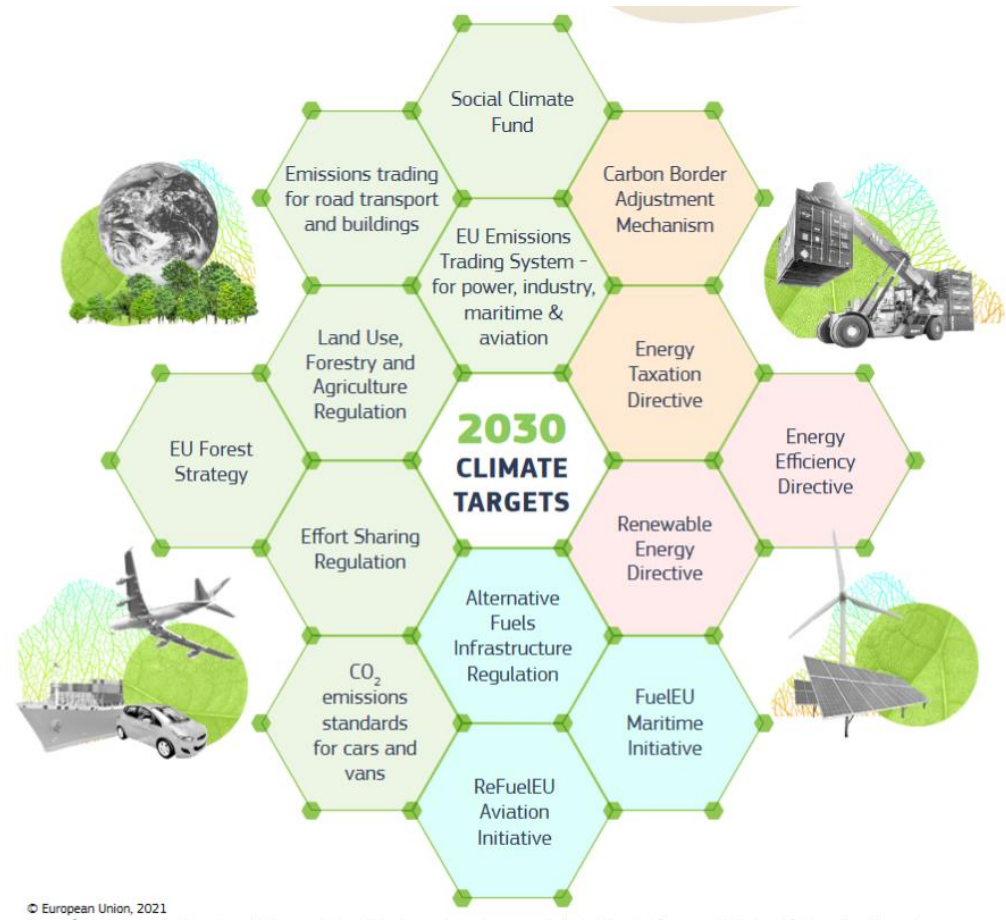


« Fit for 55 Package » Overview and preliminary assessment

Regional workshop on Just Transition, Trade union involvement, Collective Bargaining and Social Dialogue in Central Eastern Europe.

Fit for 55% in a nutshell

- **Framework of the European Green Deal and the EU Climate Law which aim at reaching climate neutrality by 2050 and sets more ambitious emissions' reduction targets for 2030**
- **Policy proposals fit for reducing net greenhouse gas emissions by at least 55% by 2030**
- **Comprehensive and interconnected set of 13 proposals (12 k pages!!!)**
- **Additional proposals will be made in December (Energy Performance of Buildings, Circular Economy + social dimension)**



IAE reaction – Core messages

1. Climate action requires Just Transition

IAE supports the objective of climate neutrality by 2050 and recognises the need for increased ambition in 2030 to reach this but wants Just transition principles to be translated into action. As designed, the FF55 Package might increase inequalities among regions and within society. IAE asks additional resources to cope with the many social challenges ahead.

2. A legal framework for the anticipation of change

IAE demands a legal framework for the anticipation of change securing trade unions' participation at all appropriate levels (Sectors, regions, companies)

3. A sound industrial policy

IAE wants to improve coordination and coherence between the Green Deal and the EU Industrial Strategy. The FF55 package must better take into account the EU industrial strategy and its recent update, as well as the upcoming ecosystems transformation pathways.

