
IMF Steel Action Group Meeting**IMF Steel Action Group Meeting
November 5-7, 2008
Tokyo, Japan****Climate Change**
*Securing jobs for a better future in the steel industry***Introduction:**

The International Metalworkers' Federation recognises that climate change affects all of us and that we can all be part of the solution. An International approach to tackling climate change is essential. Climate refers to the average weather experienced over a long period. The Earth has warmed 0.7°C over the last hundred years and around 0.4°C of this warming has occurred since the 1970s.

A recent Fourth Assessment Report (AR4) of the Intergovernmental Panel on Climate Change (IPCC) leaves us no doubt that human activity is the primary driver of the observed changes in climate. The main human influence on global climate is emissions of the key greenhouse gasses as a result of burning fossil fuels and changing land use. Scientists believe that the concentration of these gasses in the atmosphere have now reached levels unprecedented for tens of thousands of years.

Climate change is the greatest environmental challenge facing the world today. Rising global temperatures will bring changes in weather patterns, rising sea levels, increased frequency of extreme weather creating severe problems for people in regions that are particularly vulnerable. According to the landmark Stern report produced for the government of the United Kingdom the economic disruptions caused are estimated to be as high as 5% per year of global GDP on an ongoing basis if we fail to act. As public awareness of climate change becomes greater so has the call for Governments to take action to stop global warming. The IMF believes it is vitally important that Trade Unions provide leadership for an international framework that will enable each country to manage the transition to a low carbon economy by:

- Holding multinational corporations to account on climate change issues through legislative and collective bargaining action.
- Establishing solidarity and common positions amongst trade unions on climate change issues.
- Establishing a fair (robust and well functioning) global emissions trading regime, which includes the developed worlds historical responsibility for global greenhouse emissions. And recognising that emissions' trading is insufficient in isolation from complementary policies.
- Whilst recognising that there are environmental and economic reasons for establishing transitional arrangements for emissions-intensive industries that are exposed to trade and at risk.
- Recognising that the central debate must be on how to reduce emissions (a social cost) without sacrificing employment (a social benefit).
- Ensuring that any international climate change accord include international competitiveness provisions that do not disadvantage those companies and nations that are the first to adopt carbon pricing schemes.

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- Ensuring that environmental obligations are included in future trade agreements along with financial incentives to encourage developing countries to meet obligations and/ or help them decrease emissions.
- Developing strategies to engage with national and international agencies such as the United Nations, OECD, ILO etc.

An example of the fact that many major companies still really don't care about the impact of climate change is demonstrated by the fact that less than half of the FTSE100-the 100 biggest companies on the London Stock Market have published plans to cut back on emissions. Workers and their unions understand that in a global economy companies that fail to lead on energy efficiency and climate change solutions are likely to become uncompetitive in the years to come, thus imperilling the job security of their employees.

A recent OECD Paper (DSTI/SU/SC (2007)40) stated that the manufacturing of iron and steel is associated with several environmental concerns. In mining, main challenges include alteration of landscapes and water regimes, high consumption of energy and water, and the generation of waste and wastewater. The iron and steel-making processes are also highly energy-intensive and in blast furnaces release CO₂ process emissions as a result of the combination of limestone, coke and iron ore. Internationally, the iron and steel industry is responsible for 4-5% of total world CO₂ emissions¹.

As noted by industry experts, emissions trading may be insufficient to achieve significant emissions reductions. The two major technologies for steel production-integrated steelmaking and electric arc furnace are mature. There are no commercial technologies on the horizon to replace these existing processes. The development and commercialization of new technologies required to meet the challenge will require other targeted policy measures. It is important to remember that no trade exposed industry believes itself to be immune from this transition. In this respect, it is the expectation of a global market place for emissions trading and the inevitability of higher carbon prices over time which will assist in driving investment in lower emissions technologies, and production. A key challenge is reducing uncompetitiveness in the short term through the imposition of a domestic carbon price which is simply too high during the period of transition to a global ETS. Governments have a responsibility to support this effort.

Iron and steel have the know-how to adapt existing expertise to new challenges, including to the challenges of climate change. However, it is also needs to be recognized that these industries and the materials they produce can also be recycled, remanufactured and reused over and over again in the context of a product life cycle. And they will build our sustainable green car industries, our wind farms and solar applications in addition to transitional uses as inputs in our mining, manufacturing and infrastructure sectors.

