

ETUC Position on Energy Union and EU 2030 climate and energy package: taking stock of recent developments

Adopted at the Executive Meeting of 13 and 14 June 2017

Introduction

The acceleration of the climate crisis, the EU's high energy dependency in an instable geopolitical context, and the huge health problems caused by poor air quality in Europe reinforce the need for an urgent and profound change in Europe's energy and transport systems. In the meantime, speeding up decarbonisation reinforces the need to activate a just transition as well as to increase the level of investment in the energy transition, bearing in mind that high energy prices are a source of concern for both industrial competitiveness and energy poverty.

In October 2014, the European Council set the headline targets of the EU 2030 climate and energy framework: at least 40% reduction in greenhouse gas emissions compared to 1990 levels, at least 27% renewable energy and at least 27% reduction in energy consumption. The European Commission has translated these goals into a set of legislative proposals: the proposal for the EU Emissions Trading System (ETS) for the period 2021-2030 (July 2015), the draft regulation for effort-sharing between Member States for the sectors not covered by the EU ETS (July 2016).

In parallel, in February 2015 the Commission launched its Energy Union project which is one of the priorities of the Juncker Commission. Beyond the decarbonisation of the economy, the aims of the Energy Union are the following: 1/ security of supply, solidarity and trust, 2/ the full integration of the EU Energy Market, 3/ energy efficiency as a driver to mitigate demand, and 4/ research, innovation and competitiveness.

On 30 November 2016, the Commission published a package of legislative and policy documents related to the Energy Union. This package is made up of 11 legislative proposals (Regulations and Directives) as well as several policy documents (reports, impact assessments, Communications) including a headline Communication 'Clean energy for all', which summarises the approach of the Commission and introduces the main proposals of the package. The November package complements the initiatives already launched in the context of the EU climate and energy package for 2030, while continuing the implementation of the Energy Union.

Building on the previous resolutions, the purpose of this document is to allow the ETUC to take stock of recent developments in the context of the EU 2030 climate and energy framework and of the European Energy Union. On that basis, the ETUC reiterates the need for a just transition towards a low-carbon economy and makes concrete proposals to implement it.

Affordable energy is a fundamental right

Affordable energy is a key condition for European prosperity. Sufficient production capacity, controlled demand and modernised infrastructures must ensure the continuity of a sustainable energy supply for industries and citizens. Access to, and provision of, energy is a public service mission which falls under the responsibility of public authorities, even if a significant and increasing number of activities are managed by private companies.

Access to energy is also crucial for households and the ETUC is concerned by the high level of energy poverty within the EU, where more than 10% of households are not able to heat their homes properly. Right to energy must be better enshrined in EU legislation. Eurostat data show a continuous and significant increase in the share of household expenditure dedicated to energy. Available projections show that demand for electricity is expected to rise in the coming years given the growing importance of electricity-related technologies in the current and future economy. Without adequate policies, a more expensive electricity supply coupled with society's greater demand for electricity create the risk of more and more European citizens falling into precariousness. Therefore, the ETUC urges the EU to take the following decisions.

- a. EU law must prohibit disconnections of electricity for households more clearly. Energy efficiency improvements of buildings are not enough to fight energy poverty in the short term. Energy poverty, which notably materialises through (self-)disconnections, has not only an impact on health, stress and social isolation but leads in addition to tangible negative economic consequences that hit the whole of society.
- b. The Commission's proposals should not alter the ability of Member States to put in place social tariffs for low-income households. The ETUC objects to the gradual phase-out of regulated retail prices in the Commission's proposals to impose supply prices exclusively based on the market as well as the absence of clear and efficient alternatives. Regulated retail prices for low-income households have proved to be an efficient and immediately available tool to protect citizens against the prevailing volatility of the energy markets. They must form an integral part of the toolkit to tackle the problem of energy poverty in Europe.
- c. Measures aiming at triggering energy savings for households are also essential to tackle energy poverty, especially for buildings. Heating represents 50% of the energy demand in the EU and 75% is based on fossils. Transformation of the heating supply and energy-efficient houses must be a top priority for the Energy Union as it will lower energy demand and CO₂ emissions while reducing energy bills and creating jobs. In that perspective, the ETUC welcomes the priority given to low-income households and social housing in the "energy efficiency obligation schemes" through which Member States will achieve the energy savings that are needed to meet the 2030 targets. In the same way, the Member States' "long-term building renovation strategies" should contribute to the alleviation of poverty if priority is given to social housing and low-income households. The proposed Energy Poverty Observatory, as well as placing energy poverty on the list of information that Member States have to provide in the reporting requirements proposed in the draft regulation on the governance of the Energy Union, are obviously steps in the right direction.

