

**Trade Union Platform for a Social Pillar
in the South East European Energy Community**

Skopje, 17 September 2005

TRADE UNION PLATFORM

We take note of the proposed Treaty to establish the South East European Energy. Our Parliaments and governments will be asked to ratify it. The experiment of the opening of the electricity and gas markets in the European Union demonstrates the negative impact on employment, security of supply and the cost of electricity and gas for households.

The approach of the European Commission with regard to industrial policy lacks a true social dimension. It neglects employment related issues, such as training and qualifications, the immense importance of safeguards of workers' rights and their job security, and the social dialogue, as being essential factors that go hand in hand with competitiveness. We are thus sceptical of the benefits for workers and citizens of the internal market for electricity and gas.

However, If a social pillar is established, we do not ask the European Parliament and national Parliaments to reject the Treaty for a South East European Energy Community. We accept this as part of the community acquis. But the balance is lost. A social pillar is absent. We want a commitment of the European Commission, the Council and our governments to this social pillar through the acceptance of a Memorandum of Understanding that details:

- The acceptance of the EU's Fundamental Rights;
- the most relevant social acquis that needs to be put in place and the social dialogue as the method that can contribute to this;
- the need for national Social Action plans to accompany the implementation of the Energy Community and the resources to assist in realising the social action plans;
- the process to discuss the social action plans;
- the establishment of a Steering Committee of governments, employers and trade unions;
- a moratorium on privatisation of the utilities to consider, through broad public debate, if the utilities should be privatised, and if so, the conditions that apply;
- the recognition of the trade unions in the electricity and gas sector in South Europe as stakeholders and our representation in the South East European Regulatory Forum;
- A permanent relation with the South East European Regulatory Board that has a special role in contributing to the social pillar.

The implementation of the Treaty and the internal market will require hard work by many organisations. It is a long process. The governments and the European Commission are to ensure that trade unions, other civil society groups (for example those defending poor users), the municipalities, etc., can play a role and will be allowed to give an input. Thus sufficient time for input and resources to assist with expertise should be made available at national as at South East European level.

We demand that the Memorandum is signed at the same time as the Treaty to ensure a balanced approach.

Other measures needed are:

- Immediate implementation of the conclusions of the Skopje Parliamentary meeting of 6-7 June 2005. This includes discussion with the trade unions and public hearings.
- Improving the democratic control of the South East European Energy Community Institutions through a more permanent parliamentary control. The European Parliament and the South East European Parliamentary coordinators should take the initiative.

Introduction

We, the electricity and gas trade unions of South East Europe representing the workers in the sector, met to consider the implications of the South East European Energy Treaty, in Skopje on 17 September 2005. This Treaty will establish an internal market for electricity and gas, based on the European Union's Directives for the internal market for electricity and gas, as well as the European Union law and regulations on competition.

The implementation of the South East European Energy Treaty is a process under way. We note this process. It has consequences for us and how we work together even though we did not seek this process. We want to ensure a strong trade union input and voice, representing the interests of our members and citizens in SEE. Our aim is to build a social pillar.

Energy cooperation in South East Europe is a welcome initiative. It helps bringing peace and stability to our region that has been so devastated. The focus of the Treaty on improving security of supply and environmental protection is important as is the European and international efforts to bring investment to the region to improve the energy infrastructure.

This will allow the development of our industries, services, of our economies and will benefit business and citizens.

We question however, if the measures of the Treaty are the best approach for our region. We are sceptical of the benefits of competition in the electricity and gas sector due to the social, physical and economic constraints and the current problems experienced in the European Union itself. Electricity especially is a social good and essential to modern societies. We consider energy to be part of the global and public commons. Human needs rather than financial profit making should be the leading principle. Modern industries and services rely on reliable and safe provision of electricity and gas. Better cooperation and coordination as well as clear legal frameworks would have provided a stable framework for long-term investment. The Treaty and its competition introduce risk and thus a premium on investment, making energy more expensive and which has to be paid back by citizens and business.

