



European Trade Union Confederation [ETUC]  
Confédération européenne des syndicats [CES]



# ETUC's position on the ETS review

**Sophie DUPRESSOIR**

**European Trade Union Confederation (ETUC)**

**European sector social dialogue Chemical industry, 29 September 2008**

→ ETUC resolution on the revision of the EU  
Emissions trading directive

*ETUC Executive Committee of 5-6 December 2007*

→ ETUC resolution on the energy and climate  
change package

*ETUC Executive Committee of 4 March 2008*

[www.etuc.org](http://www.etuc.org)



European Trade Union Confederation [ETUC]  
Confédération européenne des syndicats [CES]

# Outline

- Level of ambition of the 'Climate change package'
- Linking Climate, Lisbon and sustainable development
- ETS Review : key principles
- Carbon leakage
- Flexible mechanisms (CDM, JI)

## - 20% target in 2020 is a minimum

- Scientists recommend 25-40% by 2020 and 60-80% by 2050
- The cost of non-action for workers is significant – Stern: 5% of GDP each year
- High fuel prices make ambitious target more affordable (reduction of oil and gas import of €50 billion per year at \$61 per barrel of oil)
- Large scale innovation and first mover advantage, job creation

**ETUC, Syndex, Wuppertal institute study « climate change and employment » (2007)**

# EU social and economic Pact for the transition to a low carbon economy

- EU action plan for quality jobs required by a low carbon economy
  - Skills, working conditions, TU presence
- 'Employment transition' programmes for workers displaced, funded via the proceeds of auctioning and/or the European Globalisation adjustment fund
- The ETS directive should establish an EU Consultative committee of the social partners on the ETS
- Social dialogue at all levels

⇒ *White paper on « Employment and climate change »*

# Social partners' involvement in the package: Commission's proposal

- « Chapeau » communication of the climate change package:

*“The process of change to a low carbon economy will also need to be accompanied by **the appropriate involvement of social partners**, in particular at sectoral level”.*

- Revised ETS directive:

Art. 10b (carbon leakage) « *The Commission shall, [...] **after consulting with all relevant social partners**, submit an analytical report assessing the situation of the energy intensive industries [...]»*

## Review of the EU ETS : key principles

- Harmonisation is essential across the EU to avoid a race to the bottom and competitive distortions
- EU wide top-down cap for the ETS sector, taking employment cost and benefits into account
- Free allocation with grandfathering must end
- Competitiveness issues needs to be taken into account ('carbon leakage')

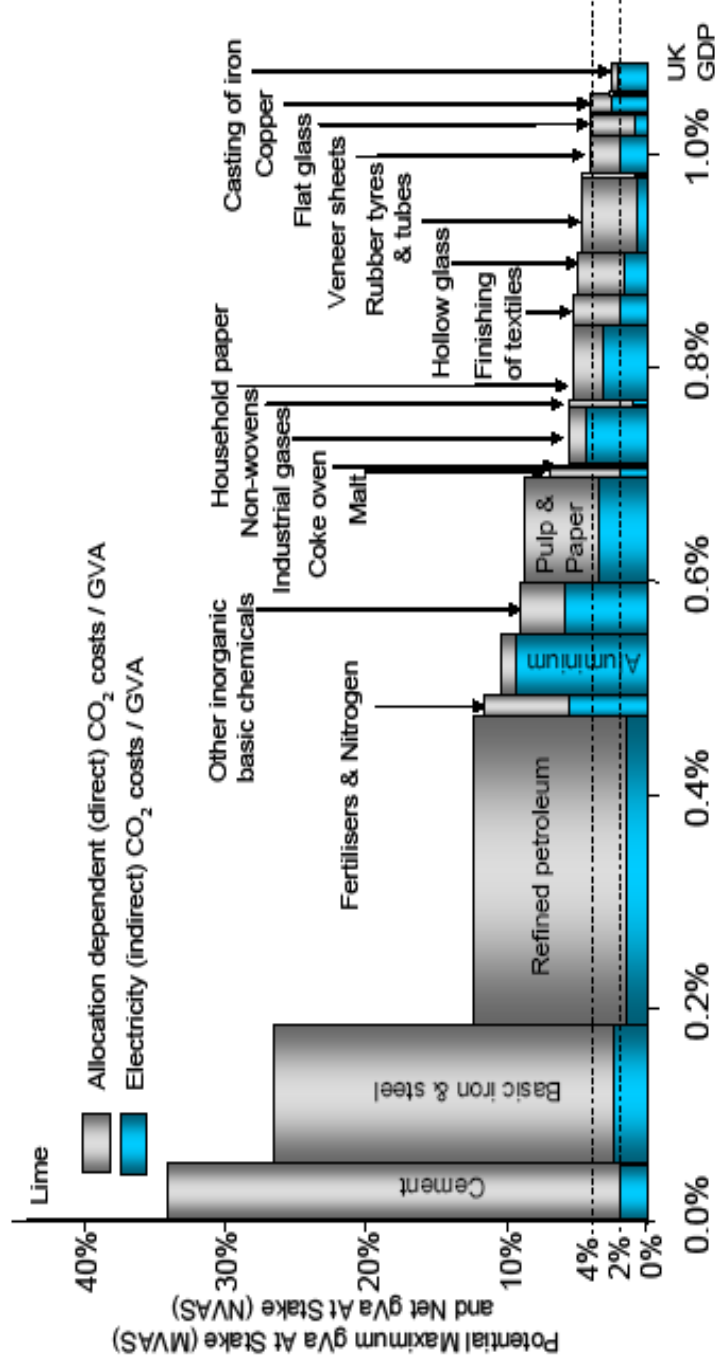
# The reality of 'carbon leakage'

