



## Interview with Wolfgang Lemb and Philippe Portier

# Avoiding Fractures While Pushing Ahead With Change

**Given the current health and economic crisis, the concept of a »just transition« has become more important than ever. What would you currently define as »just,« and to what extent has the pandemic changed the situation for such a transition in Germany and France?**

**Philippe Portier** We have long been aware that the ecological transition must be fair, else it risks generating conflicts on several fronts and, potentially, breaking apart. The COVID-19 crisis has changed the perceptions of many, including a citizenry that has become aware of certain limits, particularly with regards to globalization. Today, there are two elements that I believe are indispensable in defining a »just transition.« First of all, the transition must result from solidarity between countries. A global issue such as this requires a global response if we are to achieve the goals set out in the Paris agreement. This means that there must be unity of purpose between developed countries and developing nations. Secondly, the transition must be prioritized, steered and supported by proactive industrial policies at both the national and European levels, as well as strong and effective measures in the fields of agriculture and energy. However, the state cannot be held responsible for everything, and companies also have key responsibilities to fulfill. The health crisis has made financing the ecological transition more complex since today's immediate need is to manage the health crisis and save companies from bankruptcy through significant infusions of state funds. There will then be a second phase, likely this year, of further stabilizing the economy. Increased mechanisms will then be required in order to support the economy, and then will come the recovery phase. This phase needs to emphasize greener

and greener processes through the use of new approaches and methods. Therein lies the paradox of this crisis: it makes things more complex while, at the same time, offering an opportunity to relaunch the economy in the right direction. There are many lines of action that need to be considered, including energy policies, agro-ecology, shortening supply chains and the necessary adaptations to climate change.

**Wolfgang Lemb** Obviously, the answer depends upon which perspective we choose. From the business point of view, what would be right would be to preserve the conditions necessary for profit maximization. For IG Metall, however, a »just transition« requires a challenging transformation. To describe how we want this transformation to be achieved, we have created a phrase that, I believe, reflects our fundamental requirements. It is »Make change social, ecological and just!« In our view, there are three key factors in this process. Firstly, climate change itself, which requires moving away from the combustion engine and transitioning towards electric mobility; secondly, the digital transition; and thirdly, globalization and the changing economic relationships it has brought. A successful transition requires us to be able to withstand the pressures from all three factors, prevent fractures and shape structural change in the ways that we want. Above all, this means that we must guarantee employment and train the workforce in new technologies. The pandemic is acting as an accelerator here. We must ensure that the already very delicate social situation in the European Union, and indeed across the whole world, is not further aggravated by the pandemic and ecological transformation, which is currently a real danger. We should understand that we can take double

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advantage of this situation: at present, billions in public funds are being injected directly into companies to mitigate the economic consequences of the crisis. It would be foolish not to take advantage of this opportunity to make the necessary forward-looking investments in new climate-friendly technologies and the circular economy, the development of renewable energies and hydrogen technologies, and climate-friendly transport. And despite some criticisms, I generally welcome the common approach taken by France and Germany in these areas.

### What are the specific challenges for coal-mining regions in this context, and does a »just transition« concern only these regions?

**Wolfgang Lemb** In Germany, the Coal Commission has just agreed to a target of completely phasing out coal-fired power generation by 2038. This political commitment is important, but the actual process starts now: how are we going to use the €40 billion made available for structural change? What will be the consequences for the affected regions of the central German and Rhine basins, as well as Brandenburg and eastern Saxony, where the economy has been based on coal for decades? What is our vision for the future, and what alternatives can be considered? Brandenburg, for example, already has a hydrogen initiative and a Mercedes battery production unit and is considering how it can build on these elements to become an »energy region of the future.« I would venture to predict that the next five to ten years will see the implementation of concrete and profound changes in the coal-mining regions. If this is to be successful, new industrial jobs will need to be created and, above all, we will have to get the public to buy into these projects and accept the measures taken. Of course, it is not only the coal-mining regions that face the challenges of a »just transition,« quite the contrary. The regions of Lower Saxony, Thuringia, large parts of Bavaria, as well as the tech-oriented Stuttgart region of Baden-Württemberg,

are affected by the structural changes in the automotive industry due to changing mobility patterns. There's also Saarland; many equipment manufacturers are based there and their steel industry is faced with the challenge of producing climate-neutral steel. At present, 200,000 jobs are at risk in the metal and electrical industries alone. This all shows that the challenges remain immense - at least as far as Germany is concerned.