The energy sector in Europe is in full evolution. The liberalisation of the electricity and gas markets and the process of concentration by which companies seek to reach a major size speed up the changes in this sector, implying destruction of direct and indirect jobs by the scaling or closing down of many sites.

The construction of an energy policy in South East Europe will have to be comprehensive and integrate the consequences of the selected industrial and economic choices regarding employment, social guarantees, health and safety, working conditions, regional planning, long-term investment and the environment.

The experience of the European Union with regard to job losses is disturbing. Over 300.000 jobs have been lost over the last 10 years. While it is argued that labour productivity has increased, this is a *one off effect* without an impact on long-term dynamic efficiency, thus undermining a central tenet of the economic approach on which competition in the energy sector is based. Job losses hurt local communities, especially in countries with large unemployment. Based on the experience in the EU, we expect that 25-30% of jobs might be lost in the SEE electricity and gas sector over the years to come. A World Bank study (March 2004) already predicted 100.000 coal mining jobs will need to be axed to make mines economic viable. This is a program for misery, long-term poverty and its accompanying effects such as poor health and criminality in certain regions. Large scale social plans and the funds to make them possible are lacking in several countries.

The electricity and gas market will lead to price increases for both large industrial users and domestic users. It is foreseen that cross subsidies will be abolished. The price of electricity and gas is to reflect the full cost. Affordability and fuel poverty are therefore key concerns, which have to be addressed by our governments. This needs to happen in a public way and allowing for broad consultation.

This Treaty has been negotiated by our governments and the European Commission in secrecy. Trade unions and other civil society groups have not had an influence. It shows. The lack of a social pillar demonstrates the disregard for workers and citizens concerns. The Treaty will demand that our governments implement the European's acquis on environmental, energy and competition laws and regulations. But nothing is said about the EU's social acquis. This is not acceptable. The EU is more than competition alone. It is also a Social model.

Our message: We do not reject the Treaty unless a social pillar remains absent

Our governments and the European Commission have now agreed the Treaty. It will be discussed in the European Parliament shortly and in national parliaments for ratification thereafter. Despite our fundamental criticism, we do not ask the parliaments to reject the Treaty. It does reflect part of the EU acquis. Several countries are seeking EU Membership and will thus implement the acquis. But there needs to be a commitment to the social pillar and a process to establish this. An Energy Community without a social pillar is not acceptable.

We recall that the energy and competition acquis for the New Member States, Bulgaria and Romania, is accompanied by implementing the social acquis. This is the balanced European Social Model approach. The SEE energy Treaty lacks this balance.

Governments and the European Commission have rejected our demands to include a social pillar in the Treaty. The European Commission is now preparing a Memorandum on the social pillar. This Memorandum is to accompany the Treaty. The Commission, Council, our governments and parliaments are to commit to this Memorandum. If this Memorandum is not accepted, the Treaty is the wrong signal for our region. We ask that the Memorandum is agreed and signed at the same time as the Energy Treaty to provide a clear political message to the region's workers and citizens.

Our demands for the Memorandum

• **Social Action Plans**

The Long-Term Strategy Paper on implementation of the SEE Energy Treaty of the Commission, calls for governments to establish a Social Action Plan accompanying the implementation of the SEE Energy Treaty. This is a positive idea, which we support. The governments should consult with the trade unions and others on this social action plan.¹

The key elements of the social plan should be:

- Dealing with the social implications of the restructuring process;
- Preventing fuel poverty;
- Establishing measures to ensure that the vulnerable people in society do not become victims of competition

¹ These action plans can be seen as the first step towards National Action Plans for Employment as the Member States of the EU are developing.

- Considering the implications of ending cross-subsidies including for large industrial users and dealing with these consequences.

The SEE governments should start consultation on these Social Action Plans directly after they have signed the Treaty. This is a positive signal that social concerns are taken seriously. The Commission is to monitor the implementation of the Social Action Plans together with the Steering Committee (see below).

This commitment should be included in the Memorandum.

