



Seminar on Energy Transition and Social Cohesion 2020-2021 Work Summary Note

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For a fair energy transition, a lever for social cohesion

Too often, when reflecting on the energy transition, the social dimension has been left aside. Taking this dimension into account leads to a change in perspective and to considering the energy transition as an industrial transformation.

This leads to new proposals: systematically performing a dual employment-carbon assessment, developing transition industries in France, implementing a redistributive policy, investing more in Africa and in developing countries.

Two shifts in the way of considering the energy transition thus appear to be decisive: to act on the supply side as a priority without making consumers feel guilty; to take into account the needs of developing countries and admit that this is where a large part of the climate challenge is played out.

The social dimension, the condition and purpose of the energy transition!

In discussions on the energy transition, one aspect always seems to be left out: the social dimension. However, if this dimension is not properly taken into account, it could cause the energy transition to fail or be delayed for a long time. Social acceptability, social cohesion and the conviction that efforts are fair and shared will be the pillars of a successful transition.

The tension between social and environmental issues has been present from the outset, in fact since the 1972 United Nations Conference on the Environment in Stockholm. The Rio conference then had the merit of defining poverty eradication as a top priority and sustainable development as a global perspective. Since then, many works have attempted to combine these two imperatives.

In recent years, however, a trend has developed, focusing on the urgency of climate change and relegating social issues to the background. The split has now widened even further, with schools of thought that are alien to each other and a mobilisation of different social forces. Protecting the environment, our common good, has become a divisive factor rather than a goal that should mobilise humanity as a whole. This trend is already resulting in delays, inconsistencies and setbacks.

This tension between climate action and social dimensions cannot be sidestepped, it needs to be tackled frankly. Raising awareness and educating is necessary, but it cannot alone resolve a contradiction that concerns globalisation and growing inequalities.

Global warming is expected to worsen inequalities, but also to redistribute the balance of power between countries according to their exposure to the new climate conditions, their own vulnerability, and, for some, their capacity to seize opportunities.

The energy transition, whether for prevention or adaptation, will in itself spontaneously aggravate inequalities, which are already soaring; it is naturally anti-redistributive because it implies an increase in energy costs and production costs. It therefore increases inequalities in terms of income and employment in developed countries, while penalising developing countries whose way out of poverty depends, like ours in the 20th century, on energy-intensive sectors.

It is illusory to think that “things will work themselves out” or to build this transition on the sacrifice of the social dimension!

For several decades, this sacrifice of the social dimension, and in particular of the working classes in developed countries, has stemmed from so-called liberal policies, with increased exposure to competition in return for access to world markets, a form of de-industrialisation and the acceptance of mass unemployment. Of course, the “average Frenchman” has benefited as a consumer, but he is also a producer and an employee, and in this respect he has lost a lot.

This goes way beyond reconciling the social dimension and the energy transition. It is about recognising that the energy transition cannot be successful without taking into account the social dimension and that such a transition, carried out in a fair manner, can become the foundation, the postulate, of a new social cohesion.

Four defining choices:

1. Trust in science

Science is increasingly getting a bad name! But in the race against climate change, much hinges on the timeframe of upcoming scientific and technological advances. This requires investments, which are made possible by growth.

2. The energy transition considered as an industrial mutation

The energy transition is first and foremost an industrial mutation and must be considered as such. Like any profound change, it will have its winners and losers. In this battle, China, like Biden's United States, has opted to prioritise an active industrial policy in a bid to handle this transition from a position of leadership. Europe, which is exemplary in its quest for carbon neutrality but lags behind on the industrial front, already appears to be a possible loser.

There is a great deal of talk in Europe about exemplarity and individual responsibility, which are admittedly useful, but this tends to make us believe that the combined action of all the world's citizens could be enough to solve the problem. The risk is that of an impotent moralism, which fails to impel the necessary transformations of the French economy and France's ability to influence the future of economic globalisation.

Making a success of the energy transition implies acting mainly on energy production companies and distribution networks, which are the interface with consumers. It also implies mobilising the local authorities who play a pivotal role in shaping planning and development, which strongly constrains household behaviour (in terms of mobility, trade and, ultimately, consumption patterns).

