

GREEN TRANSFORMATION! A POLICY TOOL FOR REGIONAL SMART SPECIALIZATION

POLICY BRIEF ON GT FOR RIS3 STRATEGIES

PARTNER: MINISTRY OF ENVIRONMENTAL PROTECTION AND REGIONAL DEVELOPMENT

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Summary

The policy brief gives an insight into project GRETA activities which aims to develop policy recommendations for green transformation and implementation of smart specialization strategies (RIS3). This policy brief is elaborated by the project partner Ministry of Environmental Protection and Regional Development of Latvia and focuses on a less developed region in Latvia – Latgale region. The intervention area is mechanical engineering and the metal industry. During the project implementation, the intervention area was selected and stakeholders’ analysis was done. This was followed by 7 expert interviews conducted in April 2021. Experts were presented from all helices – public, private, universities, and NGO. The idea of interviews was to measure what is the current situation and how do the experts see the future regarding green transformation in Latgale region. The aim is also to identify the biggest opportunities and challenges for the regional innovation system by looking at the roles of different helices and how well the different regional actors can participate in the European goals towards a greener future via their innovation activities. After expert interviews in August 2021 focus group meeting was organized with 11 participants to discuss prepared DPSIR model analysis and defined opportunities and challenges for green transformation in Latgale region and identify actions for mechanical engineering and metal industry to reach climate neutrality.

1. Introduction

Project GRETA partner Ministry of Environmental Protection and Regional Development (hereafter – MoEPRD) as a leading institution for regional development in Latvia focused on area which in *Research and Innovation strategy for smart specialization - RIS3* is defined as smart materials and smart technologies and engineering systems. Since this area for in depth analysis might be too broad, intervention area was focused on mechanical engineering and metal industry (manufacturing). Manufacturing sector in Latvia is quite small but is regarded with great potential for regional development. Manufacturing sector in 2020 made only 12,2% of gross domestic product. According to *National Development plan for 2014-2020*, manufacturing sector in 2020 had to make 20% of GDP. And highlighted plan for 2030 is 26% from GDP. Therefore, we could claim that intervention area is with long traditions and is important part of economy.

Need to specify that within GRETA project, focus was made on one of five regions of Latvia - Latgale region since it is considered as less developed in Latvia. And according MoEPRD available data, we can claim that mechanical engineering and metal industry in Latgale region is with high energy consumption and with low added value (including low productivity). Therefore, there are also opportunities to make changes in proportion of energy consumption and added value.

Intervention area has considerable transformative capacity for green transformation in Latgale because of several aspects: first, MoEPRD for the period of 2021-2027 together with involved stakeholders will implement Territorial Plan of Just Transition Fund (hereafter – JTF) which will be implemented also in Latgale region, and its main task is to promote climate neutrality. Second, in addition to JTF also other European Union funded activities will involve promotion of green transformation for different helixes – private, public, academic, NGO. Third, there are governmental, municipal, academic, and private actor determination in place to move towards green transformation. But still it is fragmented, often not coordinated between different stakeholders, and different actors often are working quite separately from other involved stakeholders. Fourth, international companies are interested to achieve sustainable development goals and it could show positive example of best practice for other companies working in region.

As it was mentioned before, mechanical engineering and metal industry in Latgale region mainly is with high energy consumption and with low added value (including low productivity). For example, according to MoEPRD data¹, companies from intervention area in Latgale region were consuming electricity and heating on average 1686 kilowatt hours per 1000 EUR value added compared to 180 kilowatt hours per 1000 EUR value added for other company from intervention area which is considered as a leader in industry and is in Latgale region. It is almost 9 times more than leader company in the region. If we compare the highest electricity and heating consumer then it was 5171 kilowatt hours per 1000 EUR value added. This shows also large disparities between companies in the region itself and we see that there are not only large shortcomings, but also innovators and leaders.

