

**Foundations of the
Government
Coalition**

**Cooperation agreement between the Estonian
Reform Party, Isamaa, and the Social
Democratic Party for 2022–2023**

Tallinn 2022

Terms of reference of the formation of a government coalition

The Estonian Reform Party, Isamaa and the Social Democratic Party jointly define the main goals of the government coalition as standing up for Estonia's long-term interests and offering the people of Estonia a sense of security in overcoming the current crises. We are working to guide Estonia out of several simultaneous crises.

The government coalition that will be created will focus on strengthening comprehensive security, transitioning to Estonian-language education, and increasing the economic security of Estonian people.

We acknowledge that the war in Ukraine will exacerbate the social, economic and social tensions caused by the coronavirus and price increases. In order to reduce the above-mentioned effects, we aim to mitigate the rise in the price of energy carriers and to ensure a better coping of Estonian families.

In addition, we will increase the income tax-free minimum and we will start with the reform of long-term care, which will also help people to cope better with the increase in the cost of living. In order to achieve stable energy prices, we will accelerate the development of Estonia's renewable energy capacity and quickly remove the energy market bottlenecks.

Our starting point for foreign policy is that Estonia must be fully protected, especially taking into account that our neighbouring Russian Federation acts as an aggressor and violates all international rules. Therefore, we consider an active Estonian foreign and security policy to be very important. We see that the solutions to today's crises lie above all in cooperation between allies and a rapid international response capacity.

We will continue to contribute in many ways to the European Union and NATO in order to defend Estonia's national interests. We pay special attention to the maintenance and further development of transatlantic relations and support the diplomatic paths that increase Estonia's competitiveness and enrich our cultural life.

The three parties that make up the Government consider it important to address Estonia's long-term goals and development needs. In times of crisis, particular attention must be paid to the viability and accessibility of Estonian culture, responsible public finances, an innovative and environmentally friendly business environment, increasing Estonia's crisis security and the availability of social and medical services.

We want Estonia's regions to develop evenly and Estonia's rural life to be sustainable. We use various European Union funds to expand regional development opportunities and to increase the competitiveness of companies there. We also consider access to high-speed Internet and the further development of modern demand-driven transport to be important.

In the state budget strategy to be drawn up jointly in the autumn, we are looking for solutions for wage increases in the public sector, with priority being given to the salaries of teachers, cultural and social workers, and internal security employees. For infrastructure and green investments that increase Estonia's competitiveness, for valuing education and national culture, and for improving social security and access to health services.

The cooperation of the government coalition is based on the appreciation of the Western democratic space, of which the rule of law, the separation of powers, freedom of expression and equal treatment of all people and the protection of their freedoms are unwavering elements. We are united in the spirit of the Constitution of the Republic of Estonia, which sets the goal of preserving the nation, language, and culture of Estonia through the ages.

I. Estonian-language education and funding of higher education

1. By 1 November 2022, we will adopt the Act on the transition to Estonian-language studies in kindergartens and primary schools. The transition to Estonian-language education takes place in three stages:
 - a) In 2022, the preparatory phase for the transition to Estonian-language education will begin;
 - b) In 2024, the transition to Estonian-language learning in early childhood education will begin;
 - c) In 2024, the transition to Estonian-language education will begin in the Year one and four.

The transition to Estonian-language education will be completed by 2030. Justifications for short-term exceptions granted during the transition period will be considered by an expert advisory board to the Government, which will prepare a proposal to the Government of the Republic for the application of the justified derogations.

2. We aim to ensure that children with other mother tongues learn Estonian and they will obtain their education in an Estonian-language learning environment. We use versatile, science-based ways of organising studies and complement the study methodology for the transition.
3. We will adopt a training and motivation programme for teaching staff that supports the transition to Estonian-language learning, and we will aim for the general salary increase of teachers, which would ensure the necessary pedagogical resources for the reform.
4. We will increase funding for higher education and aim to reach the conclusion of administrative agreements with universities by 2022. To this end, we are already increasing funding for higher education this year by an additional EUR 10 million. Starting in 2023, we will increase public funding for higher education by 15% per year.
5. We consider it important that university management agreements include an obligation to ensure curricula in Estonian.

II. Comprehensive national defence

1. The government coalition gives priority to the maximum and rapid development of Estonia's defence capability in cooperation with the allies.
2. The accelerated development of Estonia's defence capability must be based on the military advice of the Chief of the Defence Forces, and on this basis the share of national defence costs in GDP will also be established.
3. We consider the development of air and ballistic defence, the capability of indirect fire and the strengthening of ground defence to be critical capability developments, and for this purpose we provide the necessary resources for the improvement of personnel capacity.
4. More sophisticated and expensive defence capabilities will be developed with the support and cooperation of our allies.
5. An endurance fee instrument must be established for further development of the Defence

Forces training grounds.

