

# Climate change, the industrial policies and the ways out of the crisis

Joël Decaillon, Anne Panneels

In the current situation, we are confronted to three mutually-impacting crises: the ecological crisis as a result of climate change and the loss of biodiversity, the global economic crisis and price instability in raw materials and food. From a trade union perspective, this situation presents itself as one of the largest and most difficult challenges of recent decades.

The economic and social crisis has intensified the need to find rapid solutions for agriculture and fisheries as well as rapid industrial solutions to the climate and raw materials crises. Unless addressed, there is a danger of the prolongation and worsening of the economic, social and environmental crises. There is therefore an urgent need to launch the 3rd European industrial revolution based on green, sustainable and decent jobs and massive investment in low carbon technologies to generate sustainable employment for this and future generations.

## **A system mired in crisis and waiting for strong regulations**

The European economy is suffering a severe recession brought about by the combined effects of the banking crisis, and the loss of millions of jobs and increase of precarious jobs.

The model of unleashed financial capitalism has collapsed. The world economy is in the deepest recession since the 1930's with the risk to turn into a longer lasting depression associated with high levels of unemployment and major economies falling into a deflationary trap.

The causes of the crisis are complex and root in a number of policy failures over the last 30 years, dominated by the neo-liberal dogma.

Blind faith in the efficiency and the ensuing deregulation of financial markets made the emergence of a shadow banking system possible that promised to squeeze double-digit returns out of an economic system that is normally growing in the lower single-digit range.

Similarly, the linkage between the trend towards deindustrialisation and shareholders' growing demand for quick returns on investments is a fact throughout the OECD area.

Subsequent failure in micro-prudential supervision and risk management have been the result of the rapidly increasing number of complex structured investment instruments and other »products« of financial innovation which nobody could monitor.

In addition, the EU has still to address many of the industrial restructuring challenges facing new member states. New investment in low carbon technologies and skills must be accompanied by full consultation and negotiation between social partners, employers and trade unions.

All these points, which the crisis has thrown into sharp relief, have convinced

the ETUC that the European Union must promote and implement fresh strategies consistent with a perception of its own economic, social and environmental development, shared internally and negotiated with the rest of the world.

It must deliver on and strengthen the commitments it has adopted under the energy-climate package. It must put people and the planet first, as stated by the Manifesto of the Spring Alliance ([www.springalliance.eu](http://www.springalliance.eu)).

With millions of workers losing their jobs, this crisis will have dire consequences for working people and their families as well as for their trade unions.

This comes after a period of staggering rises in inequality in Europe as wages remained subdued and top pay levels soared.

To find a way out of the current difficulties and head off any fresh crises, we have to improve European governance, support the ambition of the European recovery, specifically by implementing stronger Community policies in the industrial and research fields, assert a political determination to revise the systems and standards of production, reorient patterns of consumption and reduce social inequalities, redirect growth on to a path of sustainable development, and help to improve international economic and financial governance.

This ambition derives notably from a European industrial policy based no longer on a cooperative intergovernmental footing, but on a dynamic of Community industrial coordination that will transcend intra-European divisions and the damaging effects of the demands for short-term profitability from industrial investments. This calls for a sweeping democratic ambition. The issue is not to argue the necessity for adapting to the consequences of a globalisation that is as inevitable as it is uncontrollable, but to map out the ways and means that will enable citizens and civil society organisations in the European Union to help to shape their outlines, and to organise and breathe life into the regulations governing them.

### **Binding the environmental and social dimensions: no resolution to environmental degradation without social justice**

As a confederation of trade unions on the scale of a major player in globalisation and development, it is our view that the Climate negotiations must seek to bring about an ambitious process of transformation, in response to the urgent issue of reducing greenhouse gas emissions, by calling into question how we produce our goods, how we consume them and how we cooperate internally and with the rest of the world. The ETUC pledges to act as a driving force, marrying together the economic, environmental and social dimensions of that change. For the union movement, strengthening the social dimension of climate policy is of primary importance. For the trade union movement such as ETUC, sustainable employment is the supporting pillar of sustainability.

It is critical to review the economic decision-making, organisation and analysis, for the sake of taking account of the long term and marrying the environmental and social sides. With that in mind, the principle of the finite nature of our natural resources, and the idea of their running out, are now key economic constraints.

