

ETUC resolution on European Green Deal initiatives: Climate Law, EU Sustainable Investment Plan, Just Transition Fund Regulation and new EU Industrial Strategy

Adopted at the ETUC Executive Committee of 9 June 2020

Summary of key messages

The aim of this position paper is to provide ETUC's views on some of the key initiatives that the European Commission launched as part of its European Green Deal in the context of the COVID19 crisis. This document provides detailed analysis and recommendations on the proposal for a Climate Law, on the European Green Deal Investment Plan, on the proposal for a Just Transition Fund regulation and on the climate aspects of the new EU Industrial Strategy.

ETUC's key messages on these four initiatives are the following:

- **The ETUC calls the European Commission, the European Council and EU Member States to give the European Green Deal a future in the context of the recovery from the COVID19 crisis.** We call the European Commission to put in place all necessary measures to recover from the social and economic damages brought by COVID19 and to use this stimulus package as a leverage to step up its fight against climate change, maintain employment and guarantee strong social requirements. All measures to relaunch the economy after COVID-19 crisis must be in line with the European Green Deal main objectives as well as compatible with the Paris agreement and the UN SDGs.
- **The ETUC calls for a Climate Law that links climate target with strong social requirements and an inclusive governance where workers are actively involved.** An interim target of -55% GHG emissions by 2030 should be adopted at the same time as concrete conditions to meet such target. The concept of Just Transition must be enshrined in the legislation as well as the role of social partners. The right to affordable energy should also be explicitly mentioned.
- **The ETUC calls for a European Green Deal Investment Plan that matches the challenges at stake.** The proposed level of investment must be increased and financed through a more effective and fair taxation, a bigger EU budget, the use of all available EIB and ECB instruments and an adapted macro-economic framework. Massive public investment plans should support the European Green Deal objectives.
- **The ETUC calls for a Just Transition Fund that ensures solidarity and convergence in Europe.** The Just Transition Fund must be additional to existing cohesion policy funds. It should primarily target the energy dependent industries of the most vulnerable regions and countries, but also provide support to other impacted sectors and regions. The size of this fund should be increased to ensure appropriate financing to all territories facing socio-economic challenges deriving from the decarbonisation process.
- **The ETUC calls for a new social and sustainable Industrial Strategy that strengthens employment and strategic value chains in EU.** The new EU Industrial Strategy and the Circular Economy Action Plan should be the cornerstone of EU climate action and provide the necessary policy and financial tools for the European industry to go green. The new EU Industrial Strategy must be more social and provide measures to guarantee workers participation at EU, national, regional, sectoral and company level.

1. Introduction and background

Scientific recommendations from the IPCC are clear. If we want to keep global warming below 1,5 to 2°C and avoid irreversible and disastrous consequences for our societies, we need to achieve climate neutrality by 2050 at the latest. We already see that the past five years have been the warmest in the modern record, and 18 of the 19 warmest years have occurred since 2000¹. This increase in temperature is accompanied by extreme weather events such as floods, droughts, wildfires that are becoming more intense and more frequent over time.

European citizens and workers have understood well enough what is at stake. 2019 has been marked by significant mobilizations in Europe asking governments and public authorities to take urgent and ambitious actions against climate change. In parallel, several countries experienced intense demonstrations resulting from fiscal and social reforms perceived as unfair by part of the population while social movements emerged across Europe to protest rising inequalities. The ETUC believes that these recent developments show the urgency and the need for ambitious and significant climate policies that should be inclusive and supportive for the most vulnerable regions, sectors and workers.

On 11 December 2019, the European Commission presented its Communication for a European Green Deal² that provides a roadmap of key policies and measures that will be put in place to put the EU on track to achieve climate neutrality by 2050. Ursula Von Der Leyen presented this initiative as Europe's "man on the moon moment".

Following this communication, the European Commission has published a series of new legislative initiatives and strategies to start implementing the European Green Deal:

- On 14 January 2020, the European Commission presented its European Green Deal Investment Plan and Just Transition Mechanism³ as well as its legislative proposal for a Just Transition Fund⁴.
- On 4 March 2020, the European Commission presented a legislative proposal for a Climate Law⁵ and launched a European Climate Pact initiative.
- On 10 March 2020, the European Commission adopted a new Industrial Strategy for Europe⁶, dealing partly with the issue of the greening of the EU industry.
- On 11 March, the European Commission proposed a Circular Economy Action Plan⁷.

With this position paper, the ETUC aims at providing the policy makers with a detailed analysis of these European Green Deal proposals in light of the current context as well as with concrete recommendations on how to move forward. More recently, on 20 May 2020, the Commission adopted its new "farm-to-fork" strategy⁸, as well as its biodiversity strategy for 2030⁹. This position paper does not aim to comment on these last two documents but recognizes all the importance of these two initiatives.

