

2030 Framework for Energy and Climate Policies Towards a European Climate and Energy Policy

Executive Summary

As the European Trade Union Federation that represents the interests of seven million workers across supply chains, **industriAll European Trade Union insists on the importance of the economic, industrial and social dimension of climate and energy policies in Europe.**

All related political measures must be targeted and burdens arising in the context of a European climate and energy policy need to be shared in a socially just manner between the different Member States, as well as between households and industry.

Energy is a strategically vital resource for industry and energy policy is a key tool in enhancing Europe's competitiveness and creating a foundation for the re-industrialisation of the EU. IndustriAll Europe believes that, in terms of the modernisation of Europe's energy infrastructure, there is a dire need for investments and innovation.

The biggest challenges that need to be addressed in this context are

- to **keep energy affordable for all users** and to ensure the **security of supply**,
- to work towards Europe's **independence from foreign energy sources**,
- to invest in **energy infrastructure, grid modernisation and connectivity**,
- as well as to address the risks for **industrial employment** associated with an energy transformation.

With a view to the 2030 energy framework, industriAll Europe advocates

- a **40% reduction target for greenhouse gas emissions (GHG)**,
- a European objective of deriving **30% of the final energy mix from renewable energy sources (RES)**,
- and **increasing energy efficiency by 30%**.

These targets should be binding and be translated into national objectives that take the geographical, economic and social characteristics of the respective Member States into consideration. The primary target of European climate and energy policy must be to bring about **a just economic transition that establishes synergies between competitiveness, mitigation of global warming and the creation of quality employment!** IndustriAll Europe insists that social and environmental objectives should not be pitted against each other but need to be taken into equal account in the creation of a sustainable and socially just European economy.

Introduction

Industrial employment in Europe finds itself under extreme pressure. The most severe economic crisis of the modern era has yet to run its course. As a consequence, over 4 million manufacturing jobs have been lost throughout Europe, including in energy-intensive sectors.

Energy is strategically a vital resource for industry. Energy policy is a key tool in enhancing Europe's competitiveness and creating a solid foundation for the re-industrialization. Despite the different sources of energy (petrol, gas, coal, electricity) which are priced differently in accordance with their origin and European countries, the EU energy price is significantly higher than in other industrialised regions such as North America, with petrol and gas. In addition, the impact of the EU-wide liberalisation of the energy markets has to be considered. As the public share decreases, shareholders' interests are gaining influence.

Energy efficiency is key for maintaining and increasing the competitiveness of Europe's industry. Hence, a quantifiable European-wide target should be set, just as there are for the **reduction of greenhouse gas emissions** and for **raising the proportion of renewable energy**. Through wise energy policy, we can prevent the most harmful effects of climate change, but at the same time we should consider energy policy as an independent political field that has crucial importance on employment and it has impact on the purchasing power of our members.

The European Union must find answers that address urgent environmental challenges and safeguard industrial production and employment in Europe. IndustriAll Europe believes that the adaptation of the European energy infrastructure to the energy transformation is in need of investments and reforms that would lay the foundations for a sustainable, just transition and modernisation of Europe's industry. In particular, targeted actions that aim to strengthen sustainable and European energy sources, extend interconnectivity, build up energy storage capacities and provide long-term planning security for Europe's industry are required. Europe needs a long-term roadmap to European Energy community, which includes steps towards common energy market. Energy policy must be compatible with other EU policies. Energy and industry policies and programs should be harmonized. Recent geopolitical developments in Ukraine and the Middle East must also be taken into careful consideration and demonstrate the problems regarding the dependence on fossil fuel imports.