Any kind of carbon transition will call for major efforts in R&D, innovation and technological deployments, and the rapid acquisition of new knowledge and skills by the workers, so as to enable technology transfers planned in the framework of cooperative agreements.

In this field, it is necessary to reinforce cooperation between universities or research laboratories and businesses, but also between businesses and their subcontractors, or even between sometimes competing bodies, and to build new partnerships with local communities: these partnerships play a pivotal role in helping a sector to bounce back and prosper. The development of low carbon products and processes is an opportunity to develop strong cooperation sectorally (in R&D and demonstration as well as vocational education and training), in the context of the fragmentation of the industrial value-chain in Europe.

### **A just transition: a major challenge for every region in the world**

Trade unions and their members are aware that a transition is never a simple process, and that the transition to an economy with low greenhouse gas emissions, allowing for ecologically responsible development in an approach seeking social justice represents a huge challenge for every region in the world.

Wherever transitions are badly handled, it is always the most vulnerable people who pay the highest price. Governments must pledge to promote a fair route for the transition between countries and within each country, for the path of social justice is also the path of effectiveness.

To provide a stable framework on which governments and businesses can base their strategies and their investments, the agreement coming out of the Climate negotiations must express a broad and sustainable consensus on both the necessity for ambitious measures to reduce emissions and the determination to seek responsible cooperation agreements on the sectors where decisive breaks with technologies are required. This is the only way that the right to development can be combined with the controlled regulation of the changes affecting industry and employment.

The negotiations must result in an ambitious, binding and comprehensive international agreement to limit the global rise in temperatures to maximum 2°C, in accordance with the scenarios laid down by the IPCC, reducing at least 25%–40% by developed countries by 2020 below 1990 levels. Even if all countries bear some responsibility for reducing the effects of climate change, it is obvious that the greatest responsibility lies with the big industrialised nations when it comes to reducing global emissions of greenhouse gases and framing a global policy on climate issues.

### **Developed and emerging economies: bearing common and differentiated responsibilities**

We would, however, point to the fact that a simplistic dichotomy between the developed countries and the developing countries is not satisfactory. Each of these two categories is very heterogeneous, and every country has seen inequalities tending to be exacerbated in recent decades. Above all, such an argument fails to accommodate the big ›emerging‹ countries whose size gives them characteristics close to those of regions with a sizeable domestic market but where structural social inequalities continue to maintain features common to the developing countries (a large-scale move away from rural areas; informal, underground and/or Mafia-like economies; fragile human rights; corruption tolerated or even institutionalised, etc). Such countries have also a responsibility and growing capacities in the promotion of forms of sustainable development. In the context of the social dimension, the promotion of

the ILO fundamental norms in the world must remain a common objective in order to reinforce the decent work.

### **Going green, tracking the carbon and avoiding carbon leakage**

Climate change challenges the energy sector directly. The transformation from fossil-based energy production to an energy sector mainly based on renewable energies and energy efficiency is the crucial issue for achieving the carbon reduction aims. Municipal and decentralized structures will replace partly energy production from central plants. This is a crucial challenge for workers in this sector where green jobs can be created. Just transition must mitigate on the other hand the negative effects for employment.

Businesses, and in particular multinational businesses likewise need to be strongly called to account on climate change questions. This requires reinforcing the social dimension in the design of clean developments projects. One of the key challenges is reducing uncompetitiveness in the short term as a result of the imposition of a domestic carbon price which has to take into account the period of transition towards a global emissions trading scheme.

Climate change legislation must contain strong provisions dealing with international competitiveness to avoid »carbon leakage« in order to ensure that nations that lack a strong emissions programme do not receive an unfair advantage. Such provisions should include social dialogue between government, industry and trade unions at national and EU levels; investment in low carbon production technologies and skills; the introduction of genuine carbon traceability for those products covering every stage in their production and transport. The search for international sectoral agreements is the main solution, but carbon traceability constitutes a technical condition for their establishment and a powerful incentive for their implementation.

The ability of many developing countries and some developed countries (as Mediterranean countries for example) to adapt to the effects of climate change may be boosted in various ways. It implies at the very least the sharing of the scientific knowledge allowing the developing countries to effectively measure and reduce their emissions. It is equally important to try to discourage company relocations and to demand that companies relocating should use the best available technologies. A balance must be found between the need to rapidly develop and disseminate green technologies globally for social and environmental reasons and the social and economic objectives of those financing the R&D. Technology transfer policies and intellectual property law should take this reality into account. It must be recognised that the emergence of these technologies will depend on coordinated global R&D initiatives.