Concerning changes in industrial systems and their geographical location, supply precedes demand, especially in fields experiencing technological breakthroughs. Achieving the objectives of the Paris Agreement will require a synergy between a radically transformed supply side and a demand side that incorporates a certain amount of energy sobriety, firstly for investors and secondly for consumers, a sobriety based on an awareness of the cost of energy.

The danger is that Europe is now being naïve in focusing on the search for carbon neutrality at its borders without committing to a real industrial policy.

In fact, both industrial policy for transition and individual efforts are necessary. Consumer action is important because it can, in some cases, lead to awareness and citizen commitments which, in democratic societies, can influence public decisions and supply.

3. The concept of fair transition

In order to be socially acceptable and therefore successful, the energy transition must be fair, i.e. it must master the climate challenges while aiming to provide access to energy for all, contribute to reducing current inequalities in terms of income, employment or region, and promoting sobriety in production to the greatest extent possible.

In the post-Covid environment, linking justice and employment to climate has become even more of a requirement for a fair transition.

The transition efforts required of citizens will only be seen as fair if companies are demonstrably doing their share, and even leading the way, in making the production conversion efforts that are essential to the transition.

4. A different kind of growth is needed

The prevailing narrative of some environmentalists has gradually shifted from an obvious objective of carbon sobriety to a plea for general sobriety, to end up by concluding that “degrowth” is necessary. But degrowth, or growth for that matter, cannot be decreed. And GDP is only an indicator of activity, but a poor measure of real progress.

While growth is probably the necessary condition for resolving inequalities in a dynamic way, it is not sufficient. Moreover, for several decades, growth has increased inequality even though poverty has declined overall.

This means that growth needs to change, with greater emphasis on quality of life, culture, education, research and innovation in the context of the technological advances brought about by the energy transition and, more broadly, the ecological transition.

In quantitative terms, the core of world growth is located in developing countries, given the needs to be met. Growth rates will necessarily be lower in developed countries (lower demographics, infrastructure facilities already in place, basic needs generally met despite situations of social insecurity, greater attention to quality of life).

Four proposals

1. Systematically review both employment and carbon footprint

Employment is a major issue that needs to be managed for a fair energy transition. But employment, too often considered as an automatic corollary of business development or, at the national level, of growth, has been left aside in the reflections on the energy transition. Yet employment remains and will remain at the heart of European concerns. Giving proper consideration to employment could be the very condition for the success of a fair and therefore socially acceptable transition.

The data available on the beneficial effects of this transition on employment over time is only partial and therefore unsatisfactory. Although there are real prospects for new jobs, they have three drawbacks: they are difficult to quantify, to put a date on, and to locate. In other words, no matter how upbeat it may be, the narrative affirming that the energy transition is good for employment will do nothing to convince employees who feel their jobs are at risk, or players in employment areas who are concerned about a decline in local jobs. Employment is an issue that needs to be more radically and systematically addressed in the conception of the energy transition. In both cases, it is a question of better anticipation.

A first proposal would be to systematically combine an employment review and a carbon assessment. Both may have biases, problems of scope and a misconception of dynamics. But they are both essential to identify the issues, highlight possible contradictions, objectify choices and so have a chance of resolving them. They are inseparable, and from the outset they carry the ambition of a fair energy transition. An employment review would be consistent with the jobs and skills planning approach (Gestion Prévisionnelle de l'Emploi et des Compétences - GPEC): it should allow corporate social responsibility to come into its own by giving companies the means to better anticipate the consequences of their choices. A company has a responsibility for the employability of its employees and cannot just pass the buck to the market. First, a company needs to anticipate how professions and skills will evolve rather than playing around with quantitative employment forecasts.

Ideally, this employment review should:

- Focus on the local level, i.e. the employment area, while identifying global job trends;
- Identify declining and upcoming trades/skills so as to guide companies and regions in their training investments;
- Factor in the temporal aspect, i.e. lead companies to use the working time variable to manage periods of low activity.

