

a European approach to tackling climate change



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Joël Decaillon, confederal secretary of the ETUC

The European Trade Union Confederation (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 combating this threat and transform emissions reduction into an opportunity to create quality

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jobs and lessen social inequalities, while reducing the negative effects on workers and their families.

The EU energy and climate change

package is a major step forward because it tackles greenhouse gas emissions in a greater number of sectors than previously, provides a credible framework for the development of renewable energy sources and aims to put in place a more effective emissions trading scheme by setting an EU-wide emissions ceiling.

It is nevertheless vital that social and employment issues are properly taken into

account, particularly in a globalised context. The ETUC has been making the case for this in line with the recommendations of its European-wide study ‘Employment and climate change’ published in 2007,¹ and in the context of the economic crisis and the growing number of unemployed.

This chapter sets out the ETUC’s position on the energy and climate package and proposes the adoption of complementary measures that will reinforce the environmental and social ambitions of the European Union.²

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

The ETUC is asking for a real integration of climate policy and the Lisbon Strategy for growth and jobs and asks for a just transition.

As chapter 1 argues, just transition programs are the best way to guarantee that structural changes in employment patterns due to climate change mitigation are anticipated and that the potential for new jobs is maximised, while ensuring that workers are not forced to pay for the necessary mitigation measures through the loss of their livelihood.

Such programmes should include:

- the anticipation of changes in employment and skills resulting from climate change mitigation measures and from the need to adapt to climate change;
- education programs, training and retraining opportunities for students and workers to ensure that they acquire the required skills and can contribute to the development of new sustainable industries and services, and that more jobs are created, that are also good jobs;
- research and development, innovation and deployment of new and more energy efficient technologies;
- support for the provision of alternative employment and social protection for displaced workers;
- reinforcement of the social dialogue from the company level to the international level on these issues, as workers and employer organisations propose measures and reach agreements contributing to this just transition;
- public investment and redistribution of financial flows towards investments contributing to sustainable development; and
- measures to guarantee and improve access to energy for all to cover their basic needs.

The ETUC also asks that the European globalisation adjustment fund (EGF) be enlarged so as to limit the negative

consequences for workers of measures to combat climate change. The EGF supports workers who lose their jobs as a result of changing global trade patterns so that they can find another job as quickly as possible.³

A large share of the investments required to achieve the package's objectives cannot be borne by the financial market alone 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 lend them on, 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 recession while defending purchasing power and quality of life in Europe.

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

Given the tremendous economic and social stakes of European climate policy, the ETUC calls on the Commission, European Parliament and member states to establish a consultative committee of the European social partners (trade unions and employers' organisations engaged in social dialogue) on energy and

climate policy, with the launch of real social negotiations between social partners on the economic and social consequences of the package.

The one-off consultation prescribed by the directive on revision of the emissions trading scheme (ETS) is not sufficient.

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The energy package will not succeed unless solutions are negotiated by industry, workers and public

authorities with 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 consulting their social partners. These have demonstrated their effectiveness at increasing awareness among the social players of the efforts needed and in achieving emissions reductions without a negative impact on employment.

3. 20 per cent emission reduction by 2020 as a minimum

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

4. Priority should be given to energy efficiency

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

5. Burden sharing by the economic sectors that takes account of the need to maintain a sustainable industrial base in Europe

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

6. Revision of the emissions trading scheme (ETS)

The ETUC approves the single emissions ceiling at EU level, the enlargement of the system to new sectors, the harmonisation of permit allocation methods and the principle of auctioning emissions permits for sectors protected from international competition.

In regard to allocation methods we support a combination of selling allowances and free allocation according to benchmarking principles based on best available technologies. But determining the share of each mode must account for the impact on European workers and be determined through consultation with trade union organisations with implementation that is progressive from 2013.

We are currently very doubtful about how the question of the competitiveness of energy intensive industries in Europe is being 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 operating in countries that do not apply similar emissions reduction measures. But implementation arrangements and timings are shrouded in uncertainty. This lack of clarity about what to expect beyond 2012 is particularly harmful to long-term industrial investments in those sectors.

The directive should 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 it from 2013 if other industrialised countries do not regulate their 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 it is based on the best available technologies and that it is complementary and not alternative to a border compensation mechanism. In the absence of a compensation mechanism, businesses 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 of activity and jobs.

The debate over decisions like this one on compensation measures illustrates the importance of consulting the social partners before the decision is taken.

The ETUC also wishes to draw attention to the need to avoid the possibility of manipulation and speculation on the carbon market by guaranteeing the transparency of auctions and the accreditation of auction participants. A regulatory authority for the European carbon market should be established.

We also note that auctioning allowances to electricity producers will generate very high revenues for member states (estimated at €40 billion). A significant part of these proceeds should be pre-allocated to investments in energy savings and public transport, so that less favoured households can reduce their dependence on costly energy and transport, and to assistance for workers displaced as a result of the transition to a low carbon economy.

The flexibility mechanisms raise concerns due to the absence of a social and environmental quality requirement for projects entitled to clean development mechanisms and joint implementation credits. These projects should be subjected to an approval procedure at the national level, with the evaluation criteria set at the EU level in order to ensure a level playing field across Europe.

The criteria should include:

- the project promoter's pledge to respect the principles of the OECD's guidelines for multinationals, the eight ILO basic conventions and conventions on occupational health and safety and on indigenous and tribal peoples;⁴
- social sustainability, covering employment (number of jobs created, skills development, quality of employment), equity and access to essential services such as energy services; and
- the involvement of the trade union organisations in the projects approval procedure.

7. Proposal for a directive on renewable energy

Considering that renewable energy and cogeneration should rank significantly higher in EU energy consumption in the future, the ETUC supports the legally binding objective of 20 per cent of energy from renewables by 2020.

The directive contains elements crucial for accelerating that evolution, in particular:

- a support mechanism for heating and cooling produced from renewable energy sources, including cogeneration by biomass;
- the obligation for member states to introduce renewable energy requirements for local authorities when planning and building industrial and residential areas, and
- the development of accreditation systems for renewable energy installations, such as solar panels.

8. Social cost of electricity prices

The Commission anticipates that the climate change package will result in electricity price increase of between 10 and 15 per cent by 2020. In this context, the ETUC calls for measures to prevent negative social impacts of rising energy prices, the priority being to reduce energy needs by investing in the energy efficiency of social housing and affordable low-energy alternatives. Universal access to essential energy services needs to be secured for all people living in Europe, notably through the provision of social tariffs.

We welcome the Commission's plans to comment on these issues and urge them to assess the social consequences of the climate change package in context of an opening-up of the electricity and gas markets, addressing in particular their impact on vulnerable consumers and public service obligations.

Looking ahead

It is essential that policies and measures designed to tackle climate change take into account – and also fight against – environmental and social inequalities in order to achieve progress. If this challenge is approached from a purely environmental point of view there is a significant danger that increased social inequality will result.

This dual approach will not happen automatically. We need to see political commitment to guaranteeing positive social outcomes and provide decision makers with all the facts, insights and recommendations that they need in order to optimise synergies between social and climate policies.

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This is why the ETUC has started a new project that focuses on climate change, new industrial policies and paths out of the crisis. This

is a follow up to our 2007 study on climate and employment and is being conducted in collaboration with the ETUC European industrial federations. It should lead in the near future to new recommendations for European policy makers – recommendations that will be driven by the ETUC’s willingness to contribute to environmental and social progress and to building a sustainable society.