4. A fair global regime based on a level playing field and international justice

IAE stresses the importance of having a level playing field with European trade partners on EU as well as on foreign markets. CBAM is an important part of the answer to the competitiveness challenge due to the acceleration of emissions reduction but more must be done to tackle the risk of carbon leakage (for exports, for sectors downstream value chains or to cope with an ever increasing energy bill)

5. Rising energy prices must be tackled

IAE wants the EU and MS to implement solidarity mechanisms and to go deeper in identifying some of the drivers of this price increase.

ETS - Initial reaction to the EC proposal

- **Revised target and measures to strengthen the cap will bring the ETS into uncharted territories when it comes to carbon price**
- **The decrease of free allocation will exacerbate the impact of the ETS on the sector**
- **ETS reform is taking place in a context of soaring energy prices**

ETS - Positive elements

- **Free allocation as partly conditional to investment in energy efficiency**
- **CBAM proposal (see below)**
- **Innovation Fund: 200 Million additional allowances and inclusion of Contracts for Difference**
- **Modernisation Fund (+2,5 % of allowances)**

ETS - Points requiring further discussion

- **ETS auctioning revenues : 100% for climate action must include measures to support workers in the industry sectors**
- **ETS funds must apply the partnership principle to involve social partners in their governance.**
- **ETS Funds must be conditional to social criteria**
- **ETS scope: a broad church instrument gathering heterogenous sectors**
- **Price volatility : hedging and speculation must stop**

ETS - Key requirements

- The ETS reform must be in line with the **EU Industrial Strategy**. It must stimulate the transformation of the covered sectors in their efforts to become climate neutral by 2050 without threatening profitability and employment for the coming years.
- The aim of the ETS is to incentivise industrial transformation, not to be a new game of the casino economy. An oversight mechanism must **stop speculative behaviours** and provide clarity on the drivers of price developments, as well as on profits made by private companies and financial speculators.
- The proposed reforms must take into account **sectoral and regional specificities** when it comes to abatement potential by 2030.
- Auctioning revenues must better support **industrial innovation and Just transition in the sectors** at stake through the two ETS funds, but also through the Member States' use of the revenues they collect or state aids
- Support provided to private companies must lead to specific **commitments when it comes to investments** in emission reduction measures or in the deployment of low-carbon breakthrough technologies;
- Funds must apply **social conditionality** as well as the **partnership principle** to involve social partners in their governance.

CBAM - Initial reaction to the EC proposal

- **EC has delivered on a key political commitment with a sophisticated proposal that fits with many key requirements:**
 - **Legal base: linked to ETS rather than an EU-wide tax**
 - **WTO-compatible**
 - **Step wise approach, with free allocation in the system until 2035 (details to be discussed see below)**
- **A first step to level the playing field, with temporary phase and early review**
- **A specific answer to a historical demand of industrial workers**

Points requiring further discussion

- **Sectoral scope: 30 goods in cement, fertilisers, iron and steel, aluminium and electricity (Annex I)**
- **Risk of circumvention and (Steel and Aluminium)**
- **Indirect emissions and indirect costs not covered**
- **Free allocation progressive phase out conditional to the effective implementation of CBAM (see Art 1§3, Art 31)**
- **Impact on downstream sectors (e.g. :Automotive, Rail Supply): Review clause (Art 30)**
- **Use of Revenues: CBAM as a new own resource is misleading**
 - **Perception of a cash cow for domestic use might exacerbate resistance from trade partners**
 - **No role to accelerate innovation or to support Just transition**
 - **An EU contribution to a dedicated international fund – to stimulate industrial innovation ?**
- **Exports**
 - **Not mention in art 30 dealing with possible extension**
 - **Need to create markets for low-carbon industrial products, including globally**
 - **If export rebates are legally impossible (to be discussed) other options must be used (e.g. WTO negotiations to make low-C products competitive globally, OECD agreement on export credits for low-C products)**
- **Risk oTransitional phase must be use to incentivise neighbouring countries to link with the EU ETS or to implement similar policies**
- **What strategy for the EU in case of trade tensions ? What is the fall back option or the plan B?**

CBAM - Key requirements

- CBAM is not the panacea but a **part of a policy framework** to reach climate neutrality by 2050 while keeping a strong industrial base in the EU
- CBAM must be **progressively phased in with caution**, keeping in mind the complexity of the Fit for 55 package and the need to factor in « the real world » (i.e. commodity prices, geopolitics, sectoral and regional specificities)
- **Social dialogue** has a role to play to monitor the CBAM implementation
- CBAM must be part of an **intense EU climate diplomacy effort** to avoid trade escalation and to avoid disruptive social impact in neighbouring countries

