

POLICY BRIEF

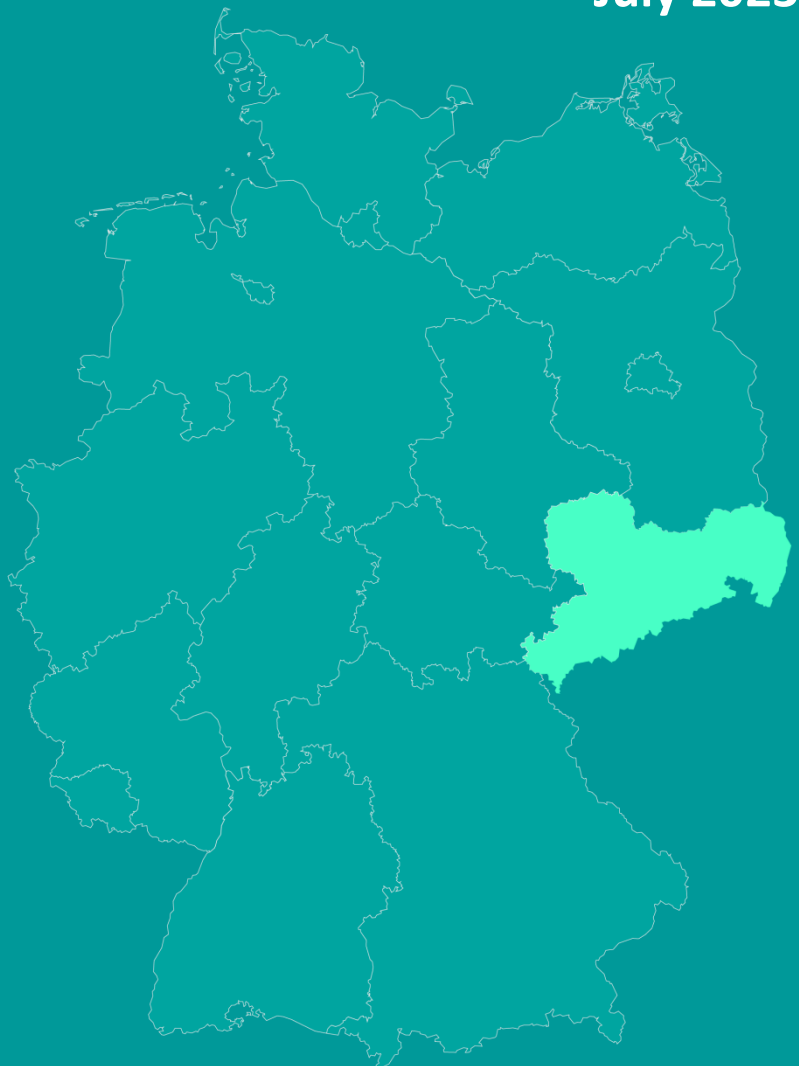
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Lusatia Germany

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ENTRANCES PROJECT

ENTRANCES (ENergy TRANSitions from Coal and Carbon: Effects on Societies) is a three-year project funded by the European Union's Horizon 2020 research and innovation program. The project addresses the Social Sciences and Humanities (SSH) aspects of the Clean Energy Transition (CET) through the development of a theoretically based and empirically grounded understanding of cross-cutting issues related to social aspects of the transition in European coal and carbon-intensive regions and the formulation of a set of recommendations able to tackle these issues. To that end, 13 coal and carbon-intensive transition regions in Europe were studied using the same Multidimensional Analytical Framework (MAF), resulting in 13 case studies and an equal set of recommendations that reveal the complexity of the transition process and the impact in the daily life of local communities in its various dimensions.

EXECUTIVE SUMMARY

This policy brief was developed within the Entrances Project and focuses on the results of the Lusatia Region case study. Lusatia, in eastern Germany and spanning the federal states of Saxony and Brandenburg, is home to the country's second-largest lignite mining region with a long tradition of extracting and processing lignite. Since East Germany was cut off from the coalfields in Rhine, Ruhr or Silesia after 1945, Lusatia's lignite became one central element of the GDR's energy supply. As a result, lignite was mined extensively for many decades and energy-intensive industries were established here. Moreover, with large opencast mines and power plants the regional value creation in Lusatia was mono-structural oriented towards the energy sector so many jobs and industries in the region were linked to lignite in some way.

