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CLIMATE CHANGE

Report on a meeting of management and trade union experts held under the OECD Labour/Management Programme

Paris, 2nd October 2000

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Report on a meeting of management and trade union experts
held under the OECD Labour/Management Programme

(Paris, 2 October 2000)

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FOREWORD

Under the OECD Labour/Management Programme for 2000, a meeting of management and trade union experts on "Climate Change" was held in Paris on 2 October 2000. The meeting was prepared in collaboration with the Business and Industry Advisory Committee to the OECD (BIAC) and the Trade Union Advisory Committee to the OECD (TUAC).

Below you will find the Agenda for this meeting, along with the Discussion Paper and the overall report of the discussions of the meeting of experts, which were both prepared by Professor John H. Chesshire, designated as General Rapporteur for this activity.

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AGENDA

I. Overview of the Issues

Sustainable development is an important framework to simultaneously advance economic growth, environmental protection, and human welfare. Economic growth is the foundation for employment and societal welfare. However, it must take place within the context of the three pillars of sustainable development. The achievement of a stable balance between the economic, social and environmental objectives is of critical importance. Climate change policies must fit within this context.

Session Chair: - Paul Cicio, Dow Chemical Company
Panel: - John Evans, General Secretary, TUAC
       - Claude Fussler, World Business Council for Sustainable Development (WBCSD)
Discussion: Initial comments to be invited from the OECD Economics Department and UNFCCC

II. The impact of climate change measures/policies on employment

The range of employment implications of measures to address climate change are not yet fully understood. The objective of this session is to increase the understanding of the local implications of climate change in practical terms, especially for the social impacts of communities and to identify areas of further research and analysis that would be necessary. An important issue to be addressed is the ability to adapt to change, including education and training needs and transitional assistance.

Session Chair: - Marion Hellmann, International Federation of Building and Wood Workers
Panel: - Klaus Mittelbach, Bundesverband der Deutschen Industrie (BDI), Germany
       - Joaquin Nieto, European Trade Union Confederation (ETUC)
       - Margo Thorning, American Council of Capital Formation
       - Brian Kohler, Canadian Labour Congress (CLC)
Discussion: Initial comments to be invited from the OECD Directorate for Education, Employment, Labour and Social Affairs, and the International Labour Organization (ILO)

III. Increasing the effectiveness of voluntary approaches to address climate change

Voluntary actions are a growing feature of climate change scenarios as part of a broad policy mix of solutions. They have the advantage of allowing existing activities to adapt flexibly, but they need to be credible. How their effectiveness can be enhanced and how broad support can be further developed for their uses, is a matter of increasing importance.
Session Chair: - Klaus Kohlhase, BIAC

Panel: - Jean-Philippe Barde, OECD Environment Directorate
- Cecilia Brighi, Confederazione Italiana Sindicati Lavoratori (CISL)
- Kees Bennebroek, DSM, The Netherlands

Discussion

IV. Addressing responsibilities of stakeholders for GHG emissions

Many different actors contribute to greenhouse gas emissions (e.g. industry, households, transport, agriculture). It is important to enhance awareness of the various sources of emissions in order to identify the responsibilities of all stakeholders and parts in society in addressing climate change.

Session Chair: - Horst Heuter, German Confederation of Trade Unions (DGB)

Panel: - Kristi Varangu, International Energy Agency (IEA)
- Rob Bradley, Climate Network Europe (CNE)
- Chris Boyd, Lafarge, France
- Jesper Lund-Larsen, International Union of Food and Agricultural, Hotel, Restaurant, Tobacco and Allied Workers Association (IUF)

Discussion

V. Concluding Remarks

Based on the previous discussions, this session is intended to identify how industry and trade unions could co-operate in defining measures/policies to address climate change, whilst promoting efficiency, innovation and technological change, and to identify areas where further work is needed by OECD, governments, intergovernmental bodies and the various stakeholders.

Introductory remarks:

- Reg Green, International Federation of Chemical, Energy, Mine and General Workers’ Union (ICEM)
- Douglas C. Worth, Secretary General, BIAC

Discussion

Concluding remarks by the rapporteur
1. INTRODUCTION

The OECD Labour/Management Programme for 2000 includes provision for this timely, joint meeting of business and trade union experts on the topic of climate change to be held prior to COP6 in November 2000.

Both BIAC and TUAC consider the OECD’s work on climate change to be very important and appreciate the fact that the work is taking place within the broader context of sustainable development. Climate change is a very complex issue and substantive progress will not be achieved without the active contribution of the different stakeholders. The meeting is intended to offer a platform for discussion ahead of COP6 on the impact of climate change measures/policies on employment, the importance of voluntary approaches as part of a broader policy mix, the responsibilities of the various stakeholders for greenhouse gas emissions as well as the importance of sustainable economic growth. It is also intended to identify how industry and trade unions could facilitate co-operation measures to address climate change, whilst promoting efficient solutions, innovation and technological change, and to identify areas where further work is needed.

The Agenda for the meeting on 2 October has five main elements: Overview of the Issues; Impact of Climate Change Measures & Policies on Employment; Increasing the Effectiveness of Voluntary Approaches to Address Climate Change; Addressing Responsibilities of Stakeholders for GHG Emissions; and a Concluding Roundtable and Summary Session.

This short Issues Paper, together with papers to be tabled by BIAC, TUAC and other participants, seeks to inform the discussion by (i) reviewing the context of sustainable development and climate change; (ii) some major policy challenges which arise; (iii) proposing some guiding principles to underpin the policy approach; (iv) briefly examining the economic and employment implications of climate change mitigation, and suggesting an enhanced role for major stakeholders in modelling exercises to define more precisely possible winners and losers; and (v) concludes with some questions to focus the debate.

2. SUSTAINABLE DEVELOPMENT AND CLIMATE CHANGE

The concept of sustainable development, like democracy and justice, is difficult to define. In its report Our Common Future, the Brundtland Commission proposed that it was ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. To make this compelling vision operational requires the development of a framework of organising principles. These principles must recognise the complex interactions between three essential pillars: (i) economic growth, (ii) the environment and (iii) wider, mainly social, policy considerations (e.g. employment, and equity between different stakeholders and across generations). The Brundtland Commission took a similar view, arguing for ‘a new era of economic growth -- growth that is forceful and at the same time socially and
environmentally sustainable’. Thus the concept of sustainability is both precise and yet all too elusive! In essence, sustainable development means giving greater weight today to future generations (the notion of inter-generational equity).

Many concepts in the sustainability lexicon involve complex trade-offs or require further clarification. In particular, policies for sustainability must pay simultaneous attention to a wide range of other issues such as primary resource depletion, economic growth, employment, investment, social cohesion and equity, international competitiveness, energy import dependence, energy supply reliability and national security. If this is not done, policy and market signals will become very confused. In turn, this will lead to failure to secure the essential requirements for sustainable development: a clear policy framework and widespread societal support to permit consistent responses and cost effective and equitable sharing of responsibilities over the long term.

Climate change is but one dimension of sustainable development. Rising emissions of GHGs and aerosols are projected to change regional and global climate and climate-related parameters such as temperature, precipitation, soil moisture and sea level. There are over 25 greenhouse gases (GHGs). The most important include carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), sulphur hexafluoride (SF6), hydrofluorocarbons and perfluorocarbons -- together with ozone and water vapour. The first six of these are the ‘basket of GHGs’ covered by the Kyoto Protocol. Two other powerful GHGs, chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs), are covered by the Montreal Protocol relating to protection of the stratospheric ozone layer.

Since pre-industrial times the amount of GHGs in the global atmosphere has increased by the equivalent of a 50% increase in CO2.\(^1\) Since 1750 atmospheric CO2 concentrations, alone, have risen from 280 parts per million by volume (ppmv) then to around 370 ppmv now. It is estimated that present human activity, especially the use of fossil fuels (coal, oil and natural gas) leads to the release each year of over 20,000 million tonnes of CO2 into the atmosphere.\(^2\) In OECD countries fossil fuel combustion contributes about 85% of their current incremental CO2 emissions (with a lower, but rising, share in developing countries) -- the remainder arising mainly from deforestation and other changes in land use. Emissions of other GHGs are also rising as a result of human activities: e.g. methane concentrations have more than doubled since 1800, caused by changes in land use, fossil fuel extraction and landfill waste sites. As a result, some human-induced climate change is now seen as inevitable.

The Intergovernmental Panel on Climate Change (IPCC) was established in 1988 and undertook two important assessments of climate change in 1990 and 1995. The Third Assessment will be published in 2001. As yet, the IPCC has not identified any specific target for GHG emissions reduction. Many countries are responding to the threat of climate change via the UN Framework Convention on Climate Change of 1992 and especially the Kyoto Protocol of December 1997. At Kyoto developed countries agreed to cut their combined GHG emissions by at least 5% below 1990 levels over the commitment period 2008-12. This reduction is demanding, but much bigger cuts -- perhaps 60% or more -- appear necessary in the longer term to prevent significant climate change.

The Kyoto Protocol will enter into force when 55 countries have ratified it, including developed countries accounting for at least 55% of developed countries’ CO2 emissions in 1990. Most developed countries require greater certainty on some outstanding issues before ratifying the Protocol. In particular, governments are seeking clarification of the operation of the Kyoto flexibility mechanisms and of the consequences of any non-compliance with their Kyoto targets. These and other issues are due to be resolved at COP6. If they are, this could lead to the ratification and entry into force of the Protocol.

\(^1\) The term ‘CO2 equivalent’ is frequently used to measure changes in the basket of GHGs, which are radiatively equivalent to an increase in CO2. The conversion factor between the GHGs is known as the Global Warming Potential of each GHG.

\(^2\) The ratio of the atomic weights of carbon and carbon dioxide is 12:44.
3. THE POLICY CHALLENGE IN ESSENCE

CO2 presently comprises some 82% of total manmade GHGs; and 96% of total manmade CO2 emissions arise from fossil fuel use -- hence the great emphasis placed upon energy-related responses. However, much more focus is now being placed upon the response of the wider energy ‘system’, including a wide range of end users and other actors (e.g. architects, equipment and vehicle manufacturers) as opposed to the historic emphasis upon the role of the much narrower energy ‘sector’. This implies that policy responses to mitigate climate change and to support more sustainable development will be more complex and subtle, and need to be much more inclusive and co-operative. An imperative for effective mitigation responses is the engagement of a wide range of stakeholders.

Satisfaction of even basic human needs will lead to substantial growth in global energy demand. Recent ‘trends continued’ projections from numerous agencies anticipate growth in such demand (depending upon assumptions) of some 40-80% by 2020 compared to 1990. Most of this incremental energy demand growth will occur in developing countries, especially as they industrialise and expand private transport. However, even by 2020, per capita energy consumption will still vary markedly between countries, and, on average, consumption in most developing countries will be well under half that of the OECD average.

