

## ETUC Position on the Fight against Climate Change in Europe and the World

Adopted by the ETUC Executive Committee in June 2013

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For several years the ETUC has refused to frame the climate change debate as a binary choice between either, the protection of the environment, or an inclusive economy that is a creator of employment. Maintaining and creating quality jobs, and protecting and reinforcing the European Social Model remain its absolute priorities but at the same time, keeping global warming below the threshold of 2 degrees meets the basic requirements for the protection of the environment as well as the need for solidarity both for vulnerable people as well as for future generations. The union movement is unambiguous in this aim. In this period of economic crisis, and a few months before crucial political choices are made, which will affect the future of the European Union and the planet, the ETUC reaffirms strongly that the only feasible way to reconcile the two ambitions is by a 'Just Transition'.

### **International Climate Negotiations Must Deliver a Universal and Ambitious Agreement in 2015.**

Since the disappointment of the Copenhagen summit in 2009, the meetings in Cancun, Durban and Doha have been able to save the process of international negotiations, notably by assigning a new deadline of 2015. By this date, an agreement backed by a legally binding framework, and with the aim of keeping the rise of average temperatures under 2 degrees, must be concluded.

Achieving this objective will firstly, require that the treaty is ambitious enough in terms of its aim of reducing greenhouse gases (GHG) emissions through binding objectives that reflect the recommendations by the Intergovernmental Group of experts on Climate Change (IPCC) to achieve, by 2050, a global reduction of GHG emissions by at least 50%, and a reduction in emissions by developed countries of between 80 and 95% compared to the levels in 1990. Achieving these objectives for 2050 presupposes credible intermediary objectives and that the ambition of existing policies is reinforced starting right now, in accordance with the mandate of the Durban Platform.

Secondly, this presupposes that the Treaty is sufficiently broad to submit all of the major economies of the planet to an obligation to reduce their GHG in a comparable but not identical way, in accordance with the principles of a common, but differentiated responsibilities. The universality of the obligations to master GHG emissions, excepting the least developed countries, is an indispensable prerequisite for reinforcing environmental effectiveness in the international struggle against climate change, without excessively penalising the economies of the countries, such as those in the EU, who have had to submit to binding objectives to reduce their GHG emissions for a number of years.

Concrete financial commitments undertaken by developed countries to help developing countries put measures in place to mitigate their emissions and adapt to the consequences of global warming is also a necessary condition for the conclusion of an ambitious treaty. It is indispensable that the developed countries clarify the way in which they will reach the objective of mobilising 100 billion dollars a year by 2020. The public contribution of this finance package cannot come at the expense of the 0.7% of GDP to development aid. In the same vein, the recourse to international credits used to reach the target for reducing the GHG of developed countries must not be accounted in the public contribution of these 100 billion. The current pressure on public finances must not

serve as a pretext for inaction, but on the contrary, serve as a spur to put in place complementary financial instruments, like for example, the financial transaction tax, a carbon tax or a revision of subsidies which negatively affect the environment such as those for fossil fuels.

Following decisions taken since Copenhagen, finance from the private sector will contribute to the fight against climate change in developing countries. This contribution necessitates the imposition of strong safeguards. The creation of 'enabling environments' for investment in developing countries must not lead to all-out privatisation of their public services, nor favour the increasing commodification of essential resources such as water, forests or arable land. These financial flows should not be accounted for in a way that will release the developed countries from their commitments. It should be based on a transparent reporting system that is distinct from those used for public finances.

The Green Climate Fund must contribute to this mobilisation and it is urgent that its means of financing be made concrete to create one of the main instruments for the struggle against climate change in the developing world. In addition, access of civil society organisations to the decision-making process is indispensable for it to be democratic.

The notion of 'Just Transition' is now an integral part of international climate negotiations. The ETUC sees here an opportunity to develop an international framework to anticipate and manage the impacts that the reduction of greenhouse gas emissions will have on the labour market and in society. The ETUC calls for more intensive work to be carried out on this theme starting with the UNFCCC and ILO.

The 19th Conference of the Parties at the UNFCCC will take place in Warsaw, Poland. The ETUC hopes that this conference will, on the one hand, be an occasion to draw more attention to the social dimension of de-carbonisation, and on the other hand, be the moment for the European Union to show leadership in the fight against climate change.

