



ETUC's position on the Climate change and energy package

Position adopted by the Executive Committee of the ETUC at its meeting of 4 March in Brussels EC.179

The ETUC considers climate change to be a major threat to our societies and our economies, one that will impact first and foremost upon the most vulnerable individuals and workers, particularly in the developing countries. The European Union, together with all the industrialised nations, must take the lead in this combat and transform emissions reduction into an opportunity to create quality jobs and lessen social inequalities, while reducing the negative effects on workers and their families.

The Commission's legislative proposals presented in the Energy and Climate Change package are a major step because they tackle greenhouse gas emissions in a greater number of sectors, they provide a credible framework for the development of renewable energy sources and aim to put in place a more effective emissions trading scheme, particularly by setting an EU-wide emissions ceiling.

The ETUC nevertheless insists that social and employment issues must be taken into account, particularly in a globalised context, in line with the recommendations of its European-wide study "employment and climate change"¹. Given the tremendous economic and social stakes and the growing communautarisation of climate policy, the ETUC calls for the establishment of a consultative committee of the European social partners on the energy-climate change package and the launch of real social negotiations between social partners on the economic and social consequences of the package.

This document sets out the ETUC's position on the package's legislative proposals -, with the exception of the proposal on geological storage of carbon dioxide - and proposes complementary measures to reinforce their environmental and social ambitions.

1. Including the climate plan in the Lisbon Strategy and sustainable development

The ETUC supports real integration of the climate policy and the Lisbon Strategy for growth and jobs.

1.1. Just employment transition programs

Just employment transition programs are the best way to guarantee that structural changes in employment patterns due to climate change mitigation are anticipated and the potential of new jobs tapped while ensuring that workers are not forced to pay for the

¹ <http://www.etuc.org/a/3673>

necessary mitigation measures through the loss of their livelihood. Such programmes should include: anticipation of changes in employment and skills; training opportunities to develop new sustainable industries and services as well as research and development; support for provision of alternative employment and income protection for displaced workers; and public investment.

The ETUC also asks that the **Globalisation Adjustment Fund be enlarged** so as to limit the negative consequences for workers of measures to combat climate change.

1.2. A European financial initiative for sustainable growth.

A large share of the investments required to achieve the package's objectives cannot be borne by the financial market because the return periods are too long: railway infrastructure, thermal renovation of buildings, R&D, transfers of best technologies to the developing countries and so on. Massive financing geared towards the general interest must be raised in a fairly brief period of time.

The ETUC therefore proposes the launch of a European financial initiative for sustainable growth. The European Investment Bank (EIB) could raise funds on the international bond market and onlend them together with subsidies to governments that invest in combating climate change and promoting energy savings. This initiative would result in a temporary increase in public deficits but would have other collateral benefits: creating jobs, forestalling the slow recession that is looming on the horizon, while defending purchasing power and quality of life in Europe.

1.3. A coordinated initiative by the Member States on skills for a low carbon economy

The ETUC also urges the Commission to propose a **coordinated initiative by the Member States to develop initial and vocational training curricula to create the skills** capable of meeting the needs of low carbon economy. The Commission should also launch the initiative on training foreseen in the Action Plan for Energy Efficiency for 2008.

2. Binding consultation of the European social partners on climate change policies

The ETUC welcomes the fact that the climate package's umbrella Communication notes that the process of change to a low carbon economy will need to be accompanied by the appropriate involvement of the social partners. The ETUC will respond positively to the invitation made by the Commission to take up the climate change issue in the social dialogue of the European social partners.

For the ETUC, it is also necessary, as the Commission proposes to give the European Union a bigger role in European climate policy, for the social partners to be consulted on a permanent basis on the economic and social consequences – positive and negative alike – of those climate change policies. The one-off consultation prescribed by the directive on revision of the emissions trading scheme (ETS) is not sufficient.