¹Earth Observatory, NASA, 2018, <https://earthobservatory.nasa.gov/images/144510/2018-was-the-fourth-warmest-yearcontinuing-long-warming-trend>

²COM(2019) 640, European Commission, https://ec.europa.eu/info/sites/info/files/european-green-dealcommunication_en.pdf

³COM(2020) 21, European Commission, https://ec.europa.eu/commission/presscorner/api/files/attachment/860462/Commission%20Communication%20on%20the%20European%20Green%20Deal%20Investment%20Plan_EN.pdf.pdf

⁴COM(2020) 22, European Commission, https://ec.europa.eu/commission/presscorner/api/files/attachment/860470/Proposal%20for%20a%20regulation%20establishing%20the%20Just%20Transition%20Fund%20and%20annexes_EN.pdf.pdf

⁵COM(2020) 80, European Commission, https://ec.europa.eu/info/sites/info/files/commission-proposal-regulationeuropean-climate-law-march-2020_en.pdf

⁶COM(2020) 102, European Commission, https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategymarch-2020_en.pdf

⁷COM(2020) 98, European Commission, https://eur-lex.europa.eu/resource.html?uri=cellar:9903b325-6388-11ea-b735-01aa75ed71a1.0017.02/DOC_1&format=PDF

⁸ COM(2020) 381, European Commission, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590404602495&uri=CELEX%3A52020DC0381>

⁹ COM(2020) 380, European Commission, <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590574123338&uri=CELEX%3A52020DC0380>

2. The need to give the European Green Deal a future in the context of COVID19 crisis

Before commenting on these legislative initiatives, it is important to provide some contextual elements with regard to the COVID19 crisis. Since February 2020, Europe has suffered from a severe health crisis due to the outbreak of this virus which rapidly turned into a pandemic crisis, putting at risk the lives of many European citizens. The consequences on the health of Europeans are dramatic and put national health systems in critical situations in most member states. The crisis is also expected to have a huge adverse impact on the EU economy as a whole due to the fact that many companies and workers have stopped, or drastically reduced their activities, and that the demand for goods and services has fallen in many sectors. At the time of writing this resolution, millions of EU workers had indeed already lost their jobs while many others are on short-time work schemes with reduced salaries. Precarious workers have been particularly affected by these circumstances. There is also a high risk that the COVID19 crisis further deepens existing regional inequalities. It is therefore more important than ever to engage in a comprehensive process of a just transition that does not leave any worker or any region behind and that ensures the support of workers for the European Green Deal.

In these difficult times it is clear for the ETUC that the European Green Deal must remain the main political compass of the EU in the coming years. All measures to relaunch the economy after COVID-19 crisis must be in line with its main objectives as well as compatible with the Paris agreement and the UN SDGs. Recovery packages, as well as bailouts for companies, should be designed to support a just transition towards a carbon neutral and circular economy, keeping in mind the need to pay attention to sectorial and regional circumstances. Public services and investments in public infrastructures have a crucial role to play in that regard and therefore should be safeguarded. In addition, bailout plans must be conditional to financial discipline (no dividend payment, no buyback of shares, no executive bonuses, no tax avoidance and no aggressive tax planning) and social responsibility (maintaining employment, quality working conditions and in line with EPSR). Recovery plans and bailouts should be developed through social dialogue, promote workers participation and be closely monitored by public authorities.

On 27 May 2020, the European Commission presented its COVID19 recovery package¹⁰ with the European Green Deal as core element of the recovery. The ETUC welcomes the role given to the climate dimension in the recovery package and believes this Commission's proposal goes in the right direction.

3. The need for a Climate Law that links climate target with strong social requirements

COVID19 crisis has also illustrated the need to set up clear and stable long-term commitments to steer climate action. Indeed, when abrupt shocks happen, it is common that political priorities suddenly change and that policy makers focus their action on the short term while forgetting about the broader picture.

For this reason, the ETUC welcomes the initiative from the European Commission to adopt a climate law to set out a binding target of climate neutrality for the European Union as a whole by 2050 and to provide a framework for achieving progress on adaptation to climate change. Such an instrument can indeed prove to be useful to steer public and private investments towards climate action and to ensure that we meet our long-term climate targets, especially in the current context.

This being said, the ETUC would like to formulate the following recommendations based on the Commission's legislative proposal:

¹⁰ COM(2020) 456, European Commission, <https://ec.europa.eu/info/sites/info/files/communication-europe-moment-repair-prepare-next-generation.pdf>