Calls by some trade unionists for companies to make commitments on employment are the wrong way to go. A company can make commitments on means and methods, but it can never determine beforehand how much labour it will need or, in the case of a restructuring, if it will need to create new jobs in sectors it is not familiar with. The idea is not to trap companies into making commitments on employment, but rather to set out in a transparent and enforceable manner (in the sense that any discrepancies

must be justifiable) expected changes in professions and skills for each of the energy strategies analysed.

A dual carbon-employment review, conducted in parallel and systematically, and encompassing in both cases direct and indirect effects, would be a way of renewing the CSR approach and making it more systematic. This would make CSR a tool for sharing expectations for all the players involved:

- For investors, to stay the course of a fair transition
- For companies, to factor global scenarios into their governance
- For local, regional, national and European public authorities, to develop industrial policies, manage industrial degrowth and prepare the development of new technologies. This dual review could also be used by Parliament as part of steering the energy transition.
- For the regions, which are responsible for managing public training budgets, to guide them in this investment.

By bringing more transparency to scenarios and helping players make educated choices, this dual review should provide input for all governance and democratic bodies.

2. Develop energy transition industries in France and Europe

2.1. Develop a European industrial and financial policy for all critical sectors

Europe needs a coordinated industrial policy to support the development of key transition industries and research.

This industrial revolution will be inseparable from the issue of digitisation, which is a defining element both endogenously (Industry 4.0.) and exogenously (societal demand).

On the one hand, even if this point is largely overlooked, digitisation will contribute, and increasingly so, to the demand for electrical energy, in turn generating carbon emissions. Some forecasters have even asserted that, with the current state of technology, all the energy available worldwide will be “cannibalised” by information and communication technologies alone by 2040 (cf. *Semiconductor Industry Association/Semiconductor Research Corporation (SIA/SRC): “Rebooting the IT revolution” (Sept. 2015): <https://www.semiconductors.org/resources/rebooting-the-it-revolution-a-call-to-action-2/>* (Fig. A8 p. 27).

This would mean that the current trend of digitisation would not appear to be sustainable within the timescale of the energy transition and that technological breakthroughs would also have to take place within IT systems themselves to make them more efficient, bearing in mind that their energy efficiency has been recognised as extremely low by industrialists themselves since the early days of their widespread adoption (1950s).

On the other hand, and conversely, information technologies can contribute to more efficient management of complex systems, e.g. power grids, providing a fluid combination of intermittent energy sources and conventional energy production with greater inertia.

This requires redirecting available savings to the transition and enlisting financial intermediaries and public guarantees to circumscribe investment-related risks. The financing of the industrial policy would thus be achieved by redirecting private savings through schemes maximising the leverage effect of public funds.

2.2. Nuclear power should not be rejected, even though most of the energy mix has to come from renewables

For OECD countries, nuclear power has long been the leading source of low-carbon electricity generation, ahead of hydropower. In France, nuclear power still produces 70% of the country’s electricity and it is one of the few countries in the world to have mastered this technology.

The growing and salutary competitiveness of renewable energies, which now have almost comparable cost prices, the liberalisation of the energy sector and, above all, criticism from the green movement, have caused nuclear power to lose its status as the ideal energy for the transition.

That said, nuclear power, and therefore new investments, despite their limited contribution in quantitative terms in the short and medium term, appear essential

for a successful transition given the many uncertainties about the future of low-carbon energies, their maturity and the means to manage their intermittency. Another important aspect is the significant carbon footprint of the infrastructure required to combine several modes of renewable energy production. To do without nuclear power in the race now under way would be a losing bet, both for the climate and for France.

2.3. Set up protection with a border tax for strategic industries

The efforts made, particularly in Europe, are already coming up against “carbon leakage”. By importing products whose production is not subject to the same environmental and social standards, by sacrificing jobs in developed countries, and in particular those of the working classes, European countries have in fact subsidised the most carbon-emitting countries that have questionable labour practices. Ultimately, measures announced as supporting the energy transition are in fact paradoxically exacerbating global warming and encouraging sometimes shameful labour practices, while continuing the deindustrialisation of Europe.