Energy infrastructures cannot be left to the market alone

The ETUC deplores the fact that, far from benefiting all EU citizens, several ongoing transformations of the energy system (full privatisation, shift to fully market-based price-setting mechanisms and the selling of key infrastructures to foreign companies) will end up depriving even more public authorities of the oversight capacity of power production and distribution. The full achievement of the EU internal energy market only makes sense if it increases the system's efficiency without jeopardising the ability of public authorities to carry out their public service missions. The ETUC demands the strengthening of the democratic oversight of electricity and gas markets.

The ETUC notes with great concern the growing privatisation of electricity transport infrastructures as well as the investments made by companies wholly controlled by foreign governments in companies in charge of the electricity transport network in some Member States.

First, it means that a foreign company – controlled by a foreign government – is entrusted with the management of a strategic activity. This represents a major loss of collective control of the energy sector dictated by short-term budgetary concerns. Secondly, in a context where dumping has led to thousands of European job losses, mainly in the steel and solar panels sectors, these investments could in future hamper the European industries that supply companies responsible for the grid. The ETUC would like the Commission to make an inventory of these foreign investments in strategic activities related to energy. The Commission should also ensure a public and democratic oversight of these activities guaranteeing participation of trade unions and low-income advocates in advisory councils.

A just transition towards a sustainable energy system

The objectives of Paris Agreement (see below) should accelerate and amplify the decarbonisation of the EU economy. These objectives imply major transformations that will impact on millions of European workers. The pace and the scope of the transformations at stake clearly reinforce the need for a just transition.

The EU's energy policy cannot be built only from the perspective of consumers and producers. Of course, transparency in price-setting and free choice must apply in the energy field, but the measures adopted must also take into account the workers in the various sectors that depend on energy policies.

Production, transport, mining and energy distribution are all still important job providers in Europe. Moreover, these activities have led to the development of technology and industrial value chains that are significant job providers too. The impact of the energy transition and the implementation of the climate and energy targets will be especially felt in some countries and regions where the energy system is largely dependent on fossil fuels.

As a result, energy policy needs to integrate a social and employment dimension, including strategies for professional transition and the re-skilling of workers to allow them to reorientate in the event of redundancies due to energy transition. The European energy system cannot be transformed without considering its impact on the millions of workers who depend on it directly or indirectly. To mainstream the reference to a just transition in the design and implementation of the EU climate and energy framework, the ETUC demands that the governance of the Energy Union proposed by the Commission integrates a social and employment strategy addressing issues such as employment, social protection, skills and lifelong learning, notably through the national plans for climate and energy.

Based on articles 3 and 8 of the draft regulation for the governance of the Energy Union, the Commission should work on a set of indicators and on a methodological framework that would allow Member States to monitor closely the many impacts that the energy transition will have on the labour market.

The future governance of the Energy Union should also constrain Member States to broadly consult civil society organisations so as to build their National Plans for Climate and Energy, as well as their long-term low-carbon strategies, on a stable societal consensus. Social partner participation in aspects relating to the labour market is a necessary condition for the success of these plans and long-term strategies. The ETUC welcomes the Commission's proposal that Member States should consult civil society and involve social partners in the preparation of their National Plans for Climate and Energy. However, the ETUC explicitly demands also the active involvement of labour ministers in all countries in the development of the National Climate and Energy Plans and longer-term strategies.

The Energy Union must be implemented in close collaboration with the social partners of sectors concerned, notably in the framework of the Social Dialogue Sectorial Committees.

It is of the utmost importance that the jobs created in sectors that are growing because of the energy transition are quality jobs, covered by collective agreements, based on stable contracts, offering good salaries and ensuring decent pension schemes as well as access to healthcare. Finally, ensuring the free exercise of trade union rights in those sectors is essential, and especially the right to negotiate collective agreements at the company and sectoral levels. Public authorities at municipal, regional and national level should demand respect for collective agreements in their public contracts, be they for goods and services or green energy. in line with ILO Convention 94.

