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International Trade
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Just Transition and Heavy Industry Roundtable

– Summary

Stockholm 27 – 28 August 2019. Heavy industry plays a key role in our economies and supports many decent jobs. In Europe alone, energy-intensive industries support employment for 6.6 million people.

However, heavy industry (including heavy duty transport) is responsible for 30% of energy emissions globally. By the end of this century, emissions from heavy industry and heavy transport are projected to account for 60% of global energy-related emissions.

Workers in heavy industry have historically had strong unions and won good jobs through collective action. For these workers, and for the union movement in general, it is important to keep good jobs and strong unions in heavy industry as sectors lower their emissions, so that decarbonization does not become an excuse for weakening labor rights and making jobs worse. Keeping strong

unions is also important to help workers, employers, and governments manage change.

LO Sweden, ITUC, IndustriALL Europe and the Just Transition Centre held a roundtable on Just Transition and Heavy Industry in Stockholm at the end of August 2019. The roundtable is the first in a series on these issues. The first session was held in Sweden, where Just Transition in steel and to a lesser extent cement seems both possible and imminent, while recognizing that the challenges are much greater elsewhere.

The roundtable brought together national and sectoral unions, employers, experts

and government to exchange views on how to accelerate efforts on Just Transition in heavy industry. Over two days, thirty-five participants, primarily but not only from Europe, discussed principles and pathways for a Just Transition to decent jobs and net zero emissions for the steel and cement sectors.

The good news is that this roundtable showed that it is technically and financially possible to achieve net zero emissions in these two sectors by 2050. It is also in the interest of workers. If, as is expected, climate targets become stronger and are enforced, bringing process emissions down from steel and cement will help to maintain jobs in these sectors.

There is further positive news in that there are already good examples of Just Transition for both sectors, particularly in the Nordic countries. For example, the



Steel and Concrete. PHOTO: COLOURBOX

Swedish speciality steel company, SSAB, is working with its union IF Metall, the Swedish power company Vattenfall, and the Swedish mining company LKAB to develop a process for nearly emissions free steel. That process will keep decent, organized jobs in all three companies as Sweden becomes the world's first fossil fuel free welfare state.

However, getting a Just Transition in cement and steel in any country will not be easy. Outside of Sweden, there are countries and regions that are reliant on fossil fuels to power their industries while lacking the economic capacity to master the industrial transition. Next to large scale investments in new low-carbon technologies, decarbonisation of industries requires access to abundant clean energy which is a challenge for carbon-intensive regions. Simultaneously, employment conditions in these sectors are worsening, with increasing casualization of labor. Improving contract security, safety, and wages for workers must be our first priority. In parallel, action to get emissions down must start immediately and will require upfront technology investment and/or subsidies, particularly for cement. Trade measures may be necessary to prevent carbon leakage. Finally, there are technical limits to emissions reduction in cement processing, since 70% of emis-

sions come from clinker, the raw material used to make cement.

Even if technological feasibility has been demonstrated, the new technologies must be brought to the market, which will require viable business models in order to attract investors.

No transformation in steel and cement without Just Transition

Transformation in heavy industry is a medium-term process that requires investment, political stability, and long-term direction:

- Getting emissions down in these sectors depends on infrastructure that either significantly expands renewable/zero emissions electricity production or permits carbon capture and storage/use at scale.

The challenge is to do this in a way that includes people and improves society and makes it even better.

Ibrahim Baylan, Swedish Minister of Enterprise

- Both cement and steel tend to employ large numbers of workers concentrated within particular regions. Just Transition is necessary in this transformation to ensure that workers continue to have good quality jobs, and to avoid de-industrialization of regions and political instability.
- Getting it wrong has political consequences that can also affect support for climate action. The growth of far-right movements in Europe and elsewhere can in part be traced to deindustrialization and entire regions that are left behind.

