



**EPSU position on the EU Green Paper:
Towards a European Strategy for Security of Energy Supply
Com (2000) 769, 29 November 2000**

The European Federation of Public Service Unions (EPSU) welcomes the opportunity to comment on the EU Green paper *Towards a European Strategy for Security of Energy Supply*. We believe that this is a worthwhile attempt to formulate a European Energy Policy by the Commission.

EPSU organises workers in public and private companies in all parts of the electricity and gas sector, including generation, renewables, transmission, distribution and supply. EPSU represents several hundred thousand workers in many hundreds of utilities located throughout the European Union, European Economic Area and Central and Eastern Europe. EPSU also organises in many other public services such as health, local and regional government, urban transport and waste. Our members understand the importance of security of supply issues for the whole of the economy. EPSU is a member of ETUC and has been actively involved in the Green Jobs Project. This resulted in the Cardiff Declaration between ETUC and the European Environmental Bureau of June 1998. It provides certain guiding principles that also have to be taken into account when addressing sustainable strategies for a European energy policy. (see annex)

EPSU promotes the development of a Europe for Citizens, based on solidarity, equality and sustainable social, economic and environmental development. We support a European Strategy for Security of Energy that encompasses all these elements.

General Comments

Conflict between liberalisation and market forces and protection of the environment, social justice and security of supply, is not sufficiently recognised. It requires strong government regulation and measures.

We believe that there is a conflict at the heart of the paper between liberalisation of the energy market, protection of the environment and security of supply. Liberalisation is intended to lead to the opening up of the market. It is supposed to lead to maximum competition and a maximum number of competitors, especially suppliers. In reality this is not the case. The number of companies is reduced through mergers and acquisitions as documented by Public Services International Research Unit (www.psir.org) of the University of Greenwich. The reduced number of players are attempting to protect their market share aiming to exclude others, for example through cartels. Especially in the electricity sector a small number of privately owned companies (ruled by the profit motive) can through the with-holding of power (the reason of the California crisis) jeopardize any rational energy policy. The smaller number of companies will seek to determine energy policy wielding their considerable financial influence.

Liberalisation allows access to the least expensive fuel source and, with efficiency savings, produces lower prices. However, it does not necessarily lead to greater consumer choice and a more competitive market in which a large number of companies operate. The conflict between liberalisation on the one hand and protection of the environment and security of supply on the other is the direct result of the overuse of the least expensive fuel source.

Liberalisation encourages over-dependence on environmentally damaging fossil fuels and leads to security of supply problems as, for example, gas reserves are exploited at an unsustainable rate. We must therefore reduce our dependence on fossil fuels and increase our use of sustainable, renewable energy sources.

This is best achieved by switching from a policy based on fuel supply to one focused on energy demand. But focusing on energy demand disrupts the functioning of the market, requiring intervention to encourage lower consumption.

Without market intervention, most notably in the form of financial measures to stimulate sustainable, renewable energy sources and to discourage consumption, it is unlikely that, in the long term, the switch from fuel supply to energy demand will be made and security of supply will be protected. Liberalisation of the market may bring short term benefits in the form of lower prices, but energy policy needs to be based on measures that can deliver not only stable prices but which also protect the interests of suppliers and consumers through the delivery of a package of beneficial services.

In this regard, EPSU underlines that security of supply has a dimension that is not noted in the report. This dimension is to ensure that all citizens have access to energy, in particular electricity. EPSU has argued that this dimension can be seen as a fundamental right. Liberalisation endangers this. EU measures are appropriate to re-balance the situation.

The Green Paper is lacking in social content. It does not relate the choices that can be made relating to employment or social justice.

For Europe to move on a path towards sustainable development, choices need to be made based on restricting the use of natural resources to levels that can be maintained in the future. The choices should be made in such a way that they maximise the potential for job creation and social protection. To be able to make better and fairer choices, different accounting methods that accurately value public services and environmental protection are needed (see EPSU's study on *Growth, Competitiveness, Jobs and Public Services* (1996)).

The Commission fails to focus on which choices will contribute most to employment, health and safety of workers and citizens, social equity and social progress. This is a serious gap that needs to be addressed in the follow-up to the report. The security of supply problems and affordability issues in a number of countries and regions (New Zealand, South Australia, California and other US states, Brazil) have demonstrated that what business and citizens want most is reliability, not lowest price at all costs. High prices in gas and electricity caused by deregulation slow down economic growth as much as high oil prices can do.

