

**December 19, 2001 – Version 1.0**

**Response of TUAC to the UNEP Industry Sector Reports:  
Power Generation and Energy Services**

**CAVEAT**

The following report is based on information obtainable by the author during the course of research and writing. Attempts have been made to obtain input from appropriate labour groups. However, it is important to note that there may be relevant policy documents and points of view not represented here. This document is subject to change as additional input may be forthcoming. Please ensure that you are reading the most recent version. Therefore this report should be considered an introduction to trade union thinking on these issues rather than a final or complete position.

**INTRODUCTION**

The Trade Union Advisory Committee (TUAC) to the Organisation for Economic Cooperation and Development (OECD) along with the International Confederation of Free Trade Unions (ICFTU) welcome this opportunity to provide our response to the Industry Sector Reports being prepared by international industry associations under the auspices of the United Nations Environment Program (UNEP); Division of Technology, Industry, and Economics.

When seeking information on the sustainability of any industry, it is important to remember that the input from industry management and industry associations is only one-half of the story - the owners' part. Workers, through the unions which represent them, are able to complete the picture.

Business hopes to ensure that its positive contributions to sustainability are appropriately recognized. Trade unions, as part of both "industry" and civil society, acknowledge that in many cases, industries and sectors have made important progress in the areas of technology development and technology transfer, environmental management systems and tools, and voluntary initiatives.

However, there are many unfulfilled past promises, and complex future challenges for industry. These are neither uniform between industry sectors, between nations, nor even within single nations and industry sectors.

**LABOUR'S VIEW OF SUSTAINABLE DEVELOPMENT**

The simplest definition of sustainable development states that we must meet the "needs" of today's generation without sacrificing the ability of future generations to meet their needs. This simple definition becomes more complex upon examination of the word "needs". "Needs" does not just mean environmental or economic concerns, which is a common misinterpretation, but includes environmental, economic, and social concerns.

The concept of "sustainable development" has proven to be difficult for many people to fully understand. Perhaps that is because it requires integrative rather than compartmentalized thinking, and is not well adapted to explanation in five-second media "sound bites". Environmental, economic and social concerns must be addressed simultaneously. Very simply: if we fail to protect the environment we will have no jobs, no communities, and no future; but if we attempt to impose environmental solutions that ignore economic and social realities, we will face disaster of a different sort. Practitioners of the scientific professions, for example, need to occasionally put aside their technical and scientific training and reflect upon the broader consequences of what they do.

The first objective along the path towards sustainability will be to integrate consideration of all environmental, economic, and social impacts into all of society's decisions; whether these take place within governments, corporate boardrooms, or other institutions of civil society. Reaching this objective will in turn require a review of decision-making processes (particularly the application of consensus-building as a decision-making tool in settings that previously have neither acknowledged consensus-building as a need nor an opportunity). It may even require a complete reconstruction of many existing institutions, structures, and decision making methods – some of which are quite resistant to change. Finally, the integration of environmental, economic, and social thought into those decision-making processes will necessitate the utilization of human knowledge from the widest possible range of sources and across the widest possible range of disciplines.

Environmental, social, and economic concerns are frequently described as "the three pillars of sustainability". While this is a useful analogy in the sense of acknowledging the requirement for each to ensure the stability of the whole, it is also problematic. Pillars are very solid and distinct objects. Perhaps a better image for a discussion of how to integrate these needs is that of three puddles of paint on a plate, slightly stirred. The interfaces (social-economic, social-environmental, environmental-economic) are blurred and indistinct, and there is great difficulty in separating one from the other. Not only that, but within each component exists a myriad of subsidiary interfaces.

Environmental non-governmental organizations (ENGOS) and business have significant expertise and are powerful advocates for the environmental and economic components of sustainability, respectively. Unions, too, have a particular expertise regarding the environment and the economy that differs from that of ENGOS and business. However, the social component of sustainability is the component that unions feel has been rather neglected in the debate; and coincidentally is the area in which we are most uniquely qualified. It falls therefore upon labour to speak up for social needs - as it has so often in the past.

As a minimum, trade unions believe that we can start addressing the social component of sustainability by promoting or developing, and fully implementing:

- the International Labour Organization (ILO) Core Labour Standards;
- the United Nations Universal Declaration of Human Rights;
- "Just Transition" programs (see explanation in following paragraph);
- The United Nations Secretary-General's "Global Compact" Initiative;
- Industry Voluntary Initiatives and Agreements

Of these five, "Just Transition" programs occupy a unique position within labour's view of sustainable development. Briefly, a "Just Transition" program ensures that the costs and benefits of moving towards a more sustainable future are shared fairly; and especially, that the workers, families and communities who rely on industries or activities dubbed "unsustainable" by society are protected during the transition to more sustainable activities. First and foremost, "Just Transition" programs are a necessary prerequisite to making any substantial progress on environmental issues. Secondly, the existence and quality of "Just Transition" programs are indicators of social sustainability.

Fairly standard and well accepted indicators of economic performance exist. Environmental indicators of various sorts have been proposed and there is an emerging consensus on at least the broader categories of what they are. Clearly, however, social indicators have been the poor relation in policy analysis.