- First of all, the ETUC supports the ambition from the Commission to enshrine climate neutrality target into legislation. We however regret to see that the proposal does not yet include any interim target for 2030. The ETUC supports the upward revision of the 2030 Greenhouse gas emission reduction target from - 40 to -55 % (compared to 1990 levels) as well as the longer-term objective of reaching net-zero GHG emissions by 2050 bearing in mind that reaching these objectives will be a very important challenge for many workers. Adopting these targets, including 2030 ones, would be an important step for the EU to lead climate diplomacy talks ahead of COP26 in Glasgow and allow EU Member States (as well as the UK¹¹) to revise their Nationally Determined Contributions accordingly. The ETUC also believes that having a more granular sequencing of the climate objectives with regular interim targets would be helpful to have a clear roadmap toward climate neutrality in 2050.
- The ETUC, however, insists on the fact that these percentages do not tell the whole story and that a target does not make a policy. Without the appropriate financial and policy means to reach them, the revised targets will be meaningless. The discussion about targets, therefore, cannot be isolated from the discussion about investment, industrial policy and just transition. Such binding climate targets must be accompanied by adequate financial and policy means to reach them in a way that leaves nobody behind and brings effective social change¹². One does not send a man on the moon without the right equipment.
- In parallel to these considerations on targets, it is important that the Climate Law dedicates sufficient consideration to the social dimension of the transition. The ETUC welcomes the fact that the concept of Just Transition is mentioned several times in the climate law proposal. We however lack a clear definition of the concept in the text, making it hard to implement concrete policies and monitor their effects. The ETUC asks EU policy makers to include a clear definition of the just transition concept in the law as well as some monitoring indicator. This should be done using the framework set out by the International Labour Organization in its Guidelines for a just transition¹³. The ETUC also asks the Commission and Member States to conduct, in each region and sector, an early social and economic impact assessment to identify the challenges and opportunities of decarbonisation. These impact assessments should also identify the needs in terms of training as well as necessary funding to achieve EU climate targets.
- Besides mitigation, the ETUC welcomes the fact that the climate law also focuses on adaptation to climate change which will become more and more vital in the coming years. We however strongly recommend putting more emphasis on the consequences that climate change will have on the world of work. Heatwaves, floods, wildfire and other extreme events show that climate change consequences are here and irreversible. They affect workers more and more. It is therefore crucial to put employment, workers and working conditions at the agenda of adaptation policies. It should also be kept in mind that public services, public infrastructures as well as social protection systems will be key in helping our societies to become more resilient when we are on the verge of climate breakdown. The ETUC believes that these aspects should be more explicitly reflected in the text proposal.
- With regards to the international dimension, the EU must build its global leadership on the fulfilment of its commitments in terms of emissions and carbon footprint reduction as well as provision of financial and technological support to climate action in developing countries. This must go hand in hand with sustainable development policy, based on solidarity and collaboration, notably with African countries, to build global economic and social justice and therefore to combat the predicted pressure for increased migration due to climate change.

¹¹ More generally, the ETUC believes that, even after Brexit, the UK should participate to the strengthening of EU climate action and that there should be continued cooperation and coordination on the future European green Deal initiatives.

¹² The fight against climate change requires a drastic social change including individual and collective changes in our mentality, behaviour, lifestyle, as well as in the social, political and economic organisation of our countries and societies.

¹³ Guidelines for a just transition towards environmentally sustainable economies and societies for all, 2015, https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

- With regard to the governance dimension, the ETUC sees that social partners are mentioned among the stakeholders to be engaged in the process but we regret that no more attention is given to the role of trade unions and social dialogue to tackle climate change, especially at the company level. Workers are part of the solution, not of the problem. Trade unions are structured, have on the ground perspective, and democratically represent workers in all sectors of the economy. They are key in shaping the different measures so as to accommodate the needs of the workers and in identifying the key challenges to address. Besides, social dialogue is a crucial driver to redistribute the gains and costs of the transitions, making sure that workers and most vulnerable sectors of society do not bear alone the burden of financing the transition. For social dialogue to work effectively, it requires to strengthen workers' participation and empower trade unions to ensure their effective involvement¹⁴. Social dialogue and the role of trade unions should therefore be explicitly mentioned in the Climate Law. The same comment applies for the Climate Pact initiative launched by the European Commission. Trade Unions require to be involved in the governance of the European Green Deal and request the Commission to include in the Climate Law a monitoring system to verify and report how the Member States involve all institutional levels, the social partners, research bodies and universities, associations and communities in their participatory processes.
- The ETUC also believes that the planning of Just Transition should not be limited to the activities covered by the Just Transition Fund discussed below. We therefore also request the European Commission to oblige Member States to produce national Just Transition Strategies as part of their National Energy and Climate Plans (NECPs).
- Finally, the ETUC also recommends adding a provision to ensure the right to energy for all in the climate law. Energy poverty is already a reality for 10 % of EU citizens. From 2007 to 2018, electricity prices for households rose by around 25% according to Eurostat and ACER. It will be crucial that future EU policies address this problem and counterbalance any regressive distributional effects that climate measures may have on citizens¹⁵. We, as ETUC, believe that this dimension should be part of the European Climate Law.