To accompany these changes, that are both necessary and unavoidable, the ETUC has been calling for the adoption of a European just transition policy for many years. Now that this principle has been included in the Paris Agreement and now that the ILO has adopted guidelines on just transition, the ETUC considers it urgent to make it operational. To that end, the ETUC has suggested creating a Just Transition Fund in the context of the revision of the EU Emissions Trading System (ETS) for the 2021-2030 period. The European Parliament supports that proposal and the ETUC urges the Council to adopt a similar position in order to ensure that the final decision about the ETS will guarantee funding for the targeted support that workers impacted by decarbonisation would need. However, the introduction of such a fund can only be the beginning of a comprehensive just transition policy in the EU and its Member States, to be developed in the context of the Energy Union. The ETUC also supports the proposal that "Member States should also address the social aspects of decarbonising their economies and use auction revenues to promote skill formation and reallocation of labour affected by the transition of jobs in a decarbonising economy".

An ambitious European climate and energy framework driver of investments and jobs

Through the signature and ratification of the Paris Agreement, the EU committed itself to working to keep global warming well below 2°C compared to pre-industrial levels and to continued efforts to limit warming to 1.5°C. Even if the precise consequences of the EU's targets remain to be established, they do mean that the EU must go beyond the goal of reducing its emissions by 80-95% by 2050 (compared to 1990 levels) as prescribed by the EU 2050 Roadmap to move to a competitive low-carbon economy. This level of ambition for 2050 should be the baseline for the package of EU policy instruments currently under discussion.

Energy is a strategically vital resource for industry and energy policy is a key tool in enhancing Europe's competitiveness and creating a foundation for the re-industrialisation of the EU. Secure energy at affordable prices is a key ingredient to achieve the EU's re-industrialisation target of 20% share of industry in the EU GDP and thus to create shared prosperity in Europe. European industry must lead the deployment of the innovative technologies that Europe needs to achieve the energy and climate targets.

The ETS reform for the post-2020 period, which is currently emerging through the Parliament's and the Council's respective decisions, indicates that the price signal will be too low until 2030. As a result, it seems obvious that the emissions reductions that are needed to decarbonise the EU will not come from the ETS. The EU must therefore reinforce its complementary legislative instruments to catalyse emissions reductions by acting on power production and demand, and notably the Renewable Energy Directive, the Energy Efficiency Directive and the Energy Performance of Buildings Directive, without leading to heavy additional costs, especially for sectors covered by the ETS.

The ETUC still deplores the absence of national, legally binding targets for renewables and for energy efficiency in the 2030 climate and energy targets, as defined in the European Council Conclusions of October 2014. Without a revision of these goals, the ETUC considers that a quantified reference level per Member State should be defined to assess the contribution of each of the Member States to the fulfilment of the EU objectives for the deployment of renewable energies and energy efficiency. Member States should be forced to make every effort possible to resorb a delay in achieving these national reference thresholds.

As far as renewable energy is concerned, the ETUC supports the objective of making the EU the global leader in relevant technologies through a stronger support to the development of these industrial sectors. Reaching the climate objectives while supporting the development of innovative manufacturing activities is perfectly in line with the way the ETUC sees the transition to a low-carbon economy. The ETUC wonders, however, whether this objective is achievable given the low level of investment in these technologies in Europe, compared to the trends observed in China, for example. An overall EU-level target alone, as prescribed by the 2014 European Council Conclusions, is insufficient and must be complemented with quantified national targets. In the same way, the reform of the “priority dispatch” principle, that benefits renewables in the electricity market, could significantly slow down their deployment. Becoming the world leader in renewables must be more than a slogan. It requires a holistic approach based on adequate legislation, the mobilisation of financial instruments and a real European industrial strategy for renewable energies. Involving citizens, for example through financial participation in cooperatives, can boost not only development of renewable energy but also contribute to broaden civil society support and the democratisation of the energy system.

