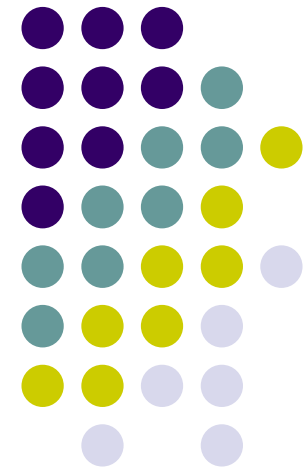


Impact of climate change on employment in mining

Can „shared commitment” contribute to
the solution?

Conference „Future of miners –
role of the social partners”

Budapest, 10 – 13/ 06/ 2010



COMMUNICATION FROM THE COMMISSION



COMMUNICATION FROM THE COMMISSION TO THE
EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC
AND SOCIAL
COMMITTEE AND THE COMMITTEE OF REGIONS

A Shared Commitment for Employment

COM(2009) 257 final
Brussels, 3.6.2009



EU Employment Policy

The EU's Lisbon strategy has underlined how job creation relies

- on active employment policies,
- a sound macro-economic framework,
- investment in skills,
- research and infrastructure,
- better regulation and
- the promotion of entrepreneurship and innovation.

The EU reacted rapidly to the crisis

through the European Economic Recovery Plan which highlighted the need to counter the effects of the crisis on jobs



Reaction to economic downturn

- As labour markets continue to deteriorate in reaction to the economic downturn, additional action is needed.
- Since the Spring European Council in 2009, the Commission, Member States, European Parliament, social partners and representatives of civil society have been working on the best ways to tackle the impact of the crisis on jobs.



Key priorities

The Spring European Council and the three employment workshops held in Madrid, Stockholm and Prague in April 2009 helped define **three key priorities**:

- maintaining employment, creating jobs and promoting mobility,
- upgrading skills and matching labour market needs,
- increasing access to employment.

MAINTAINING EMPLOYMENT, CREATING JOBS, PROMOTING MOBILITY



Proposed priority actions:

- *Better use of short-time working arrangements*
- *Better anticipation and management of restructuring*
- *Boosting job creation*
- *Facilitating mobility*

UPGRADING SKILLS, MATCHING LABOUR MARKET NEEDS



Proposed priority actions

- *Upgrading skills, strengthening lifelong learning*
 - New Skills for New Jobs agenda
 - Strengthen their capacity to anticipate and forecast future skills needs
 - reinforce the effectiveness of life long learning
- *Helping young people now*
 - at least 5 million young Europeans in a high quality apprenticeship
 - reduce early-school-leaving
 - strengthen the 'New Start' EU target

INCREASING ACCESS TO EMPLOYMENT



- **MAKING BETTER USE OF COMMUNITY FUNDS**
- **MOBILISE ALL AVAILABLE FUNDS IN RESPONSE TO THE CRISIS**
- **ACCELERATING FUNDING TO TACKLE THE CRISIS**
 - **option to not provide national co-funding during 2009 and 2010**
 - **new EU microfinance facility for employment, to develop micro-enterprises and the social economy**

EUROPEAN EMPLOYMENT OBSERVATORY

QUARTERLY REPORT (MARCH 2010)



Bulgaria

- Employment Agency established more active relations with businesses
- Programmes ‘From Social Benefit to Employment’, ‘Social Assistant’ for unemployed young people
- The scheme ‘Qualification services and training of employed persons’ and ‘Qualification services and promoting employment’
- voucher system for training the employed under the ‘I Can’ and ‘Adaptation’

EUROPEAN EMPLOYMENT OBSERVATORY QUARTERLY REPORT (MARCH 2010)



Czech Republic

- OP-funded programmes ‘Educate Yourself!’ and ‘Education is a chance’
- stricter conditions when issuing work permits to foreign workers
- the number of violations of Labour Code by employment agencies increased

EUROPEAN EMPLOYMENT OBSERVATORY QUARTERLY REPORT (MARCH 2010)



Germany

- Actual labour market policy was not revised during the first quarter of 2010.
- Participation in vocational training and job creation programmes reduced significantly while support of job placements increased.
- Still a high share of disadvantaged young people among the applicants for dual training places
- About 10 % of the applicants disappear from training markets
- The integration of migrant youth appears to be particularly important.