The consequence of these factors is that global environmental impacts deriving from the global energy system will increase in any ‘trends continued’ or ‘business as usual’ case. There is a danger that such environmental impacts might, perhaps, be too narrowly equated with CO2 emissions and the debate about climate change. Policy responses for sustainable development require a broader front. Yet responses so far proposed fall well short of those required either to stabilise GHG emissions or to tackle other serious environmental challenges.

In the OECD countries, at least, acid rain issues are being tackled largely via the twin routes of fuel switching (away from coal) and ‘end of pipe’ technologies such as Flue Gas Desulphurisation (FGD). Climate change presents far more severe challenges. Unlike the responses to acid rain, ozone depletion and atmospheric lead, there are no known easy ‘technical fixes’ to reduce global CO2 emissions. This is because this gas is emitted whenever fossil fuels are used.

The well-established options available within the energy system to curb global GHG emissions, especially CO2, are:

- Lower energy demand growth through much enhanced energy efficiency efforts, including improvements to supply-side conversion and transmission in power stations, refineries and grids. However, perhaps the major contributions from efficiency arise in end-use applications such as buildings, industrial processes, electric motors, lighting, appliances, vehicles and changing transport modes (from private to public provision); and
- Switching to less polluting energy sources in two ways. In the medium term (say 20 years) switching within the fossil fuels from coal towards natural gas (natural gas is hydrogen, not carbon, rich); and, in the longer term, away from fossil fuels to renewable energy sources and/or to nuclear power (if the latter option finds favour with public opinion).

Carbon emission targets introduce a new dimension to the debate. Unless governments have additional policy levers to influence energy consumption, they are most unlikely to deliver their evolving international commitments to 2010 and especially to 2020 and beyond. The intensity of policy intervention -- especially in liberalised markets -- will need to increase, not diminish. Yet it is not clear that this paradox is sufficiently appreciated by some policy makers.
The cost of capital and the appropriate discount rate are central. If consumers continue to use high discount rates (or seek short paybacks, typically of 2-4 years) for energy efficiency investments, it is most likely they will make inaccurate assessments of the present values of both costs and benefits. Paybacks on the energy demand side remain considerably shorter than those sought on the supply side. Thus, despite the preference of many analysts for market-based instruments (such as energy or carbon taxes), a judicious mix of 'sticks and carrots' and of voluntary agreements -- if effective -- is likely to lead to more socially optimal decisions.

A level playing field is essential. For example, all investment in new energy supply capacity in the OECD attracts investment allowances against tax, but only some investment in energy efficiency is similarly assisted (e.g. not usually in the public sector or in private households). As a result, least-cost solutions may not be readily identified. This illustrates how policy responses must be developed across a wide front using numerous policy measures to allocate burdens equitably whilst seeking the most cost-effective responses.

This requires much greater imagination in the development of portfolios of policy instruments, some of which should be targeted at specific sectors and groups of end users. On grounds of public acceptability it may also require more flexibility in public accounting conventions. This might include greater willingness to 'ring fence' (or hypothecate) taxation and to direct revenues via incentives and subsidies. For example, private motorists might be more convinced of the case for higher road fuel taxation if some of the incremental tax revenues were used to improve public transport. Levies and taxes on industrial fuel use may prove more acceptable if they are used partly to increase grants and tax relief to stimulate more efficient energy use. Such an approach may well be more acceptable to some energy-intensive users than the use of tax revenues to reduce labour taxes. This is because energy-intensive users also tend to be capital intensive, with small labour forces. However, the principle of hypothecation is controversial. As such it warrants further discussion at the meeting.

The combination of changes brought about by mitigation of climate change, globalisation and liberalisation of energy markets are without historic precedent. They represent a new order and a 'brave new world'. This new order will create winners and losers. Anticipating the consequences of these changes dominates much corporate and government thinking, as well as that by the consumer, financial, environmental, trades union and academic communities.

4. **SOME SUGGESTED PRINCIPLES FOR POLICY MAKING**

This brief paper cannot review in any depth the range of policy responses emerging to mitigate climate change. These include:

- Fiscal policies and market mechanisms: e.g. taxes, levies and subsidies (including the removal of inappropriate existing subsidies)
- Regulatory policies: e.g. building, vehicle and appliance efficiency standards/labelling
- R&D policies
- Information and education programmes
- Voluntary approaches: these are to be discussed more fully at the joint meeting on 2 October. Some key issues to review include the credibility and overall effectiveness of voluntary approaches; the reasons for success and failure; ensuring effective monitoring and enforcement; how best to address the problem of 'free rider' companies within any sector; measures to discipline poor performers; and whether cultural and governance traditions might influence the efficacy of voluntary approaches in different countries.
• The Kyoto flexibility mechanisms: emissions trading, joint implementation and the clean development mechanism.

Criteria need to be agreed and established to guide the complex, multi-agency, multi-instrument and multi-stakeholder response, which is required. Some crucial criteria include:

• **Precaution:** Scientific consensus, like any other consensus, should remain subject to searching challenge and scrutiny. But the broad scientific consensus about climate change and sustainability should be heeded. ‘Business as usual’ is no basis for future policy making. The precautionary principle means that numerous policy measures should be examined seriously and that some, at least, are implemented promptly.

• **Flexibility:** The future remains uncertain. ‘Optimising’ the policy response, given likely somersaults in emerging conventional wisdoms, is thus a forlorn endeavour. Economic and political uncertainties are great; the mood of public opinion could shift (as seen perhaps over road fuel prices in much of Europe in early/mid September); and the global energy demand/supply balance is difficult to predict over 2-3 decades or longer. The future will contain many shocks, which will reveal the folly of strong belief in any present certainties or projections. History has taught powerful lessons in this regard.

• **Feasibility:** Political feasibility (or social acceptability) is an important test of policy packages. Some policy measures (e.g. taxation and tougher regulation) will confront powerful vested interests. They will respond. But vested interests, whilst given all reasonable opportunities to register their concern, must not (as on some occasions in the past) be permitted to exercise any veto. Saying ‘no’ to policy proposals is not sustainable: well-considered -- and credible -- alternatives must be proposed in their place. Many policy measures might well enjoy wide support: information campaigns; introduction of standards and regulations for appliances, buildings and vehicles; and voluntary agreements. Some other policy measures have yet to be fully specified and agreed, such as the Kyoto flexibility mechanisms. Further work is required before some more novel instruments are fully evaluated by policy makers and stakeholders.

• **Environmental effectiveness:** Policy instruments, individually or in packages, must contribute to the imperative of climate change mitigation and sustainable development. The effectiveness of such instruments should be well established, documented and credible; and consistent with a wide range of economic, social, energy and environmental objectives. Such instruments might aim at a hierarchy of responses, such as reducing carbon intensity; increasing energy efficiency; and accelerating the penetration of renewables, CHP (co-generation) and other low-emission technologies. Reductions in carbon intensity might well prove a useful ‘first hand’ proxy for evaluating the environmental effectiveness of many policy instruments.

• **Cost effectiveness and economic efficiency:** The policy objectives agreed by governments result from a process of political negotiation, and tough evaluation of trade-offs. Politics is the art of the possible. But the possible must also be evaluated on rational economic grounds. Resources are constrained and desirable objectives are manifold. Especially in newly liberalised energy markets, policy instruments should -- wherever possible -- work with ‘the grain of the market’ and provide incentives for innovation.

• **Market compatibility:** Policy instruments should reflect market realities such as consumer and market expectations; huge sunk investment in equipment and human skills; the slow turnover of energy-using capital stocks (aircraft, cars, freezers, power stations); the respect for freely-negotiated contracts, especially long-term ones; the resource losses imposed by stranded assets and contracts; increased competition in regional and global markets; and the possibility of reduced incentives for longer-term R&D by the private sector or by individual countries which no longer have nationally-based ‘product champions’ (e.g. boilers, turbines) with which to foster technological change.
• **Social and economic equity**: Burden sharing across countries, sectors, stakeholders and end-users should be equitable. Inevitably, some instruments may have undesirable side effects, such as on income distribution, employment and personal choice. These side effects must be evaluated with care. In some cases, compensation might be required to achieve social acceptability. Packages of measures should aim to ensure that side-effects are as low as possible and that *adjustments are smoothed* wherever this is feasible. Abruptness in policy implementation imposes higher costs than when individuals, companies and markets are given adequate time to anticipate and to adjust. But this also suggests there will be no merit in further delay.

• **Clarity, consistency and administrative simplicity**: these desiderata are self-explanatory.

5. **THE IMPACTS OF MITIGATION POLICIES ON EMPLOYMENT**

Effective policies to mitigate climate change, however sensitively introduced, will lead to both winners and losers. This is equally true of other contemporary market trends (e.g. increased ‘globalisation’) and some policy decisions (e.g. liberalisation of energy markets, leading to significant reductions in energy utilities’ labour forces). But it is a matter of some surprise that, so far, relatively little concerted effort has been directed, by either governments or the major stakeholders, to analyse and quantify the possible economic and employment impacts arising from climate change mitigation.

Governments made challenging political commitments at Kyoto. The subsequent delay in publishing consistent national response strategies, and their implications, indicates some of these commitments may have been based on inadequate prior analysis. A number of governments have already commenced a shift to ‘green taxation’, with higher taxes on resource use and/or emissions being offset partly or wholly by lower taxation on employment. It would be useful to conduct rigorous evaluation of this emerging experience.

Several recent studies have examined the possible economic costs of climate change mitigation. Amongst them are those of the OECD itself, the European Commission, some governments and specific stakeholder groups. Most models reviewed by the OECD suggest the total economic cost by 2010 as a percentage of GDP or total real income might be 1% or less. The OECD’s own world general equilibrium model (GREEN) suggests the amount of labour reallocation induced by the Kyoto emissions reductions could be as low as 0.2% of the total labour force in 2010, assuming flexible labour markets and real wages. This estimate would be lower with permit trading but higher with greater rigidity in labour markets. For example, the GREEN model suggests that real wage rigidities might cause a rise in the unemployment rate, for the OECD on average, of up to 5 percentage points by 2010.

• Whilst some model results indicate the net effects on employment could be modest, specific countries and specific sectors will be effected much more significantly -- as both ‘winners’ and ‘losers’. Especially for the latter, more detailed analysis would be valuable to inform transition and adjustment measures.

• Most global economic models assume ‘smooth’ reallocation of capital and labour in response to GHG mitigation, thus leading to under-estimation of economic costs and employment losses. But, in reality, such changes are rarely ‘smooth’ for those stakeholders most seriously effected.

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• Even if revenues from carbon taxes, levies or permit sales are used to reduce other taxes (e.g. those on employment), or in other ways policies are claimed to be ‘revenue neutral’ in their effects, the impacts on specific sectors could be considerable. This is particularly so for energy- and/or capital-intensive sectors with relatively small labour forces.

• Different models employ different methodological approaches (e.g. ‘top down’ or ‘bottom up’); use different -- and not always transparent -- input assumptions; and do, or do not, take into account the Kyoto flexibility mechanisms.