6. We will increase the frequency of the Defence Forces reserve exercises to ensure even higher defence preparedness.
7. We will increase the funding of the Defence League to ensure that the Defence League's capacity is increased and that its members are trained.
8. We will continue to invest in comprehensive national defence, civil protection and increase our people's awareness and capacity to deal with crises.
9. We consider it important to increase the participation of women in wide-based national defence and we are developing a separate programme for this purpose.
10. We will continue with the accelerated construction of the eastern border of Estonia.
11. We will increase the flexibility of government and public authorities to deal with crises and we will develop a modern crisis management plan.
12. Weapons licences of citizens of the Russian Federation and Belarus are revoked, and their further issuance is terminated.

III. Support for Ukraine

1. Estonia supports the continued economic isolation of the Russian Federation at EU level, including a total ban on the transport of Russian goods by road, rail and in ports.
2. We support Ukraine at all international levels, including Ukraine's NATO and EU efforts.
3. In order to cope with Ukrainian war refugees, we support local governments and aim to make Estonian language education available and to direct Ukrainian children to Estonian-language schools.
4. We will create a programme to support the return of Ukrainian war refugees to their homes, ensure that they are able to stay in touch with their linguistic and cultural space, and support the reconstruction of the devastated regions of Ukraine.
5. It is important to ensure effective registration of Ukrainian war refugees, so that the state and municipalities can better plan the social and labour market services and school places needed for refugees.
6. We support the creation of an international tribunal to prosecute those guilty of Russian Federation war of aggression and those guilty of the war crimes.

IV. Energy and electricity market reform

1. We will accelerate the transition to renewable electricity and aim to produce the same amount of renewable electricity in Estonia in 2030 as our total annual consumption.
2. We will ensure the establishment of LNG reception capacity in Estonia by the autumn of this year.
3. We are deciding at government level to ban the purchase of gas from Russia. The Estonian Stockpiling Agency may not purchase gas if the ultimate beneficiary is a subject of the Russian Federation.
4. To accelerate the development of renewable energy, we are imposing a significant wind fee for local communities.
5. We shorten the length of procedural processes for planning permissions and licences:
 - a) Under the direction of the Green Transition Coordinator of the Government Office of Estonia, we carry out audits of the plans, environmental impact assessment and permit process, with the aim of accelerating the implementation of renewable energy projects.
 - b) We aim to carry out the procedural process of projects of national importance and cross-border projects, including environmental impact assessment, in a maximum of 3 years.

- c) We create an integrated permit for offshore wind farms and ensure the parallel process of permits.
6. We will make changes to the Planning Act, which obliges municipalities to include suitable areas for the establishment of renewable energy production capacity (e.g. wind and solar parks) in their overall planning.
7. We will not allow fictitious grid connection requests. The applicant for connection to the grid must either provide a *performance guarantee* or the validity of the application for connection is restricted to a limited period of time.
8. In the production of energy with solar panels, we encourage a consumption-based approach.
9. We are creating an upgraded programme of renovation subsidies and energy solutions for apartment buildings and small residences (including the exchange of domestic gas boilers for fuel-free renewable energy solutions).
10. We are developing a support mechanism for the construction of biomethane plants. In order to increase the share of renewable electricity, we will ensure the organisation of at least reverse auctions in 2023 and we will put in place a plan for additional reverse auctions for renewable energy in 2024 and 2025 for of at least 1 TWh.
11. In order to increase the transparency of the operation of the energy market and the efficiency of investments in electricity networks, we carry out an analysis of the establishment of the distribution network company based on the distribution networks of Elektrilevi OÜ and Elering and the listing of this company on the stock exchange.

Electricity market reform:

12. We aim to adopt the amendments to the Electricity Market Act, which will create an opportunity for domestic consumers to purchase electricity as a universal service from 1 October. For this purpose, we require Nord Pool, an electricity producer with a dominant position in the Estonian region, to sell the electricity produced to Estonian domestic and small consumers and to all electricity distributors at a price approved by the Competition Authority, taking into account carbon emissions fees and other production costs and a reasonable profit.

In implementing the electricity market reform, we are guided by the following criteria:

- a) The electricity reform must comply with European Union law and state aid rules, ensure that all producers have access to consumers and must not hinder Estonia's transition to renewable energy.
- b) Domestic and small electricity consumers will retain the freedom to continue using the current electricity package or to exchange their package for a universal service package in accordance with the rules in force.

V. Forestry

1. We review the felling volumes of the State Forest Management Centre and base our approach on the social, environmental, and ecological goals of the communities. Proposals to this effect must be submitted by the Minister of the Environment to the Government for approval.
2. To support the adoption of the Forestry Development Plan, we will re-launch an inclusive Forestry Assembly.
3. With the Forestry Development Plan, we create a long-term vision for forestry based on forest science, which creates legal certainty for forest owners and also ensures the balanced functioning of all four forest functions (economic, social, environmental and ecological).
4. With the Forestry Development Plan, we will further assess the factors that cause felling

pressures and propose both short- and long-term measures to keep it under control.