Focus on dependency: no to military options. Accent on cooperation and development

We are concerned about the sometimes excessive focus of the Communication on dependence issues. While we recognise that it is important to address these, the Communication on occasion gives the impression that military means are an option. This is exemplified for example in question 5: *Does the risk of physical disruption to energy supplies justify more onerous measures for access to resources.*

Cooperative agreements leading to long-term supply contracts with main suppliers of the European Union are supported by EPSU. It will be important that these agreements are linked to building capacity for social progress and sustainable development in the countries concerned, to prevent that the exporting countries become just exporters of raw materials. The agreements should reflect the above principles and contribute to employment, social progress and development of public services so the citizens of the exporting countries profit as well.

While the European Union can set the framework for such agreements, WTO/GATS rules will intervene. The Commission needs to explore in what way. EPSU believes other criteria then

just competition rules are relevant, such as public interest, social and environmental. WTO/GATS do provide limited scope for these. EPSU supports the **Stop the GATS attack** campaign that calls on the Commission and governments among others to:

- conduct a full and complete assessment of the impacts of the current GATS regime and the implications of the proposed GATS 2000 rules on domestic social, environmental and economic laws, policies and programs with citizens' groups in all member countries;
- guarantee the right of governments to require ironclad safeguards for public services [e.g. healthcare, education, social security, culture, environment, transportation, housing, energy, and water] that may be threatened by global trade and investment rules.

Question 1

Can the European Union accept an increase in its dependence on external energy sources without compromising its security of supply and European competitiveness? For which sources of energy would it be appropriate, if this were the case, to foresee a framework policy for imports? In this context, is it appropriate to favour an economic approach: energy cost; or geopolitical approach: risk of disruption?

An important indigenous source that contributes to decreasing dependence is energy savings and energy efficiency. What is not used, does not need to be supplied and imported.

There is an over-dependence on oil as an energy source. This creates problems of price and security of supply and has implications for the environment. The European Union cannot control price, which is largely determined by OPEC and multinational companies, and if there are only eight years of known EU reserves at current consumption rates it is essential to reduce dependence on external supplies. But there is a dilemma: high oil prices encourage investment in exploration and production of indigenous resources, but have an adverse effect on economies and individuals.

Higher oil prices, for example, result in higher petroleum prices, which are already perceived to be too high in some EU states, notably the UK, where the government tax take is about 75 per cent of the end price. But lower government taxes may not lead to lower petroleum prices as many motorists believe. OPEC and the oil multinationals may simply keep oil prices high to improve revenue. Oil substitutes are needed therefore, particularly in the transport sector.

For electricity generation, there are two fossil fuel alternatives to oil that can be developed through the exploration of indigenous resources. Coal is one, gas is the other. However, a policy to develop both or either, supplemented by imports, should only be considered as a short-term measure. The EU has significant coal reserves, but price is uncompetitive compared with coal imports. Coal is also a fossil fuel and therefore environmentally damaging. If EU coal cannot compete with imports without subsidy, which is contrary to the principle of the internal market, an increase in coal imports may be desirable in the short term.

A policy for gas imports in the short to medium term may also be desirable. Gas is increasingly used in electricity generation due to its competitive price and lower capital costs of construction. From 2020 the EU will become more dependent on gas imports. We therefore need to frame a policy beyond this period, which ensures security of supply at least to mid-century. In the meantime, over the next two decades, cost and geopolitical factors will affect the level of gas imports, with cost more dominant as supplies from Russia and elsewhere become more available, but potentially unstable.

We do note that for import frameworks to be stable, social considerations need to be at the forefront for workers in the European Union as increased imports of coal reduce jobs in the coal sector and effect whole regions especially in Central and Eastern European countries. This also needs to be the case for workers in the exporting countries. An example is Columbia. It is developing into a major exporter (albeit mostly focused on the US). In this country energy, military and trade policy become intertwined with devastating effects on workers. Leaders of coal mining unions are killed for their trade union activity. Another example is the Ukraine where coal mines are notoriously unsafe and investment is lacking.

Stable cooperation frameworks therefore include a strong social dimension. See also question 4.

Question 2

Does not Europe's increasingly integrated market, where decisions taken in one country have an impact on the others, call for a consistent and co-ordinated policy at community level? What should such a policy consist of and where should competition rules fit in?