EUROPEAN EMPLOYMENT OBSERVATORY QUARTERLY REPORT (MARCH 2010)



Poland

- Ministry of Labour and Social Policy intends to grant additional resources from the Labour Fund for the vocational activation of persons aged up to 30 years
- Individual action plans for each young person (searching for work or unemployed), covering apprenticeships, vocational preparation or subsidies for job creation.

EUROPEAN EMPLOYMENT OBSERVATORY QUARTERLY REPORT (MARCH 2010)



Romania

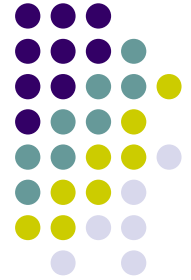
- Technical unemployment scheme
 - subsidy of 25 % for the payment of the salaries of workers kept on stand-by
 - full coverage by the state budget of contributions to social protection schemes
- Supporting enterprises in training their own staff by offering a subsidy of 50 % of the training costs for 20 % of the staff once per year

EUROPEAN EMPLOYMENT OBSERVATORY QUARTERLY REPORT (MARCH 2010)



Spain

- The Law 27/2009 on urgent measures to maintain and encourage employment and the protection of unemployed people was passed in December 2009.
- Most measures are related to the energy sector as well as to small and medium enterprises, with the purpose of promoting their capacity to create jobs.

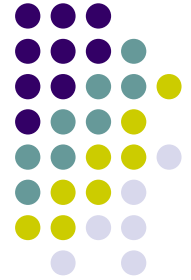


- European Employment Observatory
- The study „The Impacts of Climate Change on European Employment and Skills in the Short to Medium-Term”

PURPOSE OF THE REPORT



- GHK Consulting was commissioned to produce material for the Restructuring Forum to be held on 22 and 23 June 2009 on the impact of climate change on EU employment in the medium term (to 2020)



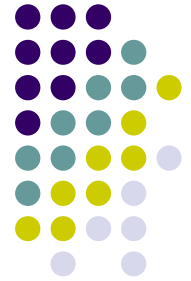
THE STUDY

The material comprises:

- Fifteen company cases studies across a range of sectors examining how businesses are being influenced by, and responding to climate change
- A literature review in the field of climate change and its impact on employment

Criteria for Selection	Title and Characteristics of the Category	Exemplar Sectors
Energy (carbon) generating sectors	Energy Generation and Supply: Sectors responsible for manufacture and supply of energy, subject to policies that restrict or encourage the types of technologies used and policies that change relative prices between different products	Electricity, gas, coal, transport fuels,
Employment Intensity of Sectors (jobs per unit output)	Customer Focus: Sectors employing large numbers of people and supplying goods and services that are likely to be subject to changing demands as a result of climate change policies, including (but not mainly) as a result of income effects due to higher energy costs	Construction, retailing, tourism
Competitive Intensity of Sectors (EU export, import ratios)	Energy Intensive: Sectors that are subject to high levels of international competition and using high levels of energy, where 'uneven playing fields' due to EU climate policies may have a significant effect on costs and competitiveness	Cement, chemicals, metals
Vulnerability to Climate Policies (risk assessment)	Transport: Transport sectors provide products and services which are likely to be subject to especially focused policies and where the scope for significant changes in service / product offers maybe limited	Airlines, Vehicle and vehicle component producers, Multi-modal providers

STRUCTURE OF THE SYNTHESIS



- The main drivers influencing business performance and response
- The actions taken so far by businesses in response to these drivers
- The impacts so far on the company and especially on employment and skills
- The potential implications for the company of continuing climate change
- The lessons for business more generally that the companies have identified.

The immediate lessons for business more generally



- The main lesson: engaging with climate change policy drivers from a place of leadership with a clear strategic direction
- Other common lessons:
 - engage early with policy processes in order to influence them
 - engage with staff and raise their awareness
 - engage with the supply chain helping them to adopt energy saving production models

Key Climate Change Drivers for Change So Far



- **Corporate Social Responsibility and Reputation**
- **Competitiveness**
- **Regulation**
- **Physical**

Internal actions and measures



- Measures to increase energy efficiency,
- Substitution of inputs and materials,
- Sales of greener products,
- Actions to reduce climate vulnerability.



