Opinion of the European Economic and Social Committee on ‘The social implications of transport and energy developments’
(2009/C 175/08)

On 17 January 2008, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on:

The social implications of transport and energy developments.

The Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 10 November 2008. The rapporteur was Ms BATUT.

At its 449th plenary session, held on 3 and 4 December 2008 (meeting of 4 December), the European Economic and Social Committee adopted the following opinion by 107 votes to 29, with 15 abstentions.

1. Conclusions and recommendations

1.1 Conclusions

1.1.1 Transport and energy, an inseparable pair which are vital for competitiveness, development, wellbeing and cohesion, are under three different kinds of pressure — economic, social and environmental — against the background of shortfalls in European energy supply and instability of external supply, which cause prices to fluctuate and may allow them to keep rising for a period of years.

The Committee considers that a broad-based, forward-looking debate is needed on the essential character of the transport-energy pair for the people of Europe, on the impact which it has on their way of life, especially in difficult times, and on the action which the European Union could take in this area in order to safeguard the wellbeing of its people.

1.1.2 Maintaining the European social model depends partly on the transport-energy pair, the rising price of which over the long term will affect the lives of individuals, businesses and employees, as well as mobility and employment in general. The transport-energy pair is becoming the fourth exclusion factor, alongside housing, employment and wages. The fact that some people do not have access to transport or energy excludes them from e-society. The success of the Lisbon strategy is under threat on three fronts — social, economic and environmental.

1.1.3 The market and prices: consumer prices incorporate factors like liberalisation, the euro exchange rate, the state of the financial markets, tax, the cost of renewables, the fight against climate change and external elements. The market cannot regulate everything on its own. Several instruments should be prepared to boost social inclusion and to promote a fairer apportionment of costs and prices.

1.2 Recommendations

1.2.1 The EESC considers that it would be socially useful at times of rising prices for the EU to encourage some categories of consumers to differentiate, on the basis of dialogue, between the ‘essential’ component, where support could be offered, and the ‘optional’ component of the consumption of transport and energy.

1.2.2 The Structural Funds could take on a new role in promoting energy solidarity and preserving public mobility

1.2.3 The allocation of public funds between R&D activities should be balanced at EU level to optimise climate protection and the Union’s energy independence.

The EESC would like to see an ongoing effort to promote a level of research likely to lead to rapid and significant advances on new energy sources and their use, with no let-up in this constant effort as soon as prices fall, as happened following the first oil shock.

1.2.4 The legal rules on state aid should systematically exempt national support funds from competition rules concerning research, thus giving investors a degree of security likely to encourage the use of new technologies and the maintenance and creation of jobs.

1.2.5 The extension of the RSFF (1) to innovative SMEs would help to develop their competitiveness while encouraging specific improvements to the transport-energy pair.

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(1) RSFF: Risk-Sharing Finance Facility, a cooperation agreement set up by the EIB on 5.6.2007 and intended for RDI in Europe, with EUR 10 bn of funding.
1.2.6 The extension of the EGF (2) and the broadening of its access criteria would help mitigate the negative impact on workers of measures to combat climate change.

1.2.7 In order to help the European economy remain competitive while also ensuring social cohesion, the Committee would like to see:

— a blueprint for a common industrial policy angled towards sustainable development and successful transport co-modality (3);

— an energy policy based on solidarity between Member States and consistent with climate protection;

— studies on the appropriateness and feasibility of a European energy SGI for the public, with a common approach to prices, tax at the pump, financial security rules, economic development and climate protection: the role of energy and transport public services in the Member States (4), at the intersection of regulations, the regions, respect for people's fundamental rights and employment, would thus be improved;

— quantitative and qualitative objectives and measurement instruments on the efficiency of separating network and distribution activities, and the impact on prices;

— consumer surveys on the harmonisation of European taxation at the petrol pump, with the results widely publicised, and, once appropriate indicators have been drawn up, analysis of the impact on the environment of essential transport;

— the opening of a genuine dialogue on future climate plans in order to prevent distortions of competition and social dumping.

1.2.8 Moreover, at company level, the EESC considers it necessary, in relation to business and services in the European Union:

— to encourage the launch of social dialogue and negotiation on essential transport and energy expenditure, as a component of the minimum wage;

— to promote the negotiation of sustainable mobility plans for business or services;

— and to establish a system of EMAS-type certification for businesses;

— to assess the gains attributable to the certified reduction of energy and transport consumption by businesses or services, in accordance with the criteria to be laid down by means of dialogue, with a view to sharing them out in accordance with a method negotiated between businesses and their employees;

— to carry out qualitative studies on the health of employees, with regard to the use of transport and the energy sources to which they are exposed, with a view to establishing safeguard measures.