At this moment, considerable list of different stakeholders has been involved elaborating support instruments to move towards climate neutrality. For example, important tool will be Territorial plan for JTF. It has been elaborated including interests of different associations which represent companies, non-governmental institutions, planning regions, municipalities, and governmental institutions. Situation has been analyzed and main directions of support has been defined like, support for the development of public infrastructure for business towards climate neutrality; business greening and product development activities; development of skills development, improvement, and retraining supply for the transition to climate neutrality.

¹ MoEPRD on 2020/2021 gathered data for mechanical engineering and metal industry companies in Latgale region on value added (data were available from 2017) and interviewed companies to share with electricity and heating consumption data (most of them were from 2019).

Based on expert interviews we could claim that leaders of mechanical engineering and metal industry in green transformation are mainly international companies and companies which work mainly for international market. But still comprehensive information about companies is missing. During project implementation several expert interviews were conducted, but from private sector participated only one (rest of invited respondents did not responded). Private sector is willing to use financial support from EU funds for green transformation, but companies will use it only if it will provide economic benefit.

Main driving forces for green transformation in intervention area of mechanical engineering and metal industry in Latgale region and in Latvia in general are EU institutions which together with member states share common vision about climate neutrality by 2050. Therefore, vision comes from international level which states that countries need to strive for climate neutrality. And innovations are like engine and driving force to move towards new climate related technology development. In green transformation innovations will be an important part. Latvia as a member state has a duty to accept and further promote green transformation and implement EU policies, including Green deal. Green deal has come to our agenda only recently. Nevertheless, prevention of climate change has been there also before Green deal but undertaking to become carbon neutral by 2050 has come only with Green deal. Sectoral ministries are also important driving forces at more operational level, since they are responsible for development of policy planning documents for climate neutrality which involves action plans and determine responsible institutions for achievement of certain indicators.

Companies which work internationally and are a part of international value chains recently has encountered with external requirement for sustainability. Demand from international clients/customers play important role for companies to decide to organize production process in sustainable way un save resources wherever it is possible.

Pressure at EU level and each member state is to develop sustainable and climate neutral economy. It involves increase the economic competitiveness of the Latvian economy at the same time as limiting and reducing climate change, as well as to ensure a safe living environment. For sustainable development it also means reduction of consumed resources.

During project GRETA implementation both in expert interviews and focus group meeting with involved stakeholders was discussed challenges and opportunities of green transformation. It was mentioned that lack of coordinating institution and lack of leadership for green transformations is creating challenges for all stakeholders. MoEPRD in public sector is most visible institution for green transformation, but it is not the only one responsible for implementation of sectoral actions. There are Ministry of Economics, Ministry of Transport, Ministry of Agriculture which also are responsible for certain tasks. Involved are also planning regions, municipalities, private sector, social partners, and universities. And process is going by itself and sometimes there should be coordination between actions and support measures. Motivation and encouragement process is partial and is up to each involved party and their interest in this process. Everyone wants to be informed and involved and there is potential for Latgale planning region to act as a leader in Latgale region. There is potential also for NGOs and sectoral associations which can use their channels and access to companies to involve and motivate companies for green transformation.

Companies are also quite challenging stakeholders. Organizing interviews for project GRETA purposes only 1 from 4 large companies located in Latgale region responded. We do not have information about reasons, maybe they are not interested in green transformation, or they are too busy for conversations, or is this a way how to show attitude towards public sector institution from whom they received invitation. During focus group meeting it was explained that it is disbelief from companies, which has been piled up for years. Disbelief is for any information which comes from above. At the same time companies face many problems like labor shortage, different and changing normative regulation, high taxes. Therefore, from companies we can see disinterest to

devote their private time for cooperation activities. Also for other stakeholders it is usually a challenge to access to companies to inform them. Therefore, it creates uncertainties about actual situation, what actions companies have already taken to move towards green transformation, what are they plans for future and where will they be in 5 years and later.