The International Metalworkers' Federation represents workers in many heavy industries such as Steel, Aluminium and Shipbuilding and we are proud to do so. These industries will be critical in producing the materials necessary for creating a low carbon economy- the steel plate for wind turbines, the steel tubing for biomass plants, high strength steels for fuel efficient vehicles and expanded mass transportation systems, just to name a few. But we also can not ignore the environmental aspects of steel production and we must play a leading role in advocating strong measures to reduce greenhouse gasses and protect the environment while ensuring jobs in the industry and a level playing field.

We believe that that with strong leadership and intervention to ensure that the market alone is not relied upon to determine the rate of carbon emissions reduction, we can secure jobs growth and a

¹ World Steel Association 2008 Sustainability Report

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cleaner safer planet for future generations. Experience from free trade agreements has shown the dangers of allowing the market to regulate itself.

However, we are concerned that International regulation on carbon emissions unless binding and applied evenly will lead to carbon leakage (the movement of heavy industries such as steel from countries who respect or try to implement International governance to countries with weaker or no measures) We believe any climate change legislation must contain strong provisions dealing with International competitiveness in order to ensure that nations that lack a strong emissions programme do not receive an unfair advantage. Such provisions should include border adjustments in energy intensive products when they are produced for export markets.

The IMF also recognises the link between increasing energy prices and the risk of carbon leakage. We believe that investment in climate neutral energy sources such as renewable energy is vitally important. The alternative will see facilities shut their doors in one country and re-open in nations where they can operate under cheaper and dirtier conditions, which will only exacerbate the problem of global warming. This document sets out the challenges that will be faced by workers in the steel industry as we move to a greener industry.

1. Importance of China

1.1 China's staggering rate of growth has led to a surge in emissions of 9% in 2006, while those of the USA fell by 1.4 per cent leaving China at the number one spot in the polluting stakes for the first time. Economists estimate that almost 25% of China's growth in emissions is being driven by consumerism in the industrialised nations, which demand the manufacture of more and more goods using the country's cheap labour.

1.2 According to the World Steel Association 2008 Sustainability Report the steel industry 4-5% of the world CO₂ emissions. Over ninety per cent of these emissions come from nine countries or regions: Brasil, China, EU-27, India, Japan, Korea, Russia, Ukraine and the USA. On average, 1.7 tonnes of CO₂ is emitted for every tonne of steel produced. Steel production and demand is set to grow by 3-5% globally over the next few years, but growth in China, India and Russia will be at 8-10%.

1.3 At least 23% of China's carbon emissions are from goods that are exported to industrialised countries. The average Chinese steel plant emits twice as much carbon dioxide as a European one and almost 2.5 times as much as the average US Steel plant. Currently China is the World's largest steel producer with a rapid growth in exports. Also in energy consumption China per unit of gross domestic product consumes more than four times as much energy as Germany and 7 times more than Japan. By 2030, China will be responsible for 37% of global emissions up from 19% currently.

1.4 We mention China because we believe it is a special case because of its size, Geopolitical importance and emergence as the world's largest emitter, no global agreement would be effective unless China and major emitters take on binding targets. Only an International emissions -control scheme supported by the United States and China can ensure that developed and developing countries are not adversely impacted by binding emissions caps while developing nations ramp up energy-intensive production. However, one way to ensure that developed economies including the US act immediately to curb emissions is to ensure that international competitiveness provisions, including border adjustments, go into effect simultaneously with the implementation of carbon pricing or cap and trade systems in that country. We recognise that Annex 1 and Annex 2 countries may adopt different timelines for instituting carbon pricing; however by levelling export markets we can ensure that developed countries steel industries are not disadvantaged by moving rapidly in their country to curb emissions. Additionally the IMF believes that the cost of transportation of goods in the global economy are clearly measured and included in the costs determining border

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adjustments in any competitiveness provisions, if there is a failure to reach an international agreement in the future.

