

# ETUI Policy Brief

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### From Paris to Katowice: the EU needs to step up its game on climate change and set its own just transition framework

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## Policy recommendations

Ahead of the global 'stocktaking' exercise at the upcoming COP24, which will take place at the end of this year in Katowice, Poland, the EU needs to raise its climate policy ambitions to match the Paris Agreement target of limiting global warming to well below 2°C. The new 'mid-century carbon roadmap', to be drafted by the Commission in early 2019, should set out a credible pathway to achieving a net-zero greenhouse gas emissions target for 2050. Within

this timeframe, emissions should be reduced by three times what has been achieved over the past three decades, and there will consequently be more dramatic effects on employment. The EU therefore needs to develop its own 'just transition' framework and make it an integral part of its decarbonisation strategy, which should then also provide guidance to Member States. There needs to be a clearly specified dedication of funding for this in the next 2021-2027 Multiannual Financial Framework. In line with the ETUC demand for a 'Katowice plan of action for just transition', such an initiative should be launched at the COP24 and given high-level political support and commitment..

## Introduction

The COP21<sup>1</sup> Paris Agreement was a historic milestone. A total of 197 signatories, including the EU, committed<sup>2</sup> themselves to transforming their development trajectories to limit global warming to 1.5-2°C above pre-industrial levels by 2100.

Nationally determined contributions (NDCs) made by the signatories of the agreement set the strategic objectives at country level. In Paris, national governments agreed on 2018 as the first time they would take stock of their efforts, then using that assessment to inform future, more ambitious NDCs for 2020. This 'facilitative dialogue' will be followed by a global stocktaking exercise every five years, starting in 2023.

The important lesson in the wake of the COP21 is that even if the NDCs have been fully implemented the world remains far away from achieving even the less ambitious 2°C target. The eighth edition of UN Environment's Emissions Gap Report (UNEP 2017), released ahead of the COP23 in Bonn in November 2017, found that national pledges only bring a third of the emissions reductions required by 2030 if the goal of staying below 2°C warming via a

least-cost pathway is to be achieved. Even a full implementation of current unconditional and conditional NDCs is still likely to result in a temperature increase of at least 3°C by 2100. Without a significant boost in ambition, the carbon budget of a 2°C scenario will be almost depleted by 2030. Scientists found (NASA 2018) that the global sea level rise is accelerating and by 2100 likely to be double previous expectations of reaching 65cm.

Three years after Paris, the parties to the United Nations Framework Convention on Climate Change (UNFCCC) will meet in December 2018 in Katowice, Poland for the COP24 to carry out the first global stocktaking of how the national commitments match up to the globally agreed climate goals and how to close the gap between them. This means that there must be a serious intensification in greenhouse gas (GHG) reductions, both compared to past achievements and to the current pledges.

1 Conference of the Parties (COP), the supreme body of the United Nations Framework Convention on Climate Change. It currently meets once a year to review the Convention's progress.

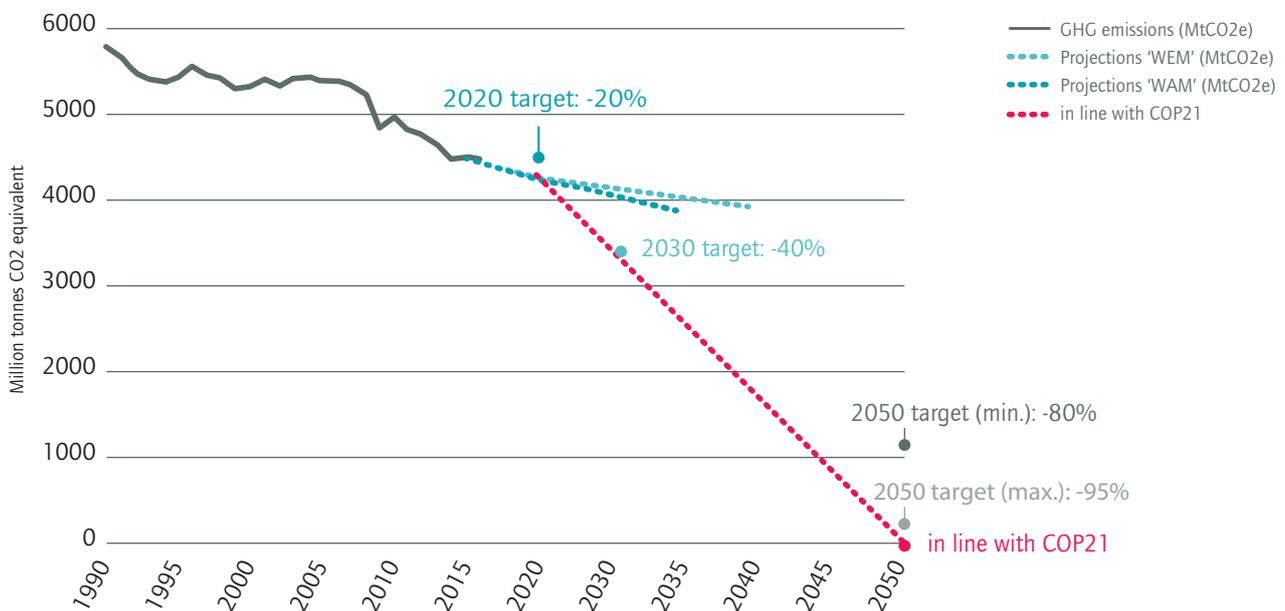
2 The Agreement entered into force on 4 November 2016. To date (4 June 2018), 176 Parties have ratified the Convention.