There are also psychological factors that influence mindset of companies, maybe lack of comprehensive information that makes green transformation challenging for companies. Stakeholders will be forced to move and change, but there is possibility that some will be too reluctant to do that. If there will be some bonuses, probably only then will change. There is also opinion that companies are not motivated if they see other companies are angry about necessary changes and transformation. Negative information is strong tool. Therefore, there is a need for explanatory and targeted information which will reach each company. Together with psychological factors there can see other hindering factors, like company fears that investments will not pay off, therefore manufacturing process will become more expensive and product will lose its price competitiveness.

As it was explained in focus group meeting financial opportunities for companies in Latgale region are limited. For example, there are different EU funds available, but usually support intensity is up to ~40-45%.² From stakeholder experience, if company would decide to buy solar cells and install them on site roof, company would have to invest 120 000 euros, and could get additional 80 000 euros support. But then there is a question to decide – what kind of investments would be more profitable – installation of solar cells to become greener or replacement of old equipment/introducing robotization (remembering that there is labor shortage)? And answer is clear, that for company first choice always will be equipment or robotization which can provide economic competitiveness. Nevertheless, also investments in technologies are desirable and expected for companies to move towards climate neutrality, because new equipment can provide energy savings and create less CO₂.

Some companies cannot get any financial motivation for green transformation, like tax reliefs or other benefits. And still there is a lack of comprehension that future stands for greener technologies and processes. If there will come new regulation for manufacturing sector, it was noted in expert interviews that for some companies it could be too late to make changes in manufacturing. An example is when there came requirement for companies to make annual energy audits. And when regulation came into force, some companies received information that those companies without energy audits must pay higher taxes. Therefore, it is important to make changes at niche/company level in a timely manner. Threats for companies are about their competitiveness, some processes will become more expensive to fulfill environmental requirements. As any changes also green transformation can cause dissatisfaction. Changes are risk factor – therefore need to ensure that society are ready for that.

2. The policy context

In Latvia there are several national level policy planning documents and strategies concerning green transformation and intervention area like “Latvia's Strategy to achieve climate neutrality by 2050”. The Strategy is a long-term policy planning document designed to increase the economic competitiveness of the Latvian economy at the same time limiting and reducing climate change, as well as to ensure a safe living environment for the people of Latvia. It is designed to support the European Union's overall climate-neutrality target by 2050. This document was released alongside the National Energy and Climate Plan 2021-2030 that is a mandatory communication to the EU. National Energy and Climate Plan 2021-2030 was developed before Green Deal came into our agenda. In addition to these mentioned documents, there are some more specific ones which focuses

² 40%-45% is average support intensity for companies according to EU state Aid rules. Support intensity is available from 35-55%

on different sectors, for example, Circular Economy Guidelines, Peat Policy Guidelines, Digital Transformation Guidelines, Industrial Policy Guidelines, and other documents which help to achieve goals of climate neutrality.

At EU level and more global international level the vision of green transformation is identified from different sectors and goal is to reduce climate changes. The vision comes from international institutions and they all point out that countries need to strive for climate neutrality. And innovations are engine and driving force to move towards new climate related technology development. Innovations are essential for climate development. Green deal is very good reason to motivate to think how to organize activities. And energy efficiency is one of the most important activities of green transformation. Many people think that the company should be seen as a whole, but company should also be seen as a process.

Green deal is now popular term, and it becomes more important also for businesses. Experts see that both entrepreneurs and local municipalities are striving to learn this new rhetoric and try to use keywords of green transformation. Experts admit that Green deal will be the main vector for the next 7 years, since ideas of green transformation have been integrated in different policy planning documents, EU funds and it will be with us for some time. More important, ideas of green transformation have come from above, from Europe. These ideas are not driven by us, this is something we have accepted from above. This is quite interesting observation because we would like to think that new policies comes from above, from grassroots.