Swedish Minister of Enterprise, Ibrahim Baylan, said, *"The challenge is to do this in a way that includes people and improves society and makes it even better"*. Sweden's new innovation policies include a program on inclusion that provides support for retraining, reskilling, and finding new jobs to workers affected by the new technologies. The Hybrit project has created many employment opportunities for northern Sweden, which is one of the poorer regions in Sweden and previously had high unemployment.

In India, companies and government are making good progress towards some of the goals of the Paris Agreement, but at the same time the overall situation of

For us it is clear, decarbonization of the European industries is the key challenge for the next decades for our industries. We have to make sure that this all transformation to a low carbon industry goes hand in hand with a social agenda.

Luc Triangle, General Secretary of IndustriAll EU

workers is getting worse. Companies are using their increased investment in new technology as an excuse to cut labour costs by hollowing out regular employment and moving to contractualization. The process of greening the Indian cement industry is actually producing worse jobs.

The biggest challenge now in the cement and steel sectors is to provide a Just Transition, based on social dialogue, with social protection, material investment in decarbonization and regional development, and training and reskilling programs.

The good news

It is possible to decarbonize steel and to a lesser degree cement, using technologies that have been developed by governments and companies in these sectors.

There are three routes to decarbonization: 1) Reduce demand for high CO₂ products and services, which means investing in circular economy and in turn reducing primary production, a more CO₂ inten-

sive process than secondary production; 2) Improve energy efficiency; and 3) Employ decarbonisation technologies across all sectors, particularly electricity, hydrogen and CCS. Decarbonization in heavy industry is inextricably linked to decarbonized electricity at scale, and to a lesser extent to CCS.

There are already concrete examples of transformative change in heavy industry. As mentioned, in Sweden the Hybrit project is building the first pilot plant to produce fossil-fuel free, low emissions steel. In the cement sector, there are also initiatives which are working on renewable energy, carbon capture utility (CCU), and "Just Transition". For example, Norcem, based in Norway, is part of a project that will be the first full scale storage site for CO₂ emissions from industrial process in the world.

However, low carbon technology in the cement sector still has limitations, and potentially an absolute limitation due to emissions from the use of clinker.

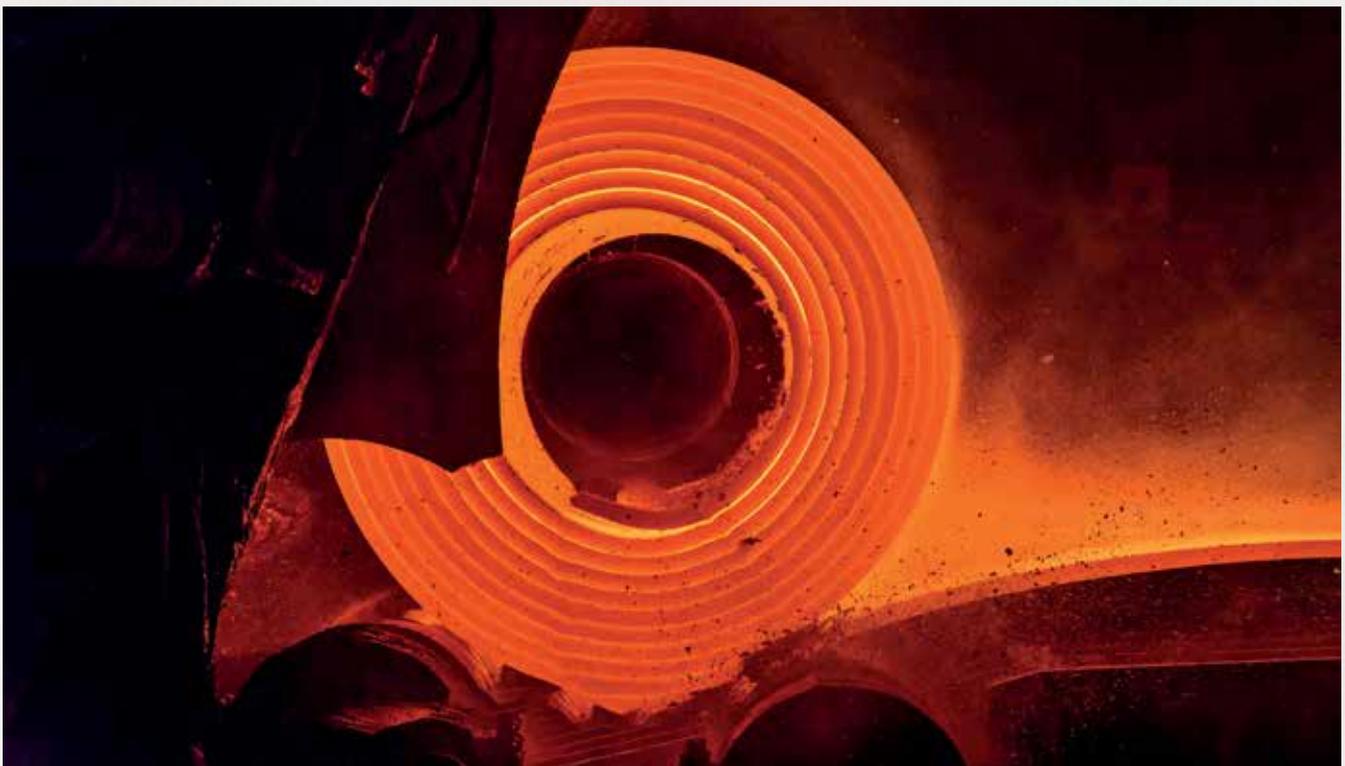
The less good news or let's call it "the challenges"