**Philippe Portier** In France, we already have experience of plant closures, particularly in Lorraine and northern France. These were marked by violent conflicts, with workers demanding more consideration of their situation and the need for new jobs. At that time, the economy was doing well, with sustained growth; today, things are different. In order to plan for the transition in a fair and democratic way, employees, local authorities and regions must all be involved. These areas were previously forced to transform themselves upon the arrival of the automotive industry, which is itself now subject to a similar level of change. The industry must change considerably and, in all likelihood, the number of jobs will not be the same as it is today. The coal-mining regions are therefore not the only ones concerned. The agricultural sector, too, is going to have to change dramatically. In fact, I believe that all regions potentially have concerns, including those where there isn't much current economic activity and where reshuffling the cards presents a potential opportunity for revitalization. Currently, we are seeing a growing number of employees who, through working remotely, no longer need to live around business centers and cities and therefore could be involved in a revival of previously economically marginalized regions.

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### One year following its announcement, what provisional assessments can be drawn from the implementation of the Green Deal? And according to which criteria should the Just Transition Fund resources be distributed?

**Philippe Portier** I think it's a good start. The plans that have been established at the European level seem to me to be positive, even if there is still room for improvement. A significant increase in resources is needed in addition to those currently available to the European Just Transition Fund – which only targets certain regions – so as to ensure a far more systemic approach. This would require the European Union to be able to boost these resources, and this will require increases in borrowing. Thinking about a carbon tax at the borders is also essential for the financing and success of the transition, as is raising carbon prices. We also need a tax incentive that is significant, although not overly so, and also predictable for companies. Additionally, the public investment bank Bpifrance, which offers export aid to companies, has recently adopted new criteria so that they will now finance more climate-friendly projects. This policy of making public aid conditional on aspects of sustainability shows a real change of mentality and could also be implemented at the European level.

**Wolfgang Lemb** Even though only a year has passed since the announcement of the Green Deal, my assessment of this first stage is also positive. No one questions the Green Deal itself or the fact that its implementation will require considerable effort. In practical terms, the European Union must, by 2030, reduce its greenhouse gas emissions by 65%. In the coming months, some practical questions will have to be addressed at the European level, such as what this objective implies for CO<sub>2</sub> emission standards that have been imposed on the automotive industry, as well as what it means for the Franco-German hydrogen initiative. The best ideas risk being lost if we do not decide at the European level to

set up a hydrogen supply infrastructure across the whole continent. The issue of energy prices for consumers and businesses must be reviewed in the light of international competition, as must »carbon leakage.« This is the relocation of carbon dioxide emissions to third countries, a phenomenon which leads to an exodus of both technology and jobs. The carbon tax at Europe's borders and other border adjustment mechanisms will need to be put in place to protect European industry and workers from Chinese activities, for example. Finally, France and Germany should not be afraid to also think about solutions to controversial issues such as nuclear power. However, from my point of view, atomic energy is not a technology of the future because of the waste problem.

With respect to the Just Transition Fund, we agree within the Alliance for the Future of Industry (an initiative of economic associations and trade unions) that the resources provided will not be enough. The first step involves defining what a just and successful transition actually is so that suitable criteria for the allocation of these resources can be worked out. It is essential that local and regional authorities are involved in this process if the citizens concerned are actually to benefit from it. Models need to be developed through regional political initiatives. Consequently, the IG Metall union has defined pilot regions whose experiences are to serve as models for the »just transition.« These areas include south-eastern Lower Saxony, the Regensburg region, as well as the whole of Saarland. Currently, in the pilot regions, »regional innovation clusters« are being created with continuing education providers and other regional stakeholders.

