

HIGH LEVEL GROUP ON COMPETITIVENESS, ENERGY AND THE
ENVIRONMENT

Written statement by John Monks, ETUC General Secretary

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We have agreed that there are three key issues for us to deal with: competitiveness, security of energy supply and sustainable development. All the European institutions agree that, too.

I would like to make brief comments about four issues arising from the HLG's work and the draft Advice in front of us today:

1. Prices and Competitiveness – we have a brief to draft an advice, with a “particular regard to the basic and intermediate product industries”. This is contained in the Commission Decision of 23 December 2005. This first advice is really about this and we need to make it explicit in the headline. Otherwise everything that we say subsequently could be understood to apply to all energy consumers. But the advice leaves out large areas of concern for other consumers, for example “public service obligations”, the question of rising prices for citizens in the new Member States and the issue of fuel poverty (affordability), the impact of the internal market on investment.

We all know that there is a growing energy price crisis affecting our energy intensive industries. They have to compete internationally. The problem is severe enough already to force some to begin cutting back on their operations and consider re-locating to other parts of the world. The employment implications of this, and the de-industrialisation potentially involved is horrendous. There are three main pressures on them regarding price: the poor functioning of the internal energy market, the impact of environmental legislation and the prices charged by our external energy suppliers.

We need to find solutions to the internal market dimension in a pragmatic way. Ideology should be left behind. Theoretical conceptions of ‘perfect markets’ should not be part of our thinking. We need to play to our strengths, use the Europe plus factor, stimulate the creation of European networks and European Champions. We don't need a league of National Champions in the energy sector – not in today's world.

Perhaps most importantly, we need to avoid the kind of mistakes which were made over the Services Directive, which became identified in the public mind with a solely neo-liberal solution to the problems of the free movement of services.

2. Security of supply and investment

I mentioned that the prices being charged by our external suppliers are a critical factor for EU consumers. These are more frequently global market prices, as in the case of oil and increasingly in the case of gas and coal. We are an energy dependent region, growing rapidly more so. We need to negotiate sound, long term agreements with our suppliers, if we are to guarantee the price trajectory and the supply itself.

Such agreements will involve substantial investments and quid pro quos for our suppliers – such as return investments by them in our energy markets. The outcome of these talks, conducted at many different levels will affect the delivered price, just as it does in daily commercial negotiations. We must secure the best effective prices for European energy consumers and that is why this group needs to deal with security of supply issues.

We also need to ensure that the huge sums needed for investment in our energy systems within our borders – new, lower carbon and zero carbon power plant, transmission lines and energy conservation technologies are readily available. We have argued for a programme of massive public funding in research and development of renewable energy to bring promising systems on the market quickly. Similarly, the huge sums needed for investment in, for example, Russia, need to be found as well as way of agreeing with the Russians how that is going to happen. The G8 meeting next month will focus on this. Do we have a view in this group on what EU Member States should say there?

3. Sustainable development

The draft advice focuses on the operation of the ETS - Emissions Trading System and other environmental measures, especially those arising through improvements in energy efficiency. Our proposals go some way towards solving some of the problems faced by energy intensive companies operating in a new carbon trading market.

I simply want to say that we support these initiatives. Not only because they will contribute to limiting the adverse effects of climate change and air pollution on our health and economies. But also because they will create a good number of the new jobs Europe needs desperately. However, the power of the markets should not be overestimated: government support is needed to enhance R&D in lower carbon technologies and renewable energy sources, develop the new skills required, and fund sustainable infrastructure. We will need all of them for our own use, and as developed country suppliers of modern technologies, for the developing world.

The ETS is, however, not a scheme for ordering the right mix of plant at the right time, taking into account the quite different lead times for constructing different kinds of plant. The EU needs to be able to work with Member States on this vital aspect of energy systems; otherwise we could be in danger of ending up with the wrong combinations of plant, as energy prices and supplies vary. The forthcoming Energy White Paper should grapple with this question. We doubt that the market alone is capable of deciding plant ordering to time and in the right combinations for a sustainable future.

4. Social questions - Employment and Democracy

My fourth point is simply to say that the EU - and we are included in this - needs to manage the social and political dimension of all this. We need to manage the internal market implementation with care; we need to be aware that rapid restructuring of industry and services has impacts on our citizens' lives – workers will be asked to give up their jobs, move to other employment, learn new skills, perhaps when they are older and feel less like doing so. There are already skills shortages in the energy sector and this is starting to be addressed at national level. The loss of skilled workforce the energy sector is experiencing, along with the decrease in R&D budgets (which have been documented by PSIRU-EPSU research) are damaging our long term competitiveness.

We could do with a European approach on skills to fit with a pan-European energy system renewal – in efficient technologies, in clean technologies, in construction, in innovation and plant design. This group should deal with that, bearing in mind that the European Social Dialogue could help, as well as the structural funds.

Lastly, we have, as always, the democratic deficit problem. The European Parliament was invited, but they are not present in the Group. There is

also a question of democratic regulation. If we are honest, and think of our roles as individual, domestic consumers, what rights of consultation do we have? Millions of consumers feel powerless when faced with rising energy costs, especially the energy poor. What redress do they have? They cannot just walk into the Regulator's office, like a big company and demand attention. We also know that it is the domestic sector, which, along with transport, is increasing its carbon footprint, year by year, and we need to recruit domestic consumers to the battle against climate change. This cannot be done without a properly functioning energy democracy.