

# Agreement for a just transition for coal power plants: jobs, industry and territories

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## **1. PREAMBLE: CONTEXT AND FRAMEWORK FOR ACTION DEVELOPED BY THE MINISTRY FOR ECOLOGICAL TRANSITION AND DEMOGRAPHIC CHALLENGE**

In order to comply with the Paris Agreements of 2015, the European Union has created a legal framework in a bid to stay ahead in the energy transition towards a low carbon economy and to meet greenhouse gas reduction targets.

In this context, the Government of Spain has presented the Strategic Energy and Climate Framework which has three key pillars: the Draft Bill on Climate Change and Energy Transition, the Spanish National Integrated Energy and Climate Plan (PNIEC) 2021-2030, and the Just Transition Strategy (for which the public participation process came to an end on 22 March 2019). These three elements seek to provide Spain with a stable strategic framework to decarbonize its economy; an efficient road map for the next decade (PNIEC 2021-2030) designed to achieve emissions neutrality in 2050; and a just transition strategy to ensure that both people and regions make the most of the opportunities offered by this transition, and to minimise its negative impacts by means of support and recovery measures.

This framework has consequences for the transition that will be taking place in the electric power generation sector in Spain. The PNIEC offers a framework to develop the generation mix, which may lead to the closure of power plants currently in operation, in parallel to investment in new generating facilities based on renewable energies. The impact across different territories may be uneven.

The measures adopted to facilitate the economic transition towards a low carbon development model must optimize the benefits of the Ecological Transition to generate more and better jobs, while minimizing any potentially negative impact on certain economic sectors which will have to convert.

For its part, the Just Transition Strategy offers instruments that must be implemented to support the sector's transformation and the closure of facilities with regional proactive and recovery measures. As part of its commitment to incorporate just transition policies, the Strategy focuses primarily on supporting economic activities that need to adapt, and on the creation, qualitative transformation and protection of jobs. Likewise, the Strategy lays the foundations to identify these activities and implement measures that ensure the equitable and inclusive treatment of the workers and regions affected to bring about a production scenario that is fairer and more socially beneficial for all, seeking to prevent depopulation of the areas affected by potential closures.

The Just Transition Strategy also provides for a Sectoral Transition Plan for Industry which will serve as a framework for any sectoral industrial measure designed to meet the requirements of greening of the economy, and for the Just Transition Plans of any businesses or groups of businesses having to undergo significant transformation as a result of policies aimed at decarbonizing and greening the economy.

In this respect, the Strategy stimulates the design of policies aimed at industry, research and development, the promotion of economic activity, employment and vocational training, establishing different types of Just Transition measures and recovery

instruments. In the industrial field, the aim of the Sectoral Transition Plan for Industry will be to identify Ecological Transition challenges and opportunities for industrial sectors and subsectors, and put forward the necessary support and aid measures in RD&I, renewable energies, funding and investment in process and product adaptation, energy efficiency, use of new raw materials and energy sources, support for the renewal of equipment and technology, training of workers, etc.

In addition to measures at State level, the Strategy includes Just Transition Agreements, which include an Integrated Regional Action Plan for those areas where the transition may cause difficulties for economic activity. The overriding objective of the Agreements is to preserve and create activity and jobs, secure population in rural areas, and promote coherent diversification and specialization in line with the socio-economic context, making the most of locally-generated resources and attracting outside investment. The JTA will be designed area by area.

In keeping with the text of the Just Transition Strategy, these Agreements will require the attainment of measurable targets and a proper road map with agreed timetables. For this purpose, they will include a technical and financial support framework both for the preparation of the Agreements themselves, and for sectors, businesses or groups of businesses in difficulties and new activities promoted within the Agreements. This will involve the Institute for Just Transition (ITJ), which is a result of the reconversion of the Institute for Restructuring the Coal-mining Industry and the Alternative Development of Mining Regions (IRMC), which will undergo reform, broadening its mandate to other sectors and areas in transition. Cooperation frameworks will also be created with the State Public Employment Service (SEPE), as will frameworks to assist rapid access to potential support windows, both within the participating Ministries and other General State Administration (AGE) departments, European Union funds or financial instruments and others.