4. The need to finance climate action through a fair taxation and a bigger EU budget

The European Green Deal Investment Plan proposed by the European Commission in January 2020, intends to mobilise at least €1 trillion over the next decade. €503 billion euros should come from the EU budget, €279 billion should come from private and public funding, €114 billion should come from national co-financing structural funds, €25 billion should come from the ETS revenues and €100 billion should come from the Just Transition Mechanism, among which €7,5 billion from the new Just Transition Fund. Since that proposal, amidst the COVID19 crisis, the European Commission proposed on 27 May 2020 a new EU budget proposal to power the recovery plan for Europe¹⁶ that should significantly modify the budgeted amounts dedicated to climate action.

While this seems to be an ambitious amount at first sight, it should be kept in mind that this is to be mobilised through the next ten years. The amount of money mobilized would therefore be around 100 billion per year. These numbers must be put into perspective: according to the European Commission's own estimates, "reaching the current 2030 climate and energy targets will require additional investments of €260 billion a year by 2030"¹⁷ compared to what is currently spent on climate action. The European Court of Auditors goes even further in a recent report, saying that "between 2021 and 2030, each year, 1 115 billion euro [in total spending on climate action] needs to

¹⁴ This could be done e.g. by formally putting the topic of climate change at the social dialogue agenda or by formally designing a worker's representative or delegate dedicated to climate related topics within companies works councils.

¹⁵ Recycling of taxation revenues targeting low-income households, notably to support insulation of housing, ban of disconnection, public investment in renovation of the building stock and affordable public transport in remote and rural areas are examples of best practices that might help to share the benefits of the low-carbon transition in a more equal way.

¹⁶ COM(2020) 442 final, European Commission,

https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/1_en_act_part1_v9.pdf

¹⁷ COM(2019) 285, European Commission, https://ec.europa.eu/energy/sites/ener/files/documents/recommendation_en.pdf

be invested [...] to reach the EU's 2030 targets"¹⁸. We can expect that with the upward revision of climate targets, the investment needs will be even higher.

In addition to that, the ETUC would like to point out that a big part of the European Green Deal Investment Plan relies on the hypothetical mobilisation of private investments, through Public Private Partnerships with a large multiplier assumption. In 2019, the European Court of Auditors published a report showing that this multiplier is often overestimated stressing the risk of double counting in calculating the potential mobilisation of investments¹⁹. It is therefore very likely that the real amount of mobilized investments will be smaller than the European Commission's estimates. Moreover, one should keep in mind that the European Court of Auditors, in the press release on their 2018 special report on the issue, stated that "the EU co-financed Public Private Partnerships (PPPs) cannot be regarded as an economically viable option for delivering public infrastructure"²⁰.

In view of this, the ETUC is particularly concerned by the status of discussions on the future Multiannual Financial Framework for the period 2021-2027. At a time where significant levels of investments are required to deal with multiple challenges, among which the just transition to a carbon-neutral economy, the ETUC urges the EU Council to significantly increase the EU MFF and to support the new European Commission's proposal that goes in the right direction. The ETUC calls all Member States to take responsibilities in these negotiations, otherwise, we run the risk that the European Green Deal, at the moment source of hope and renewal for the European project, will not be reached in a socially fair way and will turn into a cruel disillusion for EU citizens.

To reach this financial commitment, the ETUC recommends EU own resources to be extended by allocating to the MFF part of the revenue created by implementing certain measures. The ETUC would recommend the following measures: a European Financial Transactions Tax, a European Common Consolidated Corporate Tax Base, and a common minimum corporate tax rate of 25% and a digital tax. Having these solidarity mechanisms should help to finance climate action while fairly redistributing the gains and costs of the transition²¹.

The use of Emissions Trading System auctioning revenues to catalyse low-carbon innovation in sectors covered by the ETS²², as well as a Carbon tax (for sectors not covered by ETS), could also help to secure additional funding. There could also be additional revenues coming from a Carbon Border Adjustment Mechanisms or a national contribution calculated on the amount of non-recycled plastic packaging waste. The Commission should however not rely solely on these tools to finance climate action and repay future debts as ETS revenues and contributions on non-recycled plastics are expected to decrease in the long term once Europe get close to climate neutrality and circular economy. Similarly, to be WTO compliant, the Carbon Border Adjustment Mechanism should not take the form of a protectionist tax. The amount of money to be generated by this new tool will therefore likely be limited.

Finally, the COVID19 crisis has shown that it is possible to quickly mobilize large financial resources when facing an emergency that puts at risk the life of EU citizens. In that regard, the ETUC welcomes the European Commission's decision to suspend the Stability and Growth Pact and asks to permanently revoke it for investments related to climate action and just transition. We also welcome the ECB €1 350 billion Pandemic Emergency Purchase Programme as well as the European Investment Bank increased lending capacity by 200bn euros to support the EU economy (although the ETUC remains vigilant on PPPs, see above). The ETUC insists that the same type of responses

¹⁸ *Landscape Review, EU action on energy and climate change, European Court of Auditors, 2017, http://www.eca.europa.eu/Lists/ECADocuments/LR17_01/LR_ENERGY_AND_CLIMATE_EN.pdf*