2. Helping developing countries to adapt through technology transfer

2.1 There is already clear knowledge of where the major impacts of climate change will occur. More than forty of the least developed countries have already adopted National Adoption Plans of Action. But we can enhance many developing countries ability to adapt to the effects of climate change by:

- Working for the establishment of an International fund to facilitate the development of low carbon technologies, energy efficiency and renewable energy technologies in developing countries.
- Develop programs which ensure a requirement that companies and corporations use Best Available Technology (BAT) when they move production.
- Ensuring that future steel plants adopt the highest standards of environmental protection available.
- Modification of WTO rules to ensure that trade rules, including those governing intellectual property and technical barriers to trade, do not undermine environmental objectives.
- Sharing science which enables developing countries to effectively measure emissions

We must also take into that:

- Many jobs have already been lost to countries with deregulated labour markets and poor standards in health and safety even before emissions goals have been set.
- Future climate change regulation must not become a tool which provides polluting countries with a cost advantage for energy intensive products and greatly diminishes the effectiveness of any international climate change regulation.
- The central debate must be on how to reduce emissions (a social cost) without sacrificing employment (a social benefit).
- The IMF and its affiliated should negotiate joint "best practises" programs with steel companies around energy efficiency and emissions reductions that implement training programme between unions in different countries.

3 Engaging with employers

3.1 Many multinationals claim the highest standards, but in-reality the truth is very different. With Corporate Social Responsibility (CSR) and other unilateral voluntary activities subordinated to corporate strategy it is no surprise that often corporations do not engage in open and transparent debate about issues such as climate change. This means firstly that corporations can appear to be doing good publicly on the one hand while privately continuing to operate in a way that serves their own interests Companies that claim the highest standards should not be surprised when unions hold them to those standards.

3.2 Trade unions bring a unique perspective not often recognised by either employers or NGOs. Workers fully understand the importance of keeping their jobs. At the same time, as residents of the communities where steel plants are located, they understand that steel production should be

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carried out in a way that protects the environment and contributes to the long-term development of the community.

3.3 Steelworkers with rights through trade unions and the ability to speak out without fear of retribution can be an important mediator in disputes between the employers and communities. There is a strong link between an employers labour relations practices and its treatment of the environment and communities. An employer who is hostile toward unions and treats workers badly often has similar attitudes toward the environment and the communities where it operates.

3.4 Millions Of the Worlds poorest people have been suffering because of climate change and scientific evidence suggests the need for a global response that un-regulated markets will not provide. Experience has shown that in order to make progress regulation is the only sure way. For trade unions climate change is an issue that we need to address now. The economic effects of climate change on both developed and developing countries cannot be overstated. Finding the right solutions for global warming can help us construct a global economy that is fairer for workers all over the world. In this regard, it is just as important to unions as a workers right to organise, a fair industrial relations system, skills development, and sustaining manufacturing.

3.5 Climate change measures and environmental regulations will add towards the sustainability of the jobs of our members and the environment we live in, unions recognize that change is inevitable but often question the motivation behind it. In the workplace we see colleagues get injured or killed at work and then companies spend 10 or 20 times the amount of money on prevention after the tragedy than they did before on health and safety measures. As awareness of climate change increases and governments regulate, companies will have to spend 10 or 20 times more than if they took the necessary steps to reduce their environmental impact now.

3.6 While some companies and governments are devoting both research and funds to the effort, current resources are insufficient. In addition some corners of industry reject the agenda of climate change and try to scare union members -workers by talking of job losses, but we question if that is because the company is spending millions and millions of dollars on new technology or is it just driving up the dividends to shareholders. In fact, companies that resist climate change solutions are deeply short-sighted and are endangering the success of their enterprises and our member's jobs. As in any era of great technological change, the companies that are the quickest to embrace change, to invest and modernize are the ones who succeed. It is in our interest to push our employers to become leaders in crafting global warming solutions.

3.7 Already trade unions have been at the forefront of debate on climate change and its impact and the viability of any global emissions trading scheme. The European Metalworkers Federation and Eurofer (European Confederation of Iron and Steel Industries) have produced a number of important statements to influence the European Parliament and Commission. The United Steelworkers union, and the major steel producers in the US, during the recently conducted round of bargaining in the US steel industry have initiated a plant or works based joint emissions control initiative designed to have workforce and the companies technology experts identify ways and means to reduce carbon emissions and to educate and inform the workforce of significant impact these issues have on industry. Furthermore the USW and the Blue Green Alliance have been actively campaigning in order to ensure that existing manufacturing capacity in the United States is not encouraged to relocate offshore to avoid increased energy costs resulting from the pricing of carbon.