**Closing the emissions gap: what does this mean for Europe?**

Europe also needs to significantly increase its climate policy ambition and to create a roadmap for its implementation. The EU's existing 2050 low-carbon economy roadmap was drafted by the Commission in 2011. It charted a path towards a reduction of at least 80%, but the new 'mid-century roadmap' must acknowledge that this is insufficient. In order to fulfil the COP21 targets the EU needs to aim for 100% emission cuts by 2050 and present a credible roadmap of how to reach this.

The clock is ticking: from 2020 to 2050 three times more GHG emissions cuts are needed, than achieved in the 30 years to 2020.

Figure 1 Greenhouse gas emission trajectories for the EU



Source: European Environment Agency 2017 and author's elaboration.

The Council Summit of March 2018 asked the Commission to present a proposal for the long-term EU GHG emissions reduction strategy by early next year that takes account of national plans and makes sure that the Paris targets are met. Consultations are starting across sectors and regions and with social partners about how to move towards a net-zero carbon economy by the middle of the century.

This is an enormous task in view of past performance and current policies, as Figure 1 illustrates. GHG emissions in the EU28 actually somewhat increased between 2014 and 2015 (by 0.5%), despite the overall reduction of 22% between 1990 and 2015. According to preliminary estimates, this rate of reduction may have increased to 23% in 2016 and, with the help of measures already in place (WEM), there are projections of a 26% reduction by 2020, rising to a 27% reduction if additional measures (WAM) that have already been planned by Member States are enforced (EEA 2017). These figures surpass the 2020 targets but this trajectory, which would result in a 30 or 32% GHG reduction by 2030 compared to 1990 levels, nevertheless falls well short of the EU 2030 target of 40%.

The EU needs to go down to a net-zero emissions level over the next 20 years and this requires a radical policy change. Expressed in absolute emissions levels, Europe is now on track to reduce the 5.7 gigatonnes of GHG emissions it had in 1990 to 3.9 gigatonnes by 2030, an absolute reduction of 1.8 gigatonnes in 40 years. In the remaining 20 years it will then need to cut more than twice as much.

It is clear that there needs to be a change of course from at least as early as 2020 (as can be seen from the break in the curve in the dotted red line on the graph). This would involve an absolute reduction of 4.2 gigatonnes in the 30 years up to 2050, which would be almost three times as much as what had been achieved in the 30 years between 1990 and 2020.

This transition will be of a larger scale than all previous economic and social transformations we have experienced so far and will affect every aspect of how we produce goods, provide services, move around and consume. It will also lead to major changes, adjustments, costs and opportunities, affecting jobs, livelihoods,

working conditions, skills and job prospects on a large scale. It is time to get prepared to manage this transition.

### Employment effects

In the past decade, labour markets in Europe have been subject to turbulent changes of both a cyclical and structural nature. Massive structural changes have been driven by globalisation, technological change and decarbonisation. These trends evolve in interaction with and often reinforcement of each other. It is difficult to attribute labour market shifts to one single factor but such changes can be safely expected to accelerate over the next decade.

It is widely assumed that the overall employment effects of decarbonising the economy will be neutral or even slightly positive at a net level. Cambridge Econometrics (2013), for example, identified overall positive effects of the EU Energy Roadmap 2050, while a report by the European Climate Foundation and Ernst & Young (2014) concluded that 'decarbonisation would contribute towards reviving employment across Europe by fostering labour-intensive sectors (renewable energy, transport, construction), and net effects across the economy are projected to be positive'.