¹⁹ *Special Report, European Fund for Strategic Investments: Action needed to make EFSI a full success, European Court of Auditors, 2019, https://www.eca.europa.eu/Lists/ECADocuments/SR19_03/SR_EFSI_EN.pdf*

²⁰ *ECA press release, 20 March 2018, <https://www.eca.europa.eu/en/Pages/NewsItem.aspx?nid=9699>*

²¹ *For more details on these measures, see ETUC position on the European Commission proposal for the budget 2021-2027, 26 June 2018, <https://www.etuc.org/en/document/etuc-position-european-commission-proposal-eu-budget-2021-2027>*

²² *The ETUC supports the transfer of 20% of ETS auctioning revenues to increase EU own resources. However, to avoid to decrease the financial resources available for climate action, the 20% of the ETS revenues that will be taken from Member States to contribute to the EU budget, should be clearly earmarked to catalyse low-carbon innovation in sectors that are covered by the EU Emission Trading Systems (ETS).*

should be given to answer the climate emergency and finance the just transition to a low-carbon economy.

The massive investments that are part of the stimulus recovery packages should be used to create jobs, enhance social justice and step up EU climate action. For example, investing massively in the renovation of building would create jobs, reduce GHG emissions, reduce energy consumption and energy dependence as well as reduce energy poverty. Investing in railway infrastructures and public transports would create jobs, improve the life and mobility of EU citizens while reducing carbon emissions of the transport sector. In parallel, investing in the development of pilot and demonstration facilities for key breakthrough climate neutral technologies for energy intensive industries would maintain employment and industry in the EU while promoting clean innovations. Other similar future proofed solutions exist in other sectors such as renewables, energy efficiency, agriculture, waste, etc.

5. The need for a Just Transition Fund that ensures solidarity and convergence in Europe

As part of this European Green Deal Investment Plan, the European Commission also published its proposal for a Just Transition Mechanism. This Mechanism will consist in three pillars: (1) a new Just Transition Fund of €7,5 billion, (2) a dedicated just transition scheme under Invest EU to mobilize up to €45 billion of investments and (3) a public sector loan facility with the European Investment Bank to mobilise between €25 and €30 billion of investments. On 27 May 2020, the European Commission presented its COVID19 recovery package²³, proposing to increase to budget of the Just Transition Fund from €7,5 billion to €40 billion.

The ETUC welcomes the Commission's initiative to create such a Just Transition Mechanism. The European Trade Union movement is glad to see that the social dimension is now part of the EU climate action and that it is high on the agenda. This mechanism should be used to trigger economic diversification and create quality jobs in regions the most affected by decarbonisation. A recent report from the Joint Research Center (JRC) finds that up to 315 000 jobs could be created in the EU coal regions by investing €38 billion in clean technology deployment by 2030. This number could go up to 460 000 by 2050 with €43 billion of total investment²⁴. This shows that coal regions have a huge employment potential in renewable energy and that the Just Transition Mechanism could be an important tool to achieve that. The same is true for other energy dependant sectors and regions across the EU.

However, such success story will only be possible if the Just Transition Mechanism is sufficiently funded and correctly designed. In that regard, the ETUC would like to raise several points of concern with the proposal that is currently on the table:

- First of all, the ETUC believes that the Commission's estimations for the investment mobilization capacity of pillars 2 and 3 should be revised. Indeed, as mentioned above and based on the European Court of Auditors analysis, we believe that the multiplier effect used by the Commission may be overestimated.
- With regard to pillar 1, the ETUC would like to reiterate that the amount €7,5 billion euros initially proposed is way too small to ensure a just transition in the EU. In comparison, the German Coal Commission recommended investing €40 billion to accompany the transition in the German coal regions only²⁵. In that regard, the ETUC believes that the recent

²³ COM(2020) 456, European Commission, <https://ec.europa.eu/info/sites/info/files/communication-europe-moment-repair-prepare-next-generation.pdf>

²⁴ Clean energy technologies in coal regions: Opportunities for jobs and growth, Joint Research Center, 2020, https://publications.jrc.ec.europa.eu/repository/bitstream/JRC117938/clean_energy_technologies_in_coal_regions_online.pdf

²⁵ The European Power Sector in 2019, Up-to-date analysis on the electricity transition, Agora Energiewende, https://www.agoraenergiewende.de/fileadmin2/Projekte/2019/Jahresauswertung_EU_2019/172_A-EW_EU-Annual-Report-2019_Web.pdf

Commission's proposal to increase the overall budget of the Just Transition Fund from €7,5 billion euros to €40 billion euros as goes in the right direction.