• Some models have a limited sectoral coverage (e.g. focusing only upon the transport or housing sectors or on some specific renewable energy technologies).

• Many microeconomic models with limited sectoral coverage tend to suggest unambiguous ‘win win’ outcomes. Indeed, some of these studies appear to have been encouraged or financed by likely ‘winners’ as part of a wider process of advocacy for a specific set of policies. Macroeconomic models tend to suggest a negative impact upon employment but usually fail to identify the winners and losers with any precision.

• Not surprisingly, most modellers and economic analysts point to the tentative character of their conclusions, and thus call for further research. In particular few models at present explore longer-term economic and employment impacts beyond 2010, especially of much greater emissions reductions than those sought by the Kyoto Protocol.

• Few, if any, models are developed in association with the appropriate range of key stakeholders and -- perhaps most important of all -- relevant stakeholders are not engaged effectively in the modelling process itself via steering groups, modelling clubs or other consultative mechanisms. As a result, for many key stakeholders, the modelling process remains a ‘black box’; the modelling ‘outputs’ have to be taken on trust with little appreciation of the data inadequacies, the key input assumptions or the methodological constraints; and the sensitivity tests of greatest interest to specific stakeholders are usually not undertaken. This suggests that BIAC and TUAC might wish to consider cost- and time-effective forms of joint participation in some well-chosen future modelling exercises.

6. SOME ISSUES TO DISCUSS

The other papers to be tabled for the meeting will, no doubt, identify other topics to expand those suggested below:

1. To what extent are voluntary approaches, as part of wider packages of measures, likely to be appropriate to address climate change?
2. What lessons are emerging from voluntary approaches; and how can their efficacy and efficiency be improved? In particular, how can they be benchmarked and measured?
3. How might broad support for voluntary approaches be encouraged and their acceptability improved?
4. What are the major weaknesses in existing research on the economic and employment impacts of climate change mitigation measures?
5. How might potential job losses be reduced and new jobs created?
6. What is required to smooth the transition in labour markets?
7. How can key stakeholders, such as BIAC and TUAC, contribute more effectively in further analysis of the economic and employment consequences of climate change response strategies?
1. BACKGROUND AND INTRODUCTION

The objective of the meeting was to explore some core economic and social issues associated with mitigation of climate change, within the broader context of sustainable development. Climate change is a very complex issue and substantive progress will not be achieved without the active contribution of the different stakeholders. The meeting was intended to offer a platform for discussion ahead of COP6 of the impact of climate change measures/policies on employment, the importance of voluntary approaches as part of a broader policy mix, the responsibilities of the various stakeholders for greenhouse gas emissions as well as the importance of sustainable economic growth. It was also intended to identify how industry and trade unions could facilitate more co-operation with the OECD and other organisations to address climate change, whilst promoting efficient solutions, innovation and technological change, and to identify areas where further work is needed.

Some 75 participants attended the meeting drawn from BIAC, TUAC, the OECD and IEA secretariats, the ILO, the UNFCCC, an environmental NGO as well as numerous representatives of Member States’ permanent delegations. Participants received the Discussion Paper prepared by the Rapporteur, Prof. John Chesshire, and a background compilation paper comprising several contributions prepared by BIAC and TUAC representatives (see Annex I). A list of participants is attached (see Annex II).

Mr Denis Lamb, Head of the Public Affairs Division, OECD, chaired the meeting. He welcomed all participants and then invited Mrs Joke Waller-Hunter, Director of the OECD Environment Directorate, to make the introductory presentation.

Mrs Waller-Hunter said the meeting was particularly important in terms of its large attendance, breadth of composition of participants and its timing just ahead of COP6. The negotiations at COP6 would inevitably prove complex, as the main task would be to seek to implement the Kyoto Protocol via detailed discussion of flexibility mechanisms and policy instruments. Moving from broad targets to specific policies and measures presented both barriers and opportunities. Effective policy implementation required a sharing of effort and responsibilities between numerous stakeholders, not just governments. In particular, business and trade union interests could work effectively through partnerships - as this meeting highlighted. It was unique that BIAC and TUAC had jointly proposed the meeting. The OECD was delighted to assist by facilitating it and by providing a neutral platform to encourage further dialogue and shared understanding between industry, trade unions and other groups from civil society, including environmental NGOs. In conclusion she offered the support of the OECD Environment Directorate to this joint initiative and hoped the subsequent sessions would be productive in advancing discussions on issues and the next steps.
2. OVERVIEW OF THE ISSUES

This working session was chaired by Mr Paul Cicio, co-chairman of the BIAC Task Force on Climate Change, and Dow Chemical Co. He thanked participants for attending this first ever climate change meeting between BIAC and TUAC and expressed thanks to the OECD and IEA for their support. He said governments must choose mitigation policies wisely to minimise their impacts upon the economy, investment and employment. BIAC and TUAC were eager to play their part in dialogue to achieve effective, fair and low-cost policies and measures. The key objective of the meeting was to identify means of developing a longer-term dialogue on the economic and social dimensions of climate change between BIAC, TUAC and several international organisations.

The first presentation in this session was by Mr John Evans, General Secretary, TUAC. He said progress in developing climate change policy was not fast enough and that effective integration of the three pillars of sustainable development - economic, environmental and social - required much further thought. The Kyoto targets should be seen as but an initial step towards much more radical targets and measures. In particular, as recent public unrest in Europe over high fuel prices had highlighted, market mechanisms were insufficient and a wider policy response was required. This should include recognition of winners and losers from climate change policies and a sense of justice (the ‘just transition’) in addressing the inevitable impacts upon employment. Yet, at present, there was no obvious forum in which these pressing economic and social impacts, and means of addressing them, could be discussed. It was thus essential to develop new ways of involving numerous stakeholders in examination of the possible economic and social impacts of climate change policies as a route to securing robust and socially acceptable strategies and outcomes.

Mr Claude Fussler (World Business Council for Sustainable Development) said continued population and economic growth posed severe challenges for sustainable development. An imperative was to design an international economy in which economic growth, the quality of life and social equity could evolve whilst minimising impacts upon environmental quality and global security. The complexities caused by many interactions and trade-offs needed to be examined with great care. One route was to ‘uncouple’ inputs and outputs, and thus to obtain higher quality of life from economic growth with fewer environmental impacts. Key elements of such an approach included: (i) innovation in processes and structures; (ii) leaner production systems aimed at minimising wastes and emissions; (iii) investment in new technology; (iv) more training to empower better skilled workforces; (v) a shift to knowledge-based employment; (vi) smarter and more flexible public policies; (vii) agreement on goals and targets; (viii) equitable sharing of efforts; and (ix) an emphasis upon means to enhance competitiveness. Public policy should act as a catalyst to galvanise and co-ordinate efforts by numerous stakeholders. Measures could include a shift of taxation from labour to energy inputs and waste/emission streams; internalising external costs; and efforts to encourage laggards to enhance their environmental performance.

In the subsequent discussion Mr Paul O’Brien (OECD Economics Department) noted that issues related to climate change had hardly featured in the recent debate over fuel prices in Western Europe. This suggested that policy makers faced real constraints in seeking to internalise external costs (e.g. via higher taxes on transport fuels). Nevertheless, taxes were widely seen by most economists to provide the least-cost routes to reduce environmental impacts. As a general principle, governments should seek to put in place framework conditions (such as carbon taxes) to guide markets towards more sustainable development.

Mr Janos Pasztor (UNFCCC) said both the technical and political issues to be addressed at COP6 were complex; but their resolution was essential to secure ratification of the Kyoto Protocol. The issues included the design and operation of the flexibility mechanisms and ways of engaging developing countries in the climate change process. He acknowledged that, as yet, the impacts upon employment had not been fully
addressed and that much more discussion on policies and measures was required before real progress could be made in their implementation. He welcomed this joint BIAC/TUAC initiative and said the UNFCCC secretariat would now use their offices to encourage fuller discussion of employment and social issues at future COP negotiations.

3. IMPACT OF CLIMATE CHANGE MEASURES & POLICIES ON EMPLOYMENT

Mr Marion Hellmann (International Federation of Building & Wood Workers) chaired this second working session. He emphasised the need to adopt many practical measures to accelerate sustainable development. In particular, these should include transitional assistance, education and training. He then invited the four panel members to make their presentations.

Dr Klaus Mittelbach (Federation of German Industries, BDI) argued that, if implemented carefully, climate change policies could assist employment - especially if they encouraged innovation and investment. Implementation of the Kyoto Protocol should aim at fair allocation of burdens and avoid distorting competition between countries and companies. Recent German experience with environmental taxation had not proved the existence of a ‘double dividend’. As a result, reform of social security systems was a pre-requisite for sustainable employment. European industry had great competence in advanced, environmentally friendly technologies. Thus well-designed climate change policies (e.g. the Clean Development Mechanism and Joint Implementation) could strengthen this competitive position in future, with beneficial effects upon employment. More efforts should be focused on exploiting the synergies which existed from targeted investment programmes, such as improving traffic infrastructures and upgrading of building stocks, to contribute to lower CO2 emissions and significant job creation. The key challenge for policy makers was to develop coherent strategies combining the highest ecological return per unit of capital expenditure, whilst minimising risks to competitiveness and investment. He stressed the case for partnerships between policy makers and business, citing the voluntary agreement on climate change between the German government and industry as a good example. He concluded by recognising that the OECD had a significant role in deepening co-operation between governments, industry and other social partners.

Mr Joaquin Nieto (ETUC and CC.OO, Spain) summarised the growing evidence of climate change in terms of natural catastrophes, loss of life, rising sea levels and desertification. ‘Business as usual’ was not sustainable and would cause the loss of many jobs. Climate change mitigation was also likely to cause job losses (e.g. in the coal industry) but it could create employment in other areas, such as public transport, and the renewable energy industries, which were now growing rapidly but from a small base. A number of recent studies (such as the Danish Green Energy Plan) had suggested a net increase in overall employment stemming from climate response strategies. But more detailed evaluations were required in several areas - e.g. employment gains and losses at the sectoral level, and the social dimensions of the Kyoto flexibility mechanisms. Given the importance of these issues agreement should be reached soon so that COP7 and COP8 could provide adequate opportunities to examine them.

Dr Margo Thorning (American Council for Capital Formation) reviewed several recent evaluations of the impact of reducing CO2 emissions on US GDP growth by 2010, suggesting impacts of from -1.0 to -4.2% of GDP. Averaging this impact at -2% was equivalent to a GDP reduction of some $200 bn. Impacts upon US employment in 2010 ranged from 1.4-2.4 m fewer jobs. A key explanation for the range of estimates was the modellers’ assumptions as to whether the CO2 reductions were to be achieved solely by US domestic measures or also by means of carbon trading with Annex 1 countries (the latter usually having lower impacts upon GDP and employment). The industries likely to suffer most from CO2 mitigation included the energy sector, such as coal, electricity generation and petroleum refining, and energy-intensive industries such as chemicals, fertilisers, cement and steel. Analyses also suggested that the impact upon income distribution would be regressive, with incomes of poorer US families falling much more than those with high family incomes. Much incremental growth in greenhouse gas emissions would arise in
developing countries and it was thus imperative to secure active participation of these states in climate change negotiations. At present, both the US Senate and House of Representatives strongly opposed ratification of the Kyoto Protocol and the issue was not a central one in the presidential election race. Her proposals for a long-term approach to climate mitigation included: tax reform to encourage diffusion of new technologies and renewal of energy-using capital stocks; R&D on new energy supply and use technologies; development of better climate models; and fuller (global) participation in emission reductions.

