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| From: | Presidency |
| To: | Permanent Representatives Committee/Council |
| No. Cion doc.: | ST 15011/18 |
| Subject: | Clean Planet for all: Strategic long-term vision for a climate neutral economy - employment aspects - Policy debate |

1. On 28 November 2018, the Commission issued the communication ‘A Clean Planet for all: a European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy’.
2. In June 2019, the **European Council** invited the Council and the Commission to advance work on the conditions, the incentives and the enabling framework to be put in place so as to ensure a transition to a climate-neutral EU in line with the Paris Agreement.
3. At the meeting of the **Employment, Social Policy, Health and Consumer Affairs Council** on 8 July 2019, ministers will be invited to hold a policy debate. The Presidency has prepared a background paper (see annex) and questions to help structure the discussion.
4. The Permanent Representatives Committee is invited to take note of the Presidency background paper, as set out in the annex to this note, and to forward it to the Council for the above-mentioned policy debate.

Clean Planet for all: strategic long-term vision for a climate-neutral economy

– employment aspects

Background

Parties to the Paris Agreement are invited to communicate their mid-century, long-term low greenhouse gas emission development strategies to the United Nations Framework Convention on Climate Change (UNFCCC) by 2020. To that end, on 28 November 2018 the European Commission issued the communication ‘A Clean Planet for all: a European strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy’. The communication sets out the Commission’s vision of the economic and societal transformations required to achieve the transition to net-zero greenhouse gas emissions by 2050. It seeks to ensure that the transition is undertaken in a cost-efficient and socially fair manner and has the potential to enhance the competitiveness of the EU’s economy and industry on global markets.

In June 2019, the European Council invited the Council to advance work on the conditions, the incentives and the enabling framework to be put in place so as to ensure a transition to a climate-neutral EU in line with the Paris Agreement that will preserve European competitiveness, be just and socially balanced, take account of Member States’ national circumstances and respect their right to decide on their own energy mix, while building on the measures already agreed to achieve the 2030 reduction target. In this context it was noted that, for a large majority of Member States, climate neutrality must be achieved by 2050. Following the European Council’s invitation, ministers for employment and social affairs are invited to discuss aspects of a just transition that are relevant to their field.

Employment impacts vary across different sectors

The communication underlines the fact that the transition to a climate-neutral economy presents both opportunities and challenges for the EU's economy, industry and citizens. Significant investment will be required in all sectors of the economy to modernise industry, transform the energy system, accompany retraining, upskilling and labour reallocation and foster research and innovation. However, the overall macro-economic impacts of the deep transformation are expected to be positive with the additional investment.

The Finnish Presidency considers it important to foster the competitiveness of climate-neutral solutions along the new global value chains and to monitor their impacts, in particular in terms of added value, jobs, trade balances and exports. At the same time, special attention should be paid to those sectors which need to adapt to new climate-neutral ways of carrying out their activities, and to the people, including low-skilled workers, affected by the transition.

The communication points out that further investment will create new employment opportunities in a number of sectors. In 2017, there were already 4.5 million jobs in the environmental goods and services sectors in the EU. Further investment in industrial modernisation, the clean-energy transition, the circular economy, clean mobility, green and blue infrastructure and the bio-economy will create new, local, high-quality employment opportunities in other sectors of the economy, too. Action and policies to reach the EU's 2020 climate and energy targets have already added between 1 % and 1.5 % to the EU labour force and it is expected that this trend will continue.

While the number of jobs is expected to increase in the construction, farming, forestry and renewable energy sectors, for a number of sectors the transition may pose challenges. Regions and workers that are dependent on activities which are expected to decline significantly, such as coal mining and oil and gas exploration, could be particularly affected. Energy-intensive sectors such as steel, cement and chemicals, as well as car manufacturers, will see a shift to new production processes. Other existing jobs will also have to be adapted to the new economy.

The effect on skills needs

The transition to a climate-neutral economy may have a major impact on skills needs and thus on people's skills development. The communication emphasises the need to invest in human capital in the next decade and beyond in order to equip current and future generations with the necessary skills (including in green and digital technologies), as well as with training systems that react quickly to changing job requirements.

The Finnish Presidency underlines the fact that education and training systems have a crucial role to play in providing all citizens with an opportunity for continuous lifelong learning. People will need not only specific professional skills but also 'key competences' in fields such as science, technology, engineering and mathematics (STEM), learning and career management, as well as transversal skills. Investing in the reskilling and upskilling of the population is essential so that nobody is left behind.

Tools for transition

In order to ensure a well-managed, just and fair transition that leaves no region, community, worker or citizen behind, both the EU and the Member States must deploy all relevant policies to the fullest. The communication stresses the importance of coherence at all governance levels between energy and climate policies and growth-enhancing and supporting policies, such as competition, employment, skills, social policy, cohesion, taxation and other structural policies. Public employment services, for instance, have an important role to play in supporting labour market transitions, including the acquisition of new skills.

The Finnish Presidency wishes to highlight that in order to achieve sustainable and inclusive growth and to respond to the challenges and opportunities driven by climate change and also by technological development and demographic change, it is necessary to promote a social model empowering all citizens. The concept of the 'economy of wellbeing' promotes this perspective. It is based on the recognition of people's wellbeing as a driver of economic growth and vice versa. It emphasises wellbeing as a value in itself and as a source of societal resilience and stability that benefits businesses and attracts investment.

Economic policy coordination under the European Semester, together with national energy and climate plans, can help to identify investment needs and promote coherent and coordinated policies in support of a more circular, climate-neutral economy. Support for sustainable finance and green and socially responsible public procurement can also foster the deployment of sustainable products and services. Furthermore, the European Pillar of Social Rights includes the right to access essential services of good quality, including adequate social protection, and inclusive education, training and lifelong learning.

The European Union already has a set of initiatives in place to help make progress towards the climate and energy targets and support a just transition.

- The **European Structural and Investment Funds**, and in particular the European Social Fund and the European Regional Development Fund, offer financial support for infrastructure investments as well as for reskilling, upskilling and retraining.
- The **European Globalisation Fund** supports workers whose activity has ceased as a result of restructuring.
- The **Modernisation Fund** of the EU emissions trading system can promote a just transition in carbon-dependent regions in beneficiary Member States.
- The **initiative for coal and carbon-intensive regions in transition** helps mitigate the social consequences of the low-carbon transition.

In addition to these, the European Commission has proposed the **InvestEU Programme** to support investment and access to finance for sustainable infrastructure, research, innovation and digitalisation, SMEs, social investment and skills.

It is also important to continue to involve stakeholders, for example social partners, in the design and implementation of policies and initiatives which will support the clean-energy transition and the transition to climate neutrality.

Against this background, ministers are invited to focus the debate on the following questions:

Questions

- 1) *How should employment and social policies (including skills policies) at both EU and Member State level be designed to best support a just transition to a competitive, environmentally friendly and climate-neutral economy?*
- 2) *Which actions are most urgent in order to mitigate the adverse effects of the transition to a climate-neutral economy, taking into account in particular the low-skilled workers affected by this transition?*