Together with renewables, energy efficiency must be one of the pillars of the European energy transition. Energy efficiency makes it easier to reach the emissions reduction and renewables goals, and can generate several co-benefits like job creation, poverty reduction, and air-quality improvement. The ETUC welcomes the Commission’s raising of the energy efficiency target for 2030 from 27 to 30%, and calls for ongoing efforts to reach 40% energy savings in 2030. The ETUC also calls for the 2012 Directive to be revised in a way that will dramatically boost energy savings. To that end, the ETUC welcomes the Commission proposal to require EU countries to continue with their energy savings obligations under Article 7 until 2030.

Given the very weak legal status of the 2014 European Council target, the ETUC urges the EU to set up a governance framework that will accelerate and amplify EU efforts to reduce energy consumption, keeping in mind that some Member States might increase their energy consumption in the coming years as a consequence of the need for economic and social upward convergence among EU countries.

Capacity markets should be allowed to ensure security of supply while the share of renewables in the energy mix will increase. Design principles for capacity mechanisms are generally welcome but need to be bound to certain social and ecological conditions. Member States should be allowed to apply mandatory conditions such as local collective bargaining agreements or tariffs. Emission standards should be technology-specific in order to allow different conventional energy sources to contribute to security of supply during the transition process. All capacity interventions should be consistent with decarbonisation strategies and should aim first at enhancing power-system flexibility, while avoiding windfall profits.

Transport represents a quarter of CO₂ emissions in the EU and contributes to other forms of air pollution. Moreover, transport is the only sector with current emissions much higher than in 1990.

Transport therefore requires urgent and significant efforts to be decarbonised. Improving emissions standards for vehicles is necessary to tackle the environment and health challenges exacerbated by a mobility model relying on fossil-fuel technologies. However, technological changes such as the electrification of transport will have – among other factors – an impact on employment in the transport sector but also – and maybe mainly – in the related industrial supply chains. These impacts must be anticipated inter alia through in-depth analysis within the impact assessment of the Commission. If standards matter, we do not see them as sufficient to trigger the kind of shift that is needed to change our mobility model. The EU mobility policy framework must provide a holistic strategy for sustainable mobility based on measures to increase the share of public transport, to boost public investment in related infrastructures, to incentivise Member States to develop taxation policies consistent with low-emission mobility, and to boost industrial innovation.

The Energy Union objectives, and first and foremost the decarbonisation objective, will require the full mobilisation of the EU's financial instruments. First, the next Multiannual Financial Framework (2021-2028) will have to take account of the objectives in the Paris Agreement, proceed to a systematic assessment of the impact that projects to be funded might have on EU greenhouse gas emissions and ensure that they are fully in line with the United Nations Sustainable Development Goals (UN SDGs). Eligibility criteria of the European Investment Bank must be strengthened to only support projects compatible with the EU climate objectives for 2050. Through its quantitative easing, the European Central Bank should support above all activities that are in line with the Paris Agreement. The Modernisation Fund, set up in the context of the post-2020 ETS reform, should include all efficient and sustainable technologies that are compatible with the EU decarbonisation goal. The Innovation Fund must ensure the timely deployment of key climate mitigation technologies that are already reliable and are in line with the highest sustainability criteria. The Juncker Plan must continue to support renewable energies and energy efficiency but the selection of projects to be funded should reach a better geographical balance.

The EU should, through the European Semester and the governance of the Energy Union, speed up the transformation of Member States' fiscal policies to drive the choices of households and industries towards low-carbon options. This should be done in such a way as to avoid widening social inequalities and weakening the funding of social protection systems. Fiscal reform should not be limited to a shift from labour taxation to environmental taxation but should also involve capital and company taxation. The ETUC reiterates its call for the phasing out of environmentally harmful subsidies.

The ETUC supports the objectives of the Energy Union i.e. solidarity, security of supply, sustainability and a better integration of the European energy system. The ETUC is concerned about the EU's ability to reach the long-term objectives set by the Paris Agreement and UN SDGs (in particular, number 7 regarding affordable and clean energy), as well as the obstacles to a real just transition strategy that puts employment and related issues at the core of the energy transition. The ETUC will continue to work with its affiliates to promote a 2030 climate and energy framework, and an Energy Union which is fully sustainable, low-carbon and benefits quality employment in Europe.