

EMF position paper on energy policy

Energy for sustainable growth and jobs in the European metal industry

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Introduction

- 1) Confronted with the following striking list of problems: fears over supplies, the state of competition in the energy markets, high oil prices, increasing dependence on energy, the growth of energy oligopolies, concerns over global warming, the need to invest in renewable forms of energy and the division over the future of nuclear power, energy has moved to the top of the EU's and its member states' political agendas.
- 2) So far the energy debate has highlighted that a development model based on the extensive use of cheap and abundant energy and therefore on creating pollution is coming to an end. It also illustrated that the prevailing view that sustainable development is a heavy burden on the economy is unjustified and that economy and ecology should go hand in hand. Therefore, economic and industrial policy should show strong commitment to developing a new growth model based on eco-efficiency, renewable energy, carbon-lean production and the internalisation of ecological externalities. If we fail in this challenge, the world economy will be faced with global competition for scarce and expensive energy sources, which will also jeopardise the future of industry in Europe. Moreover, without strong political commitment to lever ecological production- and consumption-models, we will not be able to combat climate change and preserve our ecological capital, which will finally block economic development altogether.

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- 3) In principle, the EMF agrees with the new integrated approach on energy of the Commission which is a result of the Green Paper on a European Strategy for Sustainable, Competitive and Secure Energy and which was adopted at the 2007 Spring European Council. For the EMF, the new energy policy must enable Europe to meet the Kyoto obligations and to decouple economic growth and energy consumption, while at the same time maintaining the competitiveness of the European economy and bringing/keeping Europe at the cutting edge of energy technologies. For the EMF, 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 prices of energy and security of supply.

The European Energy market

- 4) So far and despite intense efforts from the Commission, the liberalisation of energy markets has not delivered the advantages that were promised. The secure availability of energy is no longer guaranteed due to "chronic underinvestment" in infrastructure and to the fact that prices are decoupled from costs because of monopoly profits. For the EMF, the liberalisation of the energy markets will only succeed if the public sector takes a strong role in these markets, that is to say strong independent regulation, price control, public energy operators. Especially as regards the long term supply of electricity, governments should timely planify and initiate new energy projects.
- 5) Energy is crucial to the cost base and competitiveness of energy-intensive metal sectors such as steel and non-ferrous metals. However, while electricity producers only compete in oligopolistic national markets, the metal sector has to compete on a global basis in very cyclical markets with almost no capability to pass on cost increases. Furthermore, the metal sector has to cope with the challenges of climate change, ambitious European environmental objectives and with the problem of access to raw materials. This situation bears the risk of relocation. In order to guarantee sustainable employment in these sectors of energy markets, which function well, RDI and fair competition worldwide is needed. The EMF is in favour of a pooled generation of electricity by industrial users themselves, the maintaining of long-term contracts for major users who are faced with long investment cycles. Furthermore, it should be avoided that the metal sector is confronted with an accumulation of measures that pursue the same objectives (CO₂ taxes, green certificates, emission

allowances etc.) and have adverse effects on competitiveness and employment.

Energy efficiency and sustainable growth

- 6) For the EMF, investing in more and in better new energy technologies should become a strategic priority for the EU. Technologies for renewable and eco-efficient energy production have a vital role to play in breaking the link between economic development and environmental degradation. They should be the driver for a paradigm shift in the way energy is produced. Therefore, the EMF is pleased with the fact that large-scale renewable energy generation is finally taking place at the verge of economic viability. The EMF is also pleased with the fact that under the seventh EU Framework Programme (FP7), the annual spending on energy research will increase by 50% and welcomes the action plans on energy technologies and environment technologies. On the other hand, more could be done for a stable, predictable and supportive union-wide policy framework and a well-established long-term vision (research, demonstration, deployment strategies, financial and fiscal incentives etc.). Cleaner forms of energy production will create new growth of markets and lead to new high-quality jobs in many sectors of the metal industry (as a result of the higher labour intensity of renewable energy). This development needs to be underpinned by an active industrial policy, aiming at maintaining and promoting European global leadership in climate technologies.
- 7) The actual worldwide use of energy is growing faster than the economic growth (as a result of the steep economic growth in the NICs), which demonstrates that worldwide interest in how to use energy better is not taken into consideration enough. The adoption of energy efficient technologies is low due to poor understanding of the rate of return, asymmetry of information, little awareness of the problem and other market failures. It looks as if market forces alone are not able to create the necessary sense of urgency in order to tap into the full potential of energy efficiency. For the EMF, developing joint visions and objectives (such as the 'passive' house, the clean car, the promotion of public transport systems and more energy efficient logistic supply chains), integrated policy strategies (e.g. lead markets and green public procurement) and supporting regulations (product-design) are needed to enforce the break-through of energy efficient technologies. The EMF is convinced that raising energy productivity (input of energy per unit of production) will contribute to the sustainability and competitiveness of industry, deliver first mover

advantages to the European industry and create new jobs in the area of energy services.