The energy package will not succeed unless solutions are negotiated by industry, workers and the public authorities, the pledge of a genuinely democratic and fair transition to a low carbon economy. A number of Member States have already put in place mechanisms for consultation of the social partners. These have demonstrated their effectiveness at increasing awareness of the efforts needed among the social players and achieving emissions reductions without a negative impact on employment.

The ETUC therefore calls on the Commission, European Parliament and Member States to make it obligatory, under the Emissions trading directive, to consult the European social partners, in particular the trade unions, on all related decisions, including those resorting to comitology, and to establish to that effect a permanent

consultative committee of the European social partners aiming at minimizing, anticipating and managing the economic and social impacts of the climate and energy package.

3. 20% emission reduction by 2020 is a minimum

The ETUC considers the 20% target set by the European Union in the case of the absence of an international agreement a minimum. The latest report by the IPCC experts, published before the Bali Conference, recommends that the industrialised countries achieve a 25% to 40% reduction in emissions by 2020 from 1990 levels.

4. Effort sharing between Member states

The ETUC approves the sharing of emission reduction efforts between Member States proposed by the Commission – on the basis of GDP per inhabitant -, because it is based on the principles of solidarity between the Member States.

5. Priority should be given to energy efficiency

Such targets for the reduction of emissions will be hard to attain at a reasonable cost, however, if energy consumption continues to grow. That is why the ETUC regrets the absence of binding energy savings objectives in the legislative package. Given the insufficient results of the Action Plan for Energy Efficiency adopted in 2006, **the ETUC calls on the European authorities and the Commission to set a legally binding target for energy efficiency by 2020, broken down into national targets.**

6. Burden sharing by the economic sectors that takes account of the necessity of maintaining a sustainable industrial base in Europe

For the ETUC, the principle of fairness and the potential for reduction of emissions in reference to best available technologies (BAT) are the key elements that must guide the setting of targets for the different sectors. Yet, judging from the objectives proposed by the Commission, European industry will have to make twice the effort of sectors with so-called "diffuse emissions" (transport, construction and agriculture). **The ETUC considers this calculation questionable and calls on the Commission to provide details on the underlying methodology.** The Commission seems to have underestimated important parameters: on the one hand, the reduction potential at negative cost in construction, which can also create many jobs and reduce energy poverty; on the other, the possible loss of competitiveness of sectors exposed to international competition and its impact on employment.

The calculation of burden sharing between the economic sectors should be based on parameters that reflect in particular best available technologies and potential costs and benefits for employment.

7. Revision of the emissions trading scheme (ETS)

The ETUC approves of the many improvements made to the emissions trading scheme, in particular a) the single emissions ceiling at EU level, b) enlargement of the system to new sectors, c) the harmonisation of permit allocation methods and the principle of auctioning of emissions permits for sectors protected from international competition, and d) a clear formula to ensure the supplementary nature of flexibility mechanisms.

As regards allocation methods, the ETUC reiterates its support to a combination of selling of allowances and free allocation according to benchmarking principles based on best available technologies, provided that the determination of the share of each mode accounts for the impact on European workers and is determined through consultation of trade union organisations, and implementation is progressive as from 2013.

7.1. Competitiveness of European industry

The ETUC is very doubtful as to the way the question of the competitiveness of energy intensive industries in Europe is addressed. The Commission's proposal maintains the possibility of adopting free allocations and border compensation measures to prevent European industry from having to cope with unfair competition from companies in countries that do not apply similar emissions reduction measures. Yet implementing arrangements and the date of implementation are shrouded in uncertainty. The lack of transparency on the rules of the game that will apply from 2012 is particularly harmful to long-term industrial investments in those sectors.

The ETUC would reiterate that the directive must include an import adjustment system for the energy intensive industries that are exposed to international competition (whether a carbon tax or the inclusion of importers/exporters in the carbon market) with the possibility of activating such a mechanism from 2013 if the other industrialised countries do not regulate emissions in an equivalent way. The impact of carbon pricing on the electricity prices paid by those industries should also be taken into account.