5. In the case of timber sold from the state forest, we prefer producers and district heating companies with a higher added value to timber in Estonia.
6. The management of Estonian forests must be based on the principle that forests are net carbon sinks and that the area of forest land must not decrease.
7. We will maintain a moratorium on clearance cutting in Natura 2000 forest habitats for the duration of the impact assessment.
8. We will stop the planned felling in the disputed areas of high public interest in the state forest as of 01.07.2022. We will map the areas of the state forest of high public interest and draw up long-term management plans for them in cooperation of the State Forest Management Centre, local governments and communities.

VI. Maritime Affairs

1. We bring the fleets of different state agencies and authorities under a single management.
2. We will continue to develop a competitive international ship register, which will bring additional revenue to the state budget and create jobs.
3. We support the definition of coastal culture and the notion of a coastal population and the right to fish for coastal population by law.
4. We support the increased harnessing of the potential of maritime business in export markets through a cluster support measure.

VII. Livelihoods, family benefits and price easing

1. We will raise the income tax-free minimum to 654 euros per month.
2. We are extending the current rate of excise duty on electricity, fuel and special diesel until 1 April 2024.
3. By 1 November, we will adopt a law that will increase, as of 1 January 2023, the benefits essential for ensuring the livelihood of families with children in Estonia and for supporting families as follows:
 - a) the allowance for first and second child shall be increased to EUR 80 per month;
 - b) the single parent child allowance will increase to EUR 80 per month;
 - c) the allowance for a large family rises to EUR 600 per month for three to six children and to EUR 800 per month for seven and more children;
 - d) indexation on the basis of the pension index will be applied to the allowance for large families from 2024 onwards;
 - e) removal from the allowance system for a large family takes place in stages – when the eldest of three children reaches the age of 24, the family allowance is reduced by one third and the same model is extended to other children.
4. We support Estonia's families in coping with the surge in energy prices brought about by Russia's aggression. To this end, from 1 October to 31 March, we will put in place a support package to avoid excessive bureaucracy, which will mitigate the impact of rising energy prices as follows:
 - a) compensate household consumers for EUR 50 of electricity price per megawatt-hour;
 - b) compensate household consumers for 80% of the gas price exceeding EUR 80 to 2600 kilowatts- per hour of consumption per calendar month;
 - c) domestic consumers of district heating are reimbursed 80% of the price exceeding EUR 80 per megawatt-hour.
5. We will increase long-term investments in energy saving and ensure the rapid introduction

of investment subsidies for energy saving.

6. We are developing a long-term general care reform plan, given that the total annual cost of the reform will be up to EUR 40 million from 2023. We will start by alleviating the financial burden of paying for long-term care.

VIII. Other policy priorities

1. We will continue to prepare privatisations of state-owned holdings. We will list the share of Enefit Green on the stock exchange to give people an additional investment opportunity and an opportunity to participate in green energy growth.
2. We are creating a programme to increase private investment in residential property outside major cities, thereby improving access to living space.
3. We carry out an analysis with the aim of making the processing of criminal cases faster and more economical for the parties to the proceedings.
4. We will continue with the demand-based public transport pilot project and develop domestic public transport to create a better coverage route network.
5. We create a measure to support innovation in public libraries to develop libraries into community service centres.
6. We're accelerating the development of the last mile internet connectivity program and connections.
7. In order to alleviate regional inequalities, we take into account the needs of rural areas of Estonia and their competitiveness and employment when channelling European Union funds.
8. In coping with the spread of the coronavirus, we are guided by the goal of keeping society open and we consider it important that public services are widely available.

IX. Distribution of responsibilities in the Government and the Riigikogu

1. The parties to the Coalition have agreed on the following division of government areas of governance:

Estonian Reform Party: Prime Minister, Minister of Finance, Minister of Social Protection, Minister of Defence and Minister of Rural Affairs.

Isamaa: Minister of Foreign Affairs, Minister of Education and Research, Minister of Justice, Minister of Enterprise and Information Technology and Minister of Public Administration.

Social Democratic Party: Minister of the Interior, Minister of Health and Labour, Minister of Economic Affairs and Infrastructure, Minister of the Environment and Minister of Culture.

2. The management responsibilities of the Board of the Riigikogu and Committees are divided as follows:

Estonian Reform Party: Chairman of the Economic Affairs Committee, Chairman of the Foreign Affairs Committee and Chairman of the Cultural Affairs Committee, Chairman of the Supervisory Committee of the Security Authorities, Chairman of the Committee for the Development of Estonian Language Learning.

Isamaa: Deputy Chairman of the Riigikogu, Chairman of the European Union Affairs Committee, Chairman of the Finance Committee, Chairman of the Rural Development Committee, Chairman of the Environment Committee.

Social Democratic Party: Chairman of the Constitutional Committee, Chairman of the National Defence Committee, Chairman of the Social Affairs Committee and Chairman of the Legal Affairs Committee.