ETUC Position Key demands to build a Just Transition and boost climate action after the EU elections

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Background

The Paris agreement sets clear objectives for international climate action: keeping the rise in temperature well below 2°C and continue efforts to maintain it under 1.5°C (pre-industrial levels being the reference). Governments also committed to reach a balance between emission sources and absorption in the second half of this century, and to make financial flows compatible with a pathway towards a low-emission development.

The 1.5°C IPCC Report, released on the 6/10/2018, has notably confirmed that the difference between 1.5 and 2°C scenarios, as it comes to consequences of global warming, was huge. Limiting the temperature rise to 1.5°C would lower the impacts on sea level rise, ecosystems and their services to human beings (agriculture, forestry, fisheries), but also on food security, water supply, human security and economic growth. This report also clarifies the emissions pathway consistent with a 1.5°C scenario: "global net anthropogenic CO2 emissions" must reach net zero around 2050 (compared to 2075 in a 2°C emissions scenario).

The EU has adopted climate and energy targets for 2020, 2030 and 2050. The 2020 objectives (- 20% of greenhouse gas (GHG) emissions compared to 1990, 20% of renewable energy (RE), and 20% of energy efficiency (EE)) will be reached[1], despite difficulties for some sectors and some member states. For 2030, the initially adopted targets (at least 40 % for GHG, 27 % for RE, 27 for EE), have been revised upwards, at least partially, in the context of the Clean Energy for All Package, since the RE target is now 32% and the EE target 32.5%. As far as 2050 is concerned, building on the "EU Roadmap to move towards a low carbon and competitive economy in 2050", the European Commission recently released its Communication "A Clean Planet for All: A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy" that "*outlines a vision of the economic and societal transformations required, engaging all sectors of the economy and society, to achieve the transition to net-zero greenhouse gas emissions by 2050*".

The temperature objectives of the Paris agreement, scientific knowledge made available by recent publications, as well as citizens and youth mobilisations for climate, invite a review of the current climate action within the EU to make it more ambitious while leaving no one behind. A few weeks ahead of the next EU elections, the aim of this document is to define the main ETUC messages to the incoming European Commission and Parliament, bearing in mind that pursuant to the Paris agreement, countries have to submit a new or a revised version of their Nationally Determined Contribution by 2020. These key messages are the following:

- The EU must set credible milestones towards net-zero emissions in 2050 and create the social and economic conditions to reach them;
- The EU must demonstrate strong leadership to build a just and robust global climate regime;
- The EU must deploy sustainable breakthrough technologies and must reform its forestry and agricultural policies;
- The EU must set up a climate finance pact to boost climate action;

- The EU must secure a just transition and the right to energy.

Credible milestones towards net-zero emissions in 2050 and the conditions to reach them

In June 2018, the ETUC adopted a position which supports the objective of reaching net-zero emissions by 2050. Even though that objective would require further technical discussions to clarify its nature, it clearly shows that a full and deep decarbonisation of the EU economy must be achieved within three decades. The current 2030 target to reduce GHG emissions by at least 40% seems to be below the level of ambition needed to be on track to reach the mid-century net-zero objective. In its "Clean Planet for All" Communication, the European Commission itself acknowledges that "*The policies put in place today will have a continued impact after 2030 and will therefore already go a long way, with projected emissions reductions of around 60% by 2050. This is, however, not sufficient for the EU to contribute to the Paris Agreement's temperature goals*".

