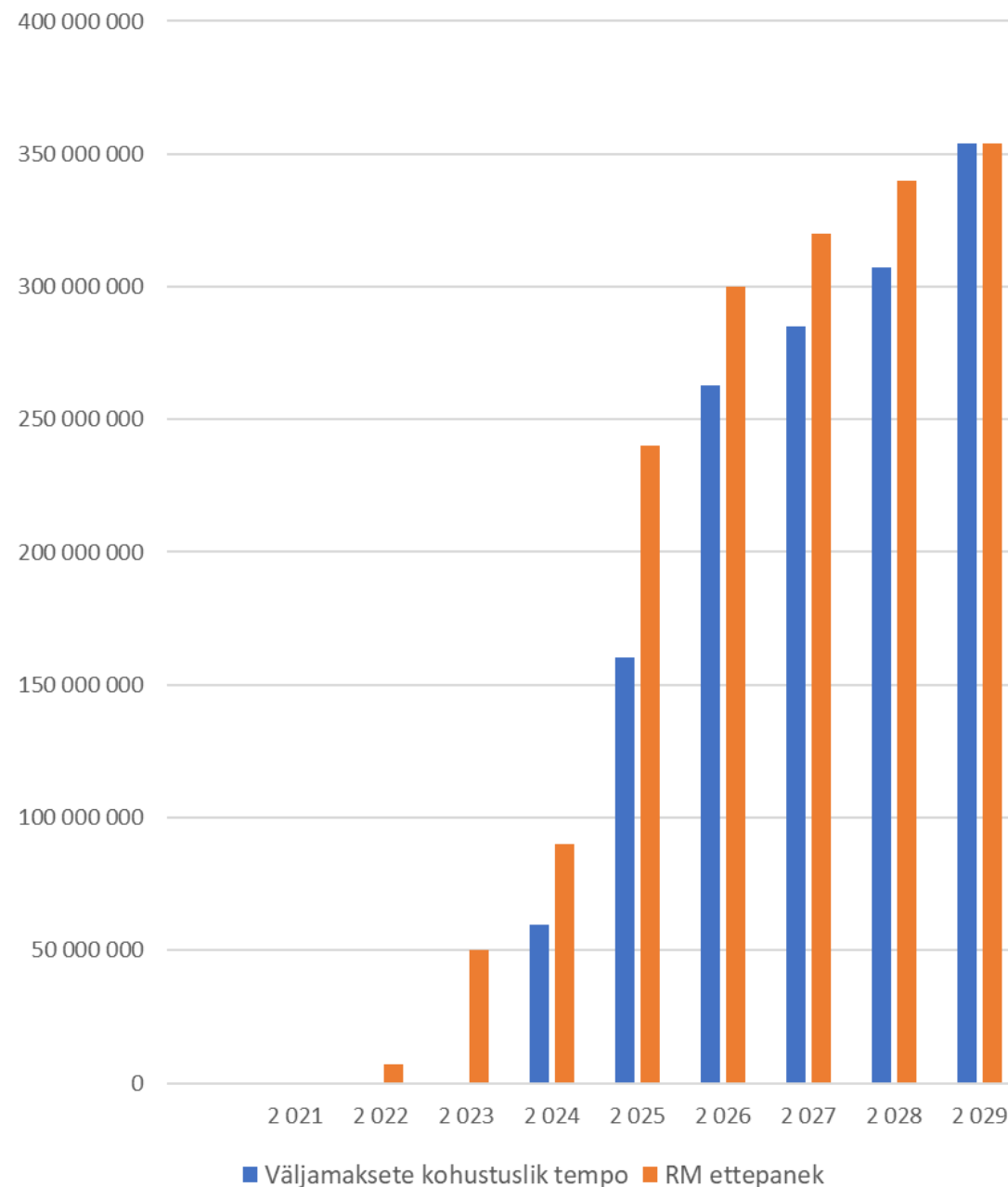
# Timeframe

## Commitments:

- + 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 €.





# A long road ahead

**Preparing the TJTP was great fun: community outreach, making plans. Implementation is off to a good start, too. But this is just the beginning.**

- + Challenging deadlines;
- + A tough macro environment, loads of uncertainty, riskier outlooks for investors;
- + An ongoing energy crisis and a war at Europe's doorstep;
- + Need to stay determined, yet agile;
- + Keeping in mind the big picture — the „**why**“.



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questions?

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