



Joint Declaration of the Social Partners of the European Chemical Industry

Common position on energy and climate policy ahead of the 21st Conference of the Parties (COP 21) of the United Nations Framework Convention on Climate Change (UNFCCC) to be held in Paris 30 November - 11 December 2015

The European Chemical Employers Group (ECEG) represents the chemical, pharmaceutical, rubber and plastics industries in Europe. As a Brussels-based social affairs organisation it is a recognised social partner and a consultation body of the European Institutions and other stakeholders. With approximately 2.25 million direct employees in more than 16.000 companies, the sector is one of the biggest and most dynamic industries in the EU.

IndustriAll European Trade Union is the voice of industrial workers all over Europe. It represents 6.9 million workers across supply chains in manufacturing, mining and energy sectors on the European level.

Interdisciplinary issue

The social partners of the chemical industry in Europe are striving for a favourable climate for competitiveness and employment in the industry and to further develop the social dimension in Europe. To this end the social dialogue has not been limited only to social affairs but also focused on business issues, general economic framework conditions as well as environmental issues and other economic policy challenges. Due to this fact, we believe, the international climate policy cannot be analysed in isolation as it depends strongly on other policies, such as trade, scientific research, innovation and technological cooperation, economic, social and environmental policies, and can have a significant impact on the competitiveness of the chemical industry in Europe in comparison with other regions of the world. Targeted solutions, which balance environmental, social and economic interests are thus called for.

Paris agreement

The social partners support the objective of the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21/CMP11): Our common aim is to keep global warming below 2°C above preindustrial temperatures. We believe that there is no alternative to substantially and globally reducing greenhouse gas emissions. To meet the challenge of global competition and to contribute to the Climate and Energy targets of the EU the European chemical industry has been pursuing its own ambitious energy-saving targets and investing heavily in energy efficiency. Between 1990 and 2010 EU chemicals production increased by 70% while energy consumption fell by 20% and carbon emissions fell by 50%. With ever new innovative solutions the industry assists in converting the energy supply and in implementing a successful climate policy.



Moreover, the social partners support the conclusion of an ambitious, durable and global legally-binding comprehensive new international agreement applicable to all countries, under the UNFCCC, which will provide, among others, social and economic responses to the issue. Given the fact that climate change is a global issue, cooperation and action at international level are imperative. Only if all major economies practise political leadership and act together, imbalance of global competitiveness can be avoided and a global level playing field for European industry be ensured.

IndustriAll Europe and ECEG commit to ask all their partners and members to provide global support for the realisation of a climate agreement.

We believe that the goal of the Paris Conference should be to create a long-term vision policy framework of just transition towards a low-carbon energy production bringing innovative, more energy-efficient and lower-carbon products to the market while maintaining decent working conditions and social protection in a competitive European chemical industry.

Despite all challenges the social partners look optimistically forward to the Paris Conference.

The global transition towards a low-carbon energy production includes vital opportunities for businesses and can be achieved without compromising growth and jobs. The EU Energy Union should ensure competitive and secure energy supply, whilst combining durability and economy and safeguarding employment. This is significant for our sector and will ensure an open, dynamic and robust labour market.

A European Emissions Trading System fit for the future

We underline that a structural reform of the ETS is of primary importance in order to strengthen the position of European industrial sites and to allow for the best performing undertakings in energy intensive sectors to grow, without bearing additional direct and indirect carbon costs that competing industries in other countries are not facing. In the face of external criticism of the existing ETS system, in the negotiations the EU should certainly not exclude newer problem-solving approaches with regard to an effective, more universal system.

As one of the energy-intensive industries, chemical industry companies have already made a lot of efforts in the past decades aiming at optimising the efficiency of their production systems.

And yet the chemical industry is increasingly faced with rising energy costs that are considerably higher than compared to other regions of the world like Asia or the United States. For the chemical industry, competitiveness depends directly on the cost of energy as well as the related energy and climate change policies.