The first priority for decarbonization is to develop industrial strategy that is coupled with climate plans, social plans, regional development and economic diversification. This approach is growing but it is a new approach to climate and industrial policy.

The buildout of the power sector, energy prices, and industrial policy must also be linked. To build projects like Hybrit outside of Sweden but still in Europe, one would need to triple electricity production in Europe. On the plus side, this would create tens of thousands of jobs. On the minus side, these are huge investments that, if passed on to wholesale users or consumers, would cause high electricity prices. If electricity prices are too high, decarbonisation will not take place because it is not commercially viable.

Decarbonization requires investment, but steel is not competitive in many countries and many companies do not have the resources to invest in decarbonization. The root causes of this lack of capital are outside the scope of the roundtable. The conclusion, however, is that decarbonization in many places would require government or other financial intervention at scale.

Co-determination, or the right of workers and their unions to work with manage-



Hot-rolled steel process in steel industry. PHOTO: COLOURBOX



Cement factory a mixer cement tower. PHOTO: COLOURBOX

ment to determine the direction of a company in effective social dialogue, seems to be key to a rapid decarbonization process with Just Transition. Without co-determination, companies tend to be short-sighted. The lack of a longer-term vision from employers is currently a huge disadvantage.

Generally, the best outcomes on Just Transition are in regions that have options for alternative employment. Regions with industrial monoculture will need much greater investment in order to avoid being left behind.

Everything that has made Hybrit possible in Sweden is a challenge in Germany. Unlike Sweden, Germany does not have hydro-power or access to other cheap and abundant renewable sources. The power system needs to be strengthened due to the simultaneous withdrawal of nuclear and coal. Transforming German steel by importing hydrogen and high-quality iron ore from Sweden would not be a great solution, as it would mean breaking off parts of existing value chains in German steel, and the jobs that come with them. On another note Germany will invest 40 billion € in its coal regions with the objective of facilitating economic diversification and upgrading infrastructure. Structural support at this scale will be out of the question in other regions/countries with an important share of carbon-intensive industry.

Although Nordic cement companies are making good progress on decarbonization, they are just a fraction of global cement emissions. The biggest challenges lie in India, Africa, and the Middle East.

Leaving no one behind – what does it take?