The European Emissions Trading System (ETS)

- 8) The greenhouse gas emissions trading scheme (ETS) is the major tool of the EU for reaching the objectives of the Kyoto Protocol. For the EMF, the European emissions trading scheme creates a flexible and cost-efficient framework for climate-friendly energy production and provides a good example of how to include the externalities of the damage to the climate in the market price for electricity. Nevertheless the EMF wants to propose a number of recommendations in order to improve the system and to avoid its adverse effects on energy intensive industries:
- a) promotion of the development of a global carbon market with the broadest participation, in order to create a level playing field between industries in the EU and elsewhere;
 - b) improving and better promoting the Clean Development and Joint Implementation Mechanisms;
 - c) addressing the unintentional side-effect of the pass-through of CO₂ into power prices (creating windfall profits for the power companies as allowances have been provided free of charge);
 - d) differentiation in the allocation of emission rights between globalised and protected sectors should be considered in order to limit the impact on the competitiveness of energy intensive industries;
 - e) tackling the adverse effects of a reduction of emissions by simply reducing production and then selling the acquired emission rights. Allocation of allowances may in no way result in lowering production and relocation of activities (emission leakage);
 - f) generalisation of the use of sectoral benchmarking agreements;
 - g) making allocations for more than 5 years in order to foresee decisions to be made on long-term investment;
 - h) introduction of greenhouse taxes on products, which, if manufactured within the EU, would be covered by the EU ETS (while at the same time, facilitating the import of goods, which are produced in a sustainable way).

The need for an integrated European Energy Policy

- 9) As Europe's energy dependence is already high and will increase in the future (on basis of the current strategic choices), it is of the utmost importance that the EU develops a common external energy policy. Moreover, the EU should globally lead the promotion of sustainable and secure energy in the different international dialogue bodies on trade, industry and the environment. The EMF is convinced that the launch of an integrated European energy policy and the creation of an internal energy market will provide opportunities for Europe to develop common visions and solutions with regards to its external energy policies.
- 10) For the EMF, the European economic growth model cannot only be built on the increase of labour productivity, the uptake of ICTs or the knowledge economy but should take on board the development and uptake of sustainable technologies as well. As economic progress and sustainable development go hand in hand, there should be awareness in the area of industrial policy, that the competitiveness of companies will be more and more dependent on the way they will be able to adopt technologies and strategies for more energy and resource efficiency. Therefore, sustainable, affordable and secure energy has to become a basic pillar of industrial policy. For the EMF, energy policy and industrial policy are intricately linked and should complement each other in order to enforce the transition to a new industrial paradigm based on low carbon and eco-efficient production. For the EMF, the integrated European energy policy should be a lever for a change in trend and be complemented by developing new concepts and new strategies for sustainable industrial development. Europe's industrial policy makers should seize this chance to unlock the potential of Europe's industry in order to transform current industrial processes into environmental sound processes and products and to demonstrate leadership in eco-innovation and in the promotion of a shift towards a carbon-lean industry. For the EMF, this should be the path to take in maintaining and creating sustainable jobs in industry.

Energy efficiency and the role of Social Dialogue

- 11) As developments in energy technologies and sources and energy policies can have a deep impact on our economic and social model, societal consensus on these topics is of the utmost importance. Energy and climate change are particularly challenging issues for the trade unions as industry is a major user of energy (and thus a large emitter of greenhouse gases). Therefore, the EMF insists on a broad societal

debate in order to shape the future of Europe's energy. In this debate, workers and their trade unions are privileged stakeholders. Their support is needed, if we want companies and sectors to switch to a business model that emphasises the sustainability of their products and processes. The EMF will carefully monitor future developments in energy policy and wants to be involved in the consultation processes and bodies at EU level. It will raise the question in the sectors where there is an established social dialogue, especially the energy intensive industries. As part of our sustainable employment strategy, the EMF and its affiliates will also raise awareness and build union capacity to promote the active involvement of employees in the greening of workplaces by:

- a) launching awareness campaigns and action plans on energy saving and the greening of workplaces;
 - b) promoting/supporting energy innovations;
 - c) providing training, information and consultation on energy efficiency;
- 12) Engaging in social dialogue at company level on the rational use of energy. Finally, access to energy at affordable prices is a fundamental basic right. Therefore, the EMF insists that:
- a) Energy policies should be part of a large and open democratic debate with the active participation of civilians;
 - b) Trade unions should be represented in the bodies that govern the energy policies (e.g. the national regulators);
 - c) Universal service and social tariffs should be guaranteed at a high level in order to rule out energy poverty.