Green deal comes together with EU funds³, which we want to use and therefore Green deal is our commitment to achieve goals. Therefore, vision is national level, goal is also national level, and all involved in this process are moving forward with it. And a lot of activities already have been done at municipality level and company level, implementing energy efficiency measures and technology replacement measures. Municipalities in their medium-term development programs acknowledge to reduce carbon gas emissions, it involves energy efficiency for municipality buildings, effective street lighting, changes in provision of utilities and other measures.

Also, expert form business sector admit that over last year the issue of sustainability has emerged from customers, everything now is related to this green approach. Some clients postulate it as one of their main values and new goals. Therefore, producers must change together with this new demand. There is also understanding that in near future also new regulation will request for activities to move towards green transformation. But if there is any vision of green deal, then at business level is has not been communicated as it should be. Entrepreneurs want to hear practical information, but at this moment some words of green transformation sound like “a song without any meaning”. Therefore, need to say that there have been flaws in term of communication.

3. Instruments and initiatives targeting the GT

As it was mentioned before Territorial plan of JTF is targeted to is designed to identify priority measures to reduce the social, economic and environmental impact of the transition to a climate-neutral economy in the most affected regions of Latvia, while setting areas and framework conditions to ensure the most effective investment opportunities of JTF in Latvia in 2021-2027. Territorial Plan aims to support those regions most affected by the transition to a climate-neutral economy, in particular in terms of economic diversification, retraining and environmental rehabilitation. Therefore this is one of most visible support instrument for private sector for green transformation.

In additon to this, also other EU funded activities will include support which are aimed towards reduction of CO₂, promote use of renewable energy sources and development of climate neutral economy. Most of EU fuded

³ Particularly Just Transition Fund.

activities now include horizontal principle of climate neutrality. For example, MoEPRD is developing new support activity "Smart municipalities" which aims to introduce innovations in municipality service provision process. This means that municipalities must provide services which are cost effective, innovative and do not create additional effect on environment. Private sector together with research sector will be ones who in close cooperation will develop new solutions and participate in innovation procurements organized by local municipalities. There are planned also other support activities which are focused on digitalization of public and private sector, and equipment replacement/ robotization for companies, and other. We can claim that for the period 2021-2027 objectives are complementary and they all somehow will support green transformation.

4. Challenges and opportunities focusing the GT

Intervention area and Latgale region in project GRETA was chosen for a purpose. Latgale region is one of five regions, but it is less developed in Latvia and is considered as a rural area. Economic development opportunities in Latgale region have been strongly affected by population decline. During last 10 years population decline in Latgale region was 20%, while in Riga region (including surrounding municipalities) population decline was only 1%. Since the aim of regional policy is to develop the potential of all regions and reduce socio-economic disparities by strengthening their internal and external competitiveness, as well as providing specific solutions for them, MoEPRD as a responsible institution for regional development must put more emphasis on Latgale region.

Opportunities and challenges strongly characterize situation in Latgale region. But need to note, that defined challenges and opportunities mostly applies on all territory of Latvia. Planned EU fund support instruments, other foreign programmes, and national level investments from government puts focus on Latgale region as well. It means that EU level and national level support instruments and policy regarding additional emphasis on Latgale region is coordinated and agreed by all levels. As it was concluded in expert interviews, main vision regarding green transformation comes from EU level and is accepted and promoted at national level. Regional policy is designed to make economic development especially faster in Latgale region. But anyway, it does not mean that designed regional policy is working as imagined. In expert interviews many challenges were presented – like lack of coordinating institution or leader who acts as one-stop shop for green transformation in Latgale region; lack of comprehensive information targeted towards companies what green transformation and climate neutrality mean and how it will affect small, medium, and large size companies; lack of examples of good practice how practically companies can take steps towards climate neutrality and how it can help them become more competitive and get economic advantages.

Important challenge what defines a lot of companies in Latgale region is limited finances to invest in development. Therefore, many companies are forced to decide which investments will be most cost effective and green transformation activities will happen only when investments in development somehow overlap with green solutions. It was also acknowledged during focus group meeting that in Latgale region process of green transformation will not happen isolated by itself. It will be only as additional component or activity for company.

