Employers entrusted to deliver
Sustainability Growth Innovation

Opinion

SGIs in the Green Re-industrialisation
Paving the way towards implementing the EU Green Deal

June 2024

SGI EUROPE GENERAL SECRETARIAT Rue des Deux Eglises, 26 bt 5, BE – 1000 Brussels
T: + 32 (0) 2 219 27 98 | F: + 32 (0) 2 218 12 13 | E: SGIeurope@SGIeurope.org | **www.SGIeurope.org**
Registered stakeholder
ID Nr 59513031434-92

SGI europe
Employers entrusted to deliver
Sustainability Growth Innovation

Opinion

Executive summary

- **SGI Europe committed to the EU Green Deal as a growth strategy on the condition that SGIs are enabled to perform and recognised as a leading entity to drive this transition.** Europe and its Services of General Interest providers understand that reaching the energy and climate ambitions means that the **socio-economic system must be completely remodelled to fit into the EU green reindustrialisation.**
- Sustainability means **long-term planning, secure investment strategies, the political will and consistency to enable a new competitive EU single market fit for the Green Deal.**
- SGI Europe stresses the need to quickly follow up on the recommendation of the European Commission's 2040 Climate Targets to **start a structural dialogue and call for a Climate Dialogue with social partner**s as well as the Commission's recommendations to continue the **engagement with industry and social partners within the Clean Transition Dialogue.**
- SGI Europe **calls on the European Commission to involve SGI Europe in the European Net-Zero Industry Academies.**
- SGI Europe deems it important to set up a **"Fit for Green Skills" package** that guides enterprises, industries, and their workers to be ready and fit for the Green Deal jobs. This could include a **new social observatory of the social consequences of climate change, which** would add value to monitoring accessibility measures for services of general interest.
- Recognise the investment challenge of the energy transition and make it a **priority to ensure that energy becomes affordable and decarbonised first** to enable all other sectors in the transport, water, waste and telecommunication to follow their transition paths.
- **All EU funds must be technologically neutral** and must not only support new potential EU supply chains but also solidly existing supply chains in the EU to prevent their transformation in imports with the closure of factories in Europe and opening of factories abroad.
- **A greening of the economy will be substantially encouraged through the transport sector** and the associated shift of traffic from road to rail and public transportation. Providing financial resources for the public transport sector means investing in sustainable mobility, jobs, and social participation at the same time.
- **SGI Europe fully supports introducing the Extended Producer Responsibility scheme** as a key financial instrument for the protection of water resources and wastewater treatment. At the same time, t**he EPR scheme within the Waste legislation must significantly be improved** and further adapted to show effects on the market and the environment.
- **SGI Europe supports the recommendations of the European Economic and Social Committee's Blue Deal Declaration and calls upon the European Commission to a clear prioritisation for the EU agenda on a Water Resilience framework**, where water is treated as a multi-usage public source and raise awareness to people of the importance of water in all areas of society - from civil, industry, energy and agricultural use.
- This particularly applies to **measures to ensure the supply of drinking water, including the need for adjustments on the demand side.**
- In a water shortage situation, the **public drinking water supplies must be given priority over other users**
- SGI Europe calls upon the **next European Commission to anticipate the coming climate crisis by addressing it by building a resilient critical infrastructure in a holistic and structural approach.**

Remodeling the socio-economic dynamic whilst respecting the environmental limits

SGI Europe members range from, amongst others, municipalities, utilities, and industries at a cross-sectoral level in energy, transport, water, waste management and telecommunication, and local and regional administration. Members are jointly working towards the common goal to reach Climate Neutrality by 2050 implementing the EU Green Deal legislations in a socially, economically and environmentally sustainable manner.

Europe and its Services of General Interest providers understand that reaching the energy and climate ambitions means that the **socio-economic system must be completely remodelled to fit into the EU green reindustrialisation**. The nearly finished Green Deal needs now to be implemented, and this will only be possible if SGIs are in a dialogue and constant exchange of experiences and knowledge with EU stakeholders, EU institutions, government bodies and citizens to make the deal fit into the different geographical circumstances. This is the only sustainability path that will make it a success.

Sustainability means long-term planning, secure investment strategies and political will and consistency to enable a new competitive EU single market fit for the Green Deal. SGIs will largely depend on practical subsidy systems, attractive EU investment strategies, and sustainable funding for new technologies that will encourage the improvement of the EU's critical infrastructures. Last but not least, all these conditions must be accompanied by a strong and acceptable social condition,

For the next European Commission, SGI Europe remains strong that the EU Green Deal is a growth strategy if SGIs are enabled to perform and recognised as a leading entity to drive this transition. In the following paragraphs, SGI Europe lays down the social, economic, and environmental dimensions of its green reindustrialisation recommendation, which paves the way towards reaching the goals of the EU Green Deal.