- **Social Dialogue**

We also welcome that the Commission's strategy paper argues that the social effects of the Transition Strategy should be further investigated through the social dialogue. Issues mentioned in the Strategy paper are, amongst others, the effects on:

- Direct and indirect employment
- Skills and qualifications
- Tariffs for households (and vulnerable ones)
- Democratic control of the future direction of the energy system.

Employment generation measures and training programmes should be prepared the paper argues. The SEE governments are requested, in the strategy paper, to present accompanying and mitigating measures to deal with the negative social effects of the restructuring. The memorandum should include these points.

- **Steering Committee**

Another interesting suggestion of the strategy paper is the idea of a Steering Committee of governments, employers/ companies and trade unions to accompany the implementation of the South East European Energy Treaty. This Steering Committee is to make proposals on the social effects and its suggestions can be taken into account by the regulatory board. This is a welcome proposal as it helps build the social pillar of the Energy Community. providing an additional layer of stability and cohesion. We regard this as the social counter-part of the energy institutions established under the Treaty.

The European Commission and/or Stability Pact should take the necessary steps to establish this Steering Committee and a plan of work. Again, we want this to be part of the Memorandum.

- **The indispensable social acquis**

- Fundamental Rights

Our governments should recognise the Charter of Fundamental Rights of the European Union (Nice Treaty). This Charter recognises fundamental trade unions as also established in the Social Charter of the Council of Europe and the ILO Fundamental Rights. This commitment should be part of the Memorandum. The fundamental rights include the right of association of the workers and the right to be represented by a trade-union organization, the right to information and consultation, collective bargaining and the right to strike.

The Social acquis we believe is most relevant to be implemented through the process of social dialogue (negotiations included)

- Fundamental rights
- Social dialogue
- Framework directives on health and safety
- Working Time Directive
- Equality Directives
- Collective Redundancies, Transfer of Undertakings and related Directives
- Directives on Information and Consultation (including EWCs)
- Directive on insolvency of the employer

A commitment to implement the relevant social acquis is to be part of the Memorandum.

- **Social Dialogue**

Through the Memorandum, the governments and the European Commission should commit to a process of social dialogue with trade unions and employers to accompany the implementation of the Treaty. This means:

Dialogue at local, sectoral, national and European level. The European social partners (trade unions and employers- Eurelectric) in the electricity sector have already called on the European Commission to include the social partners of the region in their European sectoral social dialogue. The Commission should make the resources available to support this. The electricity social partners have much experience. We refer to the Budapest Declaration (see attached). On too many occasions we receive complaints from the unions in the regions that governments do not engage in a process of social dialogue on the fundamental restructuring of the sector. There are however also best practice examples from which we can learn.

The process of social dialogue between employers and trade unions can also assist in preparing and implementing (including through collective agreements) with government the relevant social acquis, possibly first for the electricity and gas sector. This allows the energy sector to align with the European Union through a gradual process.

The European Commission should assist this process with the appropriate resources, including expertise of the social partners.

- **Non-regression clause**

The Memorandum should include a non-regression clause so that the social standards are not lower than existing legal standards. The Memorandum should also commit to ensure that this process is not used to weaken and undermine collective agreements existing in the sector²

² Employers and trade unions can practically consider the relevant laws, regulations and collective agreements, compare them with the relevant EU Directives, establish if there are gaps and weaknesses and take the appropriate measures to bring them up to date. Europe's trade unions have committed to support each other in case governments, employers and companies violate basic standards

- **Restructuring, Privatisation and Developing services of general interest.**

The gradual opening of the electricity and gas markets in South East Europe require the definition of new regulations for the development of public services also called services of general interest so that the profit motive does not become the determining factor to the detriment of employment, social guarantees, public health and economic growth, and of the interest of the consumers.

Equal access of citizens to energy, at affordable prices, must be guaranteed and this independently of the legal status (public or private) of the companies.