Mr Brian Kohler (Canadian Labour Congress) referred to a recent report by the Communications, Energy and Paperworkers Union of Canada entitled *A Just Transition to a Sustainable Economy in Energy*. He argued that a carefully considered response strategy was essential to minimise the job losses and social dislocation which could arise from climate change mitigation policies. Far from opposing attempts to secure more sustainable development (or defending the indefensible), trade unions were keen to engage much more fully in appraisal and implementation of suitable policies. ‘Top down’ policy making in this field would not succeed. Rather ‘bottom up’ approaches should be developed, including all major social partners such as unions and local communities. The principles enunciated in the Just Transition report had been unanimously endorsed by the union which published it. He now judged that support for these principles should be secured from industry, governments and international agencies such as the OECD. Finally he stressed this was not a matter of crude collective bargaining, but an imaginative attempt to secure social sustainability and to reduce opposition to the inevitable changes which lay ahead.

Following these four presentations by panel members, Mr Hellmann then invited a response from Mr Philippe Egger (Employment and Strategy Department, ILO). Mr Egger said the ILO had undertaken much background work on employment issues but the organisation had not been formally represented at the Kyoto Protocol negotiations. However, particularly given the stimulus provided by this timely, joint BIAC/TUAC meeting, the ILO was keen to collaborate closely with these two organisations, together with the OECD, the European Commission and other UN organisations. The costs of ‘business as usual’ were likely to be massive, but the costs of implementing the Kyoto Protocol would also be very great. Much more thought should be given to policies to secure ‘decent work’ (including the quality of life at, and after, work) and to a ‘just transition’. The literature on the employment effects of climate change mitigation was growing but important gaps in knowledge still remained - such as the precise effects upon specific industries, skills and employment locations - which needed to be addressed to fine tune policy responses at national and local levels. Further examination of the so-called transitional costs of moving from pre- to post-Kyoto was likely to feature high on the ILO’s future work agenda. Specific issues could include: evaluation of quantitative as well as qualitative effects on labour markets; implications for unemployment, training and re-training; implications for employer/employee negotiations; and examination of macro-level impacts upon the economic and social dimensions. The ILO recognised the benefits of close collaboration with other organisations. The ILO’s presence at this meeting was a formal recognition of the importance of the subject and signalled the willingness of senior ILO management to engage in further dialogue.

The following points were made in subsequent discussion.

Mr Chris Boyd (co-chairman of the BIAC Task Force on Climate Change, and Lafarge) sought to crystallise debate on the broad thrust of climate change policy, arguing that the key issue was how adjustment should proceed and not whether adjustment was necessary. To dispute the scientific evidence was not acceptable; neither was it possible to suggest hopelessness or that action by OECD countries would be negated by incremental emissions growth in developing countries. He wished to offer his strong support to the principles underlying the concept of a ‘just transition’. Finally he warmly welcomed the very positive statements made by the UNFCCC and ILO representatives and was keen to discuss how these generous offers of engagement in further dialogue could best be taken forward.
To dispel any misunderstanding, Dr Thorning stressed her agreement to the need for least-cost responses to the potential threat of climate change. But she also urged the need for greater scientific certainty and more detailed analysis of least-cost mitigation measures before huge policy and/or spending commitments were made by governments. A flexible response was essential and she thought further time was required to minimise the economic costs and job losses associated with the structural changes inevitably caused by mitigation and adaptation policies.

Mr Klaus Kohlhase (a Senior Environmental Adviser) welcomed the two background papers and the candid debate upon the issues they raised. He proposed a number of priorities to focus future work including means of securing a structured, or just, transition; encouragement for new products and processes; and a frank appraisal of the role and the likely impacts of energy taxes.

Mr Bernt Fallenkamp (Danish Confederation of Trade Unions, LO-DK) doubted whether accurate forecasts of job losses could ever be made, given the many factors other than climate change mitigation which could profoundly effect economies and labour markets (globalisation, IT, economic reform in eastern Europe, etc). A more constructive thrust would be to develop ‘environmental competencies’ as suggested in a recent LO report entitled Development of Environmental Competence which placed emphasis upon education and training to develop new skills and empower workforces.

Mr Glenn Kelly (Global Climate Coalition) expressed warm support for the objectives of the meeting, thanked BIAC and TUAC for arranging it and welcomed the very constructive tone of all contributions made. He hoped the crucial new dialogue on economic and social impacts between these two organisations, the OECD, ILO and UNFCCC initiated at this meeting could also include other relevant stakeholders as such an inclusive approach was now recognised to be essential for success.

Mr Claude Fussler (WBCSD) said a key decision was whether (passively) to wait for change or (actively) to anticipate such change. The World Economic Forum’s latest study of competitiveness showed that countries such as Finland, Germany and the UK had now overtaken the USA. He emphasised the need to encourage ‘innovation for efficiency’, including energy and wider resource efficiency and waste minimisation. Such innovation was the engine for sustained economic growth and employment and for reducing environmental ‘footprints’.

Mr Joaquin Nieto (CC.OO) acknowledged that, if US support was not forthcoming, the Kyoto Protocol was effectively stillborn. In this event, the EU should continue to move towards a ‘low carbon’ future. Doing so would provide many beneficial innovative stimuli, which would propel future economic growth, employment and global competitiveness. For these reasons he judged US workers had much to lose if they adopted a short-term view and resisted change.

Ms Cecilia Brighi (Italian Confederation of Trade Unions, CISL) said the impacts of not implementing the Kyoto Protocol merited as much attention as those of doing so. A precondition to securing the active engagement of developing countries in climate change negotiations was for developed countries to put on the table packages of convincing policies that they would themselves adopt. A priority for the new OECD/ILO/UNFCCC (and hopefully EU) dialogue with BIAC and TUAC was to strengthen analysis and shared understanding of economic and social impacts of both ‘business as usual’ and of active response strategies to implement the Kyoto Protocol (and well beyond the current, rather hesitant, targets). Other stakeholders should also be involved in this crucial dialogue.

Mr Rob Bradley (Climate Network Europe) agreed with the earlier comments of Mr Boyd. He argued that at least one of the studies cited by Dr Thorning should be viewed as a lobbying document and not as a genuinely objective analysis. He claimed that public opinion surveys suggested 70% of the US population wished to see ratification of the Kyoto Protocol. Opposition from US politicians suggested a ‘democratic deficit’ and uneven access to lobbying resources. Without doubt, the US had a major leadership role in any
global transition to a ‘low carbon’ future. Finally, he urged further progress in shifting tax burdens from labour to resources as a means of stimulating consumer behaviour and technical change.

Dr Thorning took issue with Mr Bradley’s views about the rigour of the modelling studies that she had summarised in her earlier presentation. She also reiterated her view that it was essential to widen participation in climate change negotiations. For example, whilst the USA currently accounted for 20-25% of greenhouse gas emissions, this share was projected to fall to only some 8-9% by 2050.

Mr Alain Mestre (SYNDEX) thought the Rapporteur’s Issues Paper should have given greater weight to R&D and technical change. In particular, he stressed the huge potential of new technologies such as fuel cells, electric motors, clean vehicles and clean coal technologies.

Mr Horst Heuter (German Confederation of Trade Unions, DGB) disagreed with earlier comments by Dr Mittelbach about the non-existence of ‘win win’ benefits from mitigation responses, citing the positive economic and employment effects identified in a recent German study.

Mr Paul Cicio (BIAC) said a core concern of industrial representatives was competitiveness and that governments would seek to place a disproportionate burden upon industry in achieving lower emissions. Burden sharing between countries should be accompanied by burden sharing across sectors to ensure least-cost options were identified, to support investment and employment, and to avoid the export of jobs and emissions to countries currently excluded from the Kyoto Protocol.

Mr Paul O’Brien (OECD) recalled the OECD’s report Action Against Climate Change: The Kyoto Protocol and Beyond, 1999, which had analysed a wide range of recent modelling exercises to identify likely impacts upon GDP and employment. From this perspective, some of the results reported in Dr Thorning’s presentation were towards the top end of the range. Without doubt, there were real costs associated with climate change mitigation. Some sectors would be affected more than others. Indeed, the ‘polluter pays’ principle was based on the view that burdens would indeed be shared inequitably by polluters unless they could adjust in response. The social consequences could be addressed by suitable policies, such as those for unemployment, training and pensions.

Mr Janos Pasztor (UNFCCC) said all countries and actors would eventually need to respond to climate change. Annex I countries were judged to have particular leadership responsibilities. Yet, so far, Annex I countries had not taken sufficient action which made it more difficult to secure commitments from the developing countries.

Mr Hiroshi Takahashi (Japanese Trade Union Confederation, JTUC-RENGO) said many new initiatives had been taken in Japan. For example, joint industry/trade union programmes had been established to explore means of reducing greenhouse gas emissions and to examine wider environmental issues. Voluntary agreements were being negotiated in several sectors, including development of zero emission vehicles. Some 15 Japanese trade union representatives would attend COP6, illustrating the strong commitment of the Japanese union movement.

4. INCREASING THE EFFECTIVENESS OF VOLUNTARY AGREEMENTS

Mr Klaus Kohlhase (BIAC) chaired the third session. He said industry had already made much progress in reducing energy intensity as a means of lowering costs. This would continue given environmental imperatives. For example, German industry was seeking to achieve a 35% improvement in energy efficiency over the period 1990-2012. This commitment should be reinforced by realistic target setting, detailed monitoring and appropriate penalties for poor performance.
The first presentation was by Mr Jean-Philippe Barde (OECD Environment Directorate). He said a recent OECD survey had revealed that voluntary approaches (VAs) took various forms: unilateral commitments; public voluntary agreements; negotiated agreements; and private agreements. Three different, regional approaches had been identified. In the EU, negotiated agreements are mainly used. They are seen as a complement to existing policy measures, such as taxation, and often had the form of quasi-regulatory instruments. In the USA, VAs are less used and mainly take the form of public voluntary programmes. In Japan, pollution control agreements had a long history, primarily took the form of local agreements, and were used to fill gaps in existing regulatory frameworks. Some 30,000 such agreements were in force, with some 2,000 new ones implemented each year. The effectiveness of VAs could be assessed using different criteria. Their environmental effectiveness appeared modest to date, usually because of lack of ambition in their objectives. As regards their economic effectiveness, there was not much evidence of advantages, although they offered benefits from their flexibility. In terms of their administrative effectiveness there were few examples of significant administrative cost savings and the risk was of high transaction costs for industry in setting up VAs. Perhaps the main gain from VAs was their ‘soft effects’ in terms of raising environmental awareness, information dissemination, learning by doing, demonstration effects and stakeholder participation. Problems to overcome with many VAs included implementation obstacles; regulatory capture; defining the business as usual ‘baseline’; risks of weak enforcement and thus public credibility; and ‘free riding’ by some companies. Means of making VAs more effective included: clearly defined, quantified targets; a well-defined business as usual baseline; credible regulatory threats; third party participation to ensure ‘honesty’; credible and reliable performance monitoring; penalties for non-compliance; and safeguards against discrimination in competitive markets. The OECD was planning to re-examine VAs, since much had happened since the earlier report on the subject, now focusing in particular upon: their effectiveness, measured by different criteria; the scope for VAs as part of wider policy packages; and suggesting guidelines to enhance the effectiveness of VAs. Mr Klaus Kohlhase (BIAC) asked that BIAC and TUAC should be closely involved in the new OECD study.