This entailed severe consequences when, after German reunification in 1990, many of the region's power plants and opencast mines were closed in Lusatia, causing a regional socio-economic structural break with all kinds of negative effects such as de-industrialization, widespread unemployment, emigration, a gradual loss of trust in political structures and processes and loss of regional identity. As part of Germany's climate protection policy, aiming to reduce CO₂ emissions, it was decided from 2016 to 2020 that Germany will completely phase out lignite mining by 2038. To this end, all opencast lignite mines and power plants remaining in Lusatia after 1990 will be shut down in the next years. Three decades after 1990, fears were present that history could repeat itself in Lusatia, and so regional concerns are evident. To cope with the upcoming social and economic structural change, federal subsidies in the tens of billions Euros are made available, and affected stakeholders and population are being more involved in the process. In course of this structural change process as a result of the lignite phase-out, numerous challenges arise for which coping strategies has been developed in the ongoing process in order to avoid a development in Lusatia as witnessed in the 1990s. This Policy Brief reviews these challenges as well as coping strategies applied so far and proposes recommendations for enhancement.



INTRODUCTION TO THE CASE

In 2020, the German government took the final decision to significantly transform the country's energy policy and sharply reduce emissions of CO₂. For the Lusatia region examined in the course of the ENTRANCES project, this means to phase-out lignite mining and coal-fired power generation by the year 2038, which will entail profound socio-economic structural change for the region over the next two decades. Although only about 8.000 people are directly employed in the lignite industry, the region's economic structure and identity has been so closely linked to lignite for decades that society is facing far-reaching changes with a number of associated challenges concerning socio-economic, socio-technical or socio-political aspects.

This will require a reorganization of the regional socio-economic structure with negative side effects to be addressed, but will also mean, in socio-cultural terms, a departure from a developmental path that closely tied the region's identity to lignite. Being a regional consequence of the overarching German policy towards a clean energy transition (CET), Lusatia's process of structural change is accompanied by a number of challenges. These include for example regional emigration and a shortage of workforce, negative consequences of peripheralization, deficits in acceptance of CET-politics, loss of identity, political polarization, regional fragmentation, or the task to design effective management structures for regional CET-policies and the structural change process.

To approach these challenges, or even to envision solutions to them, several political strategies have been developed and applied in recent years. This policy brief, originating from ENTRANCES' Lusatia case study findings and a regional stakeholder workshop, explores obstacles, complications and difficulties faced by this German carbon-intensive region in transition, focusing on various socio-economic, socio-technical, socio-cultural and socio-political factors. It also examines coping strategies applied to handle these regional challenges and aims to identify policies that can have a positive effect in managing the lignite phase-out in the region, to open up opportunities with structural change, and thus implementing an effective clean energy transition policy.

Key questions

Key Question1. What are the challenges faced by coal and carbon transition regions in different dimensions of change?

Key Question2. What are the emerging coping strategies and what policies could be more effective to address the identified challenges?



METHODOLOGY:

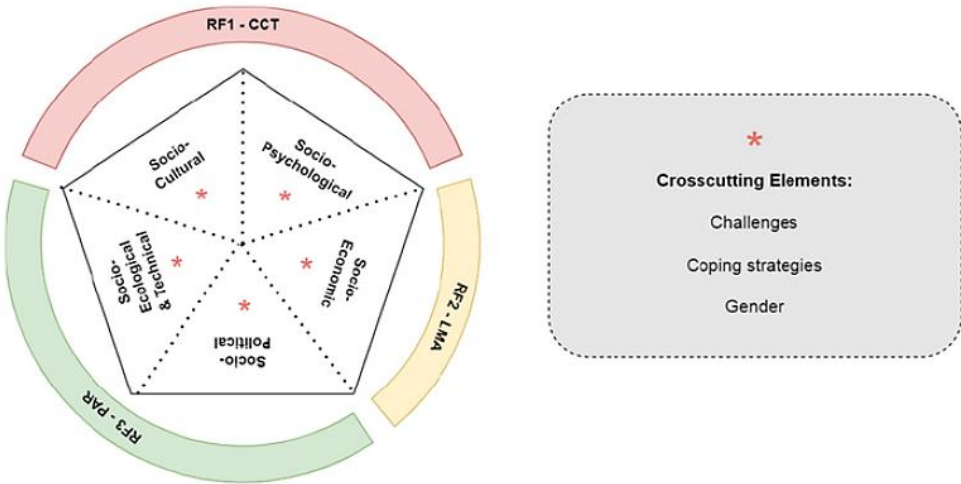


The ENTRANCES case studies were structured into multiple foci (Territorial Change, Structural Change and Clean Energy Transition) and respective units of analysis (Coal and Carbon Territory, Labour-Market Area and Political Administrative Region) to better address the scope of research. Additionally, a comprehensive Multidimensional Analytical Framework (MAF) consisting of five components: socio-cultural, sociopsychological, socio-economic, socio-ecological, and technical component, was adopted to study the complex and multidimensional dynamics in place.