Main challenges

The biggest challenges for European energy politics are

1. **To promote access at affordable and less volatile prices** for the whole of the population and industry
2. **To guarantee a secure supply of energy sources** with the objective of reducing fossil fuels.
3. **To promote European independence** in terms of its energy capacities, facilitating an improvement in its foreign trade.
4. **To invest in the modernisation of energy infrastructures** and distribution networks and as well be able to fulfil the necessary CO2 emission reductions and the development of industry and employment.
5. **To develop grid technology and connectivity.**
6. **To tackle the risks of an energy transformation system on industrial employment.**

In its Communication (COM 2012 582; 10 October 2012), the Commission outlined its intention to reverse the declining role of industry in Europe from its current level of around 16% of GDP to as much as 20% by 2020. IndustriAll Europe supports the safeguarding and development of the European industry as it ensures employment in industrial sectors in all Member States and regions of the European Union. A EU framework on climate and energy policies should recognise the EU's commitment to retain and strengthen its industrial base whilst promoting efficiency and modernisation, supporting research, innovation and the development of new technologies, and avoiding carbon leakage.

Political Context

As the European Trade Union Federation that represents the interests of seven million workers across supply chains, industriAll Europe insists on the importance of the social dimension of climate and energy policies in Europe.

Much more coordination on European level will be needed in order to ensure that the impact and effectiveness of measures are targeted and that burdens will be shared in a socially just manner between the different Member States and between households and industry.

In view of the 2015 UNFCCC COP 21 summit in Paris, industriAll Europe acknowledges the proposal for a 2030 Energy and Climate Policy Framework by the European Commission that maintains the logic of setting three quantitative targets for greenhouse gas (GHG) reduction, installation of renewable energy sources (RES) and the improvement of energy efficiency.

Also industriAll Europe wants to emphasise that the EU is responsible for just 11% of the production of global greenhouse gases. This means that only 5% of all global GHG are restricted by the ETS system. A global agreement on credible GHG reductions is therefore needed, in order to stop climate change.

industriAll European Trade Union supports

In the context of the 2030 energy framework proposal and with the objectives of both driving down emissions and safeguarding as well as creating jobs, industriAll Europe supports:

- A general **objective of reducing greenhouse gas emissions** by at least 40% when compared with 1990;
- A European **objective of at least 30% of renewables in the final energy mix**, combined with binding national objectives taking into consideration the geographical, economic and social characteristics of the Member States;
- An **objective of increasing energy efficiency by 30% when** compared with 2005 (reducing primary energy consumption), combined with binding objectives for the Member States.

When increasing RES in the final energy mix and when increasing energy efficiency, there should always be scientific research backing up the decision making. Moving to a low carbon society should be done in the most cost-effective possible. Otherwise Europe may lose additional competitiveness compared to other economies. The adoption by the European Union of a regulatory framework for 2030 is a necessary condition for the conclusion of an international agreement in

Paris in 2015, but it is also an economic, social and political necessity for a Europe which is highly dependent on imported energy (mainly fossil fuels) and needs to strengthen domestic production.

Europe's Contribution to a Global Agreement

The United Nations conference in Paris has to produce a global agreement that is sufficiently ambitious in terms of reducing GHG emissions to keep global warming below the tipping point of two degrees Celsius. Without a global regulatory framework that creates a global level playing field, efforts undertaken by frontrunners on climate policy are bound to clash with the imperatives of competitiveness inherent in the current economic system.

A 2030 climate and energy policy framework has to be holistic and must link the objectives of mitigation of climate change with the need for competitiveness, security of energy supply in Europe and the need to reduce the EU's dependence on energy imports. Only a reliable policy framework for 2030 can ensure and promote investments in Europe. Overall European targets should be translated into binding national targets, including sectoral and interim (2025) sub-targets and assessments with a regard to the capacity and energy infrastructure of each Member State.

Targets should not, however, be one-sided and need to be realistic compared to other economies. To achieve this, the EU will have to establish trade policies with third countries that link trade relations with the compliance targets set out in the 2030 framework.