Ms Cecilia Brighi (CISL) said VAs must supplement or strengthen government regulations and standards. Negotiated VAs appeared to be the most rigorous form of VAs and had proved their effectiveness in the EU (e.g. the Netherlands and Germany). Future research on VAs should seek to extend their application to all dimensions of sustainable development, not only industrial processes, and to improve their verification and transparent implementation. This was because recent evaluations had found little empirical evidence that voluntary approaches were very effective for environmental protection. In the workplace, workers and employers should be jointly engaged in monitoring and reporting activities, as a means of capacity building and shared commitment. Education and training were required to develop greater environmental competence in the workplace and elsewhere. This should apply to developing countries, too, as part of aid and technology transfer arrangements. There should also be more independent and rigorous inspection. Voluntary approaches must not undermine minimum agreed environmental, economic and social standards. In particular, the recent initiative on the ‘Global Compact’ by the UN Secretary General should be promoted as a basic foundation for voluntary approaches.

Drs Kees Bennebroek (NV DSM) said most VAs took the form of arrangements between industry and government. The reason why firms were interested in such agreements was that they allowed them to anticipate future government policies and to make their own proposals for achieving the particular aims of government. Industrial federations had key roles to play – in involving many companies, sharing experience on monitoring and verification, etc. The attraction of such agreements for industry lay in the freedom they offered firms to devise their own measures to achieve desired outcomes. For government such agreements were attractive in policy areas perhaps less well suited for legislation. The Dutch experience of VAs extended over 20 years. Initially they were used in soil clean-up projects, but in the 1990s their application was expanded to embrace issues such as emissions, solid wastes, water pollution and energy efficiency. Independent bodies reported progress annually, placing both sectors and firms under strong social and political pressure to achieve agreed targets. In the early 1990s, a long-term agreement was signed for improving energy efficiency by 20% between 1990 and 2000. Most industrial sectors had now achieved this target, assisted in part by widespread use of combined heat and power plants. A more
ambitious agreement on ‘world-top benchmarking’ had now been agreed for the period 2001-2012. This required energy-intensive plants to operate in the top 10% or the average of the best region in the world, determined by a benchmark review of energy consumption per unit of output amongst plants all over the world. Whilst termed ‘voluntary’ agreements, firms who signed up were under an obligation to meet their commitments. The agreements were independently monitored and reported upon annually. In return, the Dutch government had agreed not to impose any new eco-taxes or emission ceilings. Securing broad political and social support for this approach required the terms, objectives and results to be widely publicised especially to trade unions, NGOs and local communities.

Amongst the points made in the subsequent discussion were the following.

Mr Paul Cicio (BIAC) agreed on the need for effective engagement, accounting for greenhouse gas emissions, public reporting and goals that reduce GHGs. He added that - in the past - industry had sometimes failed to inform trade unions and other social partners of the very real progress being made to improve environmental performance. Since the 1970s most of industry had almost doubled output of manufactured products whilst using less carbon. The motivation behind such efforts by energy-intensive industry in the USA and EU was that of lowering costs to ensure corporate survival in intensely competitive global markets.

Mr Chris Boyd (BIAC) said that, as a fellow economist, he sympathised with Mr O’Brien’s earlier comments about the need for energy and carbon taxes. However, as such taxes were not being applied universally they raised important competitiveness issues and threatened to cause transfer of plants to developing countries. Industrial responses were constrained by slow capital stock turnover, resulting in low price elasticities in response to energy/carbon taxes. If governments wished to lower taxes on labour they should do so, but not by imposing higher energy costs. The key was to reach wider agreement and understanding on the need for market transformation across all sectors and activities. He requested the OECD and ILO to focus more attention on the market transformation process, in particular its implications for employment.

Mr Paul O’Brien (OECD) was still concerned about the efficacy of VAs, and especially about means of disciplining companies that failed to meet agreed targets. Whilst the Kyoto Protocol would not solve all problems, it did represent a practical start to climate change mitigation and market transformation.

In reply Mr Bertil Heerink (CEFIC) said VAs in the chemical industry were often very detailed in form – in fact far more detailed than most legislation or regulation – especially as regards monitoring and reporting. Drs Kees Bennebroek (NV DSM) said in his experience companies who signed up to VAs were fully committed to their successful implementation. The rare examples of failure were usually caused by a lack of corporate commitment and unwillingness to engage social partners in monitoring and reporting.

Mr Lucien Royer (TUAC) said VAs were aimed at accelerating change, whether in industrial processes or travel to work patterns, etc. Effective involvement of trade unions could assist compliance and thus credibility. Key issues for further analysis included identification of the most effective forms of VAs; establishment of appropriate regulatory frameworks within which VAs could operate; and agreement upon the practical guidelines for implementation, monitoring, reporting and tackling non-compliance. He judged that the OECD, ILO, the EU and the UN (via the ‘Global Compact’) all had a role to play in this process and he urged effective involvement of trade unions and management in such discussions.

Concluding the session, Mr Klaus Kohlhase (BIAC) said five main points had arisen in this debate:

- A wide range of types of VAs existed, reflecting specific industrial circumstances, cultural differences and styles of governance. Whilst further research could usefully identify causes for success and failure of different approaches, flexibility should be maintained.
He acknowledged the concerns expressed by many TUAC representatives regarding the frequent lack of transparency or engagement of social partners in the design, implementation, monitoring and reporting processes associated with VAs.

Industry should make greater efforts to report to stakeholders the very significant progress it was making in reducing its environmental ‘footprint’.

The latest form of VAs was negotiated agreements. These formed part of wider national environmental strategies; and required governments to abstain from imposing yet further measures upon industry. In return, such agreements understandably placed much greater weight upon independent, rigorous monitoring and reporting; and effective involvement of key stakeholders.

He thanked all participants for contributing to a lively debate. As for the future, BIAC and TUAC could usefully review good and bad practice with VAs; develop a checklist of key criteria for success; and were willing to engage positively in the forthcoming OECD review of VAs.

5. ADDRESSING RESPONSIBILITIES OF STAKEHOLDERS FOR GHG EMISSIONS

This session was chaired by Mr Horst Heuter (DGB) in place of Ms Maggie Dwyer (TUC). He recalled the UNFCCC dated from 1982 and the Kyoto Protocol from late 1997. The latter represented a milestone in global environmental negotiations, yet governments had been hesitant to proceed to ratification and implementation. Involvement of stakeholders in discussing practical steps to assist implementation should be a means of providing new impetus and the involvement of all major sectors, especially transport, housing and industry.

The first presentation was by Mr Jesper Lund-Larsen (IUF). He said the initial focus of climate change mitigation should be the workplace and that workers and trade unions should be fully engaged in change processes including workplace assessments on environmental issues, health and safety, audits and monitoring VAs. By raising awareness, this engagement could ‘spill over’ into influencing household behaviour, transport patterns and local communities. The use of collective agreements as a possible tool for sustainable development should be explored, as they could possibly be used to ensure compliance with Protocol rules and measures.

Ms Kristi Varangu (IEA) reviewed recent trends and projections in energy-related CO2 emissions in Annex I countries, which highlighted the need for much more decisive and concerted action. An increasing range of policy actions had been taken by governments but these measures were, as yet, likely to be insufficient. There was now wide recognition that governments cannot ‘go it alone’ but needed to ensure active engagement with many stakeholders. Sectoral patterns of emissions varied markedly across IEA Members – e.g. with significant hydro-electric capacity, Norwegian power production did not emit CO2, whilst in many countries the transport sector (and not industry) was now accounting for a high proportion of incremental emissions. This different sectoral mix was reflected in the many measures (some 325) identified in a recent IEA review of policy instruments to be published for COP6. These measures could be categorised as fiscal, market-based, regulatory, R&D or consultation processes and outreach. Ancillary policy objectives included improved energy efficiency, restructuring/liberalisation of energy markets, improved air quality, reduced traffic congestion, waste management, capture of fugitive emissions and sustainable forestry practices. A framework of good practice was required for governments such as getting prices right; subsidy and fiscal reform; using markets (e.g. emissions trading); correcting market failures (e.g. standards, R&D, procurement, VAs); creation of strong institutions for engagement of stakeholders, monitoring and assessment; and international co-operation to exchange information and best practice. More effort was needed to strengthen government/industry links and to enhance corporate commitment. In turn industry could do more to establish sustainable development action plans; set quantifiable targets and timetables; integrate climate objectives into investment criteria and corporate culture; undertake more climate-related R&D; and institute external verification of company performance. The engagement of other actors, especially workers and NGOs, should be secured.
Mr Rob Bradley (Climate Network Europe) said the EU experience of negotiated agreements with industry was increasingly positive, though industry participation was still somewhat uneven. A key problem was industrial structure. Some better-performing sectors had a monopolistic/oligopolistic structure or were energy-intensive. Others had much more competitive and fragmented structures (making industry agreements difficult to negotiate) or had low energy intensity which reduced management interest in, and commitment to, environmental issues. Many VAs had been negotiated on condition that governments imposed no further policies and measures on these sectors. But he doubted if VAs would be sufficient - especially if they did not collectively lead to the achievement of agreed national targets. He could not agree that nuclear power had any place in either the EU primary energy mix or as part of the Clean Development Mechanism in developing countries. In conclusion he stressed the role NGOs could play in providing bridges to developing countries to assist in securing their engagement in climate change negotiations.

Mr Chris Boyd (BIAC and Lafarge) said it was not clear that ‘maximum pain would lead to maximum gain’ and welcomed participants’ recognition of the need for equality of effort across different sectors. He remained unconvinced, despite its intellectual elegance, that a carbon tax would be sufficient to achieve Kyoto targets and he preferred a cap and trade system as part of a wider suite of measures to stimulate responses by other sectors. In particular, he suggested governments should provide clearer evidence of their environmental commitment by tackling the transport sector more convincingly, and by increasing support for climate-related R&D.