It is true that by 2016 the number of jobs in Europe was back to pre-crisis levels (although not yet in terms of hours worked), but the recovery has also entailed deep structural changes. As Table 1 illustrates, between 2007 and 2016 more than 3.5 million jobs in the European manufacturing industry were lost, with steel and chemical industries among the losers. There was a slight increase in the automobile industry but nearly half of all coal mining jobs disappeared.

Table 1 Number of employees in selected NACE<sup>3</sup> sectors at full-time equivalent (FTE) (thousands)

	Mining of coal and lignite (B)		Steel and basic metals (C24)		Chemicals (C20)		Motor vehicles (C29)		Manufacturing (C)	
	2007	2016	2007	2016	2007	2015	2007	2016	2007	2016
EU27	271.8	150.3	1,100	950	1,261	1,150	2,470	2,505	33,976	30,338

Source: Eurostat, 2018, Annual detailed enterprise statistics for industry (NACE Rev. 2, B-E) [sbs\_na\_ind\_r2].

At the same time, employment has been growing in the environmental goods and services sector (EGSS), increasing from 3.4 million in 2007 to 4.1 million in 2015, as shown in Table 2. However, a breakdown of the sector reveals that while there was a rise in employment in most of its subsectors after 2011, including in the broader energy sector, there have been job losses in its manufacturing, construction and services subsectors. A breakdown of the sector by activity also illustrates that while employment continued to grow in environmental protection activities throughout the whole period, in resource management activities employment levels began sliding back after 2011. This was particularly the case in the subsector 'production of energy from renewable sources', where employment fell by more than 30% between 2011 and 2015. This, along with the lack of dynamism in job creation in the broader EGSS sector in Europe, is a sign of weak investment activity

Table 2 Employment in the EGSS sector by subsector and type of activity, EU28 (thousands at FTE)

Breakdown by subsector	2007	2011	2015
Total (all NACE activities)	3,390	4,157	4,135
Agriculture, forestry and fishing	240	298	369
Mining and quarrying; manufacturing	447	604	499
Electricity, gas, steam, water supply; waste management	1,200	1,343	1,443
Construction	817	1,183	1,116
Services	687	728	709
Breakdown by type of activity (CEPAREMA)	2007	2011	2015
Total	3,390	4,157	4,135
Total environmental protection activities	2,236	2,395	2,456
Total resource management activities	1,154	1,762	1,679
– Production of energy from renewable sources' subsector	342	848	572

Source: Eurostat 2018, [env\_ac\_egss3] and [env\_ac\_egss1] <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>, last update: 18.04.2018.

in the low-carbon sector and renewables in particular. In 2016, clean energy investments in Europe were down to almost half of their 2011 level (ETUC and ETUI 2017). Besides low investment activity, cheap imports from China have also had a negative effect on European jobs in the industry. Overall, the massive job creation that was expected in the low-carbon sector has yet to materialise.

These structural shifts in the labour market in the past decade are just a foretaste of what we can expect in the future. With bigger ambitions on tackling climate change, the effect of decarbonisation

## The bulk of the anticipated employment effect of decarbonisation is still to come

3 The Statistical classification of economic activities in the European Community, abbreviated as 'NACE'.

will be much stronger. New low-carbon jobs will be created and job profiles and skills needs will change on a massive scale, but job losses in energy-intensive activities will also occur, engendering serious local and regional effects. These labour market challenges need to be addressed by a targeted yet comprehensive policy framework.

## What is a 'just transition' and why do we need it?

The colossal task of decarbonising the entire economy within the next 32 years is only achievable if it happens in a balanced and fair way, leaving nobody behind. The term 'just transition' (JT) appeared as a trade union demand in the early 1990s to align labour, social and environmental priorities, but it took almost two decades to become an established policy tool, included in the final agreement of the COP16 in Cancun in 2010. More recently, the preamble of the Paris Agreement states the importance of '[T]aking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities'.

Two key features of the original JT demand have had a lasting effect. First, that it should involve more than just 'welfare' and that there is a public responsibility to facilitate and actively support a transition that is in the common interest. The second is that decarbonisation is a planned transition (with clearly defined objectives) and as such it cannot be handled as 'just another transition' that inevitably affects workplaces and livelihoods, like globalisation or digitalisation. It therefore requires targeted yet holistic policy approaches.