Public investment and reorientation of financial flows towards sustainable development are keys. By 2020 developing countries are likely to face annual costs of around € 100 billion to mitigate their greenhouse gas emissions and adapt to the impacts of climate change. Much of the finance needed will have to come from domestic sources and an expanded international carbon market, but international public financing of some € 22 – 50 billion a year will likely be necessary. The creation of an international fund and of a European fund to facilitate the development of technologies producing low carbon emissions and of technologies based on energy efficiency and renewable energies in the developing countries, as well as to develop employment policies based on social protection, the promotion of decent work and public services.

## **Building strong European instruments**

The role of the ›carbon market‹ still remains to be clearly and solidly specified. The risk of seeing it besieged by the financial system as is the case with food products and raw materials is real. In no case can it be a reliable and effective allocation mechanism. The stakes are too high and the interconnections too complex to enable a regulation in that area to result fundamentally from a price signal. It is necessary to examine political, economic and fiscal CO<sub>2</sub> policies in the EU based on best technologies and not exclusively focused on the market and trade. This is why the ETUC believes it is necessary: to create a European agency charged with setting the benchmarks and the generalised carbon traceability of all products, agency open to the social partners; to fix clear rules for the carbon market with appropriate legislative instruments, in order to avoid speculations on rates, and excessively erratic fluctuations, and to forge ties between the European market and the other regional markets. These rules should be enshrined by a directive.

## **Development of new jobs and transformation of existing jobs**

While it supports these lofty ambitions, the ETUC is realistic as to the difficulty posed by the transformation of such objectives into political realities. This makes it all the more necessary to carefully define just what is, or should be, covered by the underlying notions in the policies to be developed. The notion of green employment is one of these. The ETUC, believing that the pursuit of the objective of green growth will imply that virtually all jobs will gradually become classified as green jobs, recalls that this classification currently refers all too often to precarious jobs, of low intensity and involving low skills levels, and lacking in attractiveness.

Many industrial sectors represent essential underpinnings for the transition. They must be safeguarded to move towards a low-carbon economy bringing to market new, innovative products which offer improved energy efficiency and generate low carbon emissions. It is illusory, pointless or even actually counterproductive to make distinctions, or worse, conflicts, between what is dubbed the ›green‹ economy and the conventional economy, because crucial links, both economic and industrial, bind them unshakeably together. The new ›green‹ economic sectors in the field of renewable energies could not exist without the participation or the products of the conventional industrial sectors and also depolluting procedures dismantling and recycling industries. Solar technology would be inconceivable without the chemical industry, just as wind power would be inconceivable without steel.

The concept of a just transition means that the costs and advantages of the decisions taken in the public interest – including the decisions necessary to protect the climate and the planet – must be shared fairly. A just transition to a low-carbon economy is possible, and it can make climate action into the engine for sustainable economic growth and social progress.

More than the process of job creation or destruction, the transition towards a low carbon economy will transform existing jobs. This is the reason why the path towards a sustainable world economy and the transition to industrial jobs that are more respectful of the environment are closely tied to an effective social and employment policy leading in all sectors to development, recognition and validation of new qualifications and skills of the workers for sustainable production and consumpti-

on. Education and training must increasingly factor in environmental aspects such as the promotion of energy efficiency through »greening the workplace« initiatives which promote behaviour change at work, and the use of new technologies, as part of the existing professional training and instruction programmes. This demands substantial investments in educational and training systems, including trade union education programs, as well as in the fields of research and development and innovation.

Some resistance to the measures necessary to protect the climate within the trade union movement is largely attributable to fears of job losses in certain sectors or certain regions. Workers should not have to choose between their jobs and the protection of the environment. This is the reason why ETUC is strongly against such a pressure by enterprises. However, the figures available show that the fights against climate change can potentially have a positive overall effect on employment. The ETUC considers that this fight against climate change needs to be grasped for the opportunities it offers for both the development of new jobs and the transformation of old ones. A just transition may be a real opportunity, but we have to explore the conditions making it possible to move to protected mobility in the context of a deeper social dialogue incorporating the sectoral and territorial dimensions.