In connection with the closure of power plants under Royal Decree-Law 17/2019 of 22 November, Section 1 of Final Provision Two, which modified Law 24/2013 of 26 December, a mechanism is incorporated to take account, from the outset, not only of the technical and economic, but also of the environmental and social benefits, including job creation, and the award of grid access permits to new renewable energy projects in transition areas.

By implementing appropriate procedures, such as auctions,, successful projects will be able to offer sustainable solutions to revitalize economic activity and the jobs associated with it, in geographical areas where coal-fired power plants are undergoing closure.

In the context of the social dialogue and participation at the heart of its implementation, encompassing the preparation, evaluation and monitoring of the various instruments, the Strategy will be subject to tripartite social dialogue among the levels of government affected, union and employers' organizations, without prejudice to the participation of other actors involved via the diverse participatory mechanisms provided according to the issues in question (e.g.: sectoral forums, sectoral debates, participation processes of the Agreements, etc.).

Lastly, it should be borne in mind that the measures adopted in the framework of this Agreement cannot disregard the objectives of Spain’s national energy policy, which must, on the one hand, guarantee a secure and reliable energy supply, and on the other establish the necessary mechanisms to ensure that its price neither jeopardizes the future of the industry and industrial jobs, nor places a burden on households.

### Spain’s electricity industry in context

The electrical sector accounts for almost a quarter of final energy consumption in Spain, making up around 2% of Gross Domestic Product (GDP). The sector employs approximately 85,000 people, with employment that is much more stable than in other sectors (with just 15% of casualization compared to 26% for wage-earners overall).<sup>1</sup>

Where generation is concerned, the electrical sector produces 261 TWh to meet Spain’s demand for electrical power, with renewable energies accounting for about 40% of total generation.

**Table 1.** Electricity demand coverage by technology. 2019

Technology	2019 (%)
<b>Nuclear</b>	22
<b>Coal</b>	4.2
<b>Combined cycle</b>	20.1
<b>Non-renewable waste</b>	0.8
<b>Cogeneration</b>	11.8
<b>Hydropower</b>	9.7
<b>Wind</b>	20.9
<b>Photovoltaic solar</b>	3.5
<b>Solar thermal</b>	2.0
<b>Other renewables</b>	1.4
<b>Renewable waste</b>	0.3
<b>Pump turbines</b>	0.6
<b>Net import balance</b>	2.7

Source: REE. *Avance del Sistema Eléctrico 2019*

Regarding coal-fired power plants, Spain has 15 power plants which include 31 thermal groups with a total installed power of 10,619 MW, approximately 10% of installed power nationwide.

In recent years, the operating prospects of power plants have been adversely affected by a number of technical, economic and regulatory factors, in particular the following:

<sup>1</sup> SPANISH ECONOMIC AND SOCIAL COUNCIL (CES). REPORT 04 | 2017 ON THE SPANISH ELECTRICAL SECTOR.

- The Paris Agreement signed in 2015 and ratified by the European Union (EU) in 2016 and by Spain in 2017, marking a point of departure for energy policies geared to decarbonization of the economy.
- The growing incorporation of renewable energies has substantially reduced the participation of these power plants in the energy mix and consequently their revenue from energy sales.
- The need for investment to reduce the emission of air pollutants (denitration and desulphurization), owing to EU environmental legislation. As earnings have dropped, it has become more difficult for power plants to undertake this investment. Those which fail to do so must close in 2020, under Directive 2010/75/EU of the European Parliament and Council of 24 November 2010.
- The guidance and approach of new European energy directives that are part of what is known as the “Winter Package”.
- The increased price of CO2 on the emissions trading market.
- Other market factors.