4.1. The emergence and growth of new activities with potential in innovation focusing on GT

To overcome above mentioned challenges, first important is knowledge of green transformation and change of mindset that this is how things are going to be from now on. During project GRETA partners meeting in Vaasa, this point was also discussed that it is not so easy to make changes of what people think. But only way to do that is through practical actions with high intensity. It means that way to make changes what and how companies think about need to become climate neutral is just through implementation of small projects. It means that

policy makers must develop also appropriate support instruments to help to move towards this direction. This must also include introduction of innovative solutions, cooperation activities with different stakeholders including research institutions, creation of innovation and green solution introduction ecosystems.

4.2. Entrepreneurial discovery bringing environmental and social benefits into existing innovation activities

When cooperation activities for companies in Latgale region will be more frequent, more common will be entrepreneurial discovery and innovation activities. Conclusion from expert interviews was that international companies operating in Latgale region are working quite isolated from public sector (meaning they do not follow government decisions and they do not feel informed by them at all), but they are implementing activities of green transformation in a quite high intensity. Demand of sustainability comes from international customers and clients, therefore companies are forced to reduce their impact on climate through reduction of consumed resources, recycling waste byproducts, and so on. During implementation of project GRETA, MoEPRD faced with difficulties reaching companies in Latgale region for interviews and focus group meeting, therefore in this analysis we lack comprehensive information how far companies have come towards green transformation. In analysis there are opinions of experts of different sectors (public, NGO, academic) on how things are going on for private sector. If there developed new networks in Latgale region based on green transformation topic, then involvement of companies in Latgale region might be also a challenge. For that there need a strong motivation and vision how it will help company develop and become more competitive. In focus group meeting it was explained that from companies in Latgale region we can see total disbelief for any information which comes from above. At the same time companies face many problems like labor shortage, different and changing normative regulation, high taxes. Therefore, from companies we can see disinterest to devote their private time for social activities.

4.3. Critical networks of stakeholders with the potential to develop RIS3 strategies based on the GT

In green transformation in Latvia are involved list of several stakeholders representing all helices. There are NGOs and associations representing interests of sectoral companies; there are universities and research institutions which provide innovation promotion and research services for companies and are involved in international and national level projects regarding green transformation. There are also public sector institutions which are responsible for their sectoral tasks and their implementation regarding climate neutrality. Process is moving towards climate neutrality goal. But if we look at Latgale region, experts note that there still is missing leader of coordinating institution which brings together all involved stakeholders. Latgale planning region can fill this role and partially already is doing that.

In 2021 Latgale planning region is developing regional development program for 2021-2027, involving action plan for regional projects with certain financing. In program elaboration process have been involved many stakeholders of Latgale region – companies, NGOs, local municipalities and civil society, sectoral ministries. Development program contains a summary of the analysis of the current situation, trends and forecasts, as well as a set of actions for the implementation of the long-term strategic goals and priorities of the region. One of important objectives defined in development program is promotion of energy efficiency and reduction of greenhouse gas emissions. Therefore we might claim that regarding national level and regional level policy planning documents there are selected certain tasks to achieve defined objectives. But then comes question how green transformation process will be implemented practically and will Latgale planning region fully involve as a leader? Can all stakeholders ensure that planned policies and actions are implemented in the best possible way?

5. Next steps in policy innovations concerning the GT, RIS3, and RIS4+ strategies

Green transformation can provide many opportunities for all involved stakeholders. These opportunities are acknowledged by all sides. For companies' green transformation is an opportunity to reduce operative costs, reduce consumption of resources, recycle waste byproducts and other economic advantages. Companies which involve in projects see networking and cooperation opportunities with clusters, incubators, international cooperation, and opportunities to reach new markets. Companies and associations hope that green transformation will open doors to new niche products, new markets, new technologies, and will increase competitiveness.

