

**South East European Energy Community and Treaty
Trade union response and demands
South East Europe needs a social Community too**

SUMMARY

The European Commission, the Stability Pact and the countries of South East Europe are aiming to agree a Treaty to establish an Internal market for electricity and gas by the end of 2004. EPSU, the European Federation of Public Service Unions, representing 8 million public service workers, and PSI, Public Services International, a global federation of unions representing 20 million public service workers are concerned that a number of ill-informed policy decisions will be taken. These decisions threaten the stability of the energy sector and can have a negative impact on the positive economic development of the countries of South East Europe. We therefore make the following comments on the development of the SEE Energy Community and ask these to be taken into account:

I. Transparency and democracy

The process of establishing the SEE Energy Community must be transparent, democratic and participatory. Policy must be informed and strengthened by input from workers, consumers and communities at all levels of the political sphere: local, national, regional and European. In particular:

- *All documents including drafts of the Treaty that relate to the creation of the South East European Energy Community are to be made public, in languages of the countries concerned.*
- Consultative processes should be in place such that Governments inform the national parliaments in full, *debate* the text of the Treaty and seek their agreement. The same is true for the European Commission in relation to the European Parliament that will have to give its agreement for a Treaty the EU enters into. The process must be participatory. Governments and European Commission should *inform the trade unions and larger civil society*.
- *Address the democratic deficit through supra-national democratic institutions that accompany the SEE Energy Community.*
- *Transparency during negotiations.* The national and European Commission delegations that are negotiating the Treaty should have parliamentarians, trade union and other civil society representatives in their delegation.

II. Social Europe

A social dimension must accompany the development of the South East European Energy Community. The following measures need to be taken to integrate the social dimension in the SEE Energy Community.

- *The fundamental rights of workers need to be part of the SEE Energy Treaty.*
- *The social "acquis" of the EU is to be adopted.* This applies in particular to: EU Directives that regulate *information and consultation* for workers (such as on

information and consultation at national level; on European Works Council; on collective redundancies; on transfer of undertakings) deal with *equality and prescribe health and safety, including working time.*

- *The social partners should participate in the European social dialogue committee for the electricity sector.* The governments and the European Commission (through CARDS ?) should make funds available so the representatives can attend at least the plenary meetings of the social dialogue committee (2x a year) and prepare the appropriate inputs.
- *Research is required on the social consequences of the SEE Internal Market*
More independent information is needed on the effects on stability, reliability and equality of access to policy decisions, the effect on investment, profits and regulation. The social consequences concern direct and indirect employment, effect on skills and qualifications, prices for domestic users (and especially vulnerable ones such as the poor), and democratic control over the future direction of the energy system. We demand that these effects are explored. The Commission and SEE governments, together with the social partners concerned, should establish a Steering Group for this study. The European social partners and the Commission already have experience with this method.
- *Establish social measures to deal with negative effects of restructuring*
It is prudent to establish the measures to deal with these effects such as training programs and employment funds. The governments of SEE countries must present the accompanying and mitigating measures to deal with the social effects of restructuring. There should not be a rush to decimate jobs. The effect on the local communities is not known. These costs should be taken into account. The European Commission should contribute financially to these measures.

***This social commitment should be part of the Treaty.
We also need a Social Community.***

III. Environment

EPSU supports sustainable development. The reduction of the use of (natural) material resources, the increase in renewable energy sources, promoting energy efficiency and reducing energy demand are all needed to address climate change, reach the Kyoto targets and ensure a sound environment for future generations. While the creation of the internal market can have positive effects on some of the above objectives, increased competition and focus on the short-term by companies as well as regulators and governments will not put SEE on a path to sustainable development. The European Commission had to introduce new directives, rules and regulations to ensure that the focus remains on the environment in the light of competition. We urge therefore:

- *Adoption and implementation of the EU's environmental "acquis"*
The directives such as on co-generation, energy services, emission trading and accompanying measures and monitoring need to be implemented to create a level-playing field and contribute to protecting the environment. Some of these measures such as emission trading can also have negative social effects which will need to be studied. The correct implementation is important for the electricity and gas industry. This also requires good governance and effective public administration.

IV. Public Services and Regulation

EPSU advocates an energy sector based on a commitment to high quality public services for Europe's citizens. The Internal electricity and gas market of the EU has led to volatility of

prices, exploiting of non-switching citizens, lack of investment in networks and generation capacity, short-term cost-savings in maintenance and repair. These aspects need regulation. We therefore propose that:

- *The New European Commission to come forward with proposals for a legal framework on Public Services as demanded by the European Parliament*
- *Public Service Obligations to be clearly defined in the SEE Energy Treaty and national law*
- *Public investment guarantees to accompany the SEE Energy Treaty. Governments need to commit to investment policies based on government borrowing rather than reliance on the private sector. We also expect the European Commission to promote public investment in energy infrastructure rather adding pressures to privatise.*

Instead of the Public Private Partnership model we recommend Public Public Partnerships (PUPs) by which public companies provide their expertise and experience.

- *Moratorium on privatisation of electricity and gas companies. A stop to privatisation is needed until a thorough evaluation is made of the positive and negative effects, juxtaposing public and private solutions and with the involvement of all stakeholders including the workers and their trade unions. One possible method is the establishment of a Review Commission nominated by different stakeholders. Such a commitment is to be made by governments during the Treaty negotiations.*
- *Keep regulated tariffs for domestic users. Market opening proposed should not exceed those of the first phase of the EU internal market where only about a 1/3 of companies was eligible to chose its supplier and domestic users were not. Before further steps are taken independent reviews should be undertaken (not relying solely on the European Commission's benchmark reports e.g). These review panels should include all stakeholders including trade unions.*
- *Mandatory reliability standards to be laid down.*
- *Democratic regulation is required.*

A counter balance and part of a system of checks and balances is to make regulators democratic and transparent. All information should be open as society has an interest in the free flow of commercial information.

The Regulators should also have advisory boards that include representatives of society including the trade unions. Hearings should actively seek the opinions of all concerned. Governments should seek to establish citizen advocates, consumer watchdogs and other mechanisms such as financial support for low income and other groups to be able to play their part in the regulatory framework.

We expect governments and the EU to commit to open, transparent and democratic regulation. Based on dialogue with stakeholders the relevant provisions should be incorporated in the Treaty.

The European Federation of Public Service Unions (EPSU) organises workers in public and private companies in all parts of the electricity and gas sector, including generation, renewables, transmission, distribution and supply, amongst others. EPSU represents several hundred thousand workers in many hundreds of utilities located throughout the European Union, European Economic Area and South East Europe. EPSU members take an enormous interest in the issue of restructuring since their jobs and lives are at stake. EPSU members are also consumers and citizens. They understand the importance to the economy of providing gas and electricity at low prices in a safe and reliable manner. EPSU has expressed itself critically of the internal market for electricity