A Trade Union Approach

The need for a European energy policy is a direct consequence of the current crisis of the European economic model which is based on steadily increasing consumption. Any discussion on energy policy needs to consider a fundamental change to this model and that bringing about an economic transformation means decreased consumption of raw materials and energy. Reduced consumption, longer product life-cycle and recycling are essential components in advancing this concept and creating a better and more sustainable European economy.

For industriAll Europe, a **comprehensive energy policy** is key and needs to be based on long-term objectives that are both technologically and economically feasible and on a regulatory framework able to deliver on climate change commitments, affordable energy services and security of supply. Significant **investments** to maintain the existing energy production infrastructure as well as to build up a smart grid infrastructure and domestic RES are required in order to ensure the supply of affordable energy for Europe's industry and for private households.

At the same time, it will remain necessary to invest in **bridge technologies** that ensure sufficient flexible power production whilst also anticipating changing demands for skills throughout all sectors on the labour market. The optimisation and use of domestic European energy carriers and network systems is to be given preference over imports that cause a bigger environmental footprint. Lifecycle analysis with regards to emissions should be carried out for all major policy developments. The involvement of Social Partners in the decision-making process is crucial.

A Just Transition and Industrial Transformation

Energy and industrial policy are linked and should complement each other in order to ensure a gradual and socially just transition towards an eco-efficient modernisation of industrial production throughout Europe that avoids social hardship through anticipation.

- The reorganisation of Europe’s industry and in particular its energy sector is a highly sensitive operation that must deliver **on investments in new and decent jobs, reskilling and compensations for workers and regions** that will face major challenges as a consequence. It is unrealistic to expect Europe to give up on certain industrial activities without substitution. In particular, carbon and investment leakage need to be avoided. Employment transitions induced by changes in the energy policy of the EU and Member States should be able to be subject to negotiations in the Sectoral Dialogue Committees.
- Within an EU framework, **every single EU Member State should have an opportunity to implement its own energy policy and energy mix**, which takes into account their national energy demand, labour market situation, industrial structure and energy intensity of production, location, natural circumstances and natural resources. Nevertheless, industriAll Europe believes that greater cooperation is needed between Member States in the field of energy within a European framework.
- With energy costs far outweighing labour costs in some sectors (i.e. energy accounts for roughly 40% of the production cost in the glass sector), EU energy policy must enable the European Union to meet its climate obligations and to decouple economic growth from energy consumption, whilst addressing the issue of rising energy costs.
- **Repercussions on the general consumers’ budget should be limited and energy poverty must be combated.** Universal access to essential energy services needs to be ensured for all people living in Europe, notably through the provision of adequate social tariffs and through public investment.
- **Consideration should also be given to support for enterprises directly impacted by high energy prices.** Energy intensive sectors are particularly exposed to high energy costs as the prices are fixed internationally and cannot be passed on to the end-users. As a result, producers in third countries with lower electricity prices currently enjoy a competitive advantage over the European Union. This multi-faceted situation raises serious risks of relocation or carbon leakage leading to ever-growing imports from countries and regions that are not bound to the same level of energy and climate mitigation legislation, not to speak of the respect of labour rights. As a consequence, Europe must push for ensuring its energy independence and diversify its energy supply with a focus on domestic solutions, through strategic planning, RES, high savings, energy efficiency and smart and diversified technologies. However, if Europe manages to adopt a non-carbon energy policy, that starts to lower energy prices, avoiding double climate taxation and carbon leakage, additional support through tariffs may no longer be needed.
- The changing energy prices are increasingly generating fuel poverty in households in the EU Member States. IndustriAll Europe believes that the EU should encourage Member States to take action to provide financial assistance to households in precarious situations and to get

them out of these precarious situations through proactive actions such as renovating their homes.

- The challenges for energy policy to contribute towards delivering a socially just transition are therefore manifold: Firstly, to maintain access at affordable prices through a European system. Secondly, to ensure Europe's position at the cutting edge of energy technologies and, finally, to deliver on European climate objectives and a globally binding agreement. For energy-intensive manufacturing companies that compete internationally, it would certainly be useful if other economic areas enforce similar standards in case of a substantial increase in the CO₂ price. An international climate change treaty is therefore important.