- It is particularly important that the budget foreseen for the Just Transition Fund comes on top of existing programmes and that this amount is not taken out of the budget from Cohesion Policy. We are in that regard sceptical about the proposed relatively high co-financing of the JTF (factor 1.5 to 3 on the JTF allocation) through funds from the Structural and Regional Funds to increase the final amount. The aim of the Just Transition fund should be to support all vulnerable regions and sectors towards decarbonisation and we believe that, rather than to co-finance this through other funds, the overall size of the fund should be significantly increased, compared to the initial proposal of €7,5 billion, in order to allow all energy dependant regions and sectors to benefit from it.
- With its total budget amount increased, the Just Transition Fund, should support in priority regions heavily dependent on sectors that will need to be rapidly phased out (such as coal, lignite, peat and oil shale) but should also provide extensive support to other energy intensive sectors (such as steel, cement, chemicals, glass, etc.) that will require massive investments in new infrastructures and in the development of clean breakthrough technologies. Other sectors such as transport, the car industry, agriculture and construction will also require significant support from the Just Transition Mechanism and other EU funds to move towards decarbonisation.
- To ensure solidarity between Member States and to avoid the deepening of existing divides between countries and regions, the Just Transition Fund should benefit more to countries that have fewer financial resources to tackle the transition. Having additional social indicators such as unemployment rate and social exclusion in the allocation key could also be interesting to ensure that most vulnerable regions benefit from the fund.
- The ETUC also recommend using NUTS 3 level for the allocation method instead of NUTS 2. Using NUTS 2 level might deprive some NUTS 3 regions from important resources, simply because they are located in a less-industrialised NUTS 2 region.
- With regard to conditionality to access the Just Transition Fund, the ETUC believes that the projects financed by the fund should be in line with the GHG emission reduction target of -55 % (compared to 1990 levels) as well as the longer-term objective of reaching net-zero GHG emissions by 2050 for the EU. The access to funding should also be conditioned to the right to collective bargaining and social dialogue.
- On the types of activities to be financed, the regulation should clearly state that investments in energy projects reliant on unabated fossil fuels and that are not in line with climate action targets are not covered by the scope of the JTF regulation.
- Similarly, the polluter pays principle should be explicitly mentioned when talking about decontamination of sites and land restauration to avoid that public resources are used to cover breaches from private companies. In a broader perspective, the ETUC insists that companies should have a responsibility to act in a climate friendly manner and plan their own investments accordingly.
- The ETUC also calls policy makers to narrow the scope of the eligible activities to those projects that benefit the most to workers of vulnerable regions. A broad scope might indeed lead to sprinkle the limited resources without achieving a significant impact on the most vulnerable regions and sectors. Some of the activities listed under article 4.2. could be instead financed through other funds or via pillar 2 or 3 of the Just Transition Mechanism.
- To guarantee that the Just Transition Fund will benefit to impacted workers and communities, the ETUC asks to include the following elements in the scope of activities eligible to the fund, keeping in mind that the Fund should in primarily deal with the economic diversification of industrial regions most affected by the transition towards climate neutrality: (1) investments to reduce energy poverty, (2) investments in social and public infrastructures and (3) financial

aid and social protection to workers and job seekers. Coherence and synergies in the use of structural funding and policies should be promoted and overlaps should be avoided.

- On the governance aspect, the ETUC welcomes the proposal from the Commission to condition the access to the fund to the submission of Just Transition Territorial Plans. We however ask EU policy makers to make sure that social partners, especially trade unions, will be involved in the design and implementation of these plans and that the governance will be done in conformity with the European code of conduct on partnership in the framework of the European Structural and Investment Funds²⁶.

6. For a new social and sustainable industrial strategy that strengthens employment and strategic value chains in EU

Whereas the European Green Deal should continue to guide further policy developments to enable the EU reach climate neutrality by 2050, it is of the utmost importance to ensure that the COVID19 crisis will not lead to weakening European industries. In this perspective, we would like the European Commission to map the possible consequences of the current crisis on industrial value chains in order to identify where some problems might arise for companies to implement or comply with EU legislation. For these limited cases where strong evidence exists that the COVID crisis makes it impossible for companies to cope with EU legislation, additional measures should be taken to help them comply with environmental standards.

It is clear that European industry will be a key actor in decarbonising the economy and achieving climate neutrality by 2050. The decarbonisation, along with the digital transition, will require massive and unprecedented changes in the way we currently produce and manufacture goods. These twin transitions will especially impact the energy sector and energy intensive industries (such as steel, cement, chemicals, glass, etc.) as well as the automotive industry. Other sectors such as transport construction and services will also be at the forefront of the changes. These industries and their workers should be part of the solution and, therefore, a forward-looking industrial strategy is needed to ensure a just and socially fair transition to a climate neutral economy.

In that context and to complement its initiatives for a climate law and a European Green Deal Investment Plan, the European Commission released, on 10 March 2020, its communication for a New Industrial Strategy for Europe. The stated ambition of that strategy is to help the EU to lead the climate and digital transitions as well as to drive EU's competitiveness.