The point is to create sustainable jobs and high-quality jobs as part of the new economy. A just transition will guarantee, for example, the creation of bridges designed to help workers in shrinking sectors to find jobs in expanding sectors, while protecting their wages, their working conditions and their trade union organisations.

Every workplace can be a green workplace. There is mounting evidence that unions are taking action to tackle climate change. Unions have the proven ability to deliver progressive change on working conditions, safety and equality. Their effectiveness would be greatly strengthened with the provision of more basic entitlements. Therefore, we ask for new and extended rights relating to the protection of health and of the environment at work, and for the provision of training and skills related.

The priority should be given to energy efficiency. The targets for the reduction of emissions will be hard to attain at a reasonable cost, if energy consumption continues to grow. That is why the ETUC regrets the absence of binding energy savings objectives in the legislative package. Given the insufficient results of the Action Plan for Energy Efficiency adopted in 2006, the European authorities and the Commission should set a legally binding target for energy efficiency by 2020, broken down into national targets, and promote ambitious policies in the transportation and building sectors through a European Renovation and Restoration Plan and a sustainable Mobility Directive. The public authorities must be an example in their administrations and public services.

### **All the countries in the Union need a European industrial policy**

The Lisbon strategy has failed to reach its goals, therefore a redoubling of efforts is needed to ensure that the EU is not left behind in the development of new and transformation of existing industries and technologies.

Certain major industrial issues have a strategic character, either for reasons of independence (defence, energy, aerospace) or because of their knock-on effect on tomorrow's sustainable growth (New Information and Communication Technologies, biotechnologies, nanotechnologies, sustainable transport and our energy intensive industries). These strategic sectors of European interest need common inter-

ventions (research, infrastructures) and an adaptation of the European framework (regulation, standardisation, competition, etc) to their characteristics: contributing to improvements to the business environment, ensuring greater coordination of economic policies, reassessing and reorienting competition and internal market policies which have absorbed all the energy of the building of Europe.

The need for a new industrial policy is making itself felt today in all the countries in the Union: in those countries which are lagging behind and need major investments in order to modernise, in the powerful industrialised countries which are big exporters but are hard hit by the crisis in some very volatile sectors, in the States with a policy of industrial ›laissez faire‹, which chose to pin their hopes to sectors which today are permanently tainted with suspicion and mistrust; in industrial States long faced with the need to upgrade their productive apparatus and address the territorial management of its malleability. In this context the states should be able to activate the public investments in order to facilitate the creation of new markets and new employment, investment in our energy and energy intensive industries, to secure their long term future.

Climate change and the economic crisis ramp up even further the urgent need for a transition to a less ›carbon-heavy‹ economy that will use less energy. At the same time, the impact of the recession is considerably weakening sectors essential to the proper operation of the European economy. The automobile sector, which accounts for 1/3 of industrial employment, is emblematic of this state of affairs. The recession is facing it with serious short-term difficulties as well as painful restructuring operations.

In this case, and in other similar cases, it is a matter not of artificially helping out ›lame ducks‹, but of enabling a whole sector, which has performed well overall in comparison to its global rivals, to weather the crisis by technologically and strategically integrating all the dimensions of the transition to a sustainable low carbon economy in Europe.

An aid plan, negotiated with unions and conditional on the respect of criteria in the allocation of funds, is essential for the short to medium term; both for the sake of not creating distortions within the internal market and for the sake of guaranteeing their effectiveness, these aid packages would benefit from being awarded in a European framework. The Aid plan should be conditional upon the company's achieving a given share of its output with low carbon, socially sustainable goods.

The European Union must demonstrate leadership and make sure that it has access to the instruments necessary to the organisation of R&D, innovation and investments, education and training, at both sectoral and national level. In many cases it is SMEs within industrial supply chains that bear the greatest burden for R&D and innovation (e.g. over 70% of R&D spending in the automotive sector alone).

Far greater use should be made of binding standards, public-private partnerships for research, development and demonstration, greater use of green and social procurement criteria to create market access for new technologies, and state aid rules.

European training programmes on low-carbon technologies need to be swiftly rolled out so as to give workers, technicians and engineers the skills they need. A veritable Erasmus programme should be directed to this end.