In the following discussion Mr Pierre Conte (CGT-FO) took issue with Mr Bradley’s comments on nuclear power, arguing strongly that nuclear power offered important benefits as part of a wider climate change response strategy.

6. CONCLUDING REMARKS

The final session of the meeting was chaired by Mr Denis Lamb (OECD) and comprised a number of presentations aimed to distil the major points which had arisen and to identify the next steps.

Mr Reg Green (ICEM) said that, by common agreement, this had been one of the most successful BIAC/TUAC meetings ever held and he expressed sincere thanks to the staff of these organisations and to the OECD for their effective preparatory efforts. However, the meeting should be seen as but a first step towards further BIAC/TUAC initiatives involving the OECD, ILO, UNFCCC (and the EU). He thanked the ILO and UNFCCC for their declarations of support in seeking to involve business and worker representatives in assessments of the economic and social dimensions of climate change. BIAC and TUAC hoped to be closely involved in mapping out, and in assisting to steer, some joint activities with these international organisations. This important agreement to joint work should be flagged up at COP6 to permit incorporation into the agendas at COP7 and COP8. For its part, TUAC would not aim to use its engagement to slow down or frustrate research and policy development but rather to enrich further analysis and policy evaluation with its experience, insights and contacts. Finally he was reassured by the joint commitment of TUAC and BIAC representatives to this new common endeavour. Even if there remained disagreement on points of emphasis or specific priorities, it was clear there was much common ground on which new initiatives could be firmly based.

Mr Douglas Worth (Secretary General, BIAC) also welcomed the new scope for joint approaches with TUAC and several international organisations. He hoped the further work would progress on a realistic basis by identifying practical first steps and reaching agreement on the intended outcomes. Industry should consider ways in which it could communicate its achievements more effectively and less hesitantly. This was particularly important if it was to avoid being seen as having ‘deep pockets’ by governments with regard to carbon taxes. Governments could assist to focus attention on other sectors (e.g. transport and housing) which needed to contribute more effectively to climate change mitigation.
Prof. John Chesshire (Rapporteur) noted the very constructive tone adopted throughout the meeting which would provide an excellent platform from which to advance dialogue and some joint work programmes between BIAC, TUAC, the OECD, ILO and UNFCCC. He hoped the EU might also engage in this process in due course. As many participants had identified, burden sharing needed to advance from its initial focus on countries and move to more equitable allocation of burdens across sectors - especially housing, energy-using appliances and transport. Market transformation to mitigate climate change was no easy task, involving deployment of many policy measures and the engagement of numerous stakeholders over a long period of time. Many smaller consumers remained confused by the contrast between policy messages on climate change and sustainable development, and market messages often focusing upon lower energy prices, or vehicle advertisements which failed to highlight energy efficiency or environmental performance.

The Rapporteur also noted that the slow progress made with the Kyoto Protocol since 1997 had revealed that governments were far from being omnipotent and could not ‘go it alone’ in this complex field. Undoubtedly, a much more ‘joined up’ approach was now required. Key to this was effective engagement with, and commitment from, many stakeholders. He welcomed the key outcome of the meeting on the need for more effective stakeholder dialogue with a range of international agencies. As a result, he hoped the secretariats of BIAC and TUAC would soon reach agreement with those of the OECD, ILO and UNFCCC to identify some immediate and practical means of advancing the dialogue at what had turned out to be an important, landmark meeting. In particular, these should include ways of structuring the agendas of COP7 and COP8 to allow meaningful discussion of the economic and social dimensions of climate change policies.

Finally, on behalf of all participants, the Rapporteur extended warm thanks to Mr Denis Lamb (OECD) for his most successful overall conduct of the meeting and to all the OECD staff who had assisted to arrange the meeting with BIAC and TUAC. In conclusion, he wished Mr Lamb a long and well-earned retirement from the OECD after many years of distinguished service.

Mr Denis Lamb (OECD) thanked BIAC and TUAC for their initiative in proposing this joint meeting and all participants for their constructive engagement. Following the important commitments made by the OECD, UNFCCC and ILO, the secretariats of these organisations and of BIAC and TUAC would now liaise to agree the next steps.

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- Presentation by Margo Thorning (BIAC)

Session III: Increasing the effectiveness of voluntary approaches to address climate change

- Presentation by Cecilia Brighi (TUAC)
- Presentation by Kees Bennebroek (BIAC)

Session IV: Addressing responsibilities of stakeholders for GHG emissions

- Presentation by Jesper Lund-Larsen (TUAC)
- Presentation by Chris Boyd (BIAC)
Sustainable development: The implementation of sustainable development as set out in “Agenda 21” of the UN Rio Conference on Environment and Development is progressing too slowly. Governments have the responsibility to lead the process and must implement a new initiative on sustainable development in advance of the “Rio + 10” meeting of the UN, scheduled for 2002. Central to this must be integrating the three “pillars” of environmental, economic and social sustainable development, in unison and not in isolated ways.

The Social Dimension: Indifference to the social impacts of climate change reflects a general lack of attention to social dimensions of sustainable development. This a deficiency that the UNFCCC must correct with respect to climate change. Full social impact assessments must become the norm, to be fully integrated with environmental and economic assessments. Doing so will greatly enhance attempts to involve workers in workplace and community changes and to garner their support for the huge financial commitments by society that will be required to support change.

Economic Growth & Development: Sustainable growth, full employment and social inclusion must be the hallmark of climate change scenarios. Governments must promote standard setting supported by effective regulatory compliance to programs, which promote measurable natural resource efficiencies, especially for energy.

Innovation & Technology: Any climate change scenario must be seen within the context of the global economy. The Impacts of innovation, technological change and technological transfers which are promoted by UNFCCC or protocols must be measured against integrated indicators which ensure that global programs to eradicate poverty or employment equality are not undermined.

Capacity Building: Developing countries must be given the means to expand domestic demand thus helping to restore global growth and reinforce political stability. Large-scale debt relief can contribute to growth and increase capacity to participate in UNFCCC objectives. IMF stabilisation programmes must shift from austerity to the support of growth in domestic demand.

Multistakeholder Approaches: All stakeholders must be involved in both decision making about climate change and in implementation measure for change. Economic planning with due and alert regard for the interests of all sectors of society must be encouraged through mechanisms which ensure the participation of stakeholders, including workers and trade unions.

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4 Social Dimensions refer to alleviation of poverty, security of livelihood, access to food, shelter, water, health & welfare, social security, sanitation, education, transport, and incorporates protection of basic human and economic freedoms as enshrined in international Conventions and Protocols. Climate change and mitigation efforts will likely have tremendous social consequences that are not currently factored into estimates for predicting the costs and benefits of proposals. An attempt should be made to predict the nature and scope of the need for social transition programs and to assess the financial and economic measures required to support them (e.g. for compensation, training and education, industry, and government planning).
OVERVIEW OF THE ISSUES

Presentation by Mr. Claude Fussler
World Business Council for Sustainable Development (WBCSD)

Diapositive 1

How many people is the earth able to sustain?

One must modify the question by asking further:

At what level of technology?

And modify it still further by asking:

At what level of human dignity?

Isaac Asimov 1974
Diapositive 2

Sustainability

Design an economy that works for all within the limits of the planet...

- Raising income
  - Mobility
  - Education
  - Longevity
- Pandemics
- Fundamentalisms
- Over-consumption

- Climate risk
- Fresh water
- Uncertainty, S curves

Impact on environmental quality

- Economic Growth
- Quality of life
- Equity Inclusion Security

1$ to 2$ a day
Weak states
Dictatorships
Underworld

Top growth?
6 – 9 – 10+ billion
Acceleration, globalisation of
  - Finance
  - Information
  - Transport
  - Technologies

Land, forests
Biodiversity
Tourism

Diapositive 3

Sustainability

De-link: get more quality of life from economic growth with less environmental impacts...

3 concurrent business models

- Optimization and trade-offs: compliance at lowest cost
- Efficiency and Innovation: competitiveness at the leading edge
- Shared Success: values as a source of top growth and staying power.
Diapositive 4

The dynamics of innovation and Shared Success

Values
Public pressure
Opportunities

Business foresight

Equity Inclusion Security

Quality of life
Economic Growth

Impact on environmental quality

Invest in Eco-efficient technologies
Create design and services competencies
Innovate in products and services

Public policy incentives

Grow share of market
Sources of employment

Competitiveness

Public policy as a catalyst

Education for skills and productivity

Develop or acquire technologies

Diapositive 5
In abstract terms it is quite simple to answer the question on the impact of climate change measures on employment: If properly done employment will profit, if not if will suffer. This means there is no automatic correlation between i.e. governmental action in the field of climate change and the creation of jobs. The decisive factor for the employment impact of climate change policies is: Do they motivate for investment?

Let me first name some factors that might be counterproductive from the climate change as well as from the point of view of employment:

An international framework for the implementation of the Kyoto protocol that distorts competition between countries and companies will inevitably lead to the loss of jobs in those industries that suffer competitive disadvantages. Therefore, all decisions, especially on the design of the flexible mechanisms, have to be taken with great care in order to ensure that on the level of countries and companies the burden is fairly distributed.

To direct financial resources into technologies and sectors by subsidies over a long period of time will not lead to sustainable employment, this applies especially for subsidies for renewable energies which might serve as an assistance for the start up of new employment but not as a lasting subsidy paid by the rest of the industry.

The experience gathered so far with environmental taxation at least in Germany does not give any proof of a so called “double dividend”. Subsidising social security systems by charges on energy resources negatively affects those parts of business that are net-payers and in the meantime reduces the willingness of politicians to take decisive measures in reforming social security systems. The latter is a pre-requisit for sustainable employment in the future.

If these risks are avoided climate change policies offer indeed a potential for sustainable employment. In order to realise the potential for synergies between climate protection and employment it is necessary to take the right decisions in the coming weeks and months:

Namely European industry has high competence in advanced environmental friendly technologies. Namely in the field of integrated technologies, European producers of machinery play a leading role. Well designed climate change policies, i. e. with a view to the issues of joint implementation and clean develop mechanism might strengthen their competitive position in the medium term.

There are considerable synergies between different policy areas where rightly targeted investment provides opportunities for job creation. For example the massive need to invest in new traffic infrastructure might on one hand reduce CO₂ emissions, i. e. by avoiding traffic congestion, and on the other hand secure jobs in the construction industries.
Policy measures should be focused on those areas where the ecological return per unit capital is highest. For example in Germany it is clear that the highest so far unrealised potential for CO₂ emissions reduction is in the building sector. Therefore, it makes sense to give well-targeted incentives to private and corporate investors to modernise buildings in order to make them more energy efficient. Again, the synergies between employment and climate protection are evident.

From an industrial point of view the key challenge to policy makers is to develop coherent strategies that maximize opportunities by minimizing risks to competitiveness and investment. This is the more complicated since in this field we face a very close interrelation between the framework designed at a global level on one hand and their impact of the decisions taken at national, regional or even at local level on the other hand.