Liberalisation is making it more, not less, difficult to develop a coherent EU wide energy policy. As liberalisation results in the use of the most economic fuel, equitable supplies of fuel is not possible. EU energy policy is market driven and a continuing focus on supply mechanisms will exacerbate security of energy supply. National governments and energy supply companies have an interest in consumer satisfaction ratings. The former because they do not wish to court unpopularity. The latter because they wish to maintain and, where possible, increase their consumer base. Within a liberalised framework it is difficult to see how a consistent and co-ordinated policy can function at Community level, however desirable it may be.

The focus of EU policy should shift from one of market driven supply to management of demand. Energy supply companies should be encouraged, through incentives if necessary, to meet consumer demand for energy services, rather than engage in the ultimately self-defeating competition for consumers through the prospect of lower prices. Lower energy bills, rather than prices, as part of a wider package of services, should be offered to consumers. The EU's role should be to ensure that the mechanisms to achieve reductions in energy use are applied consistently across all Member States.

EPSU as well as ETUC and CEEP have consistently argued that a liberalised market is not able to address public interest concerns. Services of general interest are needed for a decent European energy policy to be possible and effective. A positive attempt to comprehensively address services of general interest matters is undertaken in the ETUC-CEEP European Public Services Charter adopted end 2000. (See also Flautre report on services of general interest of the Social Affairs Committee of the EP, 2001)

Question 3

Are tax and aid policies in the energy sector an obstacle to competitiveness in the European Union or not? Given the failure of attempts to harmonise indirect taxation, should not the whole issue of energy taxation be re-examined taking account of energy and environmental objectives?

Taxation and State aid are essential to develop alternatives to fossil fuels as the competitive market will operate against this unless the fuel alternatives are economic. We need to reassess energy taxation policy in the light of energy and environmental objectives and to reduce areas of potential conflict. Environmental/energy taxes are needed to steer demand towards more controlled consumption and environmentally benign energy sources. Fossil

fuels, for example, should be assessed as an energy source taking full account of their impact on the environment; the so-called external costs of exploration and production.

Efforts to harmonise tax have already been made and in some cases, VAT on domestic fuel for example, have been partially successful. In other areas, such as diesel and petrol, there are widely varying taxes. In countries like the UK where such taxes are relatively high, they are deeply unpopular and create intermittent problems for government. National governments would be unwilling to give up their right to levy indirect taxes on fuel, but nevertheless, the goal of tax harmonisation should continue to be pursued.

Energy taxes should be levied for energy and environmental objectives and not used, as they tend to be, for revenue raising purposes. Where such taxes are levied the revenue should be earmarked for specific purposes such as stimulating investment in renewable energy sources and/or clean technology which reduces pollution. Upward harmonisation is unavoidable if the EU's objectives of more effective energy demand and security of supply are to be met.

(The EPSU Tax Charter (2000) argues that the search for co-ordination and closer harmonisation of the tax policies is a must to impede both tax competition between Member States of the European Union and distortion of competition between economic operators

EPSU believes in progressive tax principles, that need to be taken into account when addressing tax reform:

- that direct taxes should be based on the ability to pay;
- that on the basis of solidarity, exemptions should be granted to the poorest so as to provide them with a guaranteed minimum income;
- that tax must not act as a disincentive for women to work.

EPSU believes that tax systems can and must be used to create a better society by :

- applying a fiscal policy which promotes employment through lowering the taxes on labour, and encourages employers to improve training for their employees;
- shifting the tax burden from income from work to income from savings and capital;
- imposing higher taxes on energy sources and materials that are environmentally harmful and non-renewable ; tax reform must take account of ecological criteria;
- ensuring that there is a broad tax base and that taxation does not fall too heavily on one set of economic activities and thereby distort a balanced economy

Question 4

In the framework of an ongoing dialogue with producer countries, what should supply and investment promotion agreements contain? Given the importance of a partnership with Russia in particular, how can stable quantities, prices and investments be guaranteed?

The EU should grasp the opportunity to promote and develop new energy technologies within the boundaries of its Member States and elsewhere, particularly in energy producer countries. Consequently, agreements between the EU and Russia for example, should include (in addition to cash payments) the transfer of such technology and where necessary personnel in exchange for supplies of essential fuels. This would encourage technological development within the EU as new markets outside of the Community open up.