## **Moving towards a real anticipation agenda in the social dialogue**

Social dialogue needs to move beyond a quality threshold, assert itself as a serious and decisive instrument enabling the interests of all the stakeholders to be brought into a constructive, creative balance. The information/consultation/negotiation procedures and processes at both company and sector level need to be as rich as possible and to interact to deliver mechanisms for anticipation and controlled regulation of the industrial changes and all the elements of industrial policy, as well as verification of the application of the concerted policies.

Job movements will occur across all sectors, but the social transition will need to be anticipated and organised essentially within the sectors, something that automatically makes it more readily achievable.

Anticipation makes it possible to sidestep the two types of stalemate: the resistance to change with no prospect, and passive adaptation to the inevitable. It needs to be perceived as the emergence, in every sector and at every territorial level, of collective players well informed and structured in such a way as to act on the strength of a facility for vigilance and a capacity for construction and evaluation of alternative scenarios.

Forward-looking management of employment and skills is too often restricted to the organisation, just before it is too late, of restructuring operations that are as debatable as they are little debated. This is particularly the case today, when certain groups are using the crisis as a pretext for some dubious restructuring operations.

The ETUC is not naïve. The obstacles we are liable to encounter in the fields raised more particularly by the consequences of climate disturbances are not (and will not be) any different from those currently being encountered in the framework of the changes of all kinds and the restructuring operations they are constantly generating.

Whatever the employers' take on the ecological crisis, the trend towards headlong flight, through a refusal to name the risks will remain a fraught area, and secrecy will continue to be cited for the sake of reducing visibility and opposing transparency. Likewise, the preference for a non-participative interpretation of corporate governance is encouraged by the fear of the systemic risks and costs of an early announcement. Moreover, investing in active policies to reduce the risks of climate change or mitigating its consequences will remain limited or sensitive to the economic circumstances where it is justified by profitability alone.

On the basis of the fact that the European Union was born out of a transitional Treaty (the ECSC), the ETUC underscores the necessity and the feasibility of setting up procedures and instruments to allow a socially fair and negotiated transition to a low-carbon economy.

National, regional and sectoral studies on the policies linked to climate change and their impact on employment and labour markets need to be systematically conducted, by consultation with the social stakeholders, and based on widely accepted criteria for assessing the vulnerability of workers, countries and regions.

Skills monitoring and matching policies should be reoriented towards the anticipation of these changes.

A permanent instrument to ensure the anticipation of socio-economic transition is urgently needed, to coordinate existing instruments such as sectoral councils and reinforce dialogue between the social partners and public authorities. The aim being



to catalogue the areas at risk across all industrial sectors; to prioritise these areas from an economic and social policy perspective; to develop means of professional and territorial transition as part of a developed social dialogue; to respond to socio-economic warnings coming from the social partners. It will be made up of the social partners and the public authorities, and would receive sustainable development impact studies and will be able to participate in the definition of the specification of legislation as well as the implementation and follow-up. In this framework the EU must commit itself to the challenges of industrial restructuring with which the new member states are confronted.

European technology platforms developing low-carbon technological products and processes should ensure the participation of trade unions in their governance systems, their task-forces, evaluations and proposals to anticipation structures as defined.

Systematic analysis should be performed of how existing European policies and instruments to support the just transition can be mobilized (including structural funds), of the resulting gaps between needs and available resources and institutions, and of the added-value of additional European instruments and institutions.

## **Conclusions**

In short, the European Union must commit to a concerted policy of green growth that contributes to maintaining and creating quality jobs and social progress throughout the economy. It must implement a development strategy and must convince other countries, including the developing and emerging countries, of the importance of social and environmental transparency, of control and regulation instruments and of standards and sanctions to break out of social and environmental lowest bidding, and on the contrary to enter into a virtuous circle. It must therefore contribute to the definition at international level, on an urgent basis, of a financial, economic and social system that allows for new development, particularly for the poorest countries. It must ensure that this system is transparent and steered by good governance, in everyone's interest, and that leads to the creation of new financial instruments such as the taxation of financial transactions.

Failure to move in this direction risks aggravating conflicts related to resource management, due to their scarcity in some regions of the world, and an increase in migratory flows that will often prove to be disastrous for the populations concerned. On the contrary, going in this direction should allow for a sustainable development, and we are ready to fight for it.