Social dimension- Create a platform of dialogues with EU social partners and recognise the key role of services of general interest

As an EU cross-industry social partner, SGI Europe and its members will contribute to creating a fair EU. For the EU Green Deal to become a European political success, it must also be socially fair, meet a number of conditions, and foster the social acceptance of enterprise and its citizens. SGI Europe hereby calls for the creation of the right political platform in which the EU social partners can take an active part in the implementation of the EU Green Deal and discuss the rollout of initiatives such as the Just Transition Fund and the Social Climate Fund.

For this reason, SGI Europe stresses the need to quickly follow up on the recommendation of the European Commission's 2040 Climate Targets to **start a structural dialogue and call for a Climate Dialogue with social partner**s as well as the Commission's recommendations to continue the **engagement with industry and social partners within the Clean Transition Dialogue.**

Social partners have a key responsibility to create, in the context of the climate transition, a socially acceptable and fair business model. Discovering what skills Europe will need for the climate transition and to keep up with the speed and scale of the transformation of the labour market, imposed by the Green Deal, requires the early and effective involvement of social partners. Here, SGI Europe **calls on the European Commission to involve SGI Europe in the European Net-Zero Industry Academies.**

Social partners should be given the means to initiate and lead communication and awareness campaigns that increase the visibility of occupations in different sectors, especially in those with low attractiveness for young people but with high importance to the critical infrastructure. SGI Europe deems it important to set up a **“Fit for Green Skills” package** that guides enterprises, industries, and their workers to be ready and fit for the Green Deal jobs. This could include a **new observatory of the social consequences of climate change**, which would bring a lot of added value to monitor accessibility measures for services of general interest.
In this task, SGI Europe underlines the importance to EU institutions to clearly and explicitly recognise the role played by SGIs – as providers of essential services – in the EU social and economic mode.

Lastly, at the national level, **better transversal coordinated national plans amongst different sectors** and labour markets must be provided to safeguard quality jobs for the transition whilst also providing a dedicated strategic and institutional framework that ensures a platform for national social partners for coordination and implementation strategies.

Public undertakings understand their role as actors in reaching climate neutrality and will be an indispensable part of the success of the climate transition. Due to their proximity to citizens, economic actors and the environment, public services and SGIs understand and act on their key role: Providing their services in the most sustainable way possible, both for the present and for future generations.

A climate dialogue with SGI Europe by sector

Energy

The energy transition can only be fulfilled if the political will remains strong, long-term planning for strong investment in technologies is guaranteed, and the local and regional circumstances are recognised to re- and upskill the workforce to implement the Fit for 55 Package. For example, targets imposed by the Energy Performance in Buildings Directive (EPBD) that call for immense investments and fostering new expertise to build up and renovate buildings need to be transposed into socially sustainable strategies for enterprises and people. This should be overlooked and discussed amongst social partners continuously.

Water

Continuous and reliable water services are essential for the sustainable development of our societies, the economy and the environment. They are crucial to realise the ambition of the EU Green Deal, but too often, there is a lack of skilled workers. For example, enterprises in the wastewater treatment sector are facing a shortage of skilled workers, resulting from the retirement of a high proportion of the workforce and the lack of young, skilled workers entering the industry. This particularly applies to industrial staff at wastewater treatment plants. Without far-reaching measures, this trend will be exacerbated in the future. It should be noted that the wastewater industry can offer long-term prospects, secure jobs, an attractive working environment, and a wide range of interesting fields of activity. The EU institutions should support the digitalisation of the sector in a secure and robust way. There is also a need to ease the regulated administrative burden and enable an attractive working environment.

SGI Europe calls on EU institutions to meet these challenges in the water and wastewater sector and promote training and integration into the wastewater sector of skilled workers.

Waste

Waste management requires a pragmatic approach focusing on the real conditions for the transition towards a circular economy, such as:

- a more sustainable production through an effective implementation of the polluter-pays principle; otherwise, the costs of the transition will be borne-by citizen-consumers;
- the social acceptance of new waste management infrastructures should be introduced in order to be able to treat within EU borders all waste produced, achieving targets on circular economy and avoiding exporting negative externalities abroad; the EU needs to increase its waste treatment capacity;
- better recovery and use of waste resources and waste heat, including waste to energy for district heating
- a technology-neutral approach to designing new policies and implementing regulations

Transport

With the recently revised TEN-T networks and the finalisation of the urban mobility package, SGI Europe anticipates the challenges of providing adequate staff, engineering expertise and IT experts to implement the technology, maintain infrastructures and operate the public transport sector. There is currently a great need for personnel in rail freight and public transport. The ambition set in the sustainable mobility strategy and the shift towards mobility as a service will require a continuous dialogue with the social partners to evaluate the investment needs in this sector and evaluate the needed expertise level to meet the goals of the decarbonisation of the transport sector.