Each component of analysis is supported by specific concepts and methodologies, as well as three cross-cutting elements: challenges, coping strategies, and gender dimension. The resulting challenges, as well as the gender dimension analysis, provide a very clear picture of the real situation in the region of analysis, accurately highlighting the problems related to the demographic, economic, social, cultural and political configuration. The initial results obtained from the different coping strategies generate new avenues for the discussion and recommendations presented in this policy brief.



Overview of the Multidimensional Analysis Framework: Research foci, components and crosscutting elements





CHALLENGES AND COPING STRATEGIES

CHALLENGE 1



Skilled labor shortage, regional emigration and negative demographic development

1

Generating economic perspectives for Lusatia's future

Federal financial aid in large amounts is being applied by the state governments of Saxony and Brandenburg to compensate for jobs lost in the lignite industry and to create new employment options for the future.

2

Creating apprenticeship and job opportunities for young people

State governments supports companies that offer apprenticeships, training opportunities and jobs to young people with financial aids.

3

(Nationwide) returnee campaigns

The state governments each foster local and regional initiatives that seek to attract people who want to return to Lusatia.

RECOMMENDATIONS

- Strategic (re-)orientation of structural change funding policy: complement economic policies with addressing the problem of local/regional workforce potential.
- Set up incentives to prevent young people and families to leave the region.
- Return migration: get more effective in reaching out to people who have emigrated years ago to come back to the region.
- Increase the attractiveness of the location by implementing social innovations, co-working spaces and creating a new identity.
- Increase public relations efforts to better communicate positive achievements of financial aids and highlight future opportunities of the region.
- Attracting people from abroad (e.g. Poland, Czech) in order to encourage them to settle down in Lusatia; more effectively address right-wing populism

DISCUSSION

Whereas the region's problem in the 1990s was a severe lack of jobs, one of Lusatia's main challenges now will be significant shortage of skilled workers for employers in the region, which is reinforced by continued migration from Lusatia to other regions and resulting over-ageing of Lusatia's population. If the region will not succeed to increase its endogenous employment potential, it will become economically unattractive, intensifying this circular problem in the future.



CHALLENGES AND COPING STRATEGIES

CHALLENGE 2



Peripheralization and Competitiveness of Lusatia as location for business and living

1

Investments in regional infrastructure

The state governments funded improvement and expansion of the region's "business-related" infrastructure such as rails (ICE), roads or data networks, but also investments in educational infrastructure.



2

Establishment of economic 'lighthouse' projects and development of new economic areas of competence

With federal subsidies, lighthouse projects (e.g. Science Park Cottbus, German Center for Astrophysics) were established. These are expected to form the nucleus of new economic investments and to attract companies and not at least skilled people. New economic competencies (e.g. health care) are to be strengthened and traditional priorities (vehicle manufacturing) are to be maintained.



3

Increasing the quality of life for people living in Lusatia

Subsidies are used to improve the region's quality of life to reduce the impact of peripheralization, for example by improving public transport or investing in the region's educational infrastructure.



4

Image campaigns to improve public perception of the region

Image campaigns have been launched to present Lusatia as an area of opportunities where people can realize their potential and that offers prospects for individual development.

RECOMMENDATIONS

- Develop Lusatia as a transnational region in the heart of Europe and adopt a broader European perspective when 'thinking of' the region's future place and role.
- Regional development should focus more on Lusatia's integration into and connection to national/European networks, be it in terms of mobility or economic networks (e.g. Hydrogen production).
- Integrative development of CET measures and economic utilization concepts, such as the combination of regional hydrogen production and local public transport or local heat supply.
- Find more effective strategies to readjust the regional image in Germany and beyond that helps to destigmatize Lusatia as a place that is left behind. Instead, the opportunity for Lusatia to become a European model region for successful structural change should be emphasized.
- This may require further elaboration of the regional 'Leitbild', proposing a mission statement with the power to mobilize the population and economy. Here it could be helpful to set up and regularly conduct community future workshops on the development of a regional vision.

