EU ETS and Carbon Leakage

ETUC views

CONFEDERATION SYNDICAT EUROPEAEN TRADE UNION

Outline

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1. ETUC and climate change

No jobs on a dead planet! Our jobs depend on our planet!

Just Transition!

1. Creation of quality jobs through investment in Energy Efficiency, Renewables, innovation in low-carbon industrial technologies
2. Education, training and skills
3. Strong social protection systems
4. Predictability and worker's participation
5. Respect for workers' rights

2. Key demands on EU ETS

1. The European Commission must develop an integrated and coherent sustainable industrial strategy and should set up a policy platform to that aim
2. **After Paris COP 21, the EU must make an in-depth assessment of the risk of carbon leakage and the policy instruments it has to effectively tackle it**
3. The EU must create a Just Transition Fund to support workers which would be negatively impacted by the transition to a low-carbon economy
4. The EU must effectively implement the Innovation Fund and the Modernisation Fund and involve social partners in their management
5. At least 90 % of ETS auctioning revenues should be used by Member States to support activities which are clearly climate-related.

Full position: https://www.etuc.org/documents/position-structural-reform-eu-emissions-trading-system#.VuknH8p44mc

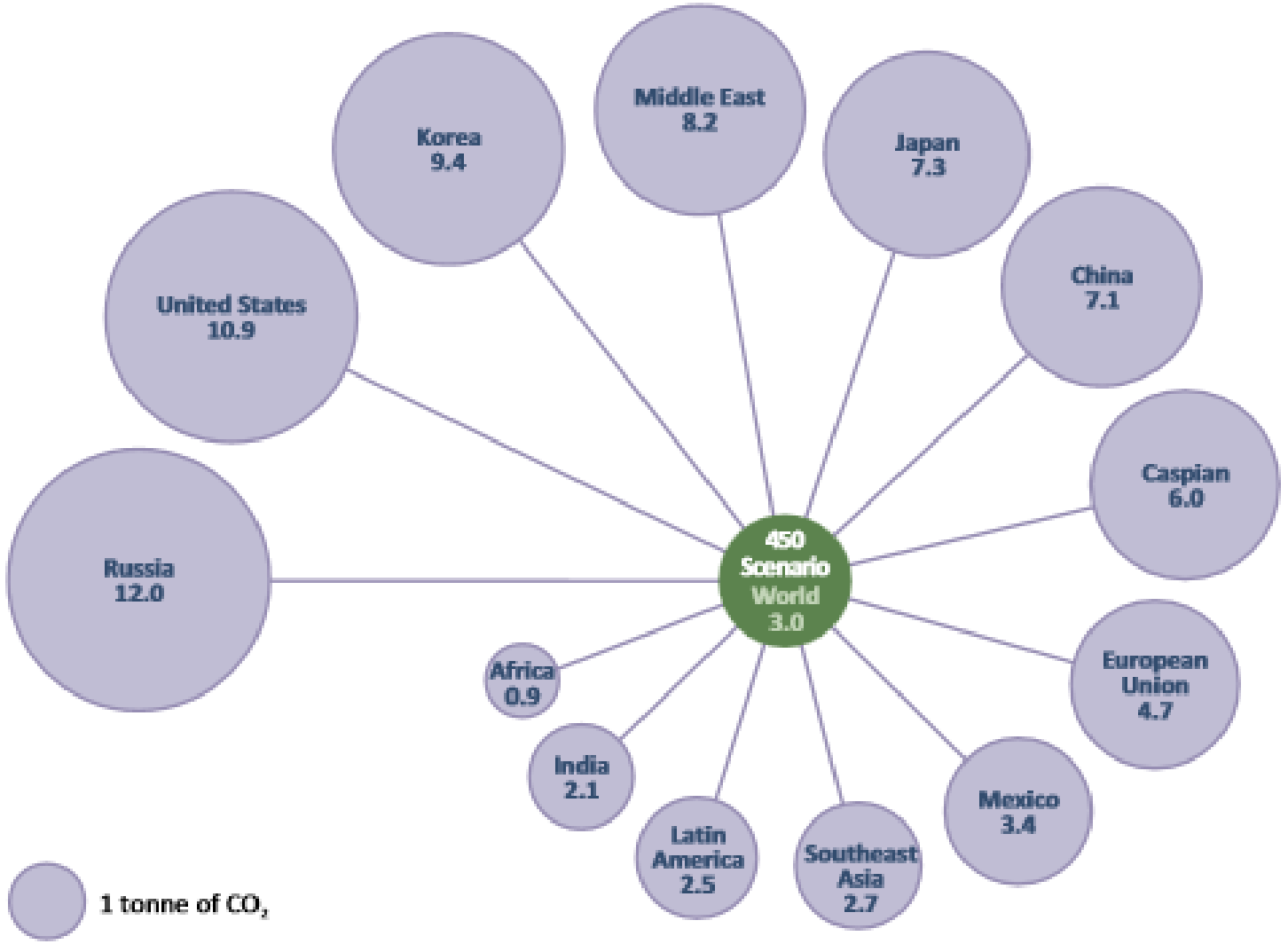
3. EU ETS: a driver of job losses?

