Inflation Reduction Act - ETUC and industriAll Europe statement ahead of a meeting with Ambassador Katherine Tai, USTR

Climate change is a global challenge that needs strong commitment and leadership from the EU and the US to reduce emissions and promote a successful transition to a more sustainable and cleaner economy. Given the US is amongst the highest greenhouse gas emitting countries in the world, ETUC and industriAll Europe welcome the overall objective of the Inflation Reduction Act of increasing climate ambition and supporting investments in clean technologies and solutions. The substantial investment in clean energy products and supply chains created by the new Inflation Reduction Act (the Act) is a game-changer in terms of industrial investment and industrial policy.

Furthermore, in the US, climate action has been tightly tied to a worker-oriented agenda with social conditionalities underpinning collectively negotiated wages and high-quality apprenticeships. This is a long-standing demand of the European trade union movement for EU climate action. In this way, the Act demonstrates how major economies can combine climate action, industrial transformation, fair taxation and a decent work agenda. While the proof of the pudding is in the eating, Europe must take inspiration from the US agenda now.

However, such solutions must ensure that companies and workers on both sides of the Atlantic are not placed in a disadvantaged position. Historical good trade relations have existed between strongly connected trade partners, and neither the US nor the EU stand to gain by changing this relationship.

ETUC and industriAll Europe understand the Act does not penalise European companies that are interested in producing and creating and good jobs in the US, as it is and should be the case for any funds made available in Europe for the same purpose. ETUC and industriAll Europe believe that discriminating against clean vehicles and inputs produced in the EU (rather than the US) violates international trade law and unfairly disadvantages EU companies, reduces the choices available to US consumers and thus risks undermining the climate effectiveness of these green subsidies.

This being said, rather than focusing solely on the discriminatory aspects of the Act, the business community should up its game: upholding collective bargaining and good conditions in US operations as well as accepting strong social conditionalities in exchange for greater public investment and financial support in Europe.

These conditionalities should include a commitment to effective social dialogue and collective bargaining with trade unions; a requirement to consult with unions ahead of merger decisions and screening of both inward and outward investment decisions; avoid redundancies and deterioration of working conditions; guarantees on job maintenance and creation, reskilling and upskilling, and the creation of high-quality apprenticeships and graduate roles; a ban on dividend payments while a company is in receipt of state aid.

Any attempt to actively lure businesses away from Europe, in the current difficult context of high energy prices, to invest in the US on the back of the Act is unacceptable. There is an urgent need to develop and roll-out clean technologies, such as batteries and hydrogen, on both sides of the Atlantic. Governments on both sides of the Atlantic should be working to ramp up these industries not to undermine both one another's emerging industries and the millions of jobs that rely on these technologies for industrial transformation.

For this, a European industrial strategy is key, with public investment, quality employment and Just Transition at its heart – central features of the Act that are being overlooked by many in Europe.

ETUC and industriAll Europe understand that the European Commission is preparing a raft of measures that would allow the EU countries to subsidise their own green industries and speed-up permitting procedures, in a move to match the US. Views on state aid differ but trade unions believe the current set up is not fit for purpose: we need a joint and coordinated response at the EU level to ensure there is a level playing field in terms of equal access for all countries to funds. Only a coordinated European agenda can avoid the risk of increased regional inequalities and competition within Europe.

Furthermore, while subsidies can alleviate the costs of high energy prices on companies temporarily, ultimately what is required is a long-term systemic solution to the energy price crisis we currently face. Securing access to affordable decarbonised energy is a basic prerequisite to keep foundation industries and manufacturing in Europe and a key condition for social cohesion in Europe. Leaving energy in the hands of the market alone exposes Europe's industries and workers to supply uncertainty and price volatility, whereas we need anticipation, long-term planning, enhanced coordination and reformed price-setting mechanisms decoupling gas and electricity prices.

Therefore, in this context more than at any other time, it's imperative that the EU and the US avoid a trade war: rather than attack the Act, the EU should take the high road and match it with its own set of measures in support of European industry. Similarly, the US should consider the ramifications of damage to European industry in the current geopolitical context.

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