Several Member States, and the European Parliament, have pushed the EU to raise its 2030 objective to -55% to better align the EU's climate action during the next decade with the Paris agreement temperature objectives. The ETUC stresses the importance of discussing targets and concrete conditions to meet them at the same time. Investment, innovation and technology deployment, sustainable economic diversification and industrial policy are key enabling factors of the low-carbon transition, without which the discussion on targets is meaningless. In the same way, ensuring a just transition for workers and communities, whilst avoiding at all costs adverse impact on income distribution, is necessary to ensure public acceptance. De-industrialisation of Europe through carbon leakage cannot be accepted either. Industries must be transformed through innovation and investment but must not disappear from the EU. Mass redundancies and social disruption must be avoided. On this basis, the ETUC supports the demand to raise the EU's climate ambition and calls upon the EU to submit in 2020 an NDC with targets for 2030 and 2040 that are based on the most recent scientific knowledge and more consistent with its international commitments as set out in the Paris agreement. The objective of reaching 55% of emissions reduction by 2030, compared to 1990 levels, would better align the EU's ambition for the next decade with the sense of urgency underpinning the 2050 target and the 1.5°C IPCC Report. The ETUC strongly believes that the above-mentioned conditions, including just transition principles, in combination with more ambitious targets, should be guiding the EU's climate action beyond the next elections, bearing in mind that reaching these objectives will be a very important challenge for many workers.

Strong EU leadership at international level

Keeping in mind that the EU represents 10% of current global emissions, the EU should continue to press the other major economies to strengthen their pledges, but also to put their internal energy policy choices in line with their commitments. Building on the increased transparency coming from the Paris agreement governance, and in line with the "Common but differentiated responsibilities" principle, the EU should explore legal and political means to fight decisions in third countries that are not compatible with the Paris agreement objectives.

In the same way, the EU's trade policy must effectively facilitate sustainable transition to net-zero emissions by 2050. Trade agreements should avoid encouraging trading of energy sources that are not in line with Paris agreement objectives and notably the import of fossil fuels or unsustainable biomass. Trade agreements must also facilitate the deployment of new low-carbon solutions while respecting intellectual property rights, the precautionary principle and sustainable development goals.

Fully decarbonising the EU economy will not be viable if other trade partners do not move at the same pace. Trade unions and the workers they represent will not accept the offshoring of manufacturing activities as a means to decarbonise the economy. Substituting domestic manufactured goods with imported ones from economies where carbon pricing is weak or does not even exist would have major economic and social consequences and would generate dubious environmental benefits. Developing similar carbon-pricing schemes among trade partners must be a priority while implementing trade agreements, but until a uniform carbon pricing exists, trade partners should be allowed to use border adjustment mechanisms, based on the life cycle assessment of imported manufactured goods' carbon footprint, and respecting WTO rules.

A zero-emission objective requires also decarbonising international and domestic transport. Between 1990 and 2010, the volume of merchandise trade tripled. Statistics also show a perfect correlation between trade of merchandise and international transport. In other words, more international trade means more international transport and we know that aviation and shipping are major CO2 emitters. A recent report of the OECD shows that freight-related international transport is responsible for 7 % of global CO2 emissions and that those emissions are expected to nearly quadruple by 2050. Such a rise would of course dramatically undermine the climate goals. Therefore, to be compatible with the Paris Agreement goals, trade requires a low-carbon international transport system. The existing initiatives at the international level seem to be much too weak to reach that objective in the time constraints we have to deal with. The ETUC expects the EU to strengthen its action in the EU and in multilateral fora such as ICAO and IMO to decarbonise the international transport system.

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.

Low-carbon technologies, forestry and agriculture

Reaching net-zero emissions by 2050 will require the quick implementation of a wide portfolio of solutions. The decrease of fossil fuels and the shift to renewable energy and energy savings should be the main drivers of the transition towards a low-carbon economy. However, the use of carbon dioxide removal technologies (CDR) which remove CO2 from the atmosphere or from industrial processes to store it permanently, seems unavoidable in emissions pathways consistent with the 1.5°C trajectory. The spectrum of activities covered is wide: sustainable forestry, soil management, carbon capture and storage and use (CCUS), or even geo-engineering.

The ETUC does not oppose the use of certain CDR solutions, but at a last resort to complement what renewable energy and energy efficiency can achieve. The CDR solutions deployed must provide certainty regarding the CO2 storage, respect the precautionary principle, and be strictly in line with the highest health, safety and environment standards as well as with the UN SDGs. From that perspective, the ETUC strongly opposes any kind of geo-engineering. CDR have also to be selected in full transparency with democratic participation of affected communities and in full respect of EU and international law and notably the Aarhus Convention. CDR can by no means be used as a lure to postpone the transformative actions that are needed to move to a low-carbon economy.