We are far away from such a coherent strategy so far. Nevertheless, there are examples for promising approaches: i.e. in the framework of the German alliance for employment and competitiveness established by chancellor Schröder in 1998, all interested parties including trade unions, environmental NGOs and industry have agreed with German government on the goal of reducing CO₂ emissions in the private housing sector and, in order to achieve these, to give appropriate incentives to private investors.

In other areas still the road to be taken is far less clear and many uncertainties remain. But one lesson to be learned is clear: To work in partnership between policy makers and business. An example for this approach is the German voluntary agreement on climate change by German government and industry in CO₂ reduction. I think that this initiative has contributed significantly to the attainment of the national CO₂ goal so far and in the meantime has been the way to avoid the threat of losses in competitiveness of German industry.

Concerning the broadening of the conceptual basis for future cooperation between industry, government and the other interested parties I also see a formidable role for the OECD.
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON
CLIMATE CHANGE

THE IMPACT OF CLIMATE CHANGE MEASURES/POLICIES ON EMPLOYMENT

Presentation by Joaquin Nieto, European Trade Union Confederation
and Brian Kohler, Canadian Labour Congress

A. Understanding Social and Employment Implications of Climate Change

Employment & Social Impacts: Climate change strategies reveal problems associated not just with energy, but with attempts to implement Agenda 21 generally. While a few national and regional reviews have been conducted on social and employment impacts of climate change (or their mitigation), overall effects have yet to become a priority in international discussions. Although jobs are sure to be lost and created in any climate change scenario, there has been no significant attempt to ascertain the extent of these impacts, globally or to address them.

Research and Analysis: Reliable research should be a matter of public priority and theoretical prediction models must pave the way to real-life assessments of impacts. Such research should serve as a basis to determine how to measure the implications of UNFCCC and Kyoto mechanisms against social and employment indicators. The results of such analyses should eventually shape how implementation of climate change protocols should proceed. The social and employment impacts of innovation, technological transfer and Kyoto Protocol flexibility mechanisms must be well understood for effective implementation to take place. Understanding these implications should serve to fashion appropriate employment and social transition programs that would be needed to ensure effective transition.

B. Understanding Social and Employment Implications of Climate Change

Workers recognise the need for change. Change has been a permanent feature of industrial and economic development since the first industrial revolution. Moreover, the support of workers is important both in terms of the change per se and in terms of the effectiveness of its implementation. The more seriously programmes are developed to address retraining, re-employment, compensation, and alternative employment, the more widespread will be worker support for change. It is also important to recognise that sudden and radical social disruption that can be caused by rapid change can have the effect of galvanizing individuals and communities against change. It is therefore important to ensure that change is based on the

5 Employment displacement indicators for member countries should seek to promote understanding of the adequacy of programmes for displaced workers (e.g., training & education, compensation and re-employment) as well as to identify the financial instruments and other measures needed to provide support for equitable employment transition. Analyses should also help identify gaps in information and research needed for comprehensive employment policy development.

6 Employment Research Factors: Analyses of general employment/unemployment trends only provide a starting point. The objective should be to replace theoretically-driven net employment analyses with concrete job gain/loss reviews related to specific sectors or implementation measures. Simple net employment analyses must be supplemented with information that reports actual employment shifts that result from climate change events as well as from the implementation of mitigation proposals. The impact of programmes related to employment income, working conditions, employment equality provisions, access to individual and social health benefits, livelihood benefits (e.g. vacation and retirement protection), and social protection benefits (e.g. unemployment and social welfare) must be key considerations. The overall aim should be to promote stability and optimal conditions of employment.
full involvement of stakeholders and is both planned and managed as far in advance as possible. This means that old style, paternalistic, ‘consult as late as possible and only when there is no other choice’ types of behaviour are anachronistic and, just as importantly, as likely to provoke antagonism as acquiescence.

**Creating Positive Attitudes Towards Change:** Major barriers to worker involvement must be addressed, as identified by the ILO’s Socio-Economic Security Program. Socio-economic security policies, for example, can pave the way for poverty elimination through secure employment, as a cornerstone of sustainable development, as well as by enhancing the engagement of workers in workplace and social change.

**Planning For Change:** Proper assessments of social and employment impacts should lead the way to the development of concrete transition plans for change and to a better understanding of projected costs for such transition. A full range of financial and economic measures or instruments must be examined for this purpose and discussions must take place among stakeholders about charges and taxes, pricing strategies, marketable permits, deposit refund systems etc. which might be used to promote transition.

**Worker Training and Education:** Training and education of workers form the backbone of change. Trade unions have developed extensive educational capacity; indeed, in many countries, they are the foremost providers of adult education. This capacity must be harnessed to the goal of changing unsustainable habits and attitudes and as a means of securing the support and engagement of workers for change. Our expertise and structures in occupational health and safety can be effectively utilized in such strategies as “Workplace Assessments” (see TUAC document for Session IV) for sustainable development generally, and wiser uses of energy, specifically. Training and education form part of the potential costs of transition and should be part of improvements of lifelong learning by establishing links between new patterns of working time, job rotation and training. In addition, transition planning should contribute to efforts to overcome skill shortages.

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7 The ILO InFocus Programme on Socio-economic Security of the ILO has developed strategic objectives and work programmes. See, *Socio-economic security – a medium-term workplan*, ILO, October, 1999. It highlights the fact that the engagement of workers is unlikely if they fear job loss, earn insufficient income, work in an unhealthy or dangerous conditions, have little opportunity for advancements, and have insufficient opportunities to relate meaningfully with co-workers in workplace decision making.
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON CLIMATE CHANGE

THE IMPACT OF CLIMATE CHANGE MEASURES/POLICIES ON EMPLOYMENT

Presentation by Ms. Margo Thorning
Senior Vice President and Chief Economist
American Council for Capital Formation

Climate Change Policy, Economic Growth, and Employment

Margo Thorning, Ph.D.
Senior Vice President and Chief Economist
American Council for Capital Formation
Washington, D.C.
Diapositive 2

Annual Impact of Reducing CO$_2$ Emissions on U.S. GDP Growth, 2008–2012 (percent of GDP)

Diapositive 3

Annual Impact of Reducing CO$_2$ Emissions on Real GDP in North and South America in 2010
Diapositive 4

Annual Impact of Reducing CO₂ Emissions to Kyoto Target on U.S. Employment in 2010 (millions of jobs)

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Diapositive 5

The Impact of Reducing CO₂ Emissions To 1990 Levels by 2010 on U.S. Household Income by Quintile

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Clean Development Mechanism: Does It Help?

- CDM cannot replace full global trading as a cost-reduction strategy
- Transaction costs or fees reduce CDM adoption
- Restrictions on type and location of CDM projects reduces usefulness
- Real cost of imports rises for many countries

A Long-Term Approach to Climate Mitigation Policy

- Reform tax code to reduce the cost of adopting new technologies
- Development of more accurate climate change models
- Research on new energy production and consumption technologies and carbon sequestration
- Support for technology policy which is neutral regarding type and location
- Global participation in emission reductions
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON CLIMATE CHANGE

INCREASING THE EFFECTIVENESS OF VOLUNTARY APPROACHES TO ADDRESS CLIMATE CHANGE

Presentation by Mr. Cecilia Brighi
Confederazione Italiana Sindicati Lavoratori

Voluntary approaches must form part of a mix of solutions, including regulation and standard setting, as a means of strengthening capacity to meet UNFCCC climate change aims and targets. Problems remain, however, with transparency and verification of Voluntary approaches. Continued analyses and research of voluntary agreements must be encouraged for the purposes of developing a proper framework for climate change implementation measures. Such frameworks should incorporate a number of elements:

- Voluntary approaches must supplement or strengthen government-based regulations and standards, or a lack of them, and clearly show how they serve this purpose. A recent OECD report, *Voluntary Approaches for Environmental Policy*, found little empirical evidence that voluntary approaches are very effective for environmental protection. However, it revealed that negotiated voluntary approaches, linked in some way to regulation, are the strongest type to date. These types of Voluntary approaches have proven to be effective to meet climate change targets in the Netherlands, Germany and other European countries. They should be used as a basis to further develop voluntary climate change approaches and targets.

- Research on voluntary approaches should seek to better understand how they might apply to all dimensions of sustainable development (including its social, economic and environmental dimensions). The current OECD review of voluntary approaches should extend beyond its narrow environmental scope and should seek to improve the verification and transparent implementation of voluntary approaches.

- Almost all voluntary approaches seek to change workplace performance, in some way. Workers and employers should be called upon to develop joint monitoring and reporting of their progress and effectiveness. This should become a basis for capacity building, including in the developing countries. Government inspectors and inspection systems must be considered as means of strengthening voluntary monitoring and reporting systems, especially where voluntary approaches supplement regulation and standards, or are intended to implement them.

- Voluntary approaches must never undermine minimum agreed environmental, economic and social standards. In particular, the body of international agreements dealing with social issues, including basic human rights and core labour standards, enshrined in international Conventions and Protocols must not be undermined. The recent initiative on the ‘Global Compact’ taken by the United Nations Secretary General, Kofi Annan, should also be promoted and supported as a basic foundation for voluntary approaches. In this regard, it is heartening to note that a number of global corporations have already signed up to the Global Compact and thereby committed themselves to its 9 Principles covering Human Rights (2); Labour (4); Environment (3).
• Education and training are needed to improve current workplace monitoring, record-keeping, and reporting mechanisms, especially for workplaces, where such capacity does not exist. In this regard, Voluntary approaches can serve to provide a focus for training by trade unions and employers, acting as social partners to achieve sustainable development objectives.

• Lessons for voluntary approaches may be drawn from experiences with collective agreements already in place, as models for implementation and for the training of workers by trade union representatives. Collective agreements are well-suited to addressing particular problems faced by trade union members, and can remedy a wide range of problems dealing with sustainable development issues, including the environment and social dimensions. They can maximise the educational opportunities in the workplace over a host of issues, including the implementation of the Voluntary approaches themselves.