In this context, many plant owners have already applied for the closure of some sites. The following is a summary of the situation in December 2019:

- Closure of the Anllares plant (León) was authorized in November 2018.
- Alcudia Groups 1 and 2 (Mallorca) obtained authorization to close on 27 March 2019.
- In 2017, the plant owner submitted an application to close in Lada (Asturias) and Velilla (Palencia).
- The owner of power plants Andorra (Teruel) and Compostilla (León) have applied to close these facilities.
- The owner of the Narcea (Asturias), La Robla (León) and Meirama (La Coruña) plants have submitted applications to close these facilities.
- An official application for the closure of Puente Nuevo (Córdoba) has also been made by the site owner.
- Finally, the owner of As Pontes and Carboneras also applied for closure in December 2019.

The following table shows the jobs associated with each power plant on application for closure.

	Power plant	Location	Payroll	Outsourced contracts	Total
ENDESA	AS PONTES	A Coruña	197	169	366
	CARBONERAS	Almería	137	132	269
	COMPOSTILLA	Ponferrada	159	149	308
	TERUEL	Andorra	147	153	300
	ALCUDIA	Mallorca	134	94	228

NATURGY	ANLLARES	El Bierzo	15	12	27
	LA ROBLA	León	78	42	120
	NARCEA	Asturias	81	48	129
	MEIRAMA	A Coruña	77	35	112
IBERDROLA	LADA	Asturias	95	55	150
	VELILLA	Palencia	83	60	143
VIESGO	PUENTE NUEVO	Córdoba	75	50	125
			1,278	999	2,277

- \*Data provided by power plant owners on the job situation on applicant for closure

## An agreement for a just transition of coal-fired power plant closures

Unless we work within the appropriate frameworks, the closure of coal-fired power plants could lead to the loss of both direct and indirect jobs. Repair and maintenance services, as well as jobs linked to coal transportation and other associated services, should also be taken into account to obtain a complete picture.

On the basis of the documents submitted under the Strategic Energy and Climate Framework, the Ministry for Ecological Transition and Demographic Challenge wishes to support a Just Transition for power plant closures and to broaden its scope with elements included under the Urgent Action Plan and the Just Transition Strategy, and by facilitating their implementation to the following ends:

- To guarantee the appropriate social schemes for workers who lose their jobs in companies covered under the scheme.
- To implement Just Transition Agreements in regions affected by the closure of power plants with a view to managing the potential impacts of the closures on jobs and population at the end of the process.
- To extend the scope of the Urgent Action Plan 2019-2021, presented by the Government, to include power plant closures that may occur in the years to come.
- To generate a tool that could be used in a similar way for subsequent closures of other types of technology, such as nuclear.
- To further develop the instruments put forward in the Just Transition Agreements.
- To generate a tripartite dialogue framework to follow up this agreement.

Negative impacts need to be anticipated and diversification strategies proposed sufficiently in advance to minimize adverse effects on jobs and population, thereby avoiding some of the challenges encountered with regard to the coal-fired power plant closure.

Moreover, at European level, the National Integrated Energy and Climate Plans of member states must be reviewed every five years, which will allow for final adjustment of the integration of different technologies in the electricity system.

Consequently, with regard to the Framework contemplated by the Administration, the Parties hereby reach this Agreement for a Just Energy Transition for Power Plants Undergoing Closure: Jobs, Industry and Territories.

When adopted, this Agreement will serve as the basis and provide experience for other generating technologies that may be affected by compliance with the objectives set out in the Draft Bill on Climate Change and Energy Transition and the National Integrated Energy and Climate Plan 2021-2030, in addition to future plans designed to reach climate neutrality in 2050.

## **2. AGREEMENT FOR A JUST ENERGY TRANSITION FOR POWER PLANTS UNDERGOING CLOSURE: JOBS, INDUSTRY AND TERRITORIES**

By means of this agreement,<sup>2</sup> the Parties undertake to prepare Just Transition Agreements to pre-empt and mitigate the adverse effects of coal-fired power plant closures as definitive timetables become available.

The overriding aim of these Agreements must be the preservation and creation of activity and employment in the areas affected, by supporting sectors and groups at risk, securing population in rural areas, and furthering diversification and specialization, in line with the socio-economic context. The aim is to make the most of locally-generated resources of an economic, social or environmental nature, and to attract outside investment, focusing mainly on those sectors which also perform better in terms of environmental, economic and social sustainability.