Universities perceive these opportunities quite similar. They can offer new technologies, methods and approaches and therefore consult companies. Municipalities and Latgale planning region see green transformation as an opportunity to implement EU activities and national level support instruments, start to use new approaches for project implementation like innovation procurement, involvement of other stakeholders in project implementation, and receive financing. In broader sense it also gives opportunity to make Latgale region more attractive, innovative, and cost effective, and attract more new inhabitants and new companies. Therefore, for municipalities and Latgale region successful green transformation might bring considerable economic advantages.

5.1. Driving forces-based next steps

In DIPSIR model analysis there was defined main driving forces for green transformation in Latgale region – main vision and initiatives for climate neutrality comes from EU institutions and together with EU member states Latvia accepts and further promotes need for green transformation. At more operational level sectoral ministries and other involved institutions are the ones which defines and develops sectoral policies, strategies, guidelines and determine responsible institutions for certain results to be achieved. In process of green transformation (more in implementation) are involved also municipalities and Latgale planning region. Since the biggest changes need to happen at niche level (company level), increases role of lower-level institutions which are closer to companies and inhabitants – like municipalities and Latgale planning region. They can be leaders and promoters of climate neutrality, targeted information provider for niche level, and we might call it a one-stop shop. During focus group meeting it was agreed that not only financial support is important for green transformation, it will not happen is responsible persons will not understand the need for green transformation. Therefore, local institutions have important task to explain and provide obvious and convincing examples how green transformation can benefit for companies.

5.2. Pressure-based next steps

Regarding defined pressures, there are pressure to develop sustainable and climate neutral economy, increase economic competitiveness and at the same time limit and reduce climate change, ensure a safe living environment, and reduce resource consumption.

It is planned that motivation for changes will be created by different support instruments, but still as it was noted in focus group meeting process of green transformation in Latgale will not happen isolated by itself. Usually, it will be only as additional component/activity for company. Experts also wondered how responsible institutions will motivate companies to do it – with restrictions and regulation or with “carrots”. Conclusion was that the more “carrots” will be provided, the faster will be transformation. But it does not exclude that in future next steps will be related to new regulation or restriction for companies which makes them launch certain initiatives. Example for such new task for companies was obligatory energy audits. Those companies which did

not make energy audits in timely manner had to pay higher taxes for consumed energy. It caused great dissatisfaction from companies. Such pressure-based steps sometimes are needed as a final and critical step, but still creates negative side effect in terms of cooperation and understanding (for example, reluctance to involve in discussions and provide feedback like it was in this project activities). Therefore, to avoid such drastic steps, first there should try to use cooperation-based activities, creating new networks to build company capacity, new research and development projects, and new ecosystems for development of intervention area. Such soft measures should make changes in mindset and create new practices.

5.3. State-based next steps

Defined states in DPSIR model analysis in broader sense were air pollution and global warming (CO₂ emissions), and more specific to a Latgale region state is that mechanical engineering and metal industry in Latgale region is with high energy consumption and with low added value (including low productivity).

Next state-based steps are mainly based on EU fund activities which aims to help different stakeholders move towards climate neutrality. As the most important instrument for green transformation in Latgale region can mention Territorial plan of JTF which is targeted to identify priority measures to reduce the social, economic, and environmental impact of the transition to a climate-neutral economy in the most affected regions of Latvia, while setting areas and framework conditions to ensure the most effective investment opportunities of JTF in Latvia in 2021-2027. Territorial Plan aims to support those regions most affected by the transition to a climate-neutral economy, in particular in terms of economic diversification, retraining and environmental rehabilitation. Therefore this is one of most visible support instrument for private and public sector for green transformation. And as it was described in the section No.3, other EU support activities for the period 2021-2027 will be designed involving aspect of energy efficiency, reduction of greenhouse gas emissions, innovation promotion, and climate neutrality.