DISCUSSION

Due to its location at the eastern end of Germany, close to the Polish and Czech border and in the shadow of Berlin or Dresden, Lusatia struggles with the negative consequences of peripheralization and shrinkage. Not uncommon for peripheral regions, Lusatia has to cope with phenomena such as insufficient infrastructure (be it public transportation, health care or educational opportunities), inadequate access to public services, or a lack of an economic 'landscape' where companies can collaborate and evolve. Moreover, this is accompanied with socio-political challenges like stigmatization and feelings of being left behind, which all together reduces the attractiveness of Lusatia as a place to live, work and do business. All this is closely interwoven with challenge 1.



CHALLENGES AND COPING STRATEGIES

CHALLENGE 3



Legitimacy and Regional Acceptance for CET

1

Billions of Euros in funding

In order to implement CET at all, but also to meet regional skepticism towards lignite phase-out, the German federal government will provide funding of up to 17 billion euros for Lusatia until 2038.

2

Inclusive implementation design for stakeholder involvement

Since acceptance and participation are mutually dependent, state governments have relied on the broad involvement of regional stakeholders such as municipalities, associations, trade unions and actors from civil society when designing the CET.

3

Political communication

Successes (e.g. 'lighthouse projects') of the structural change policy and the opportunities arising for the region are communicated via professional media campaigns and used to generate public support and acceptance.

RECOMMENDATIONS

- **Roadmap and Mind-Set:** inspiring and convincing visions/concepts/guiding ideas about goals to transform the region, a jointly developed and shared vision of what to be in the future and how to get there could help people to positively connect to the region's CET process.
- **Citizen participation:** rely not only on the involvement of organized institutional actors and bodies but complementarily develop/integrate formats where citizens can participate in the process and contribute ideas/criticism.
- **Make citizens economically benefit from CET:** development of regional electricity products/tariffs that allow citizens who live in the neighbourhood of energy parks to directly benefit from more favourable energy prices.
- **Integration:** Investments in green energy production could be coupled with aspects such as improved local public transportation or modern heat supply in the region.
- **Regional politics:** develop more sensitivity to spatial distribution patterns and ensure a fair allocation of funding and investments in the regional context.
- **Communication by federal/regional/local politics:** develop and practice more effective informational strategies to explain motivations/necessity of CO2 reduction. Also, more offensively present constraints of structural policy and funding logic in order to explain why there are still very successful projects that can be presented.

DISCUSSION

A critical bottleneck for CET, lignite phase-out and structural change to succeed in Lusatia is procedural legitimacy and acceptance by those affected. Without sufficient local acceptance, essential measures will not be feasible in the long term and make CET-policy to increase political cleavage and intensify conflicts in the region. Despite the massive subsidies, acceptance and (even passive) support for CET and structural change policy is not adequate at the moment, which has both normative as well as processual reasons.



CHALLENGES AND COPING STRATEGIES

CHALLENGE 4



Political polarization about CET | 'Decarbonized' identity construction

1

Regional mission statement process

In 2019 at the beginning of the lignite phase-out, a societally broad-based mission statement process was organized in the region, which was to provide the impetus for regional development policy and for Lusatia's new identity construction that is independent of lignite.

2

Economic Funding and financial compensation

The federal government in Berlin, where the decision to phase out Germany's coal production by 2038 was made, is providing large amounts of funding - not least to balance political tensions with the positive effects of economic investments in the region.

RECOMMENDATIONS

- **Taking the problem seriously:** Political polarization in the region should be taken more seriously because any social disintegration processes and right-wing populism have a negative impact on Lusatia's development opportunities. Economical investments seem to not sufficiently address political distrust.
- **Political Education:** Funds for structural change are primarily intended for economic investments, but do not adequately support political education, promotion of democracy or the development of social cohesion. More should be invested here because as the region's attractiveness is directly affected.
- **Involvement:** The feeling of being externally determined in terms of CET can be approached through substantial participation and more transparency of the regional structural change policy process (Challenge 5).
- **Identity construction:** Invest in an inclusive, broad-based process of re-framing the regional identity of Lusatia with the aim of creating an alternative identity construction 'beyond lignite', connect to positively connoted narratives such as (green) 'energy region' or 'hydrogen hotspot' for example.

DISCUSSION

Due to the economic structural break in the 1990s with consequences such as deindustrialization, unemployment and shrinkage, the political situation in the region has been more tense than elsewhere for some time. Additionally, a lack of support and acceptance for CET (challenge 3) "discharges" quasi vicariously in distrust in political procedures, actors and decisions. These feelings of decline mixed with perceptions of being overrun by CET decisions made elsewhere and resulted in high approval ratings for right-wing populism. So, CET-politics exposes a severe political cleavage with the potential to disintegrate the socio-political atmosphere in the region, and there is still no shared 'decarbonized' regional identity construction available that helps to mitigate the situation. All this does not help Lusatia to present itself as an attractive location neither for required immigration (challenge 1) nor companies.