The aim is also to promote industrial alternatives related to new energy transition sectors and other projects, in order to improve the quality and expansion of infrastructures for industry in these areas.

The JTA will include:

- A participation process involving mobilization and consultation to prepare the Just Transition Agreement.
- The feature definition, diagnosis and socio-economic and infrastructural analysis of the areas affected by the closures and, once these have taken place, the evaluation of prior or existing initiatives or plans, guaranteeing the channelling of communication and information to all those involved in the projects.
- Identification of potential investment, action and projects to aid recovery in the affected areas and decision-making on their feasibility and potential plan of action.

## To enter into these Transition Agreements, the participating Ministries hereby undertake:

- To offer assisted access as quickly as possible to any funding windows available from different institutions and General State Administration bodies: grants to companies and research projects, venture capital instruments, loan guarantees for businesses, etc.
- On closure of coal-fired power plants, and with a view to promoting a just transition process, the Minister for Ecological Transition and Demographic Challenge, subject to the agreement of the Government Executive Committee for Economic Affairs, may regulate procedures and establish requirements to give new generating facilities based on renewable energy sources which, in addition to the technical and economic requirements, also take account of environmental and social benefits, access to all or part of the electrical evacuation capacity of the network nodes affected by these closures, as stipulated in Royal Decree Law 17/2019 of 22 November on urgent measures to promote a just energy transition.
- When an award covered by the revised text of the Spanish Water Act, enacted by Royal Legislative Decree 1/2001 of 20 July, terminates owing to the closure of a coal-fired power plant, exclusive use to water may be granted to new initiatives and projects in the geographical area where the plant is located. Economic, social and environmental criteria will be taken into account. To this end, the uses of water provided for in these projects and initiatives will take precedence over the order of preference set out in the river basin management plans, or in their absence, Article 60 of the revised text of the Spanish Water Act, with the exception of its use to supply the population which will always be the priority, as provided for by Royal Decree Law 17/2019 of 22 November on urgent measures to promote a just energy transition.
- To conduct a proactive search for investors with any investment projects located in the affected areas, setting out a strategy to explore new activities to be implemented in line with the specificities of each territory.
- Where applicable, contemplating energy policy instruments to implement energy-based business initiatives in the affected areas, with the option of conducting renewable energy auctions specifically for these territories.
- To decide which lines of funding or grants awarded by the General State Administration can be allocated to these territories, and to establish in the calls for proposals for which it is responsible, prioritization or evaluation criteria which may benefit these territories as part of the Just Transition process.
- To include in the programming for which the State and/or Autonomous Communities (CCAA) are responsible, any measures that are eligible to be co-financed with EU funds. For the same purpose, cooperation mechanisms will be established between the State and the CCAA that are necessary to optimize use of the resources available.
- The Institute for Just Transition will provide projects with ongoing specialized



technical support from their preparation stage, supplying social and technical engineering instruments. This service will be coordinated with existing services, in the CCAA, Provincial Councils, Local Development Agencies, municipalities and the parties included in the Just Transition Agreements.

- By means of collaboration with the Spanish National Employment Service (SNE), workers in the affected areas will be offered comprehensive support to provide them with vocational training and employment services. This support will be implemented in each Just Transition Agreement and its point of reference will be the job centre agreed with the CCAA.

This Agreement for a Just Transition will require the adaptation of the services catalogue of the SNE's *Cartera Común de Servicios* [Common Services Portfolio] for those affected by facility closures, identifying solutions that will apply not only to direct but also to indirect workers and the general population of the affected areas. Pro-active employment policies for declining sectors are also important so that the population does not become disconnected from the labour market, and to ensure that specific attention is paid to the most vulnerable population.

