

## A solution for at least 70,000 workers needed

### New CO<sup>2</sup> standards must support both social and environmental sustainability

(7 June 2018)

In November 2017, the Commission presented its proposals for the post-2021 CO<sup>2</sup> emission standards. It proposes a 30% reduction of emissions of both cars and vans by 2030. An intermediate target of a 15% reduction is set for 2025. The new objectives will succeed the current regulation which has established targets of 95g CO<sup>2</sup>/km for cars and 147g CO<sup>2</sup>/km for vans by 2021.

On 7 June industriAll Europe and IG Metall organised an event in the European Parliament to present a new study at the request of IG Metall with the Fraunhofer Institute on the impact of electrification on staff requirements for the production of powertrains (which represents a quarter of all automotive equipment).<sup>1</sup> The conference was hosted by S&D MEP Edouard Martin.

The Fraunhofer Institute developed three scenarios on the employment impact of further decarbonisation of the automotive industry. The first scenario makes the assumption that the 2030 automotive fleet will be composed by 15% plug-in hybrids and 25% battery-electric vehicles, the remaining being conventional powertrains. In this scenario, employment in the production of powertrains would decrease by 11% by 2030. In a second more ambitious scenario (20% PHEV and 40% BEV), the impact would be -18%. In a very ambitious third scenario with 80% BEV and 10% PHEV, the production of powertrains would require 35% fewer employees.

**If we extrapolate these figures to the European level, 67,000 automotive workers risk to lose their jobs in scenario one. This scenario more or less reflects the current proposals by the Commission. In the second scenario 108,000 jobs and in the third scenario, 210,000 jobs are at stake.** These figures take into account the positive impact of new jobs that will be created in power electronics or battery production. However, the figures do not take into account the impact of digitalisation and robotisation, nor the indirect jobs that risk to disappear as well. The main explanation for the negative job impact of electrification is related to the much lower labour content of electric drivetrains. The impact of electrification on the aftermarket was not included in the survey.

According to Luc Triangle, General Secretary of industriAll Europe *“the Fraunhofer study is very important as it assesses the employment impact of different decarbonisation scenarios on the automotive sector itself, while so far most impact assessments followed a more macro-economic approach. To us, the study clearly shows that future emission standards must be the result of balanced compromise between different objectives. They must respect the triangle of sustainable development: social, ecological and economic evolution. This means that they must be an important stepping stone to the new paradigm of low-carbon mobility which will be based on alternative powertrains. They must also ensure that the industry remains at the cutting edge of technological progress and that the sector remains economically viable. But at the same time, the social consequences of setting new standards have to be fully taken into account from the beginning.*

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<sup>1</sup>Fraunhofer Institute for Industrial Engineering IAO, ELAB 2.0 the Effects of Vehicle Electrification on Employment in Germany, preliminary report, 4 June, 2018.

*Indeed, if we want this transition to happen, social acceptance by the automotive workers is an absolute necessity”.*

The final regulation must be a balanced compromise between ensuring a sustained and effective shift from conventional engines to alternative powertrains while at the same time enabling a gradual social transition. This also means that all technologies need to be supported: improving conventional drivetrains (introduction of mild hybrids), battery-electric vehicles, plug-in hybrids, hydrogen, CNG. However, industriAll Europe and IG Metall are of the opinion that mandates (linked to penalties) for the uptake of zero-emission vehicles (ZEVs) can only be set when there is much more visibility on the market potential of electric cars. Indeed, consumer acceptance is still lacking due to price and limited range (only 100,000 battery-electric vehicles were sold in 2017). Supply of electricity and access to raw materials could become problematic in case of a mass breakthrough of ZEVs. Therefore, industriAll Europe and IG Metall support ambitious and coordinated European programmes with clear commitments of all relevant stakeholders to create the right framework conditions for the uptake of ZEVs.

*“We fully support the evolution towards a new automotive paradigm, but this has to happen in a socially acceptable way. If the right flanking measures are taken, we must be able to shape this transformation. It will require the combination of industrial and employment strategies. Mass training programmes will be needed while ambitious reconversion plans should avoid the decline of regions”,* said Christian Brunkhorst, automotive advisor from IG Metall and chairman of the automotive committee of industriAll Europe.

*“In this respect we should not forget that many regions all over Europe are heavily integrated in the automotive supply chains. Equally, we should not forget that thousands of SMEs producing conventional components are at risk as they miss the necessary financial resources, the research capacity and the technologies to invest in alternative products. Also, the aftermarket and its 4m jobs will be severely disrupted as electric vehicles require much less maintenance”,* Christian Brunkhorst continued.

New jobs will indeed be created, in information technologies, in (renewable) energy production and in electricity distribution or by the savings made by reduced oil imports. However, these new jobs will be created outside the automotive industry at another time, at another place and with other skill requirements than the jobs that have become obsolete.

*“Setting standards (with related penalties) that are hard to achieve risks to push many companies and their workforce out of business. ‘Creative destruction’ has to be welcomed, especially when it supports our climate ambitions. However, care has to be taken of the stranded assets (economic and social) that will be left behind. Therefore, decision makers have to look for the optimal transition path which reconciles our environmental ambitions with our social ones. Setting ambitious emission standards must be met by social transition programmes with the same level of ambition”,* Luc Triangle concluded.