Unless an understanding is reached on price stability through promotion agreements, price levels would be beyond the control of the EU and the supplier country, being determined by prices on the world market. Promotion agreements between the EU and Russia in these circumstances assume great significance. Supply quantities, price levels, investment

volumes as well as social and environmental criteria should be an integral part of the agreement between the supplier and recipient country.

Cooperation agreements however are made more difficult because of liberalisation. The aim in the EU is to increase the number of companies thus making the buyers more fragmented while at the same time the producers remain organised. Provisions for long-term contracts would have to be looked at.

EPSU supports the efforts by ETUC and ICFTU, and following reports by the European Parliament on East-West cooperation, to seek a social and environmental dimension in the European Energy Treaty. Basic social standards of the ILO have to be respected by the EU and the countries the EU deals with. The European Commission has stated so much in its *Communication on Promoting Core Labour Standards and Improving Social Governance in the Context of Globalisation*. We also refer to our point under question 1.

We note with concern that the EU-Russia discussions on Energy cooperation take place in a manner that is not transparent and does not involve the social partners and other community organisations. Social concerns have not been addressed although electricity trading, for example, can have detrimental effects on the environment and employment. The agenda regarding corporate governance is extremely limited and does not take account of the European Union's own proposed policies on **Corporate Social Responsibility Com (2001) 366** or on **Promoting Core Labour Standards and Improving Social Governance in the context of Globalisation**.

Question 5

Should more reserves be stockpiled – as already done for oil – and should other energy sources be included, such as gas or coal? Should the Community take on a greater role in stock management and, if so, what should the objectives and modalities be? Does the risk of physical disruption to energy supplies justify more onerous measures for access to resources?

Some Member States have substantial reserves of coal but have reduced production considerably, closing mines in the process leading to job losses. Many of these mines have thus been rendered uneconomic. Consequently it would be physically, as well as economically, difficult for the EU to stockpile indigenous coal. However, due to a risk of physical disruption to energy supplies it may be sensible to review the policy of mine closures and examine the geological recovery of domestic coal reserves. Any role for coal, however, should be based on the use of clean technology.

Gas should also be included in a policy of stock management (and storage facilities) as it is the fuel most likely, between coal and gas, to succumb to geopolitical pressure. It is also, increasingly, the most popular fuel for electricity generation and therefore steps should be taken to protect indigenous supplies as well as seeking to increase economic supplies from outside the EU through stable cooperation agreements. We are aware that the number of sites for the storage of gas is limited and unevenly spread. Many are already used to ensure equilibrium of gas transport. While stock management can be both a competitive advantage and a disadvantage, a European policy of gas should not shoulder the burden unevenly on some and not on others.

See also our general comment on the excessive focus on dependency issues. We reject the idea that military means (onerous measures ????) are a way to achieve access to resources.

Question 6

How can we ensure the development and better operation of energy transport networks in the European Union and neighbouring countries that enable the internal market to function properly and guarantee security of supply?

Energy transport networks should operate in the interests of all European Union Member States, backed by legally binding reciprocal agreements. It is against the spirit and letter of the internal market for any single country to export its surplus energy without accepting responsibility for any adverse effects this may have on overall security of supply. It is particularly important that new, renewable energy sources have access to energy networks if the EU is to expand the contribution from non-polluting fuels.

EPSU reiterates its position that given the nature of the energy transport networks and in particular those in the electricity sector, the Commission is to ensure the public control of the grids. One way is through making ETSO (European Transmission System Operators) a European Agency, controlled at European level and with a European mission (See EPSU: EU Energy Policy needs a social conscience, September 2000);

Energy transport networks between the EU and non-EU supplier countries need to be improved if security of supply is to be protected. This is especially true of the transport of gas and oil from and through Russia, its former satellite states, and Turkey. The latter, which is seeking EU membership, has a poor human rights record which needs to be taken into account in negotiations about facilitating access for energy supplies to the EU (See our comments to integrate social and environmental criteria in cooperation agreements).

Question 7

The development of some renewable energy sources calls for major efforts in terms of Research and Technological Development, investment aid and operational aid. Should co-financing of this aid include a contribution from sectors which received substantial initial development aid and which are now highly profitable (gas, oil, nuclear)?

EPSU supports the objective of 12% share of renewables in the total energy balance.