To smooth the employment transition from direct and ancillary jobs at coal-fired power plants undergoing closure towards the opportunities generated by other activities, the following measures are hereby agreed:

- The Information System of the Public Employment Service (SISPE) will identify those affected by this Agreement as a special group covered by the Just Transition Agreements in each area, both for the redundant workers of power plants and of ancillary companies. The aim is to facilitate both their reintegration into the new business projects included in the Agreements, and to offer them other opportunities covered by the National Employment System's *Cartera Común de Servicios* [Common Services Portfolio]. This identification will allow job banks to be monitored by official agreement, always guaranteeing compliance with the legislation in force on data protection.
- Specific measures to facilitate the employment of workers redundant owing to closures, paying special attention to those over 52 and for whom relocation is difficult and, for instance providing sign-on bonuses for these people.
- A vocational training and employability support plan for workers in affected areas, by means of an agreement between the SEPE and the ITJ, with funding from the latter. In the annual general call, action will be planned for workers in employment, and specialties will be taught in National Reference Centres for Vocational Training.
- Analysis will be required of the profiles of jobs, labour skills and capabilities that will need to be created to ensure careers development and the integration of job seekers. This in turn will require a detailed study identifying, on the one hand, professions that may be at risk of disappearance or less in demand in the short term, the skills needed for future professions/capabilities, and the identification and building of bridges between current and future professions.

**With regard to power plant closure, on signing the agreement, owners will submit a support plan which will include at least the following:**

- New investment proposals in the same territories regarding business opportunities involving electricity generation using renewable energies or other feasible lines of business.
- Plans to relocate their own personnel, preferably and where possible, in jobs related to the new activities and to plant decommissioning and restoration.
- Priority will also be given to the workers of ancillary companies in jobs related to the new activities and to plant decommissioning and restoration. To this end, the qualified companies which are awarded the tenders called for these actions shall be encouraged to employ ancillary company workers in the local area identified by the SISPE.
- Supporting a proactive search for other investors and participation in the preparation of the Transition Agreements. The aim is to make use of knowledge of local business realities to build new initiatives with a rapid transition between the closure of old facilities and the potential opening of new ones. Tasks involving any reskilling needs will also be coordinated with these companies.
- Specific action to permit cooperation in the vocational training and employability support plan to guarantee an improvement in workers' jobs in the new activities.

**To implement the Transition Agreement, unions undertake:**

- To facilitate compliance with and monitoring of all the commitments entered in this agreement.
- To participate in all the processes and committees established at all levels, including state, Autonomous Region and local on the following issues: training, occupational health and safety, reindustrialization and outreach, and any other that can contribute to the attainment of the goals set out in this agreement.

## Committee for Monitoring the Agreement

The monitoring of this Agreement will be mandated to a Monitoring Committee which will oversee compliance both of this agreement and of any similar agreements signed with other companies.

This Committee will continue to exist for as long as there are reindustrialization and employment issues as defined in the Transition Agreements.

The Committee will have an identical number of members from the General State Administration, representative union organizations and businesses.

The Ministry for Ecological Transition and Demographic Challenge shall hold the Presidency and Secretariat. There will also be one representative from the Ministry of Labour and Social Economy and one from the Ministry of Industry, Trade and Tourism.

This Monitoring Committee will meet in ordinary session every 6 months to ascertain the specifics pertaining to the implementation of the agreement, and in extraordinary session whenever requested by one of the parties.

The Committee shall have interpretative powers in the event of discrepancies regarding the interpretation of the agreement. It will meet and evaluate implementation progress every six months, and may issue a mandatory report in the event that any of the Parties propose amendment or adaptation of the agreement. The Monitoring Committee may be convened on an exceptional basis if any of the parties to the agreement issue a request for this purpose to the Presidency.

This Committee will monitor implementation of the Transition Agreements of the areas affected by the closure of coal-fired power plants signed during the validity of this agreement (industrial projects and investment in the affected areas, extent of job relocation and training programmes for workers affected by power plant closures).

### **3. ADOPTION AND IMPLEMENTATION OF THIS AGREEMENT**

This Agreement is adopted once it has been signed by the parties. Two years after its adoption, the Monitoring Committee will be tasked with producing a report which will include:

- Monitoring of the objectives and policies defined herein.
- Monitoring of the results obtained in each of the territories affected.