Industry, broadly, has made progress in recognizing some of the environmental imperatives of sustainable development and integrating them into its economic decision-making. Labour applauds this progress and encourages its continuation but notes that the recognition and integration of social needs into corporate decision making has made far less progress.

Every industrial sector has its own particular challenges and concerns, with considerable variation between and within regions and sectors. Sustainability for any sector can only be achieved when each of those challenges and concerns is dealt with in a consensus-seeking, integrative fashion that attempts to balance the environmental, economic, and social imperatives of sustainability.

#### POWER GENERATION and ENERGY SERVICES

The sustainability of this sector can be discussed in terms of the social, economic and environmental dimensions of sustainability.

Social sustainability is much more than just jobs in the sector and in the industries it powers. It obviously includes employment, and from a trade union point of view employment is important. However, we reject attempts to subsume the social dimension of sustainability entirely within the economic. The complete pattern of development and its impacts on workers, their families, communities, cultures and nations is up for discussion. What is the industry's position on education and training, for example? What is the impact of electrification on urban planning, for instance? What is the impact on traditional industries and activities, and thus cultures? Is the industry prepared to ensure equitable access to energy as well as equitable sharing of the costs and benefits of the entire energy cycle? How has the industry treated its own employees and the communities that rely upon it in terms of e.g. the United Nations Universal Declaration of Human Rights, ILO Core labour standards? Has it respected aboriginal land claims? Does it have a plan in place for a Just Transition for workers who may be affected by societal decisions on energy production, distribution, and use?

The fundamental economic assumption of this industry appears to be that a deregulated free market will assure economic sustainability. Trade unions do not concur. Deregulation and privatisation have not led to greater efficiencies, lower prices, or reliable supplies of electricity. Rather, deregulation and privatisation have had the opposite effects. We do not believe that we can develop a sustainable global energy policy based on this discredited model. We believe that something more stable and sustainable is possible.

Energy policies and ownership structures should be defined in a democratic and transparent process. The situation in each country is unique, due to different structures, traditions, cultures, resources and circumstances. No one energy market structure has been proved to be the best in the world. Energy policy must be integrated into an overall industrial growth strategy that meets the needs of the population. It is a serious mistake to copy blindly examples from other countries.

Environmental sustainability is of course fundamental to the industry; and will in large part be the result of choices made in how to generate and supply electricity – the sources, and the scale, of power generation. Difficult as it may be, society needs to have the debate about which sources of energy are preferable over other sources. Industry has already done a great deal of research in this area and needs to share it with, and explain it to, society.

Trade unions believe that the many of the sustainability issues of this group of industries can best be discussed by at least partially separating the problems of:  
supply; who are we going to provide electricity to;

mode; how are we going to generate it; and governance; how is the industry going to be structured and regulated. These three problems, in turn, present slightly different aspects when viewed from the developed world, or the developing world.

Energy must be regarded as an essential human need, and providers must therefore be conscious of their role in supplying an essential human need. Once a citizen or a community have engaged a corporation to supply electricity, they have an obligation to supply. There must be security of supply. Also, there should be equality of consumers. There must be pricing mechanisms to ensure equitable access to the energy supply. Those who are rich should not be overtly advantaged. Power generation and energy services must be discussed in the context of two very different situations: that of the developed world, and that of the developing world.

In the developed world, the industry seems to cling to the now thoroughly discredited notion that regulation is largely unnecessary and that the free market will solve most of the problems of energy supply. It must by now be clear to any objective observer that the unregulated free market is not the most efficient way to provide essential power and energy services. De-regulation and privatisation of energy and energy services in several developed countries has led, not to greater efficiencies but instead, to interruptions in power supply, price instability, and uncertainty. The recent collapse of Enron, the energy giant responsible more than any other for preaching the gospel of de-regulation and privatisation, makes our point in an effective, if ironic, fashion.

Strong regulatory frameworks, based on national energy policies, are essential to ensure democratic control over this strategic sector. Regulation is a broad concept. Experience shows already that liberalised markets require in fact very detailed rules to avoid distortions and social and environmental dumping. A strong regulator who is subject to democratic control must have effective means to monitor the markets and to order changes when deemed necessary. Furthermore, there should be strong democratic control of regulatory bodies. Trade unions, community representatives, and other interest groups must be involved in all phases of the process, and represented in planning and regulatory bodies. Transparent and effective consultation is vital when formulating national and international energy policies as well as regulatory frameworks.

Regulation must provide for a level playing field as regards labour issues such as employment, sufficient staffing levels, health and safety standards, training and qualifications of staff. Laws, regulations and collective agreements are all possible means of creating this level playing field and preventing social dumping.

Based on experience in a number of countries, the labour movement is against privatisation, which leads to job losses, declining social standards, attacks on trade unions and higher prices for small consumers. However, in situations where capital is not available for investments needed to satisfy growing energy demand or upgrade existing facilities, the partial involvement of private capital can be acceptable. In these cases, governments must define framework conditions in such a way that private investors are required to recognise trade union rights, maintain a high level of employment and safeguard collective bargaining, health and safety standards, social benefits, training and retraining.