1.2.9 At EU level the EESC considers it necessary to open up civil dialogue:

— on the cultural dimension and the human challenge which need to be met throughout the Union to ensure that transport and energy are accessible to all at affordable prices, thus contributing to human welfare and understanding of the diversity of the Union;

— on the promotion of civic education covering the proper management of transport and energy, beginning with the primary cycle;

— on public health in general by means of broad-based surveys, in the context of the use of transport and energy sources to which people are exposed, with a view to establishing safeguard measures;

— the EESC considers that the Union could establish a standardised information system, comparable to that for VAT (not a label), with the aim of raising the awareness of the public to transport/energy/environmental issues, with a line being added to the label on every consumer good reading: APCO2 — added production of CO2;

— the EESC considers that the standardised system developed in Europe could be used in world trade negotiations, and that the results could be incorporated into existing trade documents, based on the Edifact model (5), with annual

(2) European Globalisation Adjustment Fund.


(5) Electronic Data Interchange For Administration, Commerce, and Transport, a UN standard which defines both syntax and content: this is adapted by national and sectoral standardisation bodies to ensure that the needs of each activity are taken into account.
monitoring by civil society, by analogy with the UN's Economic Commission for Europe (UNECE) which reports each year on Edifact (9) to the Economic and Social Council of the United Nations. The Union could make use of the system at global level.

2. Possible areas of action for the EU

2.1 Diplomacy

2.1.1 The EU's energy independence, economic growth, maintaining Europeans' standard of living and social and environmental sustainability are connected with the supply capacity of the Member States.

2.2 Markets

2.2.1 Demand for transport and energy and the production of greenhouse gases are increasing. European markets for energy and the network industries remain fragmented, although there is a trend towards integration (2006 — linking of the markets of France, Belgium and the Netherlands, probably to be extended to include Germany in 2009, establishment of a European spot market (7), search for possible mergers). The path chosen, liberalisation with separation of networks (gas, electricity) may nonetheless pose threats in future, such as purchase by non-EU funds (sovereign wealth funds), acute shortages, with no jointly managed reserve capacity and lack of control over prices, with disastrous consequences for consumers. Nuclear power is once again a crucial issue for the European Union: it would be irresponsible not to address it at Community level.

2.2.2 Travel is necessary for work, tourism and getting to know Europe and other Europeans. This declines when energy prices are too high, with serious implications for individuals, companies, employment and economic activity.

2.2.3 An energy mix and inter-European solidarity are needed to prevent further fragmentation of the market. A mobile and inclusive society needs coherent regulation and regulatory enforcement bodies. And civil society can point the way.

2.3 Price formation

2.3.1 Factors affecting the formation of the prices paid by the consumer:

— **Liberalisation**: consumers have not experienced the full impact of the lower prices which were promised.

— **The interaction of prices** which have an impact on one another: energy prices on transport prices, the price of oil on the price of gas, which together determine sales policy; the practices of producers and distributors which drive the increase and extract the maximum profit and then halve prices when there is a lack of liquidity.

— **Exchange rates**: the strength of the euro against the dollar before the crisis ought to have helped to cushion the price rise, but very strong demand and high prices still impacted on the Eurogroup countries, particularly as high national taxes are levied at the pump (8); and since the crisis began the falling euro/dollar exchange rate has reduced the effect of lower producer prices.

— **The state of the financial markets**: the lack of liquidity caused by the crisis of late 2008 has led to a fall in the price of crude oil, with sellers adapting their prices to the ability of buyers to pay, so as to minimise their losses; but the price of petrol at the pump at the start of the crisis benefited little from the decreases, while the economic and social fallout of the crisis was beginning to be felt.

— **Taxation**, which is levied at high rates on energy and differs between Member States, should be reviewed and properly harmonised between European countries.

— **The niche for renewables**: They took advantage of global energy price increases which counteracted their initial cost, but there is as yet little tangible gain for the average consumer. At the same time, the fall in costs might weaken their position.

— **Externalities** such as the polluter pays principle already play a part, and others could play a part — such as opening up to true competition between suppliers of oil products or a harmonised European diesel price.

2.3.2 The EESC believes that the role of the EU should be to promote solidarity, promote a master plan for a common industrial policy based on research into sustainable development and successful co-modality in the transport sector and improve European political stability through regulations. A serious study of the impact on prices of the separation of network and distribution or operating activities would be helpful in drawing up these policies.