The approach that consists of being exemplary in terms of carbon neutrality by counting on the contagion of good practices is naïve.

Europe, and more generally the developed countries that are making commitments and implementing carbon taxes, must protect themselves, particularly against China, to ensure the overall success of the approach. Border adjustment is a necessary corollary of carbon reduction policies.

Border taxes are the obvious answer to avoid the triple dumping of low environmental standards, low social standards and state aid.

The oldest and most destructive form of dumping is social dumping. While it may seem legitimate for developing countries to benefit from an abundant labour force and thus gain industrial positions in commodities, this cannot justify taking advantage of “decarbonisation” efforts to arrogate a quasi-monopoly on strategic industries by taking advantage of low labour standards, as has already been done for lithium batteries or photovoltaic panels. Rare earths, which in fact are not all that rare but which China exploits with absolutely no regard for the environment, can also become yet another geopolitical asset for China.

Since Ricardo, the traditional approach to economics has considered that everyone should make the most of their comparative advantages, that everyone stood to gain and that balances of payments would naturally be balanced. This is not the case! The lasting imbalances in balances of payments justify the implementation of border adjustments to restore the balance of trade.

This is particularly urgent in two situations:

- For strategic energy transition industries;
- Whenever the fundamental charters of the ILO are not respected, and especially whenever forced labour or child labour is practised.

A double border tax on strategic industries will have to be acceptable to developing countries, and that will be far from easy.

Besides the countries that are committed to reducing carbon emissions in line with the Paris Agreement, and besides China, which aims to take advantage of the energy transition to establish its leadership, there is a third category that should not be forgotten: developing countries.

A significant part of these proceeds should therefore be devoted to a massive development plan (see point 4).

3. Accompany measures, taxes or standards with a redistributive policy at national level

Whatever the mix of measures to curb carbon emissions by businesses and consumers, there will be a knock-on effect on production costs and employment, and on prices and purchasing power.

Global warming and prevention or adaptation policies will naturally be anti-redistributive. Such policies aim to change the structure of relative prices by putting a price on externalities, in order to encourage all economic players, in particular companies, to behave more virtuously.

The objective is not to have a negative impact on consumers or to deteriorate business competitiveness, but this will in fact be the outcome, making these measures socially unacceptable.

Corrective measures will therefore have to be taken in parallel.

To avoid an increase in production costs, it will be necessary to act on the cost of labour.

In order to avoid an excessive deterioration in purchasing power, redistributive policies will have to be implemented in parallel, not only in the traditional way but also by integrating the territorial dimension, along the lines of what was proposed by the Rocard tax before it was totally forgotten in 2016.

A carbon tax should meet two challenges:

- Put a price on externalities so as to encourage all economic players to behave more virtuously and, in particular, incite companies to alter their technical and strategic choices;
- Help finance corrective measures. In order to avoid an increase in production costs, a carbon tax should make it possible to act on the cost of labour and, in order to avoid a deterioration in purchasing power, it should fit into classic redistributive policies integrating the territorial dimension.

These two dimensions were included in the Rocard tax proposal in 2009 but were totally left aside in the 2010s and again in 2016.

But regardless of the method used to get the message across, social acceptance will remain the key. This means action must be taken first and foremost on the production system rather than on consumers. Putting the responsibility on citizens only leads to a dead end: it immediately brings a sense of guilt, even though consumers are only reacting to what the productive apparatus offers them. It is within the productive system that innovation must be encouraged in priority, along with a change in the structure of relative prices, in particular for strategic industries in the energy transition, so as to better direct investments.

This approach could be facilitated by discarding the French principle of non-allocation of tax revenue so that the proceeds of these new taxes could be used to reduce the cost of labour, to finance redistributive policies and to finance directly perceptible investments, such as transport or housing, for instance.