### **For an Ambitious and Socially Just Climate Policy in Europe!**

Since the negotiations, which preceded the adoption of the UNFCCC in 1992, Europe has played a frontline role in climate change politics. First of all, in accepting binding objectives within the framework of the Kyoto Protocol and subsequently, in adopting a series of measures aimed at reducing emissions. The European Emissions Trading System (ETS), the Directives related to renewable energies and energy efficiency, and the Effort Sharing Decision for 2020, constitute the main elements of a political and regulatory framework also associated with the Regulation on fluorinated gases, the Ecodesign Directive, or even the Regulation regarding emission standards for passenger cars. If these aim to initiate a dynamic towards de-carbonising Europe, they are not sufficient for achieving the 2050 objectives, and they are also not free of adverse effects and have not sufficiently integrated the elements for a 'Just Transition'.

### **The European Emissions Trading System (ETS)**

The ETS is one of the leading instruments of the European framework for the fight against climate change. However, the way in which the system has functioned since its inception raises several questions, notably the extremely weak price of carbon per tonne. Furthermore it has encouraged financial speculation and generated unacceptable windfalls. It has also allowed international credits to be purchased from projects whose environmental benefits remain doubtful. Its impact on GHG emissions in the sectors

involved also remains uncertain. Finally, it has not been able to give an impetus to the transition of European industry towards a low-carbon economy, notably because it did not trigger the amount of investment that is needed.

The ETS however, offers a certain number of advantages such as that of providing a single regulatory framework for the whole of European industry and energy production, which appears preferable to a juxtaposition of different national systems which would engender environmental dumping within the EU.

The crisis has led to the development of important criticisms regarding the impact of the ETS on the European economy and the 'competitiveness' of its industry. The direct impact of the ETS on production costs in Europe is very limited, except in very specific sectors whose situation should be taken more into account. The extent of surplus emission quotas, the possibility of recourse to very cheap international credits as well as the maintenance of free allocation for industrial sectors considered to be most at risk from carbon leakage, has mitigated the direct impact of the ETS on production costs considerably. The indirect impact of the ETS has been on the cost of electricity. The ETUC notes that electricity costs are a significant component of production costs, but they are the result of many complex factors, including the cost of raw materials, taxation schemes and distribution costs. Directive 2009/29/EC foresees in Article 10bis para 6 a mechanism whereby Member States may take financial measures to help sectors that could be exposed to the risk of carbon leakage due to rising electricity prices induced by the ETS. Consequently, making this policy responsible for the lack of competitiveness appears unfounded and weakening or dismantling it will not resolve the structural problems of European industry. These problems require ambitious European industrial and energy policies based on investment and support for technological innovation.

The ETS remains for the moment, the centerpiece of the European framework for the fight against climate change and the ETUC considers it of utmost urgency that the system which is imperfect, but can be improved, needs to be fundamentally reformed.

The reform of the ETS should strike a good balance between achieving the necessary transition towards low carbon industry and energy production in Europe and the need to maintain and develop its industrial activities.

With this objective in mind, and with a view to better integrating the ETS into a European strategy for a 'Just Transition', the ETUC requests that the following elements are integrated into its reform:

- An adequate price signal must create the impetus for investment in order to accelerate the 'low carbon modernisation' of European industry, without at the same time threatening the sectors most at risk from carbon leakage.
- Revenues generated by the auctioning of emission quotas should in part support low- carbon industrial innovation and the anticipation of change for workers affected by the de-carbonisation of the European economy by extensive training and requalification programmes.
- A mechanism of 'carbon insurance' to link the allocated quotas to support for maintaining manufacturing. The quotas distributed to a company that then closes down, or significantly restructures a production site, must be reallocated for the benefit of the workers concerned, in addition to the already existing instruments to address company restructuring.

The ETS must not lead to a situation whereby firstly, industrial plants are relocated to less efficient sites on grounds of protection of the environment and secondly, then have those regions export their manufactured products back to Europe. Such a set-up would

be inefficient for reducing global GHG emissions and detrimental to supporting industrial employment in Europe. The following measures should help avoid such a scenario.

The list of sectors or sub-sectors exposed to significant risk of carbon leakage should preserve energy-intensive industries that are in competition with regions in the world where industry is not subject to comparable restrictions. The revision of the composition of the list should be based on a transparent and solid methodology and also take into account the development of the carbon price on the European market, and reserve this mechanism for sectors and sub-sectors where there is actual proof of a risk of carbon leakage.