(9) The German Federal Statistical Office DESTATIS estimates that energy prices have pushed up producer prices by 3.8% in one year. In the same period, prices rose by 7% in oil derivatives by 19% and electricity by nearly 10%. Without energy, prices would have risen by only 2.7% over the year, according to DESTATIS. (Quoted by the newspaper Les Echos, France, 21-22 March 2008.)
2.4 Funding

2.4.1 Public funding

It is only necessary here to highlight certain aspects relating to the social implications (9). In the case of public funds, careful thought should be given at Community level to their allocation between activities yielding benefits in the short term and research work, in order to obtain the best balance at EU level between climate protection, the Union’s energy independence and public welfare. Any balances remaining from the Community budget that have been allocated but not used should systematically be placed in a fund to support research and innovation. A guarantee could be given under the State aid legislation that national funds would be exempt from the application of the competition rules, which would give legal certainty to investors, thereby encouraging the use of new technologies and the creation and maintenance of employment. Support should be given to SMEs to help them reach the critical level of growth defined in Lisbon in 2000, maintain and increase employment and maintain their innovation capacity.

2.4.2 Aid for consumers

The European Union has powerful tools (Structural Funds, regional policy). Before the crisis the international experts thought that the upward trend in energy prices was a long-term phenomenon. The European Commission might examine the Community solidarity needed to limit exclusion by energy poverty should prices go up again and thus avoid a damaging impact on the EU’s GDP, and in the event of a depression (falling prices accompanied by falling consumption as a result of reduced purchasing power, among other things), in order to support demand.

One of the social implications of transport and energy developments is to make everyone prisoners of rising prices when external pressures generated by globalisation and the financialisation of the economy, which led to the crisis, are depressing household incomes and purchasing power and the EU is experiencing underemployment. Furthermore, prices depend, to a large extent, on indirect taxation, which is not progressive.

The EESC believes that it would be socially useful for the EU to encourage price differentiation between ‘essential’ and ‘optional’ travel for the first kilometres travelled and the first litres of petrol and kilowatts of electricity used, based on an estimate of use and categories of user, to be determined by dialogue. Aid systems, for the benefit of the most disadvantaged, could then be established for the essential component.

The EESC considers that studies should be carried out on the feasibility of a European energy SGI which could be harnessed to the common energy policy. A common approach to prices would make this parameter a tool for maintaining economic development while also tackling climate change and promoting consumer interests by a fairer allocation of costs.

2.5 Taxation

2.5.1 Taxation plays a part in price formation (the environmental badge is the most recent example of this). The Member States have retained a certain amount of discretion. A policy of closer market integration would no doubt lead the EU to review the tax situation and would mean greater transparency for the citizen-consumer.

2.5.2 The TIPP, an excise duty defined by the Union, is levied by volume and VAT by value. VAT, like any indirect tax, is regressive, in that everyone has to pay it regardless of their income: the most disadvantaged socio-economic groups are therefore hardest hit. The people of the Member States are, however, unequal when it comes to tax at the pump, and this should be the subject of public studies and enquiries aimed at consumers with a view to finding the best solution leading to convergence. ‘European’ diesel would have an immediate transparency effect (10).

2.6 Research

2.6.1 The new impetus to productive investment must be on a scale likely to lead to significant and rapid advances, without which it will be impossible to ensure that the EU maintains its leading role in the fight against climate change, or to preserve the living standards of Europeans or the future of Europe. A free system for granting European patents in the field of renewable energies and clean, economic transport would reduce the lead time between discovery and marketing. Such a policy would not be incompatible with Article 194(1)(c) of the Treaty of Lisbon. We have to take certain reasonable risks. A 20 % increase in energy efficiency is now a requirement for EIB investments. This could be aimed at innovation (11) and made available to a number of companies.


(10) ‘Taxes on fuel complete the transport infrastructure charging picture by adding external costs to the prices paid by users. In particular, they incorporate the external cost component linked to greenhouse gas emissions. With the road transport sector now fully opened up to competition, the absence of harmonised fuel taxes seems increasingly to be an obstacle to the smooth functioning of the internal market.’ White Paper — European transport policy for 2010: time to decide, European Commission, 2001.

The opportunity for SMEs to benefit from the RSFF (see point 1.2.5) could increase the implementation of innovations in all regions. For example, car-sharing initiatives are developing but, as in St Brieuc and Rennes (12), they are dependent on the level of local subsidies, although they offer mobility, lower CO₂ emissions, time savings and social benefits through their accessibility to the disadvantaged, given the modest cost of using the service.

2.7 The regions

2.7.1 Transport and energy are the lifeblood of the regions and an opportunity for local development (see the impact of the opening of high-speed train lines on France’s regions). But transport, which was traditionally a driving force for the economy and spatial planning, becomes a hindrance when energy costs are high.