CHALLENGES AND COPING STRATEGIES

CHALLENGE 5



Regional fragmentation of governance structures, divided political responsibilities and intra-regional competition

1

Joint policy guidelines of the state governments of Saxony and Brandenburg

Coordination sessions of representatives of the governments of both federal states were held at wider intervals in order to harmonize the overarching strategic goals of Lusatia's regional development.

2

Coordination at working levels

In regular consultations, ministries and the structural development companies of Saxony (SAS) and Brandenburg (WRL) stay in contact and exchange on measures and day-to-day business.

3

Complementary bridging of regional fragmentation through other actors

Non-Governmental Actors from the economy, science, politics and civil society try to compensate for the resulting 'federal gap' by complementary networking (conferences, working groups) to promote joint, overarching regional development of Lusatia

RECOMMENDATIONS

- **Intensification:** closer coordination of both federal states on issues of a shared developmental strategy for Lusatia 'as a whole'.
- **Institutionalization:** Establishment of obligatory, permanent, transparent and person-independent opportunities for cooperation between stakeholders involved in structural change in both federal states.
- **Structural harmonization:** More functional equivalent actors and structures responsible for CET and structural change in the two federal states would facilitate cooperation.

DISCUSSION

Another challenge for implementing CET and managing the associated regional structural change process arises from the fact that Lusatia is administratively located on the territory of two German federal states (Saxony and Brandenburg). This federal governance aspect complicates a joint, spatially integrated strategy finding for the regional development of Lusatia 'as a whole' and also complicates the financial coordination, political integration as well as the implementation of policy measures. After a joint structural development company was abandoned in 2020 in favour of independent institutions of each federal state, there are now basically two funding areas in Lusatia from a strategic, funding policy and administrative perspective, reinforcing intra-regional competition.



CHALLENGES AND COPING STRATEGIES

CHALLENGE 6



Design and Management of regional CET- and Structural Change Process

1

Difference process structures in Saxony and Brandenburg

In both federal states, different ways of managing regional structural change have been chosen (challenge 5) and differently designed process structures and procedures have been developed. While Brandenburg (WRL) uses a process of thematic workshops, Saxony (SAS) relies on a municipally based process involving various interest groups in decision-making.

2

Bottom-up process design

As a common feature, both federal states designed the structural change/CET-governance as a bottom-up process with the aim of getting many relevant stakeholders from all areas of society involved in the procedures.

3

Complementary regional mission statement-process

At the beginning of the process of phasing out lignite, a regionally broad-based 'Leitbild'-process outlined strategic goals of structural change and ways of Lusatia towards a sustainable regional development. The federal states integrated some results of this mission statement process into the definition of their own CET policies.

4

Scientific research and process evaluation

Both federal states, Saxony and Brandenburg, regularly consulted external/scientific support when setting up their processes/structures and have their process design evaluated by independent scientific actors.

RECOMMENDATIONS

- **Responsiveness and Transparency of governance structures:** For a sustainable CET in small communities (that are typical for Lusatia), there is a need for responsive, joint and transparent procedures of implementation.
- **Inclusiveness and participatory governance:** develop ways of more substantial citizen involvement and participatory governance when implementing CET to constructively consider regional concerns in decision-making.
- **Integration of impulses from the mission statement process:** Supplementing the currently strongly economically fixed program of action with sustainable action goals of regional development. Consider, to what extent results of the mission statement process can be integrated in process structures/procedures, also in order to increase the process' general acceptance and legitimacy.
- **Strengthen municipalities:** Municipalities feel overstrained. More financial/personnel support could allow them to better contribute to CET policy-making in order to get more realistic and better implementable CET policies.

DISCUSSION

The concrete design of the CET process as well as the process of managing structural change have an influence on its success that can hardly be overestimated. In this respect, the two different CET process designs in Saxony and Brandenburg (Challenge 5) pose challenges concerning action strategy, responsiveness, transparency, and inclusiveness – but also in terms of speed of action and overburdening municipalities in the region. The design of the process, its structures and procedures are in many ways significant, because their quality and functionality affect the acceptance of CET by the population (Challenge 3), resulting in political conflicts (challenge 4) or the creation of economic opportunities for the region's future (Challenge 2).



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