Sustainable forestry must be the top priority in terms of removing CO2 from the atmosphere. The EU should set an ambitious objective to restore its forests by 2050 and stop policies that are drivers of deforestation. Forestry policy must fully respect the UN SDGs, in particular 1, 8, 12, 15. The promotion of biomass and biofuels can by no means be done at the expense of people's rights or contribute to exacerbate inequalities. The EU CAP must fully take into account the Paris agreement objectives as well as the UN SDGs. EU policies must also promote a forest policy taking into account the social and economic importance of the wood industry, while moving to a circular economy based on the "cascading principle" where biomass is first used in products that create the most economic value over multiple lifetimes. Energy recovery through burning should be the last option, after all higher value options have been exhausted.

As far as low-carbon industrial breakthrough technologies are concerned, the ETUC takes note of the importance that recent international reports (IEA, IPCC) ascribe to these technologies to achieve a deep-decarbonisation despite their low technology readiness level. The ETUC notes with concern the EU's tardiness in deploying those breakthrough technologies that are crucial to decarbonise energy-intensive sectors and invites the European Commission to better support low-carbon industrial innovation. The ETUC expects the next European Commission to launch a major initiative to drive energy-intensive industries towards net-zero emissions by 2050 that would cover all challenges they have to cope with, inter alia: innovation and technology shift, circular economy, alternative business models, re-skilling of the workforce, energy and raw material affordability and security of supply, competitiveness, and investment. The regional dimension of industrial policy should be taken into account and the EU should encourage regions to better integrate the Paris Agreement objectives within their industrial policy.

A finance pact to boost climate action

Even though mitigation cost is much below the cost of inaction, many recent publications have stressed the important investment needs that the EU shift to net-zero emissions would require. In the "*Clean Planet for all*" communication, the European Commission stated that "*2.8% of GDP (or around € 520-575 billion annually) should be invested in order to achieve a net-zero greenhouse gas economy. This means considerable additional investments compared to the baseline, in the range of € 175 to 290 billion a year"*. According to the European Court of Auditors, "*In order to reach the EU's 2030 climate and energy targets […] about 1 115 billion euro of investments will be needed annually over the 2020-2030 period: mostly in transport and in the residential and services sector*"[1]. These amounts will not be reached with a business as usual approach and the ETUC calls upon the European Council to propose a climate finance pact to massively mobilise public investments towards the fight against climate change.

Investment needs should not be used as a pretext to go further in liberalising and merchandising public services. On the contrary, public services and public finance should be the cornerstone of the financing strategy. As a result, the ETUC believes that fair and effective taxation should be the core of the climate finance pact. Tax fraud and tax avoidance have dramatically deprived public authorities of financial resources that would have allowed larger room for manoeuvre for deficit spending on public investment, notably in infrastructure. For instance, a report commissioned by the European Parliament concluded that corporate tax avoidance costs between €50 billion and €70 billion a year – and could even be as high as €160-190 billion[2]. Moreover, these practices, and austerity policies, have too often shifted the tax burden on the households' shoulders, especially the middle-class income earners, hindering their capacity to pay for low-carbon equipment.

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[1] *http://publications.europa.eu/webpub/eca/lr-energy-and-climate/en/#chapter4*

[2] *http://www.europarl.europa.eu/RegData/etudes/STUD/2015/558773/EPRS_STU%282015%29558773_EN.pdf*

The phasing out of environmentally harmful subsidies, as well as ETS auctioning revenues, should also contribute to mobilise additional financial resources for public authorities. Green public procurement also has a role to play in the deployment of sustainable products and services.

European financial institutions should actively contribute to this pact. The European Investment Bank should continue efforts to support the transition to a low carbon economy and must immediately stop granting loans to projects that are not in line with the Paris agreement objectives and with the UN SDGs.