4. Invest for Africa and developing countries

A fair energy transition must also be fair for developing countries:

4.1. Mobilise capital for developing countries and be a player in local development

Developing countries have many assets for their development, today in terms of labour or natural resources, tomorrow in terms of skilled labour and energy resources, notably solar power and hydrogen. However, they are sorely lacking in the capital necessary for their development, capital for transport or health infrastructures, for energy investments, for education, for agriculture, which is very capital intensive, and for food self-sufficiency, and more generally for economic development. International aid often amounts to less than the remittances from their own nationals who have migrated to rich countries.

This shortage does not result from a global shortage, but rather from insufficient North-South capital flows, due in particular to the risks, real or perceived, inherent in these countries: project engineering risks (skills deficit, lack of support infrastructures, fragmentation of international funding windows, especially in the area of climate finance), but also country risks linked to the macroeconomic credibility of Southern countries, to governance and to corruption.

New forms of public partnership must be invented to ensure that the capital generated by their activity is reinvested in these countries. This would also be a way of betting on the future given the importance of these countries in the world of tomorrow, as evidenced by the war being waged by Europe, China and the United States to extend their footprint in these countries.

In addition to a company's global policies, it also needs to act within the framework of the host country's policies, in particular import substitution industrialisation. Legal and economic constraints often differ from one country to another.

For an international company, it is not a matter of accepting all these constraints unquestioningly but rather of striving, honestly and with a focus on becoming a long-term partner, to find a win-win compromise between its own development and that of the host country.

These mechanisms must of course include the financial sector, with the aim of:

- Facilitating the development of projects to overcome the lack of technical and organisational skills;
- Making investments less risky via state guarantees;
- Reducing the cost of raising private capital and risk premiums applied to developing countries;
- Supporting infrastructure funding;
- Contributing to strengthening the economy's financing capacity;
- Fostering industrial alliances between developed and developing countries in key sectors; and, in this context, handling the question of border protection for the most sensitive basic sectors.

4.2. Promote universal access to electricity through renewable energy, and thereby make the development of developing countries compatible with a fair transition at the global level

Developing countries have considerable energy needs (for their development as well as for daily life) but also considerable potential (hydro- or solar power, for example). The priority use of fossil fuels is a dead end: too expensive, too subject to price fluctuations, leading to massive imports due to limited refining capacities. Obviously, the option of powering India or Africa from fossil fuels could sound the death knell for the climate.

An original electrification strategy based on renewable energy, and decentralised, is thus both a condition for the development of developing countries and for a fair and successful global energy transition. But without an influx of capital into renewables (at the same time developing the capacity of local players to build and steer projects), these countries will not be able to shoulder their responsibilities and will have no other choice but to continue down the dead-end path of fossil fuel-based growth.

Controlling carbon emissions cannot be achieved in Europe alone or even in developed countries alone; the impact of one euro invested is probably greater, in terms of global carbon emissions, if it is made in a developing country.

Combating climate change in Europe should logically lead to more investments in non-carbon energies, particularly in Africa and Asia.

Conclusions

1. A role for each player, marking a new milestone for CSR/SRI

The climate challenge presents the world with an unprecedented crisis to solve, but global governance is not up to the task. This means that all the stakeholders, the states, the European Union, the regions, as well as businesses and financial markets, have a critical role to play.

States and the European Union

Contrary to the conventional environmental approach, states have an essential role to play because they are the natural place of consent, the space of democratic deliberation and arbitration, where large socio-political coalitions in favour of a massive ecological transition can be forged. The nation can be the starting point for a policy of interdependence and countries are already signing up to defining agreements.

The European Union must create the conditions for cooperation so that states can meet their commitments. This means that it must provide itself with the means for industrial policies that cannot be reduced to the dogma of competition. In a tri-polar world order, the European Union can and must make its voice heard, for instance by imposing a carbon tax at its borders or by renegotiating free trade agreements to include social and environmental clauses. Better still, it can demonstrate that a European third way is possible, based on a social capitalism of “stakeholders” where social issues are not left to the choices of each individual nor limited to the defence of minorities, and which differs both from the Chinese “total capitalism” of surveillance and from the American neo-liberal capitalism of social segmentation.