This communication consists in a number of action plans, strategies and policy measures that are articulated around nine objectives: (1) achieving a deeper and more digital single market, (2) upholding a global level playing field, (3) supporting industry towards climate neutrality, (4) building a more circular economy, (5) embedding a spirit of industrial innovation, (6) ensuring the skilling and reskilling of the workforce, (7) investing and financing the transition, (8) reinforcing Europe's industrial and strategic autonomy, (9) adopting a partnership approach to governance.

For the sake of clarity and in order to keep the focus on the European Green Deal, this position paper will only comment on the climate dimension of the New Industrial Strategy for Europe. A more detailed ETUC position will be available to comment on the whole new Industrial Strategy for Europe in the coming months.

With regard to the climate dimension of the EU Industrial Strategy, the ETUC welcomes a series of positive elements but would like to link them to a few recommendations:

- First of all, we welcome favourably the high importance given to climate policies in the strategy. As mentioned above, the scale of the challenge is huge and will deeply impact the EU industry and its workers. It is therefore necessary to have strong political guidance to steer climate action and support industry towards decarbonisation. However, in the current

²⁶ Commission Delegated Regulation 240/2014, <https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:32014R0240&from=EN>

context, it should be clear that investments to help the EU industry to recover from the COVID19 crisis should not go against EU commitment against climate change and should be conditional to strong requirement with regard to working conditions of workers (cf. supra).

- The approach taken by the commission to look at the industrial value chain rather than the sectors is also interesting. In that regard, we support the development of an EU Strategy on Clean Steel, of a Chemical Strategy for Sustainability, of a Strategy on Offshore Renewable Energy, of a Strategy for Sustainable and Smart Mobility, of a Renovation Wave, of an EU Strategy for Textile, of a Circular Electronics Initiative and of a New Pharmaceutical Strategy. The development of a Clean Hydrogen Alliance, together with the launch of new Important Projects of Common European Interest (IPCEIs) along with those on batteries and microelectronics will also be key to channel public spending, steer innovation and develop a common vision for the European Industry. The ETUC would however like to stress the fact that to bring significant changes, these strategies will need to be accompanied by massive investments in new breakthrough technologies and infrastructures. While we strongly welcome the use of IPCEIs and the review of State Aid Guidelines to do so, we would like to stress again the need to increase the ambition of the European Green Deal investment plan.
- Regarding the future review of EU competition law and state aid rules, the ETUC is convinced that such a review provides an opportunity to move away from neo-liberal economic policies that are solely based on a market logic. The revision of competition law and state aid rules should allow Member States and the EU institutions to play a more active role in the climate transition. Besides, the revision should respect and reinforce workers' and trade unions rights as well as protect and create quality employment. It should further support cooperation along integrated value chains and the development of ambitious European industrial projects, with a special attention to sectors or supply chains with strategic public interest or confronted with structural changes. The use of state aids should be complemented by an increased European investment capacity to avoid deepening the divide among European Member states.
- The ETUC also welcomes the Commission's proposal for a Circular Economy Action Plan that aims, among others, at introducing a sustainable product policy framework, at creating closed loop business models in key product value chains such as batteries, textiles, transport, packaging, construction, food and electronics and at empowering consumers. The European trade unions movement can only endorse such measures as it will increase sustainability of the EU industry and contribute to job creation while reducing Europe's reliance on critical raw materials. It is important that the Circular Economy Action Plan and the New Industrial Strategy for Europe are intrinsically linked. We also welcome the fact that the skills need of the circular economy will be part of the updated Skills agenda for Europe. The ETUC however regrets that no more focus is put on workers and on the role of trade unions in the current Circular Economy Action Plan proposed by the Commission. Indeed, while we strongly support the overall measures detailed in the action plan, we believe that more attention should be given to eradicate any negative impacts that such changes could have on workers in terms of health and safety, work organization and working conditions. Health and safety measures should especially be strengthened in the sector of waste management but not only. To make sure that these concerns are addressed, it is crucial that worker representatives and trade unions participate to the shaping of the circular economy. It will also be important that municipalities are supported in this transition since they will play a key role in their tasks such as the overseeing of recycling and collecting waste.
- The ETUC is also pleased to find some concrete proposals to establish offensive and defensive trade strategies. We welcome the Commission's intention to swiftly adopt the International Procurement Instrument to protect EU companies from unfair practices and to enforce reciprocity for procurements in external markets²⁷. We call the European

²⁷It has been shown that European companies are often discriminated in external markets due to foreign state aids and subsidies favouring third countries companies. Similarly, third countries often use state supports to access the European market, at the expense of European companies. The development of the photovoltaic sector over the last 20 years is particularly striking (cf. EPSC, p.9 https://ec.europa.eu/epsc/sites/epsc/files/epsc_industrial-policy.pdf)

Commission to make full use of its diplomacy and negotiation power with its trade partners in order to enforce strong social and environmental provisions in preferential trade agreements.