CASE STUDY 1: ENEL

- Enel is very large Italian and international energy company with 85,000 employees and a posted turnover of €43.7 billion in 2007
- The main climate change drivers for Enel are the EU ETS and Renewable Directive although these involve risks in terms of how they develop
- Overall Enel sees climate change drivers as less significant than competition and globalisation drivers

ENEL: Generation Capacity in MW by Source



	2003	2004	2005	2006	2007
Thermal	29,013	29,161	29,226	27,172	10,003
Nuclear	-	-	-	-	2,441
Hydro	15,441	15,491	15,573	17,199	27,122
Geothermal	666	642	671	671	678
Wind	344	605	666	699	1,902
Solar (photovoltaic)	4	4	4	4	5

ENEL: What has the company been doing so far?



- investing in the best available technologies for thermal generation
- developing renewables in and outside Italy
- increasing energy efficiency in power plants and grids
- increasing energy efficiency in end-uses (customers)
- researching into, developing and demonstrating CCS and innovative renewable-energy technologies
- globally committing to cut down CO2 emissions by disseminating projects and best practices



ENEL: Impact on jobs

- Enel weren't able to quantify the jobs specifically arising from climate change policy drivers
- Jobs associated with their renewables and innovation operations:
 - 1.584 in Enel Green Power
 - 1.033 in the Enel Engineering and Innovation Division



ECORYS STUDY

An Evaluation of the Needs for State Aid to the Coal Industry post 2010

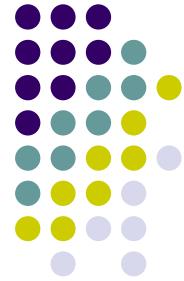
Framework Contract TREN/CC-03-2005 Lot 2:
Economic Assistance Activities

FINAL REPORT

This study informs the Commission whether or not a State aid regime for the coal sector is needed post 2010; and if so, what kind of regime would be the most appropriate in terms of the general structure.

ECORYS STUDY

Expected uncompetitiveness post 2010



- **Germany, Hungary, Slovakia and Spain** expect most parts – if not the totality - of their coal-mining industry to still be **uncompetitive post 2010**
- **Romania:** government expects to restructure and significantly **reduce mine operating costs** by 2010
- **Poland** expects its coal mines to **remain competitive** post 2010

ECORYS STUDY

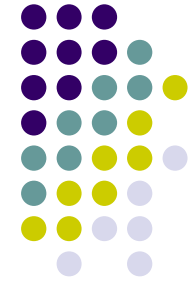
Coal price: trends and evolution



- over the last couple of years, the trend in the energy markets has nearly always been upwards
- The question is now : have we seen the top or is there still some margin for further increase?