We repeat our call for a Moratorium on Privatisation of the electricity and gas utilities. The internal market for electricity and gas does not oblige our governments to privatise nor does the European Commission oblige our governments to do so. There are many public enterprises (state and municipal) in the European Union for example. We note that what is regarded as the most functional electricity market (the Nordic market) is based largely on publicly owned companies. High quality services, security of supply and the public's interest are best secured through publicly owned utilities will resist ill-advised privatisation.

We recognise governments do sometimes disagree and privatise. It is widely recognised that privatisation (or so-called public-private partnerships) has to be prepared well taking into account many different interests. This often does not happen.

The Memorandum should include a Moratorium on privatisation. It should establish that:

- Before privatisation takes place, a large and public debate in society should take place, so citizens can form their opinion. This should include hearings in the national parliaments. Trade unions and other civil society groups should be able to draw on (counter-) expertise matching the expert advice governments seek from (mostly international) consultants. Sometimes a referendum might be a worthwhile instrument to ask citizens' opinion.
- Before privatisation all institutions are to be in place to ensure democratic oversight, clear legal frameworks and to prevent exploitation of workers and citizens
- Before privatisation there should be impact assessments of its consequences for workers, the poor, citizens, public finance, environment, investment and prices.

If privatisation takes place and is based on positive practices from old and new Member States, a social package should be in place to protect workers and citizens from the zealous pursuit of profit by companies. The social package should be part of the tenders and of the licences granted to new owners to operate the services.

These social packages should be discussed and negotiated with the trade unions.

The social package should also ensure protection for vulnerable citizens so they are not cut out from essential services.

This social package should contain amongst others:

- Recognition of the trade unions concerned
- Guarantees to respect for collective agreements and other social standards. New owners should become members of the national employers organisation where relevant (in case of national sectoral collective agreements)
- The employment guarantees
- Training and other measures to ensure a qualified workforce

- A Training and re-employment measures for those workers that lose their jobs
- Limits to out-sourcing and the conditions under which it can take place including negotiations and respect for the collective agreement
- Social dialogue and Information and consultation rights
- Method for dialogue and negotiations (sectoral and local level)
- Guarantees for trade union mandates to prevent that new owners weaken the workers' voice by cutting workers' representatives
- Rules on Workers Ownership (shares) linked with rights on how to exert the voice of the workers' shareholders. Combining the shares of workers in workers' shareholder funds should be possible
- Participation in European Works Councils. Workers in SEE are not second class workers

There is an important role for the regulatory bodies to oversee that companies respect these social packages. If they do not respect these social packages the licences should be withdrawn.

Public companies are restructuring as well. Like with new owners, social packages should be in place to ensure restructuring is done in a socially acceptable manner. This is also part of the current European discussion on restructuring.

This should be part of the Memorandum

- **Improve democratic control of the Energy Community**

The institutions established to accompany the South East European Energy Community, are subject to weak parliamentary control both at national and European level. We do not regard the annual reports, to be presented to the Ministerial Council, as sufficient to ensure stringent democratic control.

We request the national parliaments and the European parliament to set up a South East European parliamentary group to control the Ministerial Council on a more permanent basis. Decisions of the ministerial Council should be presented to this Group for consideration and possible amendments. A transparent procedure is to be established. Proposals for decisions need to be made public so other organisations can present their views. The European Parliament and the South East European Parliamentarians should take the initiative to this end for the procedures to be in place after ratification foreseen for mid 2006.

The coordinator of the South East European Parliamentarians Dr. Vesna Borozan introduced the Treaty to us. We have greatly appreciated this. She referred to the Conclusions of the Skopje Parliamentarian Meeting (7 June 2005). The Parliamentarians agreed amongst others:

- To the development of a checklist for implementation of the acquis. This is a good proposal. We want that this checklist also reflect the social acquis that we consider of relevance for the energy sector, as indicated in this Platform and the Memorandum.
- To cooperate with trade unions and civil society. We welcome this commitment of the Parliamentarians. It is an important step to recognise the trade unions. We ask the Parliamentarians to discuss with us and other civil society groups at national and SEE level on how they want to implement and organise this.
- Public hearing in the parliament. We welcome this conclusion of the parliamentarians. We ask the parliamentarians to start the preparations now and organise the hearings. It will be in many countries the first occasion for a larger public debate. The social

implications of the treaty should be one of the key issues for discussion.