5.4. Impact-based next steps

Defined impact in DPSIR model analysis were some of the most important results for Territorial plan of JTF and therefore might be considered as expected impact for intervention area in Latgale region: created public "green" infrastructure necessary for business, which is a precondition for companies to switch to more climate-friendly production or provision of services, while increasing the benefits of economic growth for the regions; promoted green economy, supported businesses, and reduced GHG emissions and increased use of RES; advanced skills/qualifications for those working in the private and public sectors. But need to mention that Territorial Plan of JTF is just at its beginning and will be implemented by 2027, therefore it is early to conclude how fast we will see results.

In addition to above mentioned, for intervention area in Latgale region we can expect also changes in proportion of energy consumption and added value. Desired result is that companies of selected intervention area in Latgale region review their resource consumption (recycle waste products), also energy consumption and gradually make transition from fossil to renewable energy.

At the same time, we expect that introducing new greener technologies, greenhouse gas emissions reduce, and companies develop production with higher value added, therefore increase their productivity. And together with this process it is planned that during green transformation companies will introduce innovations in production process involving new collaborations with international clusters, universities, and research institutions through different projects locally and internationally.

6. GT and RIS3 prospects: from the GT-driven regions to the European RIS3 and RIS4+ strategies

Two important aspects must consider moving towards green transformation – networking and innovations. In every EU member state are assigned funds for activities to reach climate neutrality by 2050. Learning from project GRETA partners and discussing process of green transformation with Latvian stakeholders, we see that there will not be enough just with financing. No doubt, it is critical condition for every objective, but to ensure that process is handled in effective way networking is a key for successful transformation.

Networking can be seen as cooperation activities, joint projects, creation of clusters, or knowledge platforms to exchange and share information and new ideas. As it was acknowledged during expert interviews and focus group meeting targeted information and examples of good practice is important to know for every stakeholder who are involved in green transformation. There still are existing challenges in Latgale region regarding networking aspect. Universities and research institutions work with individual companies in framework of contract work, universities are involved in international projects, but it is difficult to persuade companies to involve, Latgale planning region is providing seminars and consultations on different topics for companies, but sometimes it is not the most effective way how to involve companies. The same is with municipalities which involve companies in infrastructure development projects and provide consultations for companies if it is needed. But network which could bring together key stakeholders of Latgale region is still missing. If there are available funds for hard activities, there should be also some support for soft ones for joint networking activities in Latgale region.

In Latgale region during focus group meeting was identified need for a pilot to involve companies of special economic zones of Latgale region in joint network which could involve research institutions, associations which represent companies and public institutions which responsible for green transformation. This could be more effective way to reach companies since they already are using several benefic and tax reliefs. This could be considered as a next step to closer cooperation between all sides with aim to move towards green transformation.

Second aspect which is also important for green transformation is innovations. We could say that green transformation by itself is a process where are involved environmental, economic, and social dimensions. If previous mentioned aspect of networking is more linked to social dimension, then innovations is more linked to economic dimension. But anyway, they all are connected.

In the project analysis was stated that mechanical engineering and metal industry in Latgale is with high energy consumption and with low added value (including low productivity). And to make changes in this proportion and do it in a fast manner, there is a consensus between stakeholders that innovations will be one of the most effective solutions. In Latgale region can see also challenges introducing innovations – they are expensive and there is not enough experience for companies to innovate or introduce innovative solutions.

In EU fund period for 2021-2022 for innovations there are several activities planned, they are targeted towards all helices – private, public, academic sector. In addition to already implemented activities in previous planning period, new approach will be implemented for innovation promotion. MoEPRD is developing new support activity for local municipalities and planning regions to introduce innovations in service provision and in performance of their functions. Local municipalities will develop projects of regional scale where they will make cooperation with academia or realize innovation procurement to introduce innovations. With this new activity it is desired that local municipalities will be innovation users and costumers and it will promote innovation development.

Therefore, above mentioned intention for new pilot activity for networking is also important for innovation promotion for all stakeholders. As it was discussed between project GRETA partners to change mindset, we need to implement activities with high intensity. And such networking with many possible cooperation activities could be a good exercise for all stakeholders to learn to innovate and understand the importance of cooperation.