**Document for information by the Executive Committee – 12 & 13 Dec 2017**

**Agenda Item VI. 2.**

**Draft Position of industriAll Europe on the implementation of the European Energy Union project**

**Issue/Context**

The industriAll Europe Energy Network has put forward this updated position paper of industriAll Europe on energy policy.

The draft is based on the discussion paper that had been discussed in the last meetings of the Industrial Policy Committee and the Energy Network taking into account already a number of comments received by you during these meetings.

The paper is out for consultation until 14 December.

**Recommendation for decision:**

The draft energy position is presented to the Executive Committee for information, but a final decision will be taken after the Executive Committee meeting and after the finalisation of the consultation process.

**Draft Position of industriAll Europe on the implementation of the European Energy Union project**

IndustriAll Europe welcomes the Commissions’ objective in the Clean Energy package to further strengthen the internal energy market as access to energy, security of supply and favourable energy prices are directly contributing to industrial growth and sustainable employment creation. However, justice, growth, wealth and structural development must be at the heart of the Clean Energy package so that the European internal energy market can clearly benefit society. Unfortunately, the European Commission’s “Clean Energy for All Europeans” package offers too little to address a just transition. Instead, the package’s focus on skills and energy poverty falls behind the prerogative of the market. IndustriAll European Trade Union demands to put a just and sustainable transition at the heart of the clean energy transition. It must contribute to an industrial transformation which combines both innovation in environmentally friendly technologies and products with the defence of a solid yet cleaner and sustainable industrial base, which is crucial for job creation and the European economy.

With the present position paper, the industrial trade unions affiliated to industriAll Europe set out their priorities and define concrete demands in implementing the Energy Union in a way that promotes economic growth, wealth and sustainable employment in Europe while decarbonising the European industry and economy and, thus, fulfils the EU’s commitments stipulated in the Paris climate agreement in December 2015.

For industrial trade unions, the Energy Union and subsequent legislation is a priority as it will set the framework conditions in which the European industry and its workers operate and compete on a global level. Europe has demonstrated its leadership in offering progressive solutions and resource-efficient and environmentally friendly technologies. In order to keep industrial production and innovation in Europe, to avoid carbon leakage and to promote quality living and working conditions in Europe, industriAll Europe has determined the following set of demands responding to the latest legislative proposals included in the Clean Energy package.

**Industry is part of the solution in cleaning our energy systems**

The industrial sectors in Europe directly contribute to the move to a low-carbon energy system and economy. While heavy industry in Europe has been largely perceived as causing environmental challenges, industriAll Europe reminds about the strategic importance of the European manufacturing sectors as part of the solution to tackling climate change. That is why industriAll Europe emphasises the importance of underpinning the energy policy with an active industrial policy aimed at maintaining and promoting European global leadership in climate technologies. The industry needs the right framework conditions in Europe in order to operate and invest in modernisation and innovation. This is of utmost importance, as Europe and its manufacturing sectors have a great interest in leading progress in key technologies and innovation and directly contributing to growth, the safeguarding of existing jobs and the creation of new and sustainable employment. In recent years, other economies such as China have been investing enormously in green technology solutions. The EU should accelerate its efforts to maintain and further develop all energy supply chains inside Europe and should put social criteria at the heart of its strategy. IndustriAll Europe reiterates that the common European social values are undeniably an important support for a more sustainable growth model.

The EU must **boost innovation policy and research programs** with the perspective to place European industries in the technological leadership position. To reap the fruits of the respective programmes, the selection and management processes of funded projects need to be reviewed to make them more dynamic and responsive.

IndustriAll Europe reiterates that a comprehensive energy policy should 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 prices and security of supply.