ECORYS STUDY

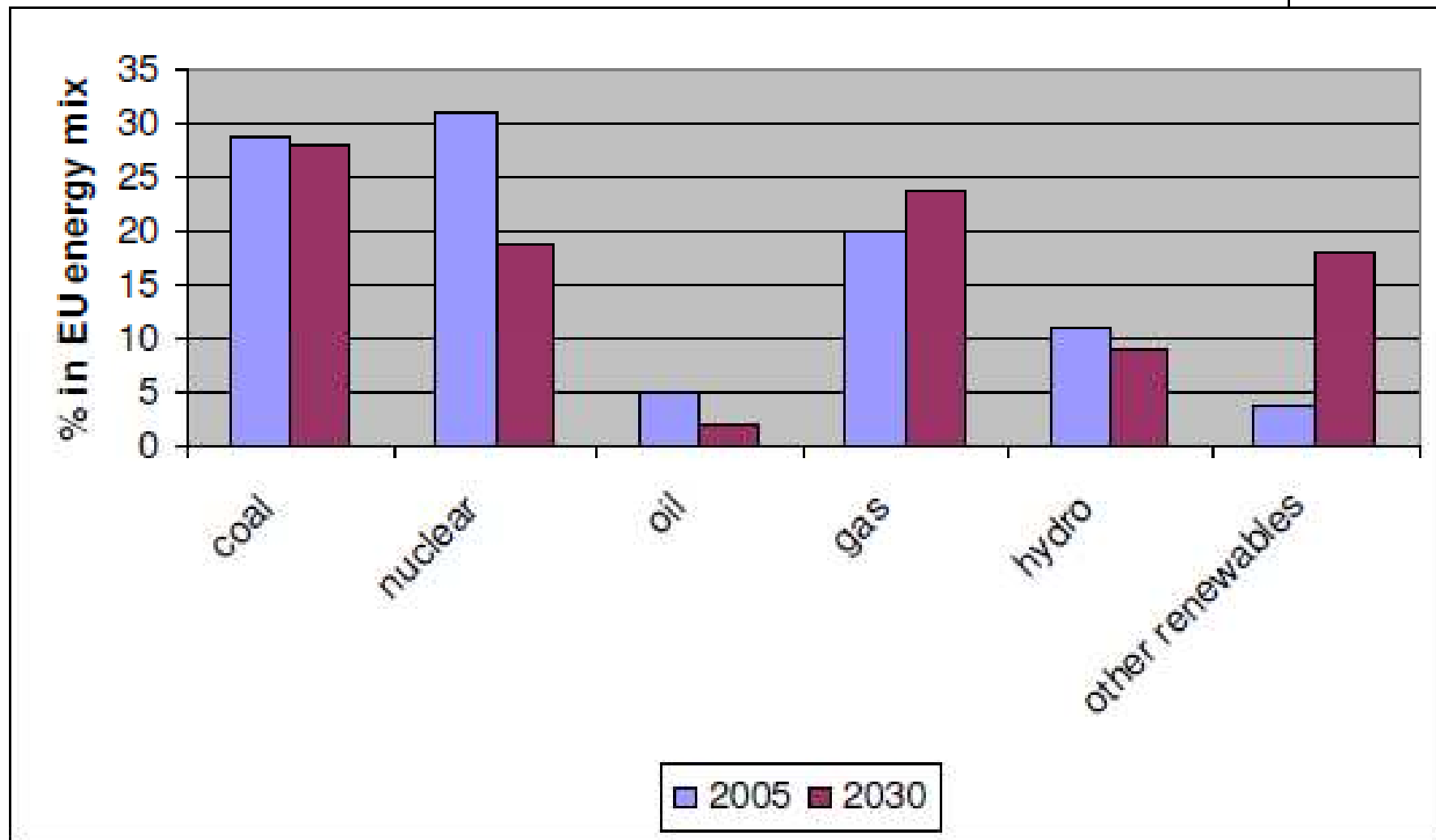
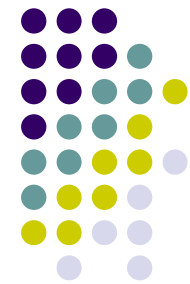
Consumption of coal in the EU



- Consumption of coal in the EU has remained more or less stable over the last 8 years
- With the building of cleaner coal-fired power plants and coupled with carbon capture and storage (CCS), coal consumption used in power generation may not decrease over the next 10 years