The transformation of heavy industry can, if poorly managed, have very uneven results for workers and employers. Skilled workers with strong unions may do well; big companies with capital to invest may do well too. But decarbonization can be a disaster for unskilled workers and small companies if there is no Just Transition process. Solutions for blue collar workers will have to be found on the shop floor, through training and reskilling and organising internal mobility. SMEs will need capital to invest in this transition if they are to participate and survive. Governments will have to take care of vulnerable workers and regions.

There is thus a need for social dialogue to develop a collective, sustainable vision of the future, where no one is left behind.

There is a need for massive investment in green power, which dwarfs the requirements for investment in decarbonization within heavy industry.

Governments have a significant role to play, both in terms of ensuring a stable

All trade unions leaders in the world will be at the front posts to achieve the Paris Agreement target to limit the rise of global warming to maximum 1.5°C.

Karl Pieter Thorwaldsson, President, LO Sweden

and long-term political framework and in terms of public procurement, which is an important lever to drive uptake of low carbon steel and cement, and to help these sectors bring down costs through scale.

Nonetheless there is also a role for private finance. Here union pension funds can play a role, through purchases of green bonds to finance sustainable infrastructure/cement, or through direct investment.

In Europe, there is a need for an integrated EU policy on Just Transition. Further, trade policy cannot be disconnected from climate and Just Transition policy. Initially at least, decarbonized steel and cement will cost more. If European governments and companies are going to invest in



Steel construction for structure building industry. PHOTO: COLOURBOX

decarbonizing heavy industry, they need to be sure that higher cost and lower carbon products will still be competitive. At the same time the distributional impact of decarbonisation needs to be addressed through measures designed to prevent low-income households being disproportionately impacted by increased costs of living.

The proposed European Green Deal, along with establishment of JT plans and funds, is a good sign which is yet to be defined in initiatives by the incoming European Commission. The recently elected president of the European Commission, Ursula von der Leyen, has spoken about industrial strategy, supporting people in Europe's most vulnerable regions through a new Just Transition fund, and the desire to decarbonize heavy industry. In fact, Just Transition should be an overarching theme for many European Commissioners.

The biggest cement companies in the world are based in Europe. But when they go outside of Europe, they change their labour and environment practices. Unions in Europe need to hold European companies accountable for what they are doing outside of Europe.

There is, therefore, an urgent need for a global standard on Just Transition and sustainable cement. To reduce cement emissions, it will be critical to look not only at production, but also at demand management; lean building design and construction, recycling, and reuse. Developing this standard would require a multi-stakeholder process that brings together unions, the big cement producers, real estate developers, and contractors, governments, and finance including development banks. Most of the finance for cement comes from public procurement.

Globally there might also be potential in developing an international agreement on Just Transition for the steel sector, given the dominance of multinationals in the sector and the strength of metal workers' unions in many countries.

Conclusion and Next Steps

The transition is happening. Solutions exist, though not yet at scale. Choosing a path towards going fossil-fuel free can help inspire people.

Sharan Burrow, General Secretary of the International Trade Union Confederation said, there is hope. Now the question is

"How do we get to hope with our members and with communities? When you can describe the future where jobs and new jobs are created, then it's easier to accept change. We need to talk to members about how it will happen and what we're going to do."

Now we have to ensure that the transformation of these two key sectors will bring a Just Transition.

The next steps will be to explore the proposals that came out of this roundtable, and to plan further roundtables designed to support Just Transition processes in key regions and countries.

As mentioned at the outset, this is the first of a series of roundtables. The next one will be in countries with more challenges, such as Bulgaria and maybe Brazil. The Just Transition Centre will work with industriAll Europe on a proposal for the former and will collaborate with LO Sweden on the latter.

We need to co-operate, and we need to protect workers, while creating systems for cooperation and making this change possible.

On cement, we must think more broadly. In close collaboration with Building and Wood Workers International (BWI), we will develop a multi-stakeholder perspective involving the value chain and all actors of the building sector.

How do we get to hope with our members and with communities? When you can describe the future where jobs and new jobs are created, then it's easier to accept change. We need to talk to members about how it will happen and what we're going to do.

Sharan Burrow, General Secretary of the International Trade Union Confederation