- Manufacturing sectors (NACE rev.2) employ 30 million people (Eurostat 2012) but 6 millions of jobs have been lost since the 2009 crisis
- No evidence of carbon leakage and no evidence of offshoring of jobs outside of the EU because of its climate policy (OECD, European Commission)
- Restructurings in the EU (2003-2013) are mainly internal restructurings or consequences of bankruptcy whereas relocations only explain 2% of job losses: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1380en.pdf
- Main drivers of job losses in manufacturing sectors are : long term economic cycles, shift in global economy, weak domestic demand and low level of investment, technology, overcapacity in certain sectors, dumping from third countries

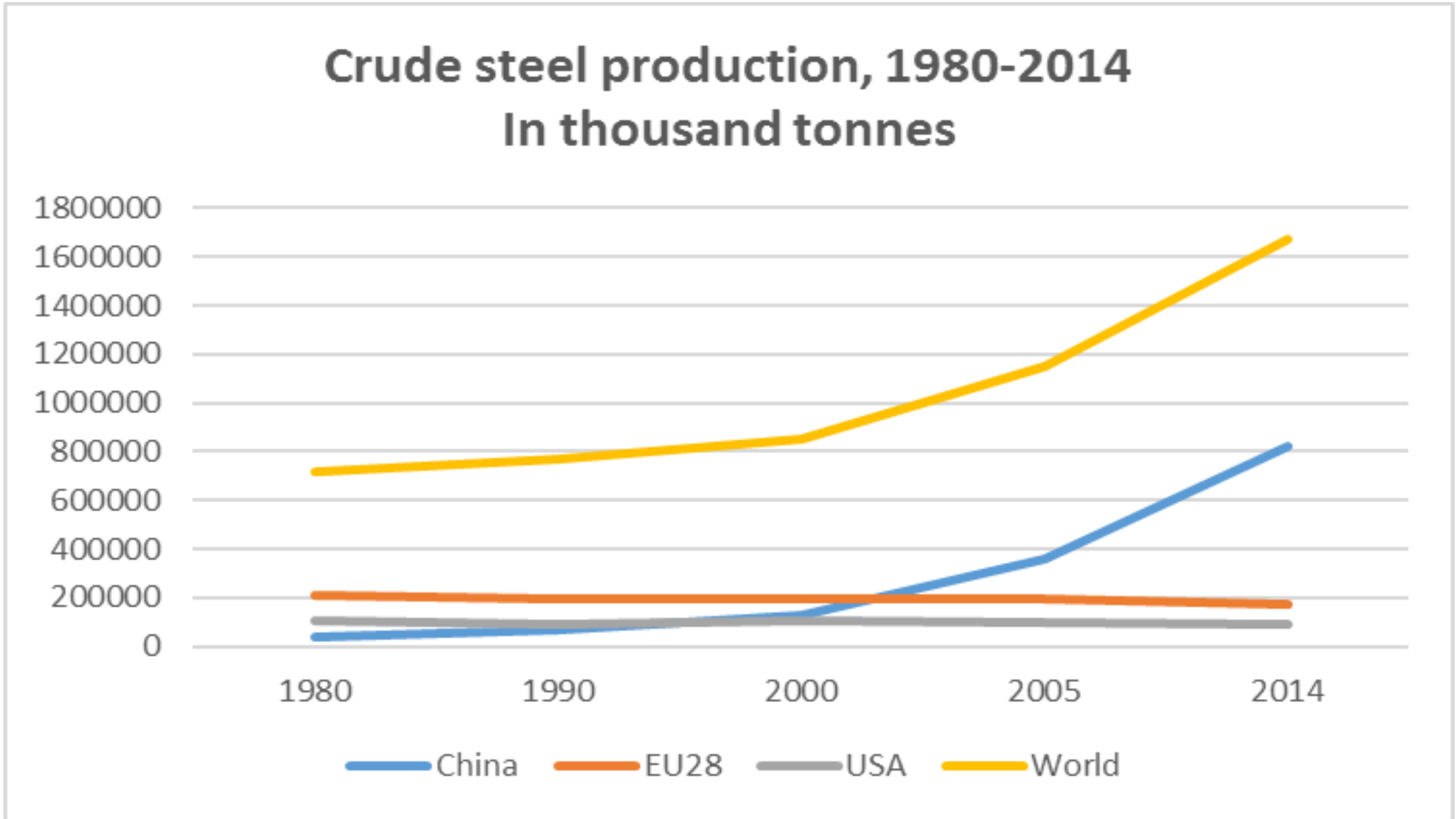
4. A global economy without a global carbon price