The European Central Bank (ECB) also has a role to play. The Central Bank's primary mandate is monetary stability and not climate change. But it becomes obvious that climate change consequences (e.g. intense and frequent extreme weather events, migration flows, drop in agriculture) will heavily impact economic activities and prices. Moreover, the EU treaty ascribes to the ECB the objective of supporting the EU's political objectives, and the protection of the environment, including the fight against climate change, belongs to these fundamental aims. What can the ECB concretely do? The ECB can issue an advance or precautionary statement that it will partially support the EIB's green bonds programme by means of standard central bank refinancing or secondary market operations. This should allow a large plan for ecological transition. Secondly, the ECB, in coordination with other Central Banks within the Basel Committee, could implement regulation which would impose a type of surcharge on lending leading to negative environmental externalities. This could include introducing quantitative ceilings on credit to polluting activities or to perform ex ante climate-related impact assessments. These measures should by no means be a hurdle to investment in the sustainable transformation of existing industries. Thirdly, the ECB could also catalyse low-carbon investment through the implementation of "low-carbon credit allocation": the adoption of climate-targeted refinancing lines to which the banks could refinance themselves at a cheaper rate, thereby providing an incentive for banks to lend more to the low-carbon sector by rewarding them with higher marginal profits. Finally, a green quantitative easing programme (QE) should use eligibility criteria reflecting the UN SDGs. Moreover, the ECB must orient its public bond purchases towards the EIB or similar entities such as development banks which could finance low-carbon economic projects including infrastructure investments.

As already stated in its detailed Position on the topic, the ETUC is in favour of an EU budget fully in line with the Paris agreement objectives, where 30% of the resources would be dedicated to climate action[3].

Finally, a climate finance pact would be insufficient if it is not backed by a switch of priorities of the Eurozone and the EU macro-economic policy making. The sustainable transformation of the EU economy to a net-zero emission zone should at least be on an equal footing with fiscal consolidation and financial stability.

Just transition and right to energy as key enabling elements of climate action

Just transition and decent work are now recognised as guiding principles of climate action. The Paris agreement, the Solidarity and Just Transition Silesia Declaration, and the ILO guidelines have well anchored these principles at the core of the international climate regime. It is now time to act.

[3] https://www.etuc.org/en/document/etuc-position-european-commission-proposal-eu-budget-2021-2027

The bedrock of any just transition strategy is a sustainable industrial policy which will maintain and create jobs in sectors and regions under transformation because of decarbonisation. Then securing labour transitions, with social partners, through re-skilling and upskilling programmes, will help workers to shift from a sector in decline to activities with better prospects, or to accompany the ongoing changes. Women should be a priority in reskilling programmes to ensure they have access to decent jobs in the low-carbon economy. Providing a safety net to those negatively impacted by decarbonisation is also a key condition to build a just transition.

Just Transition must become a mainstream political objective for the leaders that will run the EU after the 2019 European elections. The ETUC expects Just Transition to be at the core of the 2020 EU NDC as well as in its long-term strategy. The ETUC calls upon the European Commission to propose a 2050 Just Transition roadmap that will identify the impact that moving to a net-zero economy will have on sectors and regions and suggest concrete measures and instruments to anticipate them.

In that perspective, the ETUC also would like to see the EU budget securing adequate funding for regions and sectors impacted by decarbonisation. The ETUC supports the proposal to set up a just energy transition fund as proposed by the European Parliament and we welcome the decision to enlarge the scope of the EU Fund for adjustment to globalisation to the restructurings triggered by the shift to a low-carbon economy. We also demand that the Commission transform the EU platform for coal regions in transition into a holistic plan made of concrete measures and financial resources. That plan should then be extended to regions and sectors facing similar challenges.

As a member of the Right to Energy coalition, the ETUC calls for a deep reform of the EU energy system to deal with energy poverty as a top political priority. More precisely, the ETUC demands a ban on disconnections that put low-income households and families into extreme precariousness. People in need should receive direct financial support to cope with sudden and important energy price rises. Massive building renovation programmes must cut energy bills while reducing emissions and improving quality of life for all. Local community energy projects should be promoted as an alternative business model based on public ownership and solidarity.

The ETUC expects the EU to demonstrate leadership on climate action as well as in building a just transition for workers and in ensuring access to clean energy so that no one is left behind on the way towards a zero-net emissions economy.