JT should not be an 'add-on' to climate policy, it needs to be an integral part of the sustainable development policy framework. From a functional point of view JT has two main dimensions: 'outcomes' (the new employment and social landscape in a decarbonised economy) and 'process' (how we get there). The outcome should be the eradication of poverty and decent work<sup>4</sup> for all in an inclusive society. The process, 'how we get there', should be based on a managed transition with meaningful social dialogue at all levels to make sure that the burden sharing is fair and nobody is left behind.

The ILO guidelines for a just transition (2015) set the following two main principles:

- (1) The greening of economies requires a coherent country-specific mix of macroeconomic, industrial, sectoral and labour policies. The aim is to generate decent jobs all along the supply chain.
- (2) Sustainable development needs to be addressed across all policy fields in a coherent manner. For such a policy framework, institutional arrangements must be made for a meaningful social dialogue to take place at all levels.

The main approach of the guidelines follows the conviction that sustainable development is only possible with the active engagement of the world of work. Employers and workers are not passive bystanders but agents of change able to develop new pathways to sustainability.

Just transition should not be seen as an abstract principle; it appears in very concrete policies, which nevertheless need to be adapted to fit national, regional or sectoral circumstances. It appears for example in personalised job transition support programmes after company closures, in regional revitalisation strategies, and in decent work clauses in green public procurements, international framework agreements and green collective bargaining agreements. It is vital to share good practices, meaning there is a need for platforms dedicated to this kind of exchange. The UNFCCC (2016) has published such recommendations and there is also an NDC Partnership platform (UNFCCC 2017). The EU should follow this example and establish its own platform, along with a practical guide on good practices.

## Conclusions and recommendations

The essence of 'just transition' is anticipating and managing labour market transitions with an objective of creating decent jobs in a net-zero carbon economy while protecting and improving livelihoods and contributing to more equal societies. Since decarbonisation is a commonly shared objective in the interest of all of humanity, the role and responsibility of the state is indispensable in managing it in a just and balanced way. With a significantly greater climate policy ambition to fulfil the Paris targets, the social and employment effects of decarbonisation will be more intense in the future. JT policies are key to making this transformation a success and also garnering wider public support. Trade unions should be actively involved at all levels of decision making in shaping a just transition, from enterprise-level strategies to national policy frameworks (including the NDCs).

*The timeframe of the transition* is crucial. In general, a longer timeframe is necessary for a balanced transition. Short-notice decisions on employment changes, presented as a *fait accompli*, should be avoided; trade unions should be informed and consulted in a timely manner.

*For trade unions, co-operation with environmental groups and NGOs is extremely important.* In many cases, the success of a JT case depends on these groups having a co-ordinated joint strategy vis-à-vis employers and policymakers.

Just transition also requires unions to *innovate* and move beyond the traditional industrial model of protecting workers when confronted with restructuring. Unions need to be *pro-active in managing all stages of a just transition*; defensive strategies to preserve a status quo will not work. They should formulate and drive forward the agenda themselves, taking a long-term perspective to make sure that labour market transitions and social plans lead to the creation of sustainable and decent new jobs. Unions also need to develop *new strategies to organise workers* within the emerging structures of a low-carbon economy.

<sup>4</sup> In line with the ILO Decent work agenda, this means decent jobs with fair pay, respect for fundamental rights at work, including the effective exercise of the right to organise and bargain collectively, gender equality and workplace democracy (ILO 2017).

Just transition should be an integral part of any low-carbon strategy and it is about time that the *EU sets its own just transition framework and roadmap*, based on the ILO guidelines but adapted to the specific challenges that exist in the European context. As most NDCs tend to apply a technical approach, with a focus on defining climate policy objectives, JT often remains at the margins. This needs to be corrected, as proposed by the ETUC in its resolution (ETUC 2017) calling on parties to incorporate JT into their NDCs and the policy instruments used to implement them. The ETUC also stresses that the inclusion of an adequate labour chapter in the draft regulation for the Governance of the Energy Union is crucial to making decarbonisation socially just as well as reaching climate targets and points to the key role of the social partners in this process. Just transition should also be acknowledged as a permanent theme within the forum on response measures under the Paris Agreement.

In order to have a good foundation for just transition policies, appropriate financial resources should be made available. Under the revised Emissions Trading Scheme directive a part of the Modernisation Fund is meant for just transition objectives, while there are plans for the Globalisation Adjustment Fund under the next Multiannual Financial Framework to be made available for tackling the employment effects of decarbonisation. Given the challenges ahead, with a necessarily far more radical decarbonisation path to be defined in the upcoming EU mid-century zero-carbon roadmap due in early 2019, just transition should be given higher priority and a clear allotment of EU financial resources.

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