ECORYS STUDY

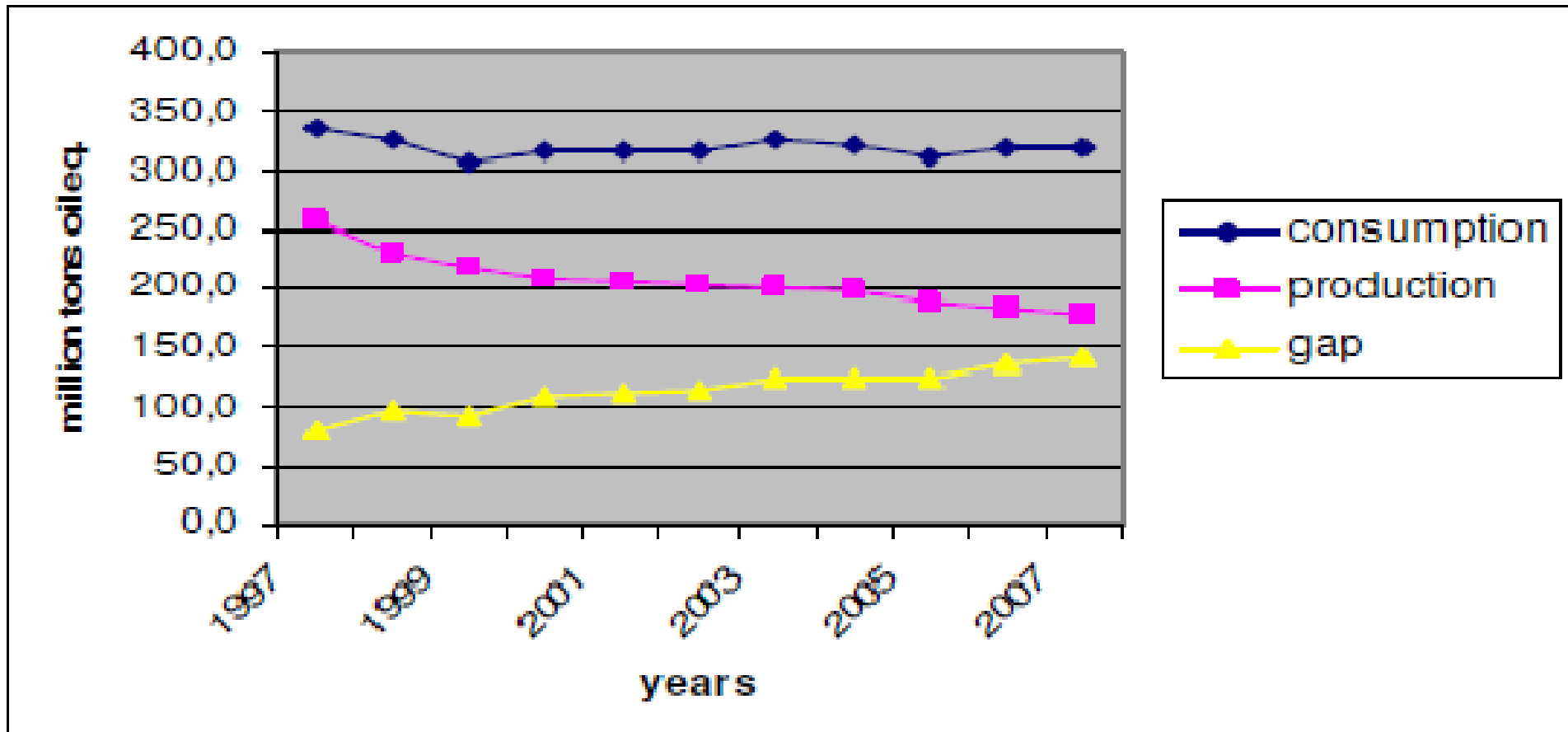
Forecasted EU electricity mix by 2030



Source: ECORYS, EU Commission, Trend to 2030.

ECORYS STUDY

*Consumption and production of coal in the EU27
(1997-2007) and the gap between both*



ECORYS STUDY

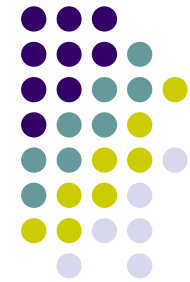
Three average hard coal price scenarios



- a **low coal price scenario of €50 per tce** (assuming a well-supplied coal market and an easy freight situation);
- a **firm coal price scenario of €100 per tce** (stabilisation of prices averaged around the level of the first semester in 2008); and
- a **high coal price scenario of €150 per tce** (assuming an increasingly tied coal supply and an expensive freight situation).

ECORYS STUDY

Unit production cost forecasts versus world price trends, three scenarios



Year	Scenario	Unit production cost estimates (€/tce)						
		€/tce	Germany	Poland	Hungary	Spain		Slovakia
					HUNOSA	Non-Hunosa		
2007	Baseline	<i>Not competitive</i>	Competitive (48 €)	<i>Not competitive</i>	<i>Not competitive (400 €)</i>	<i>Not competitive</i>	<i>Not competitive</i>	<i>Not competitive</i>
	Scenario I			Competitive (71 €)			Competitive (72 €)	
	Scenario II			Competitive (120 €)				
2010	Baseline	<i>Not competitive</i>	Competitive (51 €)	<i>Not competitive</i>	<i>Not competitive (434 €)</i>	<i>Not competitive</i>	<i>Not competitive</i>	<i>Not competitive</i>
	Scenario I			Competitive (96 €)			Competitive (77 €)	
	Scenario II			Competitive (150 €)			Competitive (129 €)	
2015	Baseline	<i>Not competitive</i>	Competitive (64 €)	<i>Not competitive</i>	<i>Not competitive (477 €)</i>	<i>Not competitive</i>	<i>Not competitive</i>	<i>Not competitive</i>
	Scenario I			Competitive (118 €)			Competitive (125 €)	
	Scenario II			Competitive (134 €)			Competitive (139 €)	