Competitiveness and energy and industrial policy

The development and roll-out of RES will create new growth markets and lead to new, high-quality jobs in many industrial sectors (as a result of the higher labour intensity of renewable or energy efficiency activities), but the setting of RES targets must reflect national realities in the context of production profitability and renewable energy efficiency.

More attention needs to be paid to **energy efficiency**, as it is the cheapest and most effective way to reduce GHGs, develop the European energy sector, create high quality jobs and increase competitiveness. Sectors that are not covered under the ETS system need to be more involved in efforts aimed at improving Europe's overall performance on energy efficiency. The **inter-linkage of networks** and the achievement of an internal energy market with the creation of an energy union are crucial, while keeping energy losses at a minimum. IndustriAll Europe is convinced that **raising energy efficiency** will contribute to the sustainability and competitiveness of industry, deliver first mover advantages to the European industry and create new jobs.

It is clear that competitiveness will not be achieved without a **highly qualified and skilled workforce**. The modernisation of the energy system, the enhanced integration of renewable energies, as well as the development of new energy efficient technologies in our industries must be accompanied by large-scale investment in strengthening the training and education of our workforce, adequate remuneration and stable working condition for all workers. The **affordability of energy** is a crucial factor for the competitiveness of energy intensive industries. It would be incoherent to impose constraints on industry while at the same time relying on imported products that do not meet the same constraints.

A long-term **strategy of common European standards** and support of energy technology is necessary, including the harmonisation of laws and standards supporting the realisation of the single market for energy and energy technology. A **reliable network infrastructure** must be put in place in order to ensure the security of supply. This implies the modernisation and the expansion of networks supported by faster permit granting procedures, the ongoing and uniform development of Europe-wide smart grid technology and the modernisation and replacement of outdated and inefficient power plants, giving a strong impetus to sustainable energy generation. Private gas and electricity companies also have to pay for the financing of networks.

The Way Forward

Manufacturing, and in particular high value-added activities, need to be upheld and reinforced throughout Europe. New technologies have the potential to fuel innovation in a wide range of existing industrial structures.

Creating a favourable economic environment for **research and innovation** is indispensable to that aim.

- This includes a comprehensive and coordinated legislative environment that allows for investment certainty and for increased investment in research and innovation.
- Increased public support and public-private partnerships are also crucial to promote research and innovation.
- Many established sectors have already shown a high capacity to innovate (e.g. steel, non-ferrous metals, chemicals, cars, shipbuilding, etc.) and/or have comparative advantages which should be fully exploited. It would therefore be counterproductive to concentrate policies purely on new, high-tech activities. Policies aimed at the permanent reinforcement of innovation potential and their link with key industries must also be implemented at the same time. This is a process of gradual transition towards an innovative new industrial paradigm based on the existing industrial structures in Europe.
- Progress in domestic, commercial and industrial **energy efficiency** is lagging behind. Energy efficiency is the most cost-effective way to reduce emissions; therefore industriAll Europe demands a strong political commitment from the national governments and the EU to transform Europe into the number one continent of energy efficiency and in order to ensure confidence, credibility and predictability once more. In particular potential contributions from transport, heating and a circular economy to this goal need to be considered.
- Setting the right incentives is crucial in this context. **Emission pricing** has not yet provided sufficient encouragement for the deployment of low-carbon technologies; some member states have responded by implementing sector specific support but states are scaling back support schemes for renewable energies and access to finance in the present context of economic crisis has become more difficult. IndustriAll Europe regards the **ETS framework** as a tool to achieve the EU emission reduction targets and to industrial recovery and modernisation. Emission trading needs to be reformed in a way that ensures that allocation of free allowances encourage efficiency and productivity increases as well as technological advancements that lead to emission reductions per unit produced. The ETS system should be implemented in a way that does not endanger the existence of energy intensive industry in Europe. CO2 compensation must be ensured for all industries that are subject to double taxation through the ETS system (valid for companies in member states with a CO2 tax). The system should not allow for windfall profits. Instead, revenues collected through the auctioning of ETS certificates need to be recycled into RID for the industrial sectors covered under the scheme in order to facilitate technological development. The NER300 programme is an encouraging project that needs to be extended.