There are no real supply problems related to renewable energy as it is available, at various stages of advancement, in different forms. The real problem is financial, notably the absence of investment to kick-start a large programme. Historically, fossil fuels and nuclear power have received considerable assistance in their initial stages of development. Nuclear power, in particular, has received substantial State aid. There should therefore be no objection in principle, even under the rules of the internal market, to State or EU aid to the development of renewable energy.

In some Member States, energy companies are investing increasingly in renewable energy, but more needs to be done to move from the research and development stage to actual production. These companies should continue to allocate a substantial proportion of their investment in the practical application of renewable energy technology, with incentives to those companies who have not done so to go beyond research and development.

We do note that liberalisation puts pressure on companies to cut investment in research and development, similar to cuts in training of the workforce, as companies are forced to make cost-savings. R&D often is one such saving and another saving is made through reduction of energy efficiency programmes (See EPSU: Dark Age or New Era, internal market for electricity, February 1999).

Question 8

Seeing that nuclear energy is one of the elements in the debate on tackling climate change and energy autonomy, how can the Community fund a solution to the problem of nuclear waste, reinforcing nuclear safety and developing research into reactors of the future, in particular fusion technology?

As nuclear (power) generated electricity produces extremely low levels of carbon dioxide it is argued that expansion of the EU's nuclear capacity will help to meet the CO₂ reduction targets set under the Kyoto agreement. However, now that the agreement has been weakened as a result of Japan and the USA refusing to accept binding targets this argument needs to be reviewed. Even in its original form, however, it contained a dilemma: nuclear power helps to meet CO₂ reduction targets by releasing very low levels of the gas, but it presents a practical problem at the back end of the fuel cycle.

The problem of long-term disposal of nuclear waste has yet to be solved, in spite of decades of research and various experimental methods, and it is not simply a geological problem. There is considerable public opposition to a permanent waste disposal site in highly populated countries like the UK: no one wants nuclear waste buried near to where they live; the so-called Not-In-My-Backyard (NIMBY) syndrome. And the nuclear industry has done itself few favours by appearing to be in disagreement about the most suitable geological conditions for a final resting place. In general it should be the polluters who pay for finding a solution to the waste problems.

Regarding fusion technology, this is very much a scientific exercise and can therefore not be argued to be part of a energy policy as implied here. Even those who advocate it, do not claim it will be come available commercially any time soon (40-50 years ???). What it does do at European level, is divert scarce resources away from research in renewables technologies, which by the way also offer good prospects for employment creation. The largest single element of the Commission's scarce R&D budget for energy is devoted to controlled nuclear fusion. The Commission's a total Nuclear Energy Programme amounts to Euros 1,260 million, and Euros 788 million of this is devoted to nuclear fusion. (Figures UK Energy Trust)

A good case for public funding of Research and Development can be made and we would argue that the Commission concentrates work on increasing public funding for research into renewables. The research will also have to examine how renewables and other options such as fuel cell technology impact on employment and the public service obligations. An important question is who will pay for back up capacity and grid infra-structure ?

Question 9

Which policies should permit the European Union to fulfil its obligations within the Kyoto Protocol? What means could be taken in order to exploit fully potential energy savings which would help to reduce both our external dependence and CO₂ emissions?

We need to look long-term, beyond the Kyoto target date, to 2050 if we are to develop environmentally benign energy sources. This will allow time for the investment and the structures for renewable energy to be put in place. But we also need to focus much more on energy demand by supporting measures which reduce use. Investment in co-generation (combined heat and power) and energy conservation and efficiency measures in buildings, industry and transport will be well rewarded in terms of lower greenhouse gas emissions. **But it will also, and this is a point that seems to be neglected in the paper, bring huge social and economic benefits through greater social equity and higher employment.**

Investment in measures to improve the energy efficiency of buildings, including homes, will produce greater comfort as well as reducing energy costs, while incentives to industry to apply clean technology will result in lower emissions and increase productivity. At the same

time jobs will be created in manufacturing and high-tech industries. Energy companies have an important role to play in the application of energy saving measures through the delivery of a range of energy services to the final consumer. The creation of energy service companies throughout the EU should be a key objective of the internal market.