- With regard to the establishment of a Carbon Border Adjustment Mechanism (CBAM), the ETUC believes that such a mechanism should be explored to prevent carbon and investment leakage from happening as well as unfair international competition. Such tool, combined with innovation policy and measures to create lead markets for low-carbon industrial goods, will contribute to step up climate action while maintaining and creating quality jobs and innovative industries in the EU. It could also be an effective way to promote more ambitious climate policies on the international stage and reduce the carbon footprint of our imports. However, in order to be effective, CBAM should be carefully designed and respect the principles outlined below. First, the measure should be compatible with the rules of the World Trade Organization, the Paris Agreement and the UN SDGs. It should contribute to climate action and prevent protectionist misuse to avoid trade conflicts. Second, in order to be practically feasible and enforceable, the measure should be limited to strategic sectors that are both carbon intensive and trade intensive (such as steel, cement, aluminium, electricity production...) and should not disproportionately impact other sectors downstream the value chains. Third, the measure should respect the Common But Differentiated Responsibilities and Respective Capabilities principle. The European trade union movement has been calling for a CBAM for many years and insists on the need for a measure that will protect the EU industries from climate dumping while they are investing to be decarbonised. Design and implementation of a CBAM should not lead to windfall profits and overcompensation for companies. Last but not least, in order to prevent any negative socio-economic impact on workers, it will be crucial that trade unions and workers representatives are involved in the discussions.
- When it comes to education and training, the ETUC also welcomes the update of the Skills Agenda for Europe as well as the launch of a European Pact for Skills. The skilling and re-skilling of workers will be a crucial element if we want Europe to succeed in the climate and digital transitions. ETUC sustains that the future skills strategy needs to put more emphasis on employee training as part of the implementation of the first principle of the European Pillar of Social Rights. Indeed, EU countries should ensure training rights and opportunities for all workers. A right to training should be introduced and implemented in every Member States through social dialogue within existing collective agreements and national law on effective access to employee training. Skills strategies must be anticipated through social dialogue and capacity-building of social partners in every country.
- The link between climate ambition and industrial policy should be further developed by the EU through sectorial impact assessments and sectorial decarbonisation roadmaps, notably to prepare the review of EU climate policy instruments and mainly the revision of the EU ETS (EC proposal expected for June 2021). The EU ETS does not make an industrial policy and its revision should be supported by a broad set of instruments that will allow the EU to steer the decarbonisation of its industrial value chains without gambling on what a market driven instrument can deliver.

ETUC's support for these various initiatives will depend on the way they are designed and implemented. The ETUC will provide a more in-depth analysis and comments when such proposals will be released. However, at this stage, we perceive these elements listed above as encouraging. We however insist on the need for the new EU Industrial Strategy to emphasize much more the social dimension as well as the role of Trade Unions and workers participation. It should also provide additional measure to tackle existing inequalities between countries and regions. In parallel, the strategy should be much more ambitious in terms of investment capacity. The role of public services should also be more reflected in the strategy. The ETUC will provide a more detailed position on the whole new Industrial Strategy for Europe in the coming months with a more in-depth analysis and specific recommendations.

8. Conclusion

With its European Green Deal, the European Commission has outlined a coherent and positive project for the EU, putting climate action at the core of its political agenda. While the Green Deal will consist in a multitude of legislative initiatives, action plans and strategies, four of them will have a pivotal role in the coming months. The Climate Law should set in stone the EU's long-term climate targets and guarantee an inclusive governance. The European Green Deal Investment Plan should provide the necessary level of investment to reach these targets. The Just Transition Fund regulation should provide the financial means to ensure that this transition is made in a just and cohesive way. The new EU Industrial Strategy should provide the tools for the European industry to successfully manage that transition.

Our evaluation of these initiatives made in the previous sections shows that, even though they go in the right direction, these measures currently still lack ambition. More efforts are indeed needed to ensure sufficient funding, more efforts are needed to have an inclusive governance with workers and more efforts are needed to ensure that this green deal is also social, benefitting to people and especially the most vulnerable.

In order to get ETUC's support, it will be crucial that the Commission addresses these gaps in the current proposals. To do so, it will be essential that the concept of Just Transition not only applies to the Just Transition Fund but to all European Green Deal measures. From our trade union perspective, a Just Transition represents a radical change in the economic and social system. The core objectives of that concept are the fight against climate change following an evidence-based approach, the achievement of the sustainable development goals, social justice, the protection of human rights, gender equality, full employment and decent work, democratic participation as well as intra and intergenerational equity. To ensure that no one is left behind, a Just Transition means : (1) the presence of solidarity mechanisms to support most vulnerable and affected sectors and regions, (2) adequate social protection and training programmes to accompany workers in their transition, (3) the development of local economies and the diversification of activities, (3) rigorous socio-economic impact assessments and detailed long-term strategies to anticipate the changes, (4) an effective social dialogue and a strong participation of workers at all stages of the process, and (5) the availability of sufficient financial means. Such elements will become even more important to face the coming crisis in a socially fair and future-oriented way.