The USW and BGA have correctly pointed out that global warming solutions have a huge job creating potential world wide, creating new markets for the essential products of our industry. Rebuilding the energy infrastructure and production equipment for a clean, renewable energy economy will require enormous amounts of steel. While we reduce emissions in our industry, we will also be creating the products to help all other industries reduce their own.

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Both the Australian Workers' Union and Australia Manufacturing Workers' Union have produced significant reports in response to the Rudd Labour Governments Carbon Pollution Reduction Green Paper. The most recent of which is the AWU National Emissions Trading Scheme. The AWU hosted a Round Table with major trade exposed industries in July 2008. There was unanimity in ensuring an effective ETS that accounted fully for the interests of the Emissions Intensive Trade Exposed (EITE) Industries and that supported an approach by the Australian Government which measured reforms directly by success internationally in achieving an effective global emissions framework.

The International Metalworkers would encourage corporate behavior changes by:

- Fighting to ensure that employers recognise that workers have a major role in reducing harmful emissions, promoting energy conservation, and suggesting work organisation and other improvements.
- Establishing a scientific body with the best research and development minds from the industry to overcome challenges in the industry such as process gas emissions in the iron and steelmaking process. Currently there is no technology available to reduce the emissions of process gases created during the conversion of taconite ore into iron and steel in blast furnaces and basic oxygen furnaces. Once established this technology can be shared with countries that sign up to internationally recognised standards.
- Ensuring industry strives towards a global sectoral agreement or other mechanism which ensures that carbon leakage does not occur and contains strong provisions for a level playing field.
- Advocating that Industry does more to meet future demand in growth through efficiency gains. Together unions and industry should promote green jobs programs as the tangible benefit of global warming solutions in each country. Our advocacy for global warming solutions should always be linked to the economic opportunities that come with them.
- Greater investment should be made into appropriate training for the workforce, present and future, to support a low carbon future.

As Trade Unions we should,

- Develop policy positions on climate change issues that link environmental and economic sustainability.
- Ensure that revenue generated by any international trading, permit or carbon tax scheme should be used to benefit the workers in affected industries, support low carbon innovation and technological development and for climate change mitigation and adaptation project.
- Advance policies that simultaneously link global warming and trade solutions.
- Advocate our position to National Governments
- Organise new members to build our strength
- Collective bargain with employers for environmental representatives and advocacy where we have a presence.
- Educate our members on environmental issues especially global warming

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- Form partnerships with NGO's and Industry where we have a common interest.
- Speak out against corporations and countries that ignore environmental issues.

The IMF will;

1. Establish a network of key affiliates to work on climate change issues.
2. This network will develop an agenda for a subsequent meeting to be held in 2009
3. This meeting will be held in Asia (with a view to engaging the All China Federation of Trade Unions and its metalworking organisation on climate change issues).
4. The IMF will further develop the climate change policy document and produce some practical materials for distribution.
5. The steel section of the IMF to engage with other metalworking sectors in its structures to develop areas of common interest.
6. IMF will take responsibility to promote a Metalworkers position in the International arena including participation Copenhagen 2009.

Conclusion:

The IMF believes in the vital role of a global framework because in its absence individual efforts at imposing ETS will tend to add to costs. This means that it is unlike improving OHS or wages which have immediate benefits in terms of efficiency and productivity. Investing in abatement can improve energy efficiency and therefore business costs, but if this is separated from the pace of international progress the outcome will by definition add to costs-in terms of competitiveness and lost market share-unless others are doing the same as the value of the benefits (reduced emissions) cannot be captured by the individual business. All this means is that it is vital that we redouble our efforts to achieve international agreement at a sectoral level which can serve as a means to progress toward a more comprehensive agreement.

The next few months are vital in maximizing the opportunity for progress in time for the Copenhagen meeting in late 2009 on the framework for the post-Kyoto framework agreement. The steel sector has a major role to play in leading the way by achieving a strong sectoral agreement which lays out the elements for other such agreements and beyond to a comprehensive global framework.

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