- Paris Agreement : all countries should become carbon neutral in the second half of this century
- Paris Agreement is a universal but bottom-up agreement based on National Contributions (NDCs)
  - NDCs difficult to compare
  - No certainty that major economies will decarbonise at the same pace (see slide 7)
- Global stock take and linkage with other regional ETS could lead to further progress
- But in the meantime, the EU must avoid to decarbonise through offshoring of activities towards regions where carbon intensity of products is higher
- To reduce emissions from industries in a single region does not make any sense if emissions from similar industries are soaring elsewhere and if imported goods replace domestic production (see the example of steel on slides 9-11)

Figure 2.5 ▷ Energy-related CO_2 emissions per capita by selected region in the INDC Scenario and world average in the 450 Scenario, 2030

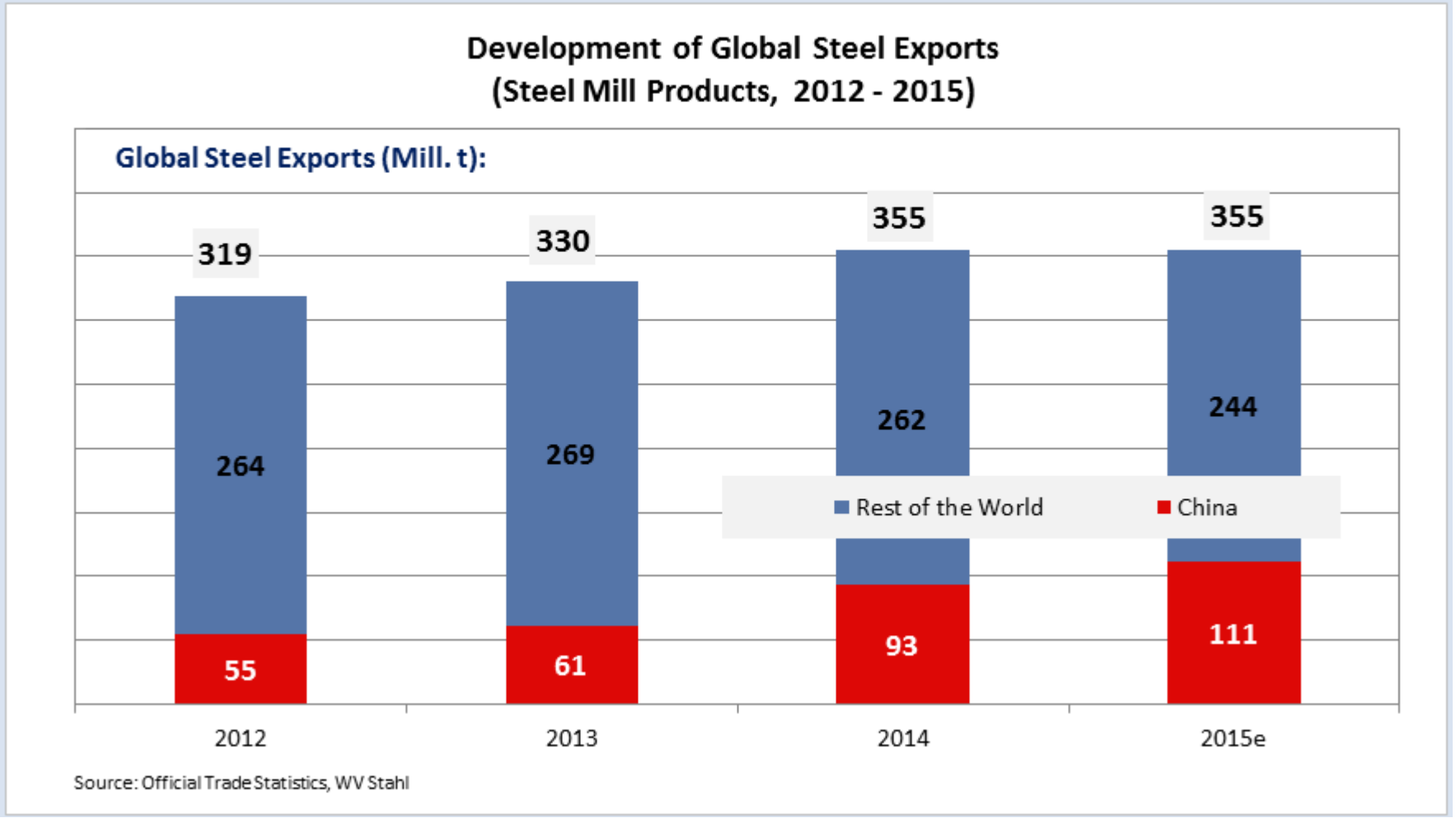


Source: https://www.iea.org/publications/freepublications/publication/WEO2015SpecialReportonEnergyandClimateChange.pdf