2.7.2 The EU is adopting a policy on energy and the climate with quantitative targets and it will need instruments to measure them. It would be interesting to measure the qualitative aspects in a harmonised way throughout the Union, and the regional dimension of energy and transport is well placed for evaluating the expression of needs. At local level a detailed knowledge of trends makes it easier to manage resources.

2.7.3 The regions receive aid from the EU’s regional policy. The breakdown of this aid could be used as a research indicator of public welfare with regard to transport and energy. Developments in the transport-energy pair can affect entire areas of the economy, with serious social consequences when their combined negative trends hit a sector like fisheries, whose profits have already been eroded by successive price increases in these two areas.

2.7.4 The distribution of economic activities and the management of residential mobility in the cities (13) determine daily commuting. A binding local employment clause could be supported, as appropriate, by the Structural Funds (whereby a percentage of jobs would be reserved for local residents and tax benefits would be granted to firms that adopted this policy). Employment, housing, equal opportunities and hence wages and the fourth factor of transport may or may not play a part in promoting social inclusion.

Solutions which avoid the social impact of adjusting costs borne by the community can be found, for example by the coordinating and drawing up of new priorities for urban policy in the areas of housing, employment and transport. With a legally secure national and European framework, the sharing of actions between the regional and local authorities, companies and households could be optimised.

2.8 Public services

2.8.1 For energy the situation is ‘oligopolistic’ rather than fully competitive. The impact on access to the network and price policy is seen in an unfavourable light by the consumer (e.g. closure of small stations and bus services deemed unprofitable, consumer price rises, cost of energy etc.). National public services operate at the intersection between regulations, the actions of the regions, respect for the fundamental rights of the citizen and employment.

The role of government is to mitigate the impact of change and the resulting uncertainty for the public. Local authorities should act to cushion economic and financial shocks in their areas. Being in the front line of transport/energy developments, they are seeking solutions.

There is a need for new governance instruments operating at the local, regional, national and Community levels. Community programmes could be better publicised and more open to experimentation.

2.8.2 The distribution of jobs in local labour markets would be improved by being linked to the organisation of urban transport. The role played by the local public employment services is very important; they should take account of the new constraints on energy and transport.

2.8.3 Regional network coverage is the result of political choices and investment. Action on price formation means ensuring access and affordable prices and the inclusion of the disadvantaged. Transport, the need for it, its high cost, and in some cases its scarcity, can be regarded as the fourth factor in exclusion, after housing, employment and income. There is also a need for careful monitoring of the social consequences of the new obligations which will be imposed on transport (energy-climate package). Economic efficiency can be sought in a systemic approach to transport policy, intermodal links, competitiveness and profitability of all the geographical areas and time slots (14), and technological and social research so as to optimise resources and reduce costs. This requires political will and the involvement of stakeholders.

(12) Breton municipality, France: the study group drawing up this opinion held a hearing in St Brieuc.
(13) EESC Opinion, rapporteur Mr Ribbe, Transport in urban and metropolitan areas, OJ C 168, 20.7.2007, p. 77.

(14) St Brieuc, Brittany, France — hearing of 6 October: establishment of ‘virtual’ local on-demand transport routes with a computerised co-ordination centre for the integrated of transport mode use by local users and providing information on other networks (ITS, Intelligent Transport System).
2.9 Health

Transport and energy developments also have an impact on public health, which justifies taking steps to offset earlier choices, subject to compliance with the Energy and Climate Package, already being prepared in the Commission White Paper on transport.

2.9.1 The causes of damage to health arising from regular daily use of transport for long commuting journeys have an impact on social systems: difficulties of staying in work, stress, asthenia, given the range of ailments observed in adults: allergies and RSI, and in young children: allergies, bronchiolitis, etc.

The use of non-sustainable energy causes pollution of air, fresh and salt water, soil, the food derived from it. Moreover, the return to nuclear energy with its potential dangers should be given consideration, as well as public education on nuclear energy, which is becoming a necessity in view of the increase in demand for this form of energy in the Member States which produce it and their ageing nuclear power plants.

2.10 Employment

2.10.1 Growth (Lisbon strategy) and sustainable development come up against expensive energy and transport and now the effects of the financial crisis. Social and employment-related issues connected with the social dimension of the Lisbon strategy must be taken into account. Liberalisation has already had major consequences for workers in the gas/electricity sector.

2.10.2 The increasing ‘communitarisation’ of climate policy in the EU call for a genuine social dialogue at macroeconomic level, leading to negotiations on future ‘climate plans’ for Europe, in order to avoid distorting competition and social dumping. The European Commission could help the social partners by introducing a mechanism enabling them to anticipate, prevent and, where necessary, take flanking measures to accompany the far-reaching economic and social changes which will result from the implementation of the new climate policies which will affect transport and energy.

