



European Trade Union Confederation [ETUC]
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Allocation of carbon permits, competitiveness and employment: the viewpoint of European trade unions

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Who we are

- ETUC : 35 countries, 81 organisations, 60 million workers
- Climate change is a social issue: change in production and consumption modes, activities location
- Our main demand: social dialogue on anticipation and management of adaptation to climate change and climate change mitigation
- Study ETUC – SYNDEX- Wuppertal institute – ISTAS (may 2007) funded by the European Commission and 6 governments

Outline

- The threat of relocation in EIIIs: not so great today, much more real tomorrow
- ETS, competitiveness and employment : there is a potential for a win win solution
- Implication for allocation methodology and accompanying policies and measures: a need for a more harmonized EU approach

The risk of relocation in EIs will increase

- Fact: ETS has had no negative consequences on employment so far
 - Job displacement and imports of low cost and high CO₂ content steels are already occurring in EIs, for other reasons than environmental regulation
 - However, more stringent carbon constraints for post 2013 could accelerate this trend. For the steel industry, 50.000 job losses are likely (out of 350.000) and increasing job precariousness
- ⇒ **Risk of 'lose-lose' situation: loss of European industrial basis and loss of potential of emissions reduction**

This risk can be managed if...

- In total, the industries facing this risk account at most for about 1 percent of EU employment.
 - The study showed that, in most cases, the sectors are not putting enough effort into R&D (steel: no increase in R&D expenses except the ULCOS program)
 - Important potential for further emission reduction (ULCOS: 1,2 t CO₂/t steel)
- => The EIs deserve a coherent strategy, combining well designed ETS and accompanying measures involving social partners.**

Implications for the allocation of carbon permits

- Calls for a differentiated approach by sector for allocation of permits. Other advantages of a sectoral approach: more EU coherence, more potential for international solutions
- The level of auctioning should depend on the level of exposure to international competition:
 - Full auctioning for the power sector. Revenues recycled partly to cut taxes on labour, partly to invest in EE and low carbon technologies
 - Partial auctioning of the energy intensive industries, based on the degree of use of the best available techniques (with the assumption that you cannot pay for the impossible...)
- The risk of relocation can be minimised with a border adjustment mechanism

Conclusion

- Harmonise as much as possible
- Back up ETS with stronger private and public R&D to bring the technology breakthrough
- Transparency of allocation process crucial, even with auctioning and benchmarking

Thank you for your attention !

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