**Philippe Portier** The nuclear issue certainly remains controversial, and there is still no consensus in France. In reality, though, the country does not really have much choice as almost 80% of its electricity comes from nuclear power, so we cannot really imagine transitioning from those levels down to zero. That is why the

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debate in France is necessarily different from that in Germany. If we look at the past in economic terms, as well as in terms of CO<sub>2</sub> emissions and the casualties that this technology may have caused, the balance sheet for nuclear looks much better than that for coal, but do we want to continue along this path? The issue will come up again for public debate in the next few years since France's nuclear facilities are aging and a decision will have to be made on whether or not to rebuild new plants. For the time being, a majority of the population would likely be in favor of keeping nuclear energy, but a national debate on the subject may change that. One of the worrying elements that we must closely monitor is the rare material resources that are necessary for the renewable energy sector. Unfortunately, Europe is in a weaker position in this regard, as so few of those resources can be found here. They are concentrated in relatively few countries, one of which is China. It may be that the ecological and economic arguments move even more in favor of renewable energies, as this sector has become considerably cheaper than nuclear power. On the other hand, strategic considerations (such as maintaining energy independence) continue to argue in favor of nuclear power. The debate is complex and cannot be summed up simply as a set of pros and cons. Nevertheless, France must continue to reduce the share of nuclear power in its electricity mix, invest more in energy efficiency - the best source of energy - and also work on recycling, especially for rare material resources.

### Which Franco-German projects should be implemented or supported as part of the recovery process to maintain social and economic prosperity without neglecting the ambitious climate protection objectives?

**Wolfgang Lemb** There are some projects that are moving in the right direction. One example is the European Battery Alliance, which is a Franco-German initiative. The PSA, Opel, Total and Saft groups have

created the Automotive Cells Company (ACC), a joint venture that will manufacture battery cells in both northern France and Kaiserslautern, which should create 2,500 jobs. Emmanuel Macron refers to this project as the »Airbus of electric batteries.« Another success has been the Franco-German cooperation on hydrogen, a topic where DENA (the German Energy Agency) and ADEME (the French agency for ecological transition) have managed to agree on a common approach and common objectives and settling their joint investments towards the plan. In addition to these climate initiatives, other Franco-German moves that strengthen the strategic autonomy of European industry should also be highlighted. I am thinking, for example, of the development of the European GAIA X cloud and the CLAIRE initiative, which aims to stimulate research into artificial intelligence.

**Philippe Portier** As it is often complicated to reach an agreement with the 27 Member States, the initiatives of the two strongest European economies can generate beneficial dynamics within the EU. This is what drives the Franco-German motor. Co-operative initiatives requiring significant investment, for example, in the fields of quantum computing or cybersecurity, are certainly possible, as demonstrated in the case of hydrogen. Surely the way forward is to create a common body that can reflect and decide on the direction of our industries? We have a working group of French trade union organizations who discuss issues of industrial policy and cooperation between our two governments. The two Ministries of the Economy should also listen to employee representatives, as in terms of equity and democracy, this could make the »just transition« significantly easier to implement.

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Wolfgang Lemb has been a member of the IG Metall union leadership since November 2013. Trained as a metal worker, he is responsible for transnational trade union policy, industrial, energy and structural policy and prospects for the East.

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### The Series

The paper series »Green Deal reloaded — Perspectives for a Sustainable and Just Transition of the EU« is a joint project of the Genshagen Foundation and the Institut Montaigne as part of the Genshagen Forum for French-German Dialogue. In the context of the COVID-19 crisis and the European recovery programmes, it aims to promote a high-level French-German dialogue on the economic, social and political implications of climate policies. The series provides a platform for leading French and German experts to outline a more sustainable and resilient model for the future and examine the European Union's potential as a key actor of the ecological transformation.

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