ECEG European Chemical Employers Group

industriAll EUROPEAN TRADE UNION

cefic

Mr. José Manuel Barroso
President of the European Commission
European Council
Rue de la Loi 175
B-1048 Brussels

27 September 2012

Dear President,

We are writing to share with you our concerns regarding the situation facing our industry in Europe, and to draw your attention to the challenges facing the European manufacturing sector at present. Had we been able to meet with you on 18 September, we would have raised these issues with you in person. As it is, we would ask you to take them into consideration as you develop your policies for economic growth and job creation.

We fully support the goals of the Europe 2020 strategy regarding employment, education, and research and development. However, more jobs and less poverty will be the consequence of economic growth, not the cause, while investment in education and research will only contribute to growth and jobs if businesses can employ the resulting skills and knowledge to good effect. We therefore call on the EU to foster a competitive European economy by building a lean regulatory framework, and by stimulating innovation, education and job creation.

We also support the 2020 targets for environmental sustainability, but we do not believe that these can or should be attained at the expense of sustainable employment and economic growth. Proposed EU measures, such as ETS set aside and resource taxes, are intended to increase the costs of doing business. They will divert resources and discourage the investments needed to build a resource efficient, low carbon economy.

The industry's employers and employees are ready to face the new challenges and societal expectations for sustainable growth and development. However, we need the EU to create the conditions to enable us to deliver the desired results. In particular, we need a balanced political approach to economic, ecological and social sustainability (See Appendix for details). We will support progress in this direction and hope that you will consider the above contribution as constructive.

We stand ready for another opportunity to discuss these issues further.

Yours sincerely,

Stephen Elliott President ECEG	Michael Vassiliadis President industriAll – European Trade Union	Giorgio Squinzi President Cefic

Appendix

Cefic, ECEG and IndustriAll support the "headline target" of reducing greenhouse gas emissions by 20%, increasing energy efficiency by 20%, and producing 20% of our energy from renewable sources. However, this target is directed towards reducing carbon emissions, not towards economic growth. If we are to contribute to that growth we will need access to reliable energy supplies at competitive prices. We have repeatedly called on the EU to ensure access to these supplies.

Unfortunately, the current EU policy to "set aside" CO2 allowances appears to run counter to this goal, and to aspire to higher energy prices in order to spur investment in alternative technologies. If meeting this target results in higher energy prices, then the cost will be borne by existing industry as users and as taxpayers - particularly energy intensive manufacturing industries. "Set aside" will provide profits for market speculators, business for companies trying to sell uncompetitive "low carbon" technologies, and possibly quasi-tax revenues for governments. All at the expense of manufacturing industry! The EU will be promoting inefficiency at the expense of the competitive economy, resulting in a decrease in economic activity and reduced growth.

As an alternative, we propose the following adjustments in the Commission's approach:

1. EU **industrial policy** should favour measures, particularly environmental measures, which seek to achieve their objective by making sustainable industries more competitive. Too many policies aim to achieve their objective by adding to industry's costs, i.e. by penalising current business vis-à-vis the preferred alternatives. The Commission should adopt a more balanced approach, one which seeks to develop and promote alternatives that are better than current business.

2. EU policy on **sustainable regulation** should use *impact assessments, competitiveness proofing, etc* effectively so as to limit regulatory costs on business. It is not sufficient to identify a public policy objective and then to argue that any costs are "worth paying". The Commission should adopt a strategy of "regulatory efficiency" to actively minimise the cost of achieving any policy objective. The industry's social partners are ready to support the commission with joint and voluntary commitments. A win-win situation is viable and would benefit the climate, industrial competitiveness, and growth in sustainable employment.

3. EU **employment policy** should look beyond education and training to job creation. Education prepares people for jobs; but training alone does not create jobs. What we need is a broader approach for the industrial branches to bring together demands for and supply of competences and qualifications. This would involve measures to stimulate demand in the labour market on one side and the interest of young people in science-based occupations on the other. The Commission's role here should be sensitive to the principle of subsidiarity and should focus more on setting minimum standards and encouraging national systems to compare more readily with one another. Beyond that, Europe can foster job creation by helping to reduce the skills mismatch in the labour market, e.g. by promoting lifelong learning.

4. EU **innovation policy** should continue to focus on key enabling technologies, and on engaging in stakeholder partnerships to deliver progress towards societal objectives (including

environmental challenges). In this regard, we would advocate the targeting of resources towards the breakthrough innovations that are required if those objectives are to be achieved.

A pact for innovation is needed!

The European targets on climate and energy policy cannot be reached by the currently available technology. The path to 2050 is an evolving socio-technological process: and the main aim should be to speed up innovation for the best technological, social and economic solutions. For these solutions the chemical industry is essential. From 1990 to 2009 the chemical industry reduced its demand for energy by 33% and in the same time increased its output by 42%. Many products of the chemical industry help households and companies to improve their energy efficiency. In fact, already today the chemical industry is responsible for more CO2 reduction than emission.

An intelligent approach brings together the innovative power and sustainable productions of the chemical industry for the demands of the future. The joint commitment of the industry, the employers and the trade unions will foster this process and the public's trust (in its success).

The Commission cannot go on talking about creating economic growth and jobs and at the same time propose measures that further increase the cost of doing business in Europe. If it really wants to promote growth and jobs, the Commission must abandon the current approach to the economy and look to support, and seek support from, the European industry. If they do, then the European chemical industry stands ready to play its part in both creating economic growth and meeting societal challenges.

PS: Should you need further information, please do not hesitate to contact

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