**A just transition for workers**

The energy transition and the transition of the European economy must be just and sustainable with the overall goal of creating growth and quality employment in Europe. Some sectors and regions are already today facing environmental challenges, leading to restructuring, closing of power plants and related operations and destruction of employment. However, the EU should face its responsibility to those regions and workers that will be affected by the energy transition. Applying the principles of a just transition should be key to implementing the European Clean Energy package. A just transition is based on the fundamental principles of anticipations of change, coherent social dialogue at all levels (local, regional, sectoral, national, European) and trade union participation, maintaining jobs and creating new sustainable employment, access to education and training and support mechanisms for workers that fall victim to the transition. To that end, industriAll Europe has been promoting the establishment of a just transition fund as part of the emissions trading system (ETS) for the fourth trading period, financed through the auctioning of emission allowances following the principle of the future innovation and modernisation funds that are already part of the proposed ETS reform. We welcome the fact that the compromise that has been found on the reform of the ETS has incorporated the Just Transition Fund, but we regret that it will be merged with the Modernisation Fund without a separate revenue funding or increase of the 2 percent funding foreseen for the Modernisation Fund. Unfortunately, this provision leaves the actual allocation of funding to just transition projects vague. We insist that European governments shoulder their responsibilities.

IndustriAll Europe supports the establishment of a platform for carbon-intensive regions and the idea to involve social partners in the exchange of good practices and a more efficient use of EU funds. However, we emphasise that all possible means should be considered to provide additional funding that will be essential to tackle the adverse effects of plant closures and to offer comprehensive programmes for the revitalisation of the local economies and employment in those regions.

In its impact assessment, the Commission concluded that there is a potential to create 900,000 new jobs, mainly in fields related to energy efficiency. However, it is not clear how many jobs will be destroyed in the transition process that is accompanied by other trends like digitalisation and the increasing trend of consumers becoming (energy) producers as wells. To workers in the coal mining and other carbon-intensive sectors in east-central Europe this sounds like a drop in the ocean as there is no further analysis regarding where these new jobs will be created, what it will mean in terms of working conditions and what it will mean in terms of skills and qualifications. Therefore, industriAll Europe reminds the European institutions of the regional dimension of the transition and about the necessity to support the creation of quality employment.

**The energy transition must be turned into a leverage for social progress** by offering prospects for professional development to employees and supporting them so that they can find their place and be involved in a sector in transition. In order to strengthen Europe’s workforce, the EU’s skills strategy and policies should be more consistent and promote up-to-date qualifications to support a sustainable and just transition process. The development of re-skilling programmes and quality vocational education and training programmes should be the priority and must involve all stakeholders: public authorities at the appropriate level, training and education providers, the concerned sectors and companies and social partners.

IndustriAll Europe reiterates the problem of energy poverty. Energy poverty must be combatted with all means and regulated prices.

**The European ETS as a key element in the Energy Union project**

IndustriAll Europe considers the EU emissions trading system (EU ETS) as the main element in achieving Europe’s CO2 emission reduction ambitions and therefore regrets that the ETS reform for the trading period 2021-2030 fails to be linked to the Clean Energy package. A strong coherence and coordination of the legislative tools is, however, key in meeting Europe’s energy and climate targets while offering long-term investment certainty for industry and enterprises in Europe. The linkage between the EU ETS and the Clean Energy package must be strengthened.

We welcome the compromise that was reached on the reform of the ETS as it seems to strengthen the ETS while taking into account the concerns of energy-intensive industries. However, some sectors, e.g. steel, are highly concerned about the future provisions limiting the allocation of free allowances and the lack of provisions to avoid the cross sectoral reduction factor, which would significantly increase costs and put competitiveness at risk.

Two policy objectives must be reached in the design of European energy and climate policies: (1) the preservation of climate, and (2) the external competitiveness of energy-intensive industries. All options should be kept open to achieve these goals, including, as a last resort, border adjustment measures on the internal price for CO2 emissions, making sure that they are compatible with the rules of the World Trade Organisation (WTO).