Economic development in the EU would be enhanced, not endangered, as a result of the application of these measures, but it will require a change in attitude at boardroom level where there is pressure to meet short term financial objectives in order to satisfy shareholder demands for early returns on investment. Social partners, particularly trade unions, can play an influential role in all areas of business and industry in encouraging employers to accept their corporate social responsibility in economic, employment and environmental matters.

Question 10

Can an ambitious programme to promote bio fuels and other substitute fuels, including hydrogen, geared to 20% of total fuel consumption by 2020, continue to be implemented via national initiatives, or are co-ordinated decisions required on taxation, distribution and prospects for agricultural production?

A small scale programme to promote bio fuels and other substitute fuels is already underway in some Member States, but there is a need for a co-ordinated effort throughout the EU. Fuel cell technology is in use in the development of solar power. This has a positive role to play in electricity supply to buildings, including homes. Incentives are required therefore to encourage its development by energy companies. Hydrogen has potential application in transport, as well as energy, and investment is required for further development.

Modern agricultural production methods represent as great a threat to the health of the planet as global warming. It is vital therefore that more sustainable agricultural systems are developed, which take advantage of new energy technologies and reduce significantly chemical use. Eco-systems need to be protected from intensive farming which discharges animal waste at a damaging, unsustainable rate. Non-polluting chemical/fuel substitutes should be promoted, with increased investment in more natural, organic farming systems.

Question 11

Should energy saving in buildings (40% of energy consumption), whether public or private, new or under renovation, be promoted through incentives such as tax breaks, or are regulatory measures required along the lines of those adopted for major industrial installations?

Financial incentives have a useful role to play in some sectors, industry for example. In other sectors, notably commercial, where there are barriers to energy efficiency measures, regulatory measures are required. The property market, for example, has not grasped the importance of energy efficient buildings; and as incentives such as the climate change levy in the UK do not affect them, regulation is needed.

Studies have shown that energy efficiency initiatives in the building/property sector are cost-effective and capable of saving up to 450 million tonnes of CO₂ over the lifetime of the measures. There is a need therefore for improved insulation standards on new and existing buildings throughout the EU. The employment potential of energy efficiency initiatives in buildings is enormous. Estimates of job creation, already accepted by the European Commission, suggest that up to 3.4 million job years of work could be created through the adoption of an energy efficiency programme.

Question 12

Energy saving in the transport sector (32% of energy consumption) depends on redressing the growing imbalance between road haulage and rail. Is this imbalance inevitable, or could corrective action be taken, however unpopular, notably to encourage lower use of cars in urban areas? How can the aims of opening up the sector to competition, investment in infrastructure to remove bottlenecks and intermodality be reconciled?

The imbalance between road haulage and rail is not inevitable, but it requires firm corrective action to make the switch. This is a separate issue from the over use of cars in urban areas and requires a different approach. The European road transport lobby is very powerful and will resist any changes designed to reduce the volume of road haulage traffic. Attention needs to be focused on the impact of such changes on employment in the sector, which will fall as a result of a major switch to rail transport.

Transport's impact on environmental pollution will reduce as the use of 'green fuels' becomes more widespread, but increased congestion through greater car use will have an adverse impact on health and the environment, most notably communities who live close to major road networks. The costs of car ownership (and use) have barely changed in the last 25 years, due largely to a fall in the real price of cars, while in many countries public transport costs have risen substantially. This is a significant factor in the increase in car use over the last few decades.

The costs of travel by public transport need to fall, but bus and rail also need to be more efficient, reliable and safe if there is to be a major reduction in car use. This requires national initiatives, but European networks, rail in particular, need to improve to meet the public's increased travel demands. Investment in infrastructure to remove bottlenecks and improve intermodality is essential, but given the experience of privatisation and deregulation in the UK for example, it is at least questionable whether these will have a positive effect throughout the EU.

Question 13

How can we develop more collaborative visions and integrate the long-term dimension into deliberations and actions undertaken by public authorities and other involved parties in order to evolve a sustainable system of energy supply. How are we to prepare the energy options for the future?

Public authorities such as local and regional government, health bodies and so on, have an essential role to play in the delivery of a sustainable energy system. They are in a unique position to integrate the work of a range of organisations within local and regional partnerships for sustainability. Public authorities can link with energy service companies to promote energy systems which best suit local needs, co-generation and energy efficiency, for example, and renewable energy sources, such as bio-mass, geothermal and wind power. Local government, in particular, can insist that private sector landlords meet minimum standards of energy efficiency in their property, as well as improving the efficiency of its own housing stock.

