European Trade Union Confederation (ETUC)
Confédération européenne des syndicats (CES)

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# Position on the financing and management of climate policies

At its meeting in Brussels on 01 - 02 June 2010, the Executive Committee of the European Trade Union Confederation (ETUC) adopted a Position on the financing and management of climate policies.

## 1. **Context**

The ETUC adopted a resolution in October 2009 on “climate change, new industrial policies and the ways out of the crisis” including strong and ambitious policy recommendations. The ETUC called on the European Union to consider workers and their representatives as crucial players with whom the European Union must engage in a dialogue and negotiate the transition to a low carbon economy that will provide sustainable jobs and social progress.

Following the Copenhagen negotiations, the ETUC steering committee of 4 February 2010 again called on the European Union to “commit to a concerted policy of green growth that contributes to maintaining and creating quality jobs and social progress throughout the economy.”

The position that follows intends to develop further the ETUC policy recommendations made in the resolution adopted in October 2009 as well as in the previous ones, in particular on the financing and management instruments to be used in climate policies in order to contribute reaching our priorities.

It intends to allow the ETUC to react as precisely and focused as possible to the Communication that the European Commission is about to publish on the future European Union climate policies to be developed.

This position was prepared by the ETUC sustainable development working group which gathered the 7 May, following a joint seminar ETUI-ETUC on these issues which took place in March 2010."

## 2. **Further developments on climate policies.**

Although China and the United States were not willing to agree to binding targets in CO2-reduction in Copenhagen, they in particular are investing massively in low-carbon technologies. This is not being done sufficiently in Europe, which is consequently in danger of losing quickly its current position as world leader in this decisive economic sector.

Europe, apart from enhancing the pressure on the other global CO2 emitters to agree to ambitious binding targets on CO2 reductions, must urgently develop a strategy ensuring innovation in clean technologies in Europe while preserving and reinforcing the European social model at the same time. It must invest urgently in technologies ensuring its energy security of supply, including through increased energy efficiency and diversified energy supply. This race for technological innovations cannot be at the expense of social gains.

Government intervention is needed to achieve these goals as well as a portfolio of more efficient public and private instruments.

The instruments to be activated by public authorities, such as support for R&D, support for demonstration and deployment of technologies, predictable and right scale support to energy intensive industries to facilitate their necessary investments, standards setting, regulation, public investments, diffusion of technologies to the South, good management of green jobs and skills resulting from education, training and life long learning frameworks, etc. require that public authorities should have important budgets available, at the European, territorial and sectoral levels.

- *Financial instruments are key*

Existing European financial instruments can be used to finance these policies but they are currently insufficient: the EU general budget; the European recovery plan ; the structural funds under the European cohesion programme 2007-2013.

Current financial instruments must be reinforced and further mobilised to the benefit of a European Union development strategy.

The European Investment Bank is an important budget instrument not tied to the EU general budget, and adopted in 2009 a "Statement of Environmental and Social Principles and Standards", including the ILO core labour standards, now included in its strategy for project selection and implementation. This bank, possibly by establishing special (national) funds, should be used more to finance European climate policies, to support R&D efforts not only in large firms but also in small enterprises, and should develop further the implementation of its sustainable development strategy through dialogue with the trade unions and civil society, and through a representation of social partners on the board of this bank.

The European Bank for Reconstruction and Development also offers interesting prospects.

To tackle the climate challenge, the European Union must • Mobilise and reinforce existing resources,

• Reform its system of governance of funds used to combat climate change, including through integration of social and environmental principles as requirements for providing support to projects.

• Use new and innovative sources of financing, such as a tax on financial transactions.

- *Carbon pricing is a key instrument for achieving the objective of green growth*

Among the different instruments that fall within price signals on emissions is the **$CO_2$ tax, which should meet a number of conditions**:

• There must be further analyses of the introduction of a $CO_2$ tax

• **The ideal level for introduction of a $CO_2$ tax is the global level, or otherwise the European level** (some countries may however implement such a tax in the meantime)

• It should be part **of a coherent set of measures and be part of a global approach aiming at reducing emissions while pursuing fiscal and social justice.** This requires that counterproductive measures to this end (such as environmentally damaging subsidies) should be dismantled, that there should be no increase in the taxation burden on households and that it would be implemented in the framework of a social redistribution set of measures.