Regions

The potential role of the regions is obviously linked to the areas that fall within their remit, particularly housing, transport and vocational training. They can also be flagbearers of this synthesis between climate and social issues, especially as their actions will be decisive mainly in terms of adaptation, territory by territory.

Financial players

Responsible investment policy must become the means of directing available capital by industry and by country, for the benefit of a successful transition.

Research and industrial development in developed countries, as well as support for developing countries to gain access to low-carbon energy, must become the priority.

The energy transition is first and foremost a question of directing investments where they are needed, and financial players are on the front line.

Companies

In a clear macroeconomic framework with a fair carbon price, companies will develop good practices and disseminate them internationally.

CSR policies that are more integrated in the company and considered as part of the strategy to be shared across governance bodies, in particular to:

- Carry out a carbon assessment integrating upstream strategic choices and simultaneously an employment review of these choices, specifying the qualifications and impacts – immediate and long-term, direct and indirect, local and global.
- Be a driving force for the dissemination of social and environmental standards throughout the value chain.
- Specify the share of profits reinvested locally in developing countries in non-carbon energies to support electrification.
- Ensure that the company is a local player in the development of developing countries, which implies:
 - Taking responsibility for the supply chain;
 - Setting fair prices for raw materials and paying fair wages;
 - Ensuring a positive impact on development;
 - Refusing corruption;
 - Refusing tax evasion and paying taxes locally, at the prevailing rate.

The energy transition is thus an opportunity to cement a new milestone in CSR policies, which are finally coming off the sidelines to become the common standard for:

- Closer links between environmental and social issues;
- Promoting a global approach that pushes for progress everywhere;
- De facto excluding activities that drive businesses upstream to use child labour or forced labour.

The climate issue is becoming a normative issue in which ESG could be considered as a principle of social cohesion, as opposed to moralising or guilt-inducing visions.

2. A change of perspective to consider this transition as an industrial mutation

Analysing the energy transition in terms of industrial mutation has several important implications:

- It escalates the responsibility to the states, and by extension the European Union, and, for transport or housing, to the regions. It is indeed the states that can be the operators of industrial policies. But the latter have gradually been discarded in favour of competition policies. This has led Europe to find itself powerless in the face of China or the United States – which, beyond declarations of principle on free trade, have always been able to pursue such policies by promoting innovation, the development of large companies, their projection onto foreign markets and the protection of their domestic market. Europe has therefore lost the digital battle, but the energy transition battle is still on.
- Considering the energy transition as a mutation has the added benefit of making it possible to use all the employment tools developed in recent years to manage major restructurings: local reindustrialisation plans, skills training, GPEC, and so on.

- This mutation, unlike previous ones, could be designed to be fair, i.e. without aggravating inequalities in terms of income, territory or position in the international distribution of labour, and also as a source of cohesion through a more equitable access to energy.

In so doing, a fair energy transition can and must remove the three misunderstandings that are currently thwarting it.

- A misunderstanding of responsibilities: consumers want to be virtuous but they cannot, on their own, reorient the production apparatus towards low-carbon development and they cannot bear the cost of this transition.
- An existential misunderstanding for European working classes: employees rightly see this transition as a new threat to their jobs.
- A North-South misunderstanding: the less developed countries, which cannot be denied access to energy, are concerned that this new transition will be to their detriment.

We therefore need:

- Redistributive support policies, action on relative prices that do not penalise the consumer first, investments that provide solutions, in response to the misunderstanding on responsibilities.
- Systematic consideration of employment, a border tax to protect strategic European industries, local policies to support change, in response to the existential misunderstanding.
- A redirection of savings towards developing countries so that massive low-carbon investments are made there, mechanisms to “de-risk”, recognition of their right to access energy, in response to the North-South misunderstanding.

As with the fight against Covid, the stakes are global and partial responses are not enough. But recovery plans and the necessary deleveraging of developing countries are an opportunity to take all these dimensions into account.

This is also an opportunity for a new project for France and the European Union, with a new form of interaction between the state and businesses.

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Annex

List of working group members and interviewees

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