- Eventually, ETS could also be developed into an instrument applied worldwide and provide for fair international competition. It must nonetheless be pointed out that the system currently in place has shortcomings that need to be addressed in order to ensure credibility and predictability for all actors involved, to this end the EU must ensure that the key building blocks of competitiveness are written in to EUETS reform. Any proposals made regarding climate targets for 2030 must not only be guided by efforts to ensure the long-term functionality of ETS and the prospect of delivering a desirable carbon price, improved through the control and regulation of competent institutions, but also need to carefully evaluate immediate employment-related impacts on a European labour market already in crisis. As a last resort measure, border adjustment measures or a tax on the carbon content of imported goods should be considered.
- IndustriAll Europe supports a consistent **expansion of renewable energies** with the objective of a gradual and sustainable shift in this direction through the development of a balanced energy mix which addresses the environmental issues and the issue of access to energy for all. Several kinds of RES need to be considered, such as biomass, biofuels, wood, solar, wave and wind energy, black liquor, wastes, peat etc. At the same time, smart choices need to be made in this economic transformation process, with a focus on ensuring new additional investments in the energy sector.
- Being aware of the current limitations and in view of the medium- or long-term integration of RES into the system, it is necessary to advance the **technology for capturing and storing CO₂** (CCS) and its reprocessing so as to allow for the environmental sustainability of the energy carrier (conventional energy sources) which should ensure the supply and the balance of the power system in Europe.
- At the same time, in order to realise increased shares of renewable energies in the energy mix, **current obstacles have to be tackled**. A modernised energy infrastructure is therefore necessary, i.e. modernised and expanded energy transmission networks and energy storage facilities in order to integrate renewable energies in the energy system, as well as taking into consideration the regulatory aspects of integrating renewable power into the grids and the provision of backing up capacities to balance the energy supply in view of a volatile renewable energy generation. The stalling of efficient, conventional power plants must also be prevented.
- The promotion of renewable energy must be analysed on the basis of cost efficiency and distribution effects.

IndustriAll Europe will carefully monitor how EU and national climate and energy policy performs with regard to job creation and advancing new technologies throughout the whole industry. IndustriAll Europe is in favour of the creation of a European energy agency which is tasked with increasing the long-term value of purchasing groups, the security of supply and the interconnection of national networks in order to avoid black-outs.

Finally, we need an ambitious **agenda for supporting research and innovation** in Europe. Effective research and innovation policies are crucial for the development of, and investment in, energy efficient technologies, renewable energies as well as smart grids and storage facilities able to balance energy fluctuations from renewable energy sources.

Europe's industry requires an independent, efficient and affordable energy policy in order to modernise and fulfill its role as the backbone and driver of the EU economy. Therefore, a **European energy community** should be considered. Investments in the qualification of workers and anticipation of skills needs are paramount in this context. Without a highly-qualified workforce that can deliver results on energy and raw material efficiency, and climate change mitigation, whilst continuing to develop and produce high-quality products, any European attempt to transform its economy is bound to fail.

Conclusions

Climate and energy policy must bring about a just economic transition that establishes synergies between competitiveness, mitigation of global warming and the creation of quality employment! Social and environmental objectives should not be pitted against each other in the creation of a sustainable and socially just European economy. Instead, European and international climate policy, including quantitative and qualitative employment-related issues, education, participation, social protection and workers' rights must be integrated, both. The workers will only accept a greening of the economy if the term "just transition" is put into practice.