CSD Review of Voluntary Initiatives and Agreements (VIA’s)

In 1998 the UN Commission on Sustainable Development (CSD) held a special Dialogue Session on “Business & Industry”, which resulted in the creation of a multistakeholder Steering Group to make recommendations for a review of Voluntary Initiatives and Agreements (VIA’s), relating to all aspects of sustainable development. The Steering Group was composed of representatives from business, trade unions and NGO’s, as well as the CSD Secretariat. In March 1999, it organised a multistakeholder consultation in Toronto, Canada to identify elements, which should be considered for such a review, and recommendations were subsequently adopted by the CSD in 1999. The following VIA issues are considered significant:

• how they complement regulatory frameworks and other policy instruments, and foster continuous improvements;
• their history which led to their creation, i.e. impetus & context;
• their stated purpose, goals and objectives;
• the extent of multistakeholder participation;
• the commitment by proponents to support their evolution;
• the working methods which sustain and build mutual trust and respect;
• the provisions for monitoring and assessment;
• the provisions for verification;
• attention to communication for stakeholders and the public;
• the extent to which they promote capacity building
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON CLIMATE CHANGE

INCREASING THE EFFECTIVENESS OF VOLUNTARY APPROACHES TO ADDRESS CLIMATE CHANGE

Presentation by Mr. Kees Bennebroek
Public Affairs Manager, DSM

Long-term agreements between industry and government

Most voluntary agreements take the form of arrangements between government and industry. As the word ‘voluntary’ implies, there is no element of compulsion; such agreements are not imposed by the government. Instead, individual firms and industrial sectors are free to make arrangements and agree on measures with the government. The reason why firms are interested in entering into such arrangements is that they allow them to anticipate future government policies and come up with their own proposals for the most efficient way of achieving the particular aim that the government has in mind. Industrial federations play an important role in getting as many companies as possible to participate in such arrangements. Not only can they clarify the benefits of a pro-active attitude, but they can also appraise the risks posed by the alternative, i.e. statutory regulations that may be imposed on industry if it fails to reach an agreement voluntarily. These long-term agreements can only achieve their aim if they are supported by all parties concerned and if there is sufficient commitment on the part of leading players. The attraction of long-term agreements for industry lies in the freedom they offer firms to devise their own measures within a reasonable period of time. For the government, long-term agreements are attractive in policy areas which are less suited for legislation for whatever reason.

Experiences in the Netherlands

The Dutch have gained considerable experience during the past 20 years with voluntary agreements on environmental action and energy conservation. During the 1980s, the majority of these agreements involved a small number of large industrial companies, for which the agreements provided a basis for performing soil clean-up projects. In the early 1990s, arrangements were made with most industrial sectors on the issue of reducing emissions, solid waste production and water pollution, and also on improving energy efficiency per unit of product. Targets were set for the year 2000, and in some cases even for the year 2010, and independent bodies were given the job of reporting every year on the progress made. The fact that annual reports are published on each sector's success in meeting these targets places both the sector in general and individual firms in particular under strong social and political pressure to achieve the targets. In addition, both provincial councils and municipal authorities can use the Dutch system of environmental licensing as a means of encouraging individual companies to improve their environmental policies.

The covenant on energy-efficiency improvement

In the early 1990s, a long-term agreement was signed for improving energy efficiency by 20% by the year 2000. There was considerable scepticism among both industry and government as to whether such a target was achievable, in the light of the large number of energy conservation projects that had already been tried in the past, following the oil crises in 1973 and 1980. Now we have actually reached the year 2000, we see that most industrial sectors have indeed achieved the target, and some have even gone beyond it.
Combined heat and power plants have played an important part in this success. Energy-intensive sectors such as steel manufacturing, chemical production, oil refining and papermaking have invested massive amounts in electricity generation, with the result that, today, over 35% of all electricity generated in the Netherlands comes from sources outside the National Grid. In addition, research has been intensified into ways and means of improving the industrial processes used in plants and installations, and the search for technological breakthroughs has continued. The freedom given to companies to apply their own criteria of effectiveness and efficiency in choosing projects, and also to decide themselves on the sequence in which such projects should be carried out, has been a crucial factor in industry’s success in meeting the targets. The projects are required to generate a post-tax return of 15%, and this criterion has been accepted by the government.

**Long-term agreement on world-top benchmarking, 2001 - 2012**

The Dutch policy on improving energy efficiency will remain in place in the coming years. In the context of the climate change issue, industry and government have agreed that firms should ensure any energy-intensive installations operate in accordance with world-top; this means top 10 percent or the average of the best region. The world-top is to be determined by a benchmark review of energy consumption per unit of product among plants and installations all over the world. An independent agency has been given the task of monitoring the observance of the agreement, and is required to report on an annual basis to the Minister of Economic Affairs and the Minister of Environment. Any unique installations will be screened individually on the basis of the current state of the art.

This long-term agreement has been entered into for the same period as the Kyoto Treaty. The firms concerned are committed to achieving the specified targets. The requirement placed on industry is that it should operate in accordance with world-top, in which case the government has agreed not to impose any new ecotaxes or emission ceilings.

The benchmark review of production plants all over the world is to be performed by reputable consultants and engineering firms. For many plants, this will be the first time such a worldwide review has been performed. The findings of the review should spur many companies to undertake energy conservation projects so as to further reduce their energy consumption. This will benefit their cost position and continuity as well as the global climate.

The Dutch Environment Minister, Jan Pronk, is convinced that benchmarking is a very effective policy instrument.

The benchmark reviews will be conducted on a regular basis in the future, thereby placing firms under a constant pressure to improve their efficiency and reduce CO₂ emissions.

**Participation, acceptance and support**

The more companies sign up to long-term agreements on energy efficiency improvement, the more likely are governments to regard such agreements as effective instruments of climate change policy. Encouraging firms to participate is first and foremost a job for industrial federations. They need to provide clear information on the likely scale of the investment in terms of time and cost as compared with the risk associated with not participating. Large companies can help to find suitable consultants and engineering firms.

In order to ensure that the long-term agreements receive broad political and social support, it is important that the terms, objectives and results of such agreements are widely publicised. Both individual companies and industrial federations should inform the government fully and regularly on the progress of the long-term agreements and the results achieved. Given that little is known about the technical and organisational aspects of an agreement such as the worldwide benchmark review, a great deal of energy needs to be devoted to communication with non-government organisations and trade unions.
Conclusion

In short, what does Dutch industry think about voluntary agreements and covenants?

1. Covenants on energy efficiency improvement are much better than any other type of measure, on account of their effectiveness and efficiency.
2. The term 'voluntary' does not imply a lack of commitment: those who sign up to such agreements are under an obligation to carry them out.
3. There must be an independent, expert body that can review the progress made by firms in implementing the plans and assess the results. This is necessary in order to secure acceptance and broad support.
4. Covenants help to secure broad-based mutual commitment on the part of industry and government to improving energy efficiency and hence to reducing CO₂ emissions.
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON
CLIMATE CHANGE

ADDRESSING RESPONSIBILITIES OF STAKEHOLDERS FOR GHG EMISSIONS

Presentation by Jesper Lund-Larsen
International Union of Food and Agricultural, Hotel, Restaurant, Tobacco and Allied Workers Association

A Focus on Workplaces: It is crucial that climate change scenarios focus on the workplaces, as they are at the hub of production, and major consumers in their own right. Effective change in the workplace can only be achieved with the full “engagement” of workers and trade union, however.

Workplace Assessments are conducted by workers and their representatives with employers to identify where workplace performance can be improved. They lead to joint target-setting, monitoring, record-keeping, and implementation, in tandem with enterprise management systems for environment (e.g. Cleaner Production or ISO), health and safety programmes (e.g. ILO Guidelines or Government regulations), internal or 3rd party enterprise audits, and Government-based programs (e.g. EMAS). To some extent, they must also link and be evaluated by community organisations or local governments, and can also be made to work with collective agreements or other special partnership arrangements. The coordinating capacity of trade unions in workplace assessments must be recognized by all stakeholders.

Sustainable Consumption and the Role of Workers: If the targets identified by Agenda 21 are to be met, there will have to be change on a scale never before witnessed. Workers cannot simply be disinterested bystanders. They and their communities have a key role to play. They will have to become more responsible consumers of water, energy and other resources. For this reason, programmes aimed at addressing the continuing need for improvement at the workplace must also be consistent with programmes aimed at putting the consumption patterns of workers and their communities on a sustainable footing. However, it needs to be recognised that lack of education, lack of opportunity, lack of security and lack of dignity are all well-documented impediments to the development of a sustainable consumption ethic in individuals. This is another reason why climate change policy is something that is related to work whilst at the same time having implications beyond the factory fence.

Adopting Transportation and Other Targets: Three-fourths of all greenhouse gases come from manufacturing, energy production or supply, transport and construction sectors, areas in which waste and pollution can be readily addressed by the design, manufacture or operation of clean process equipment and technology. Workplace assessments should be applied to these energy sectors. An agreement by workers and employers to improve energy consumption in such areas as transportation of workers, for example, would impact directly on all transport habits (e.g. travel to and from work), as well as raising awareness of the implications of other personal consumption choices relating to energy. Integrated workplace assessments could ultimately address all workplace resource use; however, energy provides a nexus around

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8 Ethics of Consumption: The good life, and global stewardship, ILO –Labour Doc 315671
9 Prague Conference 2000, “All citizens should benefit from the access transport services provide in a reasonably equitable manner. This implies avoiding excessive dependence on private automobiles, if certain sections of society are not to be excluded”. ECMT, Sustainable Transport Policies, 2000, p.8
which other workplace targets could be set. Employers are in a good position to take leadership in promoting such assessments and trade unions can help pave the way for worker participation. Agriculture is one area where an energy focus could realise important environmental dividends if combined with water and resource conservation.

A new Workplace Culture: Cases compiled by the trade union movement show that such preconditions as the "right-to-know", "whistle-blower" protection, the right to refuse dangerous work, and the right to participation are important. This has important implication within the context of ensuring effective compliance to protocol rules and measures. The purpose of recognising these rights is to provide tools of workplace engagement and to eliminate possible abuses of trust, though legislative frameworks. Within this context, industrial relations should be examined as a possible tool for sustainable development. There are about 3.3 million collective agreements in the world, which derive from worker/employee cooperation at the workplace.

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10 The history in health and safety shows that proper legislative frameworks can serve to develop trust and ensure checks and balances in desired scenarios for change.
LABOUR/MANAGEMENT PROGRAMME

JOINT MEETING OF MANAGEMENT AND TRADE UNION EXPERTS ON
CLIMATE CHANGE

ADDRESSING RESPONSIBILITIES OF STAKEHOLDERS FOR GHG EMISSIONS

Presentation by Chris Boyd
Senior VP Environment and Public Affairs, Lafarge

Diapositive 1

Addressing responsibilities of stakeholders for GHG emissions

Who should do what?

by

Chris Boyd

Senior VP Environment and Public Affairs
Main sources of CO₂ emissions

- CO₂ emissions come from a variety of sources
  - Power generation (34% of EU emissions)
  - Industry, including cement, (18%)
  - Transport (20%)
  - Households (20%)
  - Agriculture (8%).

What’s a fair share?

Some principles:
- Equal effort
- Efficiency
- Transparency
- Results
Be realistic:
- Industry/labour: voluntary commitments; indicators
- Consumers: labelling
- Motorists: provide alternatives
- Government: national plan; integration

Missing links
- Credibility
- Building standards (insulation, etc)
- Research and development
- Incentives; tradable permits, Clean Development Mechanism
- Transport
ANNEX II -- LIST OF PARTICIPANTS

MANAGEMENT EXPERTS

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Confederation of Hungarian Employers’ Organizations for International Cooperation (CEHIC)  
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