**Energy efficiency is key in decarbonisation while creating sustainable industrial employment**

For industriAll Europe, energy efficiency is key to reaching Europe’s climate goals while offering a significant employment potential through investments in companies and buildings. Therefore, strong ambitions for **energy efficiency must be supported**. A 1.5% energy efficiency increase per year relative to production units should be binding and extended until 2030 and the overall energy efficiency target should be directed towards the EP proposal of 40% for 2030, considering that binding requirements are vital to achieve a maximum degree of ambition and effort from the Member States.

More ambitious energy targets would translate into urgently needed investments in buildings and industrial installations. Thus, through more ambitious energy targets, Europe could achieve more competitiveness of its industrial base through new efficient technology and fight energy poverty through the energetic renovation of existing buildings and new energy efficient buildings as energy costs for households will be reduced.

**Promote renewable energies that support the European industrial production and employment**

The Clean Energy package proposal **removes the ability to grant priority dispatch for other new renewable energy projects** than for existing renewable energy sources and for small scale new renewables and small, efficient combined heat and power plants. Priority dispatch is an important instrument for many Member States to promote investments in renewables. Priority dispatch should be retained for all variable renewable power capacity, beyond 2020 and at least until such point as it can be demonstrated that markets offer fair access and opportunities to variable renewables. The 2030 target for expansion of renewable energies should be as high as the energy efficiency target to prevent substitution effects.

Support for renewables must be linked to strengthening full value chains of their development and production in the European Union. Moreover, Member States must also be encouraged to link tendering and promotion of energy projects to principles of “good content”, which means that good work, fair payment and ecological responsibility are considered in tendering and public procurement procedures.

At the same time, industriAll Europe reiterates that the European electricity market and the political framework conditions, including the promotion of renewable energies, must be designed in a way as to keep European industry internationally competitive and provide for security of energy supply, which will be crucial in particular for energy-intensive sectors and their workers.

**A European energy market through enhanced Member States coordination**

When further defining the European energy policy, the EU needs to focus on enhancing the **cooperation and coordination of Member States**, while acknowledging the geographical and industrial constraints of individual Member States. Within the Energy Union framework, every single EU Member State should have an opportunity to implement its own energy policy and energy mix, taking into account their national energy demand, labour market situation, industrial structure and energy intensity of production, location, natural circumstances and natural resources.

European convergence in the field of network management and regulation leads, without saying so, to the **abandonment of sovereignty and a dilution of responsibilities,** which raises concerns on a Member State level about the safety of energy supply. While the decentralisation of energy production and the highly variable supply of wind and solar energy require a strong integration of energy markets, industriAll Europe is still convinced that each Member State must retain the ambition to produce all the energy it needs.

To prevent **deoptimisation and weakening of the electricity system**, Member States should be allowed to frame the decentralisation of the Energy system concerning safety, network optimisation or equalisation tariff, as well as to keep an equal national tariff system for grids services.

Moreover, the possibility of regulated tariffs must be maintained. **Abolishing regulated sales tariffs (TRVs) would have a major impact on industry,** companiesin the energy sector and thus for their employees but also the consumers. The competence to maintain these tariffs or not should remain with the Member States.

Long-term capacity mechanisms are and will be essential for guaranteeing security of energy supply, providing for long-term economic signals and thus, insuring industrial investments. Therefore, long-term contracts and sustainable capacity mechanisms that guarantee industrial investment and the security of electricity supply must be promoted. Access to capacity mechanisms must be technologically neutral and cost-efficient.

Beyond the necessity to enhance the interconnections of energy networks, the objective of 15% of interconnections of the transport networks should be associated to **technical and economic conditions.**

**Gas and electricity systems should be better intertwined** to beget the most benefits from both energy sources considering their characteristics (storage, hydrogen, etc.).

**Our conclusions**

IndustriAll Europe reiterates that the implementation of the European Energy Union must bring about a just economic and social transition that establishes synergies between European ambitions in terms of competitiveness, mitigation of global warming and the creation of quality employment in Europe. Only through coherent, well-coordinated policies will the European industry and its workers be fit for survival in a global competition and the race to technological progress. Prospects of economic and social progress are the main ingredients to securing the workers’ support of the energy transition in Europe.