It is particularly worth noting that large industrial users of power thrive on security of supply and stability of price, not on unpredictable interruptions and wild swings in pricing caused by speculative frenzies. This certainly has implications for the preferred model of industry governance in the developing world as well as in the developed.

The problem in developing countries is somewhat different from those of the developed, although (as already mentioned) there are related issues of governance. There is a need to extend electrification to the world's estimated 2-billion inhabitants who do not presently have access to electric power. Doing so will have important and positive environmental, economic, and social effects. In many cases, these 2-billion people have not been provided electricity, because it has not been proven to be profitable in the short term, to supply them with it. Learning from recent mistakes in the developed world, an appropriate regulatory / institutional framework needs to be considered in advance of simply extending the grid. Trade unions believe that electrification can best be extended in the developing world, only by starting from a regulated model, not a de-regulated one. In addition, in some cases a re-examination of regional issues is needed where surpluses of power are not being sold or made available to nearby areas that need it, for a variety of reasons.

To continue, international organizations and governments must recognize that effective and consistent regulation is actually a necessary pre-requisite to development. Governments, at national, regional and local levels, have a role in planning and marshalling funding and other resources for the electrification project. Industry will then know the ground rules and the resources available, to start the project. Developed countries can, and should, contribute technology and expertise. Developed countries must lead by example: developing countries should not be asked to take up old technologies that the developed countries would not themselves use, for example.

It should be re-emphasized that nations, particularly developing nations, have the right to create their own energy policies. This includes choosing to develop national energy resources that they may have an abundance of. Rather than criticizing developing nations for choosing, e.g. coal over gas, the developed world needs to ask, "What are the conditions and structures, particularly those imposed by the World Bank, the IMF, and mounting and unsustainable debt loads on the developing world, that force those nations to believe that they have no other choice?" The utilization of low-emission technologies is generally lower in developing countries. Some of these technologies have been commercially demonstrated, but the owners of the technology are not making it available to developing countries. If the developed world wishes to promote these technologies, then the barriers to their utilization – frequently cost and irrational definitions of "intellectual property" - need to be looked into. Beyond new installations, there is considerable potential for environmental improvement in refurbishment of existing power generation stations.

Trade unions believe that social development can be enhanced by extending the electrical grid to areas not presently serviced, but electrification of these areas, by itself, is not enough. There must be equitable access not only to energy, but to the costs and benefits of generating, distributing, and servicing it. That means that the funding of electrification and the pricing structure which follows it must be such that people can afford to use the electricity. Further, there has to be reliability and stability to the energy system, including pricing, if electrification is to attract other forms of development and investment to these areas. The goal of electrification of regions presently excluded from the electrical grid can be met in a number of ways, including smaller-scale local generation using a variety of sources. Funding agencies and the industry itself continue to overlook potential partners, and creative ways of engaging their participation. There must be a role for the various stakeholders.

Environmental issues are obviously important to the power generation and energy services sectors. There is a need for more detailed, life-cycle analysis of all of the various energy supply options; including coal, oil, natural gas, nuclear, wind, solar, hydro, tidal, geo-thermal and other alternative

and renewable sources. While it is tempting to simply categorize these options based on their contribution to global climate change, a full range of environmental and social indicators are required in order to make sensible choices. Environmental analysis must not exclude, for example, the issue of electromagnetic fields. Social analysis must not exclude, for example, the issues of indigenous peoples. Finally, many of the environmental issues of the power generation industry are discussed only from the point of view of supply. Demand for electricity is at least as important an issue for environmental sustainability, as supply – in fact probably much more so in the longer term.

Should society deem that some sources of electricity should be phased out, while others encouraged to grow, then “Just Transition” measures need to be designed and implemented.

Minimum social standards must at all times be guaranteed. Trade unions think that without a balanced approach to transposing social standards into national legislation, there is a clear threat of job losses, declining social standards, growing inequality between consumers, loss of investment, and deteriorating environmental protection.

Stakeholder dialogue, especially with trade unions, is essential. Trade unions are an important social partner for the energy industry. Employees have much more to contribute to the sustainability issue than just e.g. health and safety at work (although that is an important issue we face in the power generation industry – particularly in coal mines). As representatives of the group of people with the most expertise in many of the problems being faced by the industry; as well as residents in the adjacent communities directly affected by local development patterns, and also as consumers of electricity, trade unions are ready to engage in a continuing dialogue with the industry on sustainability.

## CONCLUSION

Sustainability is a complex issue; particularly for this industry sector. Much of society still does not completely understand the concept; and those who do frequently do not appreciate the role of trade unions. Ultimately, consumers as well as power providers, must make choices. Those choices will not be based solely upon price. Full environmental and social costing is going to be of major importance to the power generation and energy services industry, as is the movement towards ethical investing, green labelling, and social marketing. By anticipating the environmental and social concerns of present and future consumers – and their families, communities and nations – the industry can assure economic sustainability for itself. To achieve this, the key starting point must be a full dialogue with trade unions.