ECORYS STUDY

Various alternative policy options for post 2010



Three principle directions are currently possible:

1. Prolong the current specific Coal Regulation for a certain time period.
2. Provide alternative general State aid options for the period after 2010.
3. Apply a mix of general State aid options combined with a coal-specific Article on exceptional costs.

ECORYS STUDY

Employment trends and forecasts



Recent employment trends:

- Overall, employment in the coal sector has been decreasing considerably over the past decade due to the sharp decrease in coal production.
 - Germany, Poland, Romania, and Hungary have reduced employment in the coal sector significantly over the past 15 years

Forecasted employment developments:

- Similar to the recent employment trends, generally speaking employment is forecasted to significantly decrease in the future.

ECORYS STUDY

Social effects: lessons from the UK

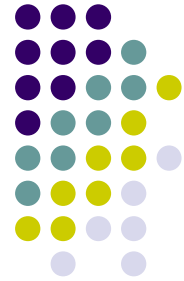


Unemployment

- between 1981 and 2005 over 200.000 jobs were lost
- about 60% of these jobs have been replaced by new noncoal jobs for men in the same local areas
- on average it took 10 years to fully absorb laid off miners into the labor force

ECORYS STUDY

Social effects: lessons from the UK



Coal pensions

- The two British coal pension schemes MPS (Mineworkers' Pension Scheme) and BCSSS (British Coal Staff Superannuation Scheme) together have 430,000 members.
- In 1994 as part of the privatization process, these two Schemes were closed to new members and new contributions
- agreement with the British Government to ensure that pension entitlements at privatization rise at least in line with inflation.

Results of the public consultation



- A public consultation has been carried out via the Commission website between 13 May and 15 July 2009.
- In addition, the social partners of the sector have specifically been consulted via the social dialogue (« extractive industries » committee).
- All contributions and a summary of the results can be found on the Commission website:
<http://ec.europa.eu/energy/coal/consultations>.



Policy options

- Stakeholders were asked to comment on possible policy options to accompany mine closures:
 1. Investment aid
 2. Operating aid over a fixed time period until closure of the mine (closure aid)
 3. Aid to cover exceptional costs (inherited liabilities)



Respondents to the public consultation

The Commission received 60 contributions:

- Most of them (37) came from the coal sector (social partners and individual contributions), three from producers of mining equipment,
- 9 national authorities of coal-producing Member States responded (+ some regional authorities)
- 2 environmental or groupings of environmental associations
- Weak response from the electricity producers (only 2 individual contributions)

General overview (1)



- Respondents from the coal sector argue in favour of a continuation of the type of State aid that can currently be authorised under the Coal Regulation.
- The governments of Spain, Slovakia, Hungary and Romania also plead in favour of a continuation of the present types of State aid.



General overview (2)

- The governments of other coal-producing countries either plead for more selective measures or remain uncertain as for the future State aid regime.
- The environmental organisations do not favour a new sector-specific State aid regime for the coal sector. They believe that the move to general State aid rules would enhance the move to renewable energy sources (where there are believed to be many job opportunities).



Specific aspects (1)

- The respondents from the coal sector generally confirmed the findings of the study with regard to the prospects of the coal industry.
- The respondents from the coal sector argue in favour of operating aid on the basis of the argument of security of supply. This is contested by other respondents.



Specific aspects (2)

- Only respondents from the UK and Poland pointed to the potential need for investment aid in the future.
- Some respondents indicated that there may be problems to adapt currently coal-fired power plants. Unfortunately, there was no contribution from electricity producers.
- Many respondents pointed to the many jobs in related industries that depend upon the continuation of coal mining.



What's next?

- The Commission services are currently assessing various policy options while taking into account the results of the public consultation. An impact assessment report will be prepared.
- It will be for the new Commission to take a decision on a possible follow-up State aid regime in 2010.