- To ask for concrete support and EU funds for the implementation of the Treaty. We agree. It is important that the treaty allows for:
 - Guarantees for long term investment by the EU
 - Possibilities for the region to have access to the European social funds and their instruments to promote growth and employment; and to deal with the negative consequences of the internal market
 - Resources for networks of parliamentarians, trade unions and other civil society groups to be in a position to monitor the implementation of the Treaty, raise problems and propose solutions. These networks should be in a position to draw on expertise. We believe these will contribute to more cohesion and stability in SEE
 - To organise a standing body of parliamentarians dealing with energy, water and infrastructure. Again this is a worthwhile initiative. We request the parliamentarians to discuss with us how a long term relation can be build which will benefit the work of the parliamentarians, promote democracy and democratic control and contribute to stability and employment in the region.

- **Regulators and the social pillar**

The Treaty establishes a Regulatory Forum. It lists a range of stakeholders. The trade unions, or the social partners (trade unions and employers) are not mentioned. We demand that the trade unions are formally recognised as stakeholders. The memorandum should recognise this. We will ensure a representative voice in the Forum.

Valery Vlatchkow, the Bulgarian Commissioner of the State Energy and Water Regulatory Commission introduced the work of the regulators to us. We appreciated this very much. We consider a constructive relationship with the regulators of high importance.

The memorandum should take up and develop the suggestion of the Commission Long-term strategy paper (see earlier) that regulators should include social guidelines in their work, where appropriate.

We request the Commission and the SEE regulators to provide an overview of examples of best practice, of how trade unions and others in society are consulted. The Memorandum should include proposals to this end. We demand that the consultation takes place in a structured manner for example by trade unions participating directly in the work of the regulators (as members of the board or committees), through advisory committees or boards, or through other structural means.

Democratic participation in the work of the regulators also prevents that the regulators only hear one side of a story (often that of the participants with sufficient financial resources)

The work of the regulators should be transparent. The regulators should be independent of governments and industry.

The work of the regulators should shift from promoting competition to promoting consumer protection, security of supply, reliability and environmental standards.

- Investment in the networks and capacity
- Investment in maintenance and repair

- Oversight of licences and contracts ensuring that sufficient, qualified, well-trained staff are available to ensure high quality services and reliability.

Regulators should also be able to check the relationship between the utilities and sub-contractors (and sub-sub contractors) to establish clear responsibilities.

The Memorandum should include proposals for the SEE Regulatory Board and the trade unions to enter into a long-term dialogue accompanying the process of implementing European acquis.

- **The direct follow up of our conference**

The implementation of the South East European Energy Treaty is a process under way. It has consequences for us and how we work. We want to ensure a strong trade union voice and trade union input representing the interests of our members and citizens in SEE in building the social pillar of the South East European Energy Community.

We commit to work in a constructive manner with the Commission, our governments and the institutions of the South East European Energy Community, to build the social pillar of the South East European Energy Community. We request a similar commitment on their side to work with us.

We commit to the following:

We will publish this Platform of trade union demands in our trade union newspapers, on our websites and inform our members of our common efforts to get a social pillar.

- We will bring this Platform of trade union demands to the attention of our governments and the Members of our National Parliaments
- We will seek attention of the local and national media for our demands
- We will explore common interests with other civil society groups
- We will contact the coordinators of the South East European Parliamentarians to bring our Platform to their attention
- We will also approach the European parliament who will consider the Treaty in the weeks to come
- We ask the Commission to reflect our demands in the Memorandum that is being prepared.

We will also establish a coordination group with national coordinators and with support of the European trade union federations concerned: EPSU/ EMCEF and ETUC, to follow and accompany the process.