CO2 Standards for cars and vans - Points of attention

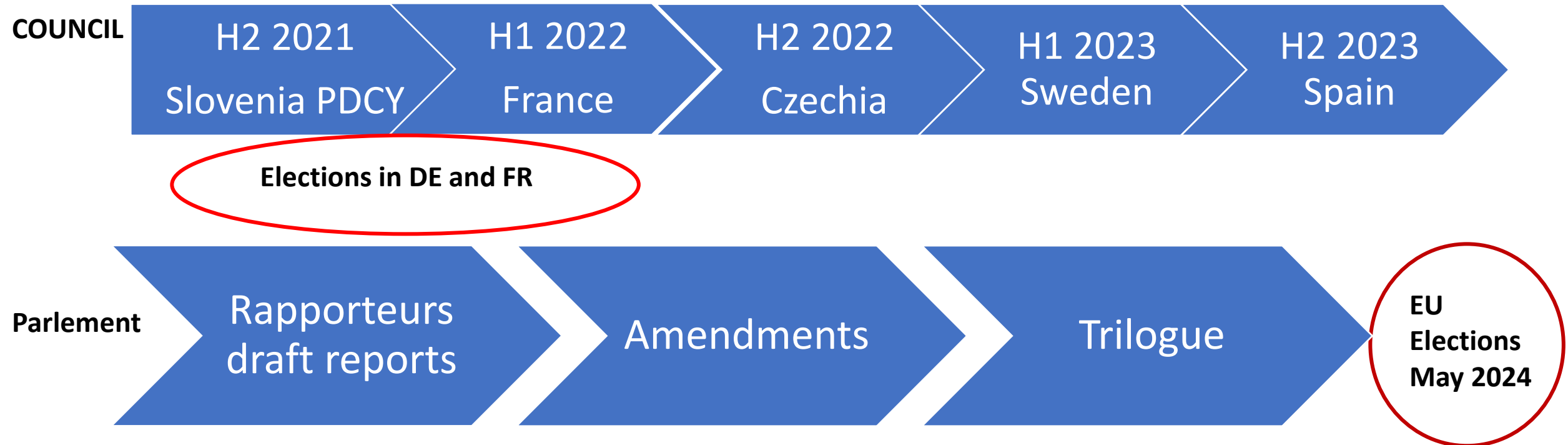
- EU must transform the EV boom into an industrial success for European workers
- The proposed ICE ban for 2035 de facto excludes the use of synthetic fuels, whereas it might be an important technology for hard-to-electrify modes of transport.
- In the same way, plug-in hybrids should be allowed at least for a transition phase, and provided that their use is in line with emission reduction requirements.
- The setting up of an ETS for road transport and the revision of the Energy Tax Directive will play a key role in reducing emissions of road transport. The complementarity between standards and pricing instruments should be strengthened.
- REDIII should promote the uptake of renewable and low-carbon fuels.

CO2 Standards for cars and vans IAE key requirements

- The workforce of the automotive supply chains, especially in parts of the supply chain producing goods and equipment that are especially dedicated to ICE, must be better supported through the transition and must be at the core of the EU efforts to set up a **Just Transition Framework**
- **Regions** that are at risk because of the transition must be better identified and regional transformation better supported.
- CO2 standards and the related calendar must take into account the time needed for the industry to transform and the time needed to roll out the **necessary infrastructures** for charging, as well as to produce, transport and store low-carbon hydrogen and low-carbon electricity.
- **Technology neutrality** should be a key principle: all technologies in line with the CO2 objectives and the Sustainable Development Goals should remain in use.
- **Demand must be stimulated** through a mix of tax-based measures and incentives.
- Efforts to set up a **battery supply in Europe**, including for the provision of raw materials, must be enhanced.
- **Mobility must remain affordable** and the Fit for 55% package must not lead to polarised mobility patterns.

EU Decision-making process – Indicative

- ❑ Each proposal has its own decision-making process
- ❑ Different paces depending on legal basis and political complexity
- ❑ +/- 2 years of parallel negotiations involving EU institutions (EP, Council, European Council and Commission)



IAE Internal process

- **Priority:**

- Focus on proposals that are the most important for our affiliates (**ETS, CBAM, CO2 standards**, EED, RED, ETD)
- Focus on aspects of discussions that matter for workers (employment, social and labour dimensions, JT, anticipation of change, workers participation, industrial policy)
- Cooperation with ETUC and other ETUFs to ensure a broad coverage

- **Inclusiveness:**

- Involve all relevant sectoral networks in discussion and preparation of policy papers
 - IP Committee will coordinate finalisation of docs before Ex Com
- Two month of discussions (Sept 2021- IAE Ex Com 30/11/21)

To be continued...