In the long term the EU cannot support an ETS compatible with the aims of 2050 without an international agreement which would impose a similar carbon restriction on all the planet's economies. In addition to efforts deployed within the context of UNFCCC, the ambition to build an international framework to fight climate change, must be at the heart of the European position in international trade negotiations, whether bi-or multilateral.

A mechanism for carbon traceability should help reveal the carbon footprint of products imported into the EU. This mechanism would reveal the 'carbon content' of products put on the market and could serve as a basis for a border adjustment mechanism as a last resort.

The use of international credits in the ETS must be limited quantitatively as much as qualitatively. The recourse to international credits can only be a complement to the effort to reduce emissions which must principally be achieved domestically. Furthermore, in accordance with previous ETUC resolutions adopted on this subject, the projects used must respect the fundamental conventions of the ILO as well as Conventions 155 (Workers' Health & Safety) and 169 (indigenous people and tribes). They should also bring real benefits for the sustainable development of the poorest countries, and include the social dimension.

### **The Effort Sharing Decision (ESD) and the 2030 Framework**

The ESD (Decision 406/2009/EC) covers more than 50% of GHG emissions in the EU and impacts such crucial sectors as transport, waste and construction. Seeing the contribution of these sectors towards EU emissions, the Decision must be reinforced and extended to form an integral part of the European effort to reduce GHG emissions by 2030. The ambitious national objectives for 2030 will allow significant investments to be released (in particular, for transport infrastructure) and create a large number of jobs (notably in building renovation). It should be stressed that increasing the ambition to reduce emissions in these sectors would mean the energy-intensive industries, which are sometimes exposed to fierce international competition, would not be made to shoulder most of the burden.

Within the framework of the revision of the ESD, the restrictions on the use of international credits in the ETS should be equally applicable here, making it clear that these international credits may only be a complement to ambitious domestic policies.

The partition of the burden between the Member States must take the differences between Member States into consideration taking note of their capacity for action (level of wealth, geographical constraints etc.).

The European Climate Policy framework for 2030 should also foresee a reinforcement of two indispensable Directives if we are to achieve GHG reductions by 2050: the Directive on renewable energy (Directive 2009/28/EC) and on energy efficiency

(Directive 2012/27/EU). New binding national objectives towards 2030 for renewable energy as well as energy efficiency could in addition, offer various advantages:

- Action now, rather than waiting, would reduce the cost of de-carbonisation.
- They would give clear objectives to Member States to attract investment into these sectors, thereby creating jobs, which would help support technological innovation in Europe.
- Controlling domestic energy consumption and substituting fossil fuels for renewables can bring important social, geopolitical and macroeconomic benefits to a Europe, which imports 55% of its energy.

### **Inertia is not the solution**

In this period of economic crisis, and taking into account the competition that is characteristic of globalisation, there are some who lobby for an energy policy that is exclusively geared towards security of supply and short-term competitiveness. Of course, these aspects must be taken into consideration, but we cannot delay or disregard the fight against climate change. All challenges have to be faced together. The increase in the cost of energy and raw materials represents a significant structural risk and 'Just Transition' opens up the opportunity for a broader and longer-term vision, notably based on five key elements: the participation of workers; job creation and maintenance; ensuring the greening of training; education and skills; trade union rights and social protection.

A vast investment plan is the cornerstone of such a strategy. The roadmap for a low-carbon economy in Europe in 2050 mentions the need for an investment of 1.5% of European GDP p.a. (+/- 270 billion euros). The ETUC moreover, recently reiterated that: "A major investment programme – a new "European Recovery Programme" – amounting to one to two per cent of European GDP is indispensable to restore sustainable growth and tackle unemployment"<sup>1</sup>.

The austerity policies which prevail in Europe, coupled with the financialisation of the economy, leads to a fixation on the short-term which currently deprives the EU of indispensable investments.

The ETUC reiterates the urgency to develop an alternative to austerity policies which are not only unjust but are not working, and repeats its call for the implementation of a 'Just Transition' in Europe and the world<sup>2</sup>.

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<sup>1</sup> <http://www.etuc.org/a/11136>

<sup>2</sup> <http://www.etuc.org/a/10042>