Free allocation is supported by the ETUC provided that : a) it is based on the best available technologies b) it is complementary and not alternative to a border compensation mechanism. In the absence of compensation mechanism, enterprises could sell their free quotas on the European carbon market and still relocate their production in countries where production costs are lower. The free allocation of quotas would amount to a subsidy to these industries without any guarantee on activity and jobs.

The ETUC welcomes the Commission's intention to consult the social partners before the decision on the compensation measures is taken.

7.2. Organisation of the carbon market

The ETUC wishes to draw attention to the necessity of preventing possibilities of manipulation and speculation on the carbon market by guaranteeing the transparency and foreseeability of auctions and the accreditation of auction participants. **A Regulatory Authority of the European carbon market should be established.**

7.3. Use of revenues of auctioning

The ETUC notes that auctioning of allowances to the electricity production sector will generate very high revenues for the States (estimated at €40 billion). **It recommends that a significant part of the proceeds of auctions should be pre-allocated to a) investments in energy savings and public transport so that less favoured households can reduce their dependence on costly energy and transport, and b) to assistance for workers displaced as a result of the transition to a low carbon economy.**

7.4. Flexibility mechanisms

The ETUC criticises the absence of a social and environmental quality requirement for projects conferring entitlement to CDM and JI credits. The ETUC's position is that CDM and JI projects should be systematically subjected to a procedure of approval by the national public authorities and that the list of evaluation criteria be set at the EU level in order to ensure a level playing field across Europe. The list of criteria should include:

- a. the project promoter's pledge to respect the principles of the OECD's guidelines for multinationals, the eight ILO basic conventions², Convention 155 on Occupational Health and Safety and Convention 169 on Indigenous and Tribal Peoples.
- b. Social sustainability, covering employment (number of jobs created, skills development, quality of employment), equity and access to essential services such as energy services.
- c. The involvement of the trade union organisations in the projects approval procedure.

8. Proposal for a directive on renewable energy

The ETUC, considering that renewable energy and cogeneration should rank significantly higher in EU energy consumption, can support the legally binding objective of 20% by 2020. The draft directive contains elements crucial for accelerating that evolution, in particular a) a support mechanism for heating and cooling produced from renewable energy sources, including cogeneration by biomass; b) the obligation for Member States to introduce renewable energy requirements for the local authorities when planning and building industrial and residential areas, and c) the development of accreditation systems for renewable energy installations (solar panels, etc.).

On the other hand, **the ETUC has serious misgivings about the binding target of 10% biofuels in transport.** It appears very complex to establish and implement a system of criteria guaranteeing not only that biofuels provide a real advantage in terms of greenhouse gases compared to fossil fuels, but also that they are produced in a socially and environmentally sustainable way.

If the binding objective of 10% is maintained, the ETUC calls for the directive to include criteria guaranteeing the social sustainability of biofuel productions and to strengthen environmental sustainability criteria.

More research is needed on the social and environmental impacts of biofuels.

9. Social cost of electricity prices

The Commission anticipates that the climate change package will result in an increase of between 10% and 15% in electricity prices by 2020.

In this context, ETUC calls for measures to prevent negative social impacts of rising energy prices, the priority being to reduce energy needs by investing in energy efficiency of social housing and affordable low-energy alternatives. A universal access to essential energy services needs to be secured to all people living in Europe notably through the provision of social tariffs.

The ETUC welcomes that the Commission plans to put out a communication on the social aspects of climate change in 2009. In that context, it urges the Commission to assess the social consequences of the climate change package in a context of opening up of the electricity and gas market, addressing in particular the impact on vulnerable consumers and electricity public service obligations.

²Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87); Right to Organize and Collective Bargaining Convention, 1949 (No. 98) ; Forced Labour Convention, 1930 (No. 29) ; Abolition of Forced Labour Convention, 1957 (No. 105); Discrimination (Employment and Occupation) Convention, 1958 (No. 111); Equal Remuneration Convention, 1951 (No. 100); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182)