Public authorities are also able to encourage local, small-scale energy production systems which create employment within the local economy. Many local firms are in a position to take advantage of investment in new energy technologies, with significant opportunities for expansion. While liberalisation of the energy market is leading to lower employment levels within energy companies, these job losses can be offset substantially by investment in job creating energy systems based on low-carbon technology.

A sustainable system of energy supply should not only meet agreed economic and environmental objectives, it must also deliver energy services to all consumers based on a universal service obligation to supply. The workshop on the right to energy of the Energy

conference organised by the Belgium presidency 27-28 September 2001, Brussels provides many ideas on how to realise this. Although we welcome the universal service obligation in the Commission's proposals for changes to the directives on the Internal Market for Electricity and Gas, more should be done to give it real meaning.

The completion of the internal market must result in an all-round improvement in standards of service to all consumers. But at the same time standards or conditions of employment must not deteriorate as they have done in, for example, the UK. As well as a universal service obligation to supply energy, there must be a universal employment obligation to improve the conditions of service for all workers in the European energy industry.

The study on the employment in the electricity and gas sector undertaken by EcoTec for the Commission confirms that 250.000 jobs have been lost 1990-1998 and a further 20-25% are expected to be lost in the next 4-5 year period. The Commission underlines the following points in its Communication Completing the Internal Market Com (2001) 125:

"It is important to ensure that such job losses occurring in the transitory period during which companies in the energy sector are adapting to the new competitive environment are recognised and appropriately taken care of by national and Community policies (....)"

"However, as market opening is moving ahead and restructuring continues, it is necessary that alternative measures at company level intended to accompany the restructuring process be further explored and reinforced. Such measures are, for instance, working time reductions and increased retraining, in line with the European Employment Strategy under which, in principle, priority should be given to retraining and redeployment over early retirement. Developing alternative measures is particularly important if the possibilities for companies to handle restructuring through early retirement become more limited over time, due to staff becoming younger on average. Best practice in this respect should be exchanged between companies and the social partners. The Commission will encourage such an exchange of experience, for instance in the framework of the sectoral dialogue committee "electricity"¹. (....)

"Actions under these employment policy pillars require the establishment of a strong partnership between public and private actors at different levels and can be financed through the European Social fund in the context of programmes agreed between the Commission and the Member States. Special attention must be given in this context to developments in the candidate countries. It is important to assist energy companies and governments in these countries in the process of restructuring the energy sector in a socially responsible manner, for instance through sharing with candidate countries the experience made in the Community in this respect. Further monitoring will be undertaken by the Commission in this respect and the countries concerned will be encouraged to strengthen this aspect under the PHARE programme. However, the employment effects of market opening in the energy sector might well make their impact felt most strongly in the candidate countries when they will have been integrated in the internal market and the PHARE programme no longer applies to them. The Commission shall ensure that this aspect of market opening in the candidate countries will receive continued attention and support, also when the candidate countries will have become members of the European Union." (....)

Continued work on security of supply issues should also include representatives of the stakeholders (trade unions, environmental organisations, local authorities etc) of the countries of Central and Eastern Europe) and be pursued through the sectoral social dialogue committee electricity and the informal social dialogue for the gas sector.

¹ The Committee was set up on the basis of the Commission Decision of 20 May 1998 on the establishment of sectoral committees promoting the dialogue between social partners at EU level.

Appendix: The Cardiff Declaration
EEB/ETUC CARDIFF DECLARATION ON EMPLOYMENT AND ENVIRONMENT

Cardiff, June 14, 1998

The European Environmental Bureau (EEB) and the European Trade Union Confederation (ETUC) want a Europe that is environmentally and socially sustainable. They firmly believe in a Europe that fully integrates environmental and social concerns in its economic policies. EEB and ETUC have jointly organised with their member organisations in five member states of the EU a project, that collects evidence of the positive relationship between environment and employment. The outcome of the projects shows that indeed such a positive relationship exists, including in areas as public transport, biological agriculture and rural development, energy conservation and urban renewal, and that a combination of initiatives by stakeholders and enabling policies by governments can create substantial double dividends.