• **It must cover several complementary objectives**:

- Furthering the objectives of the Energy-Climate Package by increasing energy efficiency, reducing $CO_2$ emissions, raising the share of renewable energy and reducing dependence on fossil fuels;
- Stimulating research and innovation;
- Not compromising the competitiveness of the European economy
- Contributing to a fair transition by reinforcing social cohesion.

• The possible introduction of a tax on $CO_2$ emissions **can be contemplated in terms of its effectiveness at changing behaviours and investments** from goods and services with high carbon content to those with lower content, and at compensating for the costs of $CO_2$ emissions.

• For these reasons, the amount of the tax must reflect (at least partially) the external costs of pollution resulting from $CO_2$ production ; be set at a level and via a process (phased in and foreseeable) that brings about changes of behaviour over the longer term and can influence investment decisions on a lasting basis.

• The introduction of any $CO_2$ tax must **form part of an environmental approach aimed at giving a price signal**, rather than being conceived of in a budgetary logic.

• **The basis of assessment for the tax should be enlarged to cover both $CO_2$ and energy.**

• **A tax on energy and $CO_2$ could apply to all sectors of activity (households, transport and enterprises), with the exception of ETS enterprises, provided several conditions are met**:

• **The ETS system should be revised because in its present version**

- it may not contribute to real reductions of $CO_2$ considering that a significant share of emissions allowances will be distributed for free and that, due to the economic crisis, an additional surplus of emissions allowances will be generated. Consequently, **the price of $CO_2$ in the emissions trading scheme might fall constantly too low, making thereby the ETS offer too few incentives to reduce $CO_2$**
- it is a victim of **speculation** and **fraud**
- (anticipation required for a period of 30 to 50 years) before adopting investment decisions.

• **A European regulator should therefore be established** and placed in charge of setting a minimum price, ensuring a degree of price stability (essential for the necessary investments), preventing financial speculation, ensuring transparency and social and environmental traceability, etc.

• **Sustainable alternatives must exist**, such as effective, regular and outstanding public transport systems, energy-efficient housing, etc. and must **be available at accessible prices.**

• **Targeted compensation measures should be put in place**, sector by sector, such as targeted aid for disadvantaged households to enable them to renovate their housing, targeted aid for non-ETS sectors threatened by international competition due to introduction of the tax, etc.

• **Social and environmental criteria must be built into all the public authorities' decision-making processes (definition of benchmarking in ETS; public investments; public aid for private investments; etc.)**

• **The tax revenues must be spent transparently and totally on internal investment measures to reduce emissions, on climate support for the developing countries and to finance the necessary compensating measures for low income households.**

• The discussion on the revenues from a $CO_2$ tax must be matched with the debate on revenues from the auctioning of $CO_2$ quotas.

• It is **essential to make such a tax visible, acceptable and comprehensible** to households and enterprises

*- Good management of green jobs and skills is also a key instrument for achieving the objective of green growth* **It can only happen in a just transition framework requesting social dialogue instruments at all levels: European, sectoral, national, regional, etc.**

**All sectors of activities -industry, building, transport, services are concerned.** Following just transition principles, for each key sector, the common agenda of priorities includes: social partner representation, issues of capacity and demand, finance for investment in low carbon technologies, and appropriate skills and training strategies.

**All should contribute significantly to emissions reductions and will require initiatives and councils including social partners to manage the transition to a low carbon economy.**

**For example, there is a need for a European automotive sectoral council to**

**manage the transition (EMF demand)**

- Dealing with existing over-capacity in the car industry
- Adopting a comprehensive approach to mobility not just a 'green car' agenda
- Coherent support for new technologies, putting the accent on training (the sector is currently lacking people specialised in training staff for the production of electric vehicles)
- European industrial policy considering the potential for negative spillovers from a national industrial policy approach.

The flagship initiative "An agenda for new skills and jobs" of the Europe 2020 Strategy does not pay enough attention to the need to create quality jobs nor to provide new skills through adequate, on time and well designed education, training and lifelong learning programs.

This can only happen through social dialogue and through such councils at all levels - including at the global inter-sectoral European level - that can better anticipate and manage the transition to a low carbon economy.

The communication to come from the commission on climate policies should fully integrate these social aspects and needs.

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