- ETS has not had any direct effect on employment to date, but is used to put pressure on workers
- Energy intensive industries are increasingly globalised - Gradual (=invisible) externalization of CO2 intensive activities (steel, cement)
- The risk is connected to the fact that the sectors are not putting enough effort into R&D (Steel: 0,4% of turnover; no increase in R&D expenses except ULCOS)
- ETUC's study: risk of job losses (Iron and steel : 50.000 job losses out of 350.000), investment « freezing » and increased job precariousness



# Potential impacts of the EU ETS on leakage are focused on a few sub-sectors

CO2 cost screen: Sectors potentially exposed under unilateral CO2 pricing



Price increase assumption: CO<sub>2</sub> = €20/t CO<sub>2</sub>, Electricity = €10/MWh

Hourcade Demailly, Neuhoff and Sato *Differentiation and dynamics of EU ETS industrial competitiveness impacts*. Embargoed until publication Nov 2007.

## How to address carbon leakage? 1/2

- 100% auctioning for the power sector, to avoid windfall profits
- For the Energy intensive products exposed to international competition : Free allocations at the level of 100% of EU sector benchmarks based on BAT, calculated on historic emissions
- Identification of sectors as soon as June 2009

## How to address carbon leakage? 2/2

- However, the effectiveness of free allocation to limit carbon leakage is uncertain (Neuhoff and Matthes, Climate strategies):
  - the allocation must be related in some way to continued operation
  - firms still face the full carbon cost in their marginal production decisions
  - indirect emissions ?
- **A Border adjustment mechanism** must be in the directive and activated according to the outcome of the international negotiations
- It must – and can- be WTO compatible (art. XX)

## Flexible mechanisms (CDM, JI)

- The purpose should not be to purchase the 'cheapest' credits but credits from 'sustainable' projects at 'good' price
- Linking Directive : « *Companies should be encouraged to improve the social and environmental performance of JI and CDM activities in which they participate* ».
- CDM and JI projects should be made conditional to:
  - ILO core labour standards
  - Social sustainability, covering employment, equity and access to essential services
  - The involvement of the trade union organisations in the projects approval procedure.

# Conclusions

- Tackling climate change requires a new social agenda to anticipate, and assist workers to adapt to change
- The workplace is a key arena; the scale of change is such that unions' support will be vital
- Achieving strong emissions reduction while safeguarding the industrial basis requires trade measures as long as no international agreement



European Trade Union Confederation [ETUC]  
Confédération européenne des syndicats [CES]

Thank you for your attention !

[www.etuc.org](http://www.etuc.org)