EEB and ETUC have jointly analysed the current state of employment policies in the European Union. They have agreed on the need for a coordinated strategy for employment. Member States should regard "promoting employment as a matter of common concern" and should coordinate their actions in this respect, as requested by art. 125 and 126 of the Treaty of Amsterdam. EEB and ETUC have equally come to the conclusion that „environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities", as is requested by article 6 of the Treaty. Employment policy is a good start therefore.

Registered unemployment in the EU now stands at close to 20 million women and men – with at least another 10 million who would work if the jobs were available. The dismantlement of Single Market barriers must be accompanied by active and coordinated measures to ensure that profits, which are at historically high levels, are used to help funding the investment that job creation and improving the environment requires. Women and men who have lost their jobs, who are excluded, or who are at risk of becoming unemployed must have ready access to advice, training and work experience that they require to find rewarding employment.

EEB and ETUC are alarmed by the fact that in most of the priority areas identified by the 5th Environmental Action Programme of the EU, such as energy, transport, tourism, environmental pressure continues to increase.

There has been remarkable progress on limited aspects of environmental protection, but the general degradation continues. Pollution from industrial installations could be partially reduced, but pollution from diffuse sources, such as transport and agriculture, pollution from products and consumption patterns have considerably increased.

There are structural reasons for the over-use of environment and natural resources and the under-use of human capacities: the price of labour versus the price of natural resources and environmental goods. Income tax and social security premiums are a heavy burden on labour, whereas for natural resources and environmental goods no reasonable price is being paid. This needs to be reversed. Environmental legislation is often not efficient enough, is insufficiently transposed or not implemented. A wider set of instruments and a stronger European involvement are urgently needed. There is a profound lack of courage and vision within huge parts of industry, that do not live up to the challenge, of making a big step forward to innovation by taking up environmental demands. Governments fail to understand the role of the public sector in society and tend to reduce labour intensive social services, thereby further increasing unemployment and decreasing quality of life.

With the Treaty of Amsterdam, which was signed on 2 October 1997, a coordinated strategy for employment became the task of the European Union. In November 1997 the Commission both presented a Communication on Environment and Employment and Employment

Guidelines for the Member States. However, there was no relationship between the two.

EEB and ETUC call upon the European Union and its Member States to recognise, that employment policies are an integral part of sustainable development and vice versa and therefore to ensure that the Employment Guidelines for 1999 fully integrate environmental considerations.

While meeting their own specific objectives, Employment policies shall and can assist in reducing the pressure on and the depletion of environmental goods and natural resources. They should provide meaningful roles for people in building societies that fulfill basic needs of all citizens and guarantee a fairly distributed prosperity. Employment policies should provide for a safe, motivating and rewarding work environment. They should divide the burden of labour equitably among all persons able to contribute their share. Environmental and employment policies should promote sustainable and lasting development which provides for well-being, respects the environment and social cohesion.

We would like to see the following proposals taken up in the Guidelines:

1. Ecological Tax Reform: Promote employment and a better environment by reducing the cost of labour by shifting the burden of the mobilisation of funds for public services and social security from labour to capital and environmental goods and natural resources. Set targets for this shift, while avoiding any negative impact on the level of public services and social security.

2. Targeted reforms of V.A.T. schemes and other indirect taxes: promote environmentally friendly products and services with lower rates. For example allow a reduced rate for products and services that have been recognised with European Ecolabels and official national ecolabels.

3. Shift Subsidies from environmentally problematic areas to positive areas. Implement Strategic Environmental Impact Assessments on existing subsidies and on alternative allocations of such subsidies, and choose the allocations that have most to offer for sustainable development, for instance in energy efficiency operations (including in existing housing), urban renovation operations, preparing farms for biological production, clean and efficient operating public transport modes, renewable energy production schemes, and waste minimisations and re-use projects. A link with employment needs to be made.

4. Use the Structural Fund for the promotion both of sustainable development and for the creation and employment. The environmental dimension in the territorial employment pacts should be strengthened considerably.

5. Promote local initiatives, and allow and encourage green procurement by local authorities, including for the promotion of local economic activities, if this has a clear benefit for sustainable development. Promoting the social economy has an enormous potential to create employment and to increase quality of life.

6. Build a European Employment and Environmental policies upon the communication of the Commission of November 18, 1997.

EEB and ETUC think that trade unions and environmental organisations have a considerable task for joint action. EEB and ETUC commit themselves to further co-operation to promote a Europe that is socially and environmentally sustainable.