2.10.3 The EESC believes that the resources devoted to applied research should be genuinely increased so that the development of innovative technologies can create jobs, in particular in SMEs and micro-businesses.

2.10.4 The EESC supports extension of the EGF (European Globalisation Adjustment Fund) to limit the negative effects on workers of measures to tackle climate change. The EESC considers that all disadvantaged social groups who are at risk of poverty or who suffer from exclusion should be covered, and that the workings of this fund consequently need to be reviewed, beginning with widening of the criteria for access to the EGF.

2.10.5 The EESC considers that unavoidable expenditure is weighing increasingly on the least well-off, threatening their e-integration, another factor contributing to loss of employment and social exclusion. The EU must ensure that prices remain affordable for ordinary people, while reinforcing energy security.

2.11 Social dialogue within companies

2.11.1 Developments in transport and energy have an impact at microeconomic level within the company, and the social dialogue should take account of this.

— The social dialogue could look at staff and management training in sustainable, energy efficient-lifestyles and non-polluting transport.

— There could be an obligation to negotiate a sustainable mobility plan for the company or service.

— The employer could be encouraged to recognise employees’ transport costs as part of the minimum salary package, according to scales to be established by social dialogue.

— The establishment of certification for businesses (15), to be defined through social dialogue.

— The sharing should then be negotiated of the gains obtained from cutting energy consumption and transport use at work, which would be evaluated on the basis of criteria to be defined by dialogue.

This is a whole new area for social dialogue within companies.

2.12 Culture and education

2.12.1 Transport and energy have long had a cultural dimension, which has been made accessible to many citizens as a result of the democratisation of transport and energy. This dimension, which has become part and parcel of European integration, must be preserved. It is a human challenge for the understanding and practice of European diversity.

2.12.2 The EESC therefore believes that the developments now underway present an opportunity to promote citizenship education starting in schools for a better understanding of other Europeans and a properly managed use of transport and energy resources. It would also aim to teach everyday acts of citizenship, while at the same time taking account of the most disadvantaged groups in society, such as the disabled, the elderly and those suffering from social exclusion. Such education could be combined with health education, which would usefully complement (16).

2.13 Action of organised civil society

2.13.1 Individual action

Everyone is obliged to acquaint themselves with, and is entitled to expect transparency in, the decisions that come from both the institutions and structures such as regulatory bodies. The EESC believes that a major publicity campaign is needed.

The EESC reiterates its support for the Commission's proposal of 5 July 2007 (17) for a European Charter on the Rights of Energy Consumers, which would guarantee their rights, the protection of which ‘cannot be left to market forces alone’ (Charter points 1.2 and 1.8).

2.13.2 Public action

Responding to the challenges of energy policy calls for a degree of social mobilisation which requires the support of citizens and voluntary effort on their part.

To this end the EESC suggests raising public and consumer awareness by carbon labelling of all consumer products.

Even when people have the opportunity to make responsible choices, they do not have the necessary information. Two complementary levels of action would enable the Union to act while maintaining the competitiveness of its businesses:

— at macroeconomic level, as demonstrated by the EESC Opinion of 20 February 2008 (18):

— at microeconomic level, where consumer choice would be made possible if companies, on the basis of standardised EMAS-type certification, showed the carbon production added at each stage of the value chain on the label of every product, good or service. Partial trials of this approach are already underway in Great Britain and, outside the EU, in Vancouver, Canada.

This labelling system, comparable to that for VAT, would raise people's awareness when consuming goods and services. 'APC-Added Production of CO₂' would be shown on every accounting document, from the till receipt from the supermarket to the pay slip. It would apply to every product and service and would enable everyone in the EU to see what was at stake on the basis of objective information.

Payment of the costs of CO₂ production would not be linked to this. The priority at this point is to raise awareness among everyone using a simple method in all sectors.

The EESC considers that international trade negotiations could adopt this European practice. The results could be included in trade documents that have already been standardised, along the lines of Edifact and subject to annual monitoring by civil society: the Economic Commission for Europe, for example, reports to the United Nations Economic and Social Council (ECOSOC) annually on the state of Edifact.

The EU has a head start in recognising the need to consider transport, energy and the environment together as three parts of the same policy. It could turn this to good account at international level.

Brussels, 4 December 2008.

The President of the European Economic and Social Committee
Mario SEPI

The Secretary-General of the European Economic and Social Committee
Martin WESTLAKE

(18) EESC opinion, Wolf, referred to above.