Source:
http://www.worldsteel.org

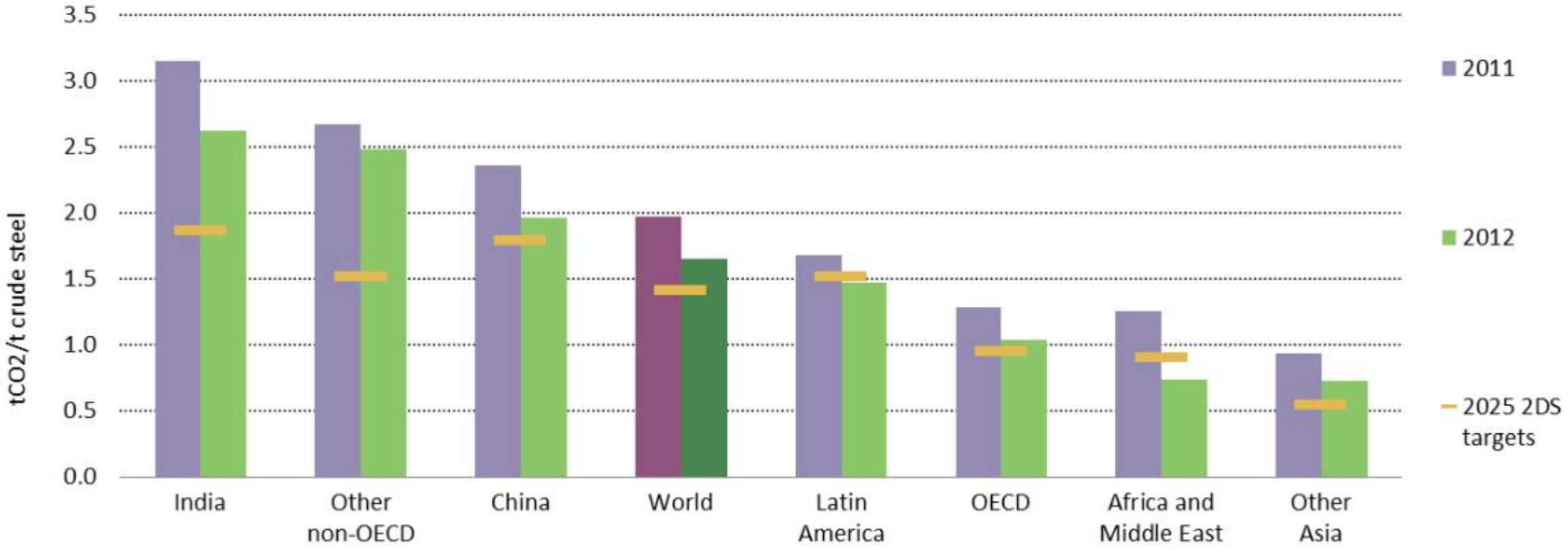
World Steel Exports have risen to a record high in 2015 on the back of Chinas Export Surge



http://en.stahl-online.de/wp-content/uploads/2013/08/World-Steel-Exports_2015.png

Direct CO_2 emissions intensity of crude steel production

ETP 2015



Source IEA/OECD Steel Committee

Process routes shares (BOF vs EAF) is crictical in assessing this indicator

5. How to decarbonize the EU in a global economy?

Offensive instruments

- Accelerate low-carbon innovation (R&D and industrial pilots)
- Innovation Fund
- European Fund for Strategic Investments
- Auctioning revenues collected at MS level
- Standards and norms (e.g. Ecodesign, circular economy)
- Skills strategies

Defensive instruments

- UNFCCC: enhance transparency and comparability of NDCs
- Free allocation
  - Sectors really exposed to a significant risk of CL
  - Benchmarks must reflect BAT
  - CL list based on real EUA price
- Mechanisms ensuring that all actors on the EU market face similar carbon price (ex: include importers in ETS)

Conclusions

- No evidence that ETS and EU climate policies have had a significant impact on offshoring of activities and related job losses in the past
- De-industrialisation and related job-losses have been the consequence of a set of complex and interplaying factors
- Current free-allocation system does not tackle these challenges and does not ensure effective investment in the low-carbon technologies
- A comprehensive strategy is urgently needed in order to accelerate the decarbonisation of the EU industry through investment and innovation, while ensuring a fair sharing of the burden within the EU as well as globally
- Decarbonisation can not mean de-industrialisation and low-carbon economy must be a desirable prospect for all!

Thank you for your attention

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