Carbon costs on top of the higher energy costs are not the only incentive for carbon reduction in our industry which should therefore avoid undue costs that cannot be reduced in a technological and economically feasible way.

Having this in mind, the ETS post-2020 reform should tackle the structural issues and focus on safeguarding competitiveness and high value jobs in Europe: it needs to allow economic growth with no application of cross sector correction factors to benchmarked allocations for new or existing installations. Indeed the safeguard of the competitiveness of the EU's industry will trigger the



necessary investments in new, innovative and low-carbon technologies. However, as long as no level playing field is created internationally, the reform of the ETS should focus on carbon leakage protection and investment in the modernisation of the infrastructure and innovation in order to establish the EU as a frontrunner in low-carbon production:

1. Dynamic allocation: free allocation should be linked to actual production (instead of historical reference periods) in order to ensure a protection level that is following the economic developments, without correction factors for existing or new installations. Furthermore, it would create a more stable and attractive investment climate by facilitating long-term planning by investors and providing incentives for carbon-efficient growth.
2. Benchmarks: there is a need for realistic benchmarks based on real installations in Europe and not on theoretical development.
3. Carbon leakage list: the reform should aim at offering protection to exposed sectors. Therefore, the criteria to get on the list should allow sectors to prove their eligibility on subsector level with no additional hurdles.
4. The set-up of a Modernisation and an Innovation Fund is appreciated according to articles 10a (8) and 10d of the European Commission's proposal for a directive of the European Parliament and the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments {SWD(2015) 135 final}. Efforts to support industry in the search for breakthrough technologies and assistance to Member States whose GDP is below the EU's average, are important components for strengthening Europe's industrial fabric.

The ETS reform proposal needs some important improvements to truly take into account the Council Conclusions of October 2014 and aim at safeguarding jobs and production in Europe as well as allowing for sustainable growth. An efficient carbon leakage protection must guarantee that the most efficient European installations can operate and even grow at competitive carbon costs in Europe, which will have positive impacts on jobs and sets the adequate incentives for emission reduction. This would create added value and allow a more efficient production in Europe, hence reducing the CO₂-intensity of the production of consumption goods in Europe.

We ask the governments to actively take up this message and defend this position at European level.

European energy market

The social partners expect that the EU 2030 framework will improve coordination among Member States, for instance regarding cross-border electricity and gas interconnection.

Europe's future energy mix will include a diverse range of energy sources. We believe that all available energy sources must be considered in the interest of further diversification of the said mix, as well as carbon capture and storage (CCS) – which holds great potential according to the International Energy Agency – and carbon capture and use (CCU). The application must fit in the transition towards a low-carbon energy production.



Under strict environmental and the highest health and safety standards, the exploration of shale gas in Europe could also be explored, but only if the investment cost is economically justifiable in addition to guaranteeing full compliance with the aforesaid standards.

Policy development in the EU

ECEG and industriAll Europe further welcome the EU's 2030 climate and energy framework, which includes implementing measures and targets to make the EU's economy and energy system more competitive, secure and sustainable. In this framework the EU adapted a new investment plan, which should encourage public and private investments in sustainable technologies, which would help to create jobs and strengthen Europe's competitiveness. Final results will depend on effective implementation. At the same time, the EU should also ensure that sufficient investments are made in the energy system and the infrastructure guaranteeing a stable, competitive and secure energy supply, taking into account the integration of more and more intermittent renewable energy sources.

However, large-scale shifts in investment patterns always need a social dimension, such as adapted measures regarding education, training, re-skilling and social protection.

The social partners believe that an approach with a clear focus on the good functioning of the single market for energy could generate energy policies that are more balanced, cost-efficient, climate friendly and contribute to the transition towards a low-carbon energy production. As highlighted in the Energy Union proposal put forward by the European Commission, the explicit goal is to become a world leader in renewables, while also ensuring a competitive and secure energy supply.

With balanced climate and innovation policies the EU can be the forerunner in the reduction of greenhouse gases, a leader in technological competitiveness and a home to innovative companies which will create new, sustainable and high-quality jobs.

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