To support the transition towards a more sustainable transport sector, there is a need to:

- promote public transport as the most affordable and sustainable means of transportation for everyone;
- prioritise public transport on rail and roads to better support its reliability and accessibility;
- encourage a technology-neutral and flexible approach from a systems perspective when designing new policies and implementing regulations.

Economic dimension – Creating capital for Europe's green transition

Providers of SGIs are known for their significant investment programs. In the face of the green transition and with increasing threats to EU critical infrastructures, the investment needs of SGIs are at an all-time high from a technology and social point of view. Amongst other sectors, electricity grid operators are facing a wall of investment over the coming years to adapt their networks to the energy transition. It is, in fact, a **priority to ensure that energy becomes affordable and decarbonised first** to enable all other sectors in the transport, water, waste and telecommunication to follow their transition path.

Thriving the decarbonisation of affordable energy

Amongst other sectors, electricity grid operators are facing a wall of investment over the coming years to adapt their networks to the energy transition. At the same time, It is a **priority to ensure that energy becomes affordable and decarbonised first** to enable all other sectors in the industry, as well as transport, water, waste and telecommunication, to follow their transition path.

In key SGI sectors (such as water, energy, buildings, and transport), we must promote **decarbonised solutions for end uses** and energy security as much as we can for **EU-based generation**. Solutions like biomethane are absolutely needed, but electrification will be the key to developing all sources of decarbonised generation: wind, solar, hydro, district heating and cooling, and nuclear. Given the fact that transforming energy from electricity to hydrogen induces a loss of 30 %, it is key to reserve hydrogen for final uses where electricity cannot be directly used and where waste heat can be utilised. This is a basic application of the Energy Efficiency First Principle of the EU Governance Regulation. The success of the energy transition also depends on scaling up: it is, therefore, essential to provide financing for the mass deployment of mature technologies. SGI Europe is, therefore, in favour of the European Commission continuing the work on the EU Green Deal Industrial Plan.

Nevertheless, it is of utmost importance to set up an open and **structural dialogue between operators, industry and also social partners** on how to practically meet these investment challenges to decarbonise the economy effectively.

EU funds such as the Innovation Fund greatly help the development of innovative projects as well as the upscaling of more mature technologies. Funds must be open to all companies, from SMEs to large undertakings, to get the most potential to **effectively decarbonise the economy on a cross-sectoral level**. Moreover, **all EU funds must be technologically neutral** and must not only support new potential EU supply chains but also solidly existing supply chains in the EU to prevent their transformation in imports with the closure of factories in Europe and the opening of factories abroad.

Carrying out these investments represents an industrial challenge and raises questions about the ability of European suppliers to meet the needs of grid operators in terms of volumes and deadlines. The **EU legislative framework must evolve** to further encourage suppliers to develop production capacities within the EU. While the Net-Zero Industry Act is a first step in the right direction, we call for further expanding its scope to bring changes in public purchasing procedures, notably by encouraging a form of **"Buy European" principle** by extending the duration of framework purchase contracts, or by facilitating the revision of contracts during execution and by avoiding strategic dependencies.

Today, we see a growing role of state aid through direct funds. This approach is not EU-oriented and favours member states with more financial capacities, being detrimental to others. This goes against the idea of the Internal Energy Market where companies compete on equal footing regardless of their nationality. **The next**

Commission should encourage access to financial resources (public or private) on an equal footing for all companies: SGI Europe promotes the idea of an EU sovereign fund and regime rather than multiple and diverse state aid regimes.

Incentives for a green single market for the transport sector

Providing financial resources for the public transport sector means investing in sustainable mobility, jobs, and social participation at the same time. **Greening of the economy will be substantially encouraged through the transport sector** and the associated shift of traffic from road to rail and public transportation. A high modal split share of rail and public transport contributes to the creation of high-quality jobs in the rail and public transportation industry and consequently also ensures long-term economic stability in the euro area. Since traffic in the EU internal market will grow in the coming years, it is of primary importance to invest enough in the expansion of new infrastructure as well as in automation and digitisation, e.g. to invest in the digital automatic clutch; otherwise, the forecast additional demand cannot be met.

Polluter pays principles and extended producer responsibility for water and materials

An additional financing scheme for the protection of water resources and the treatment of wastewater is the Polluter-Pays principal with its finance mechanism – the Extended Producer Responsibility (EPR) scheme. SGI Europe fully supports introducing the EPR scheme as a key instrument as it represents a milestone in financing wastewater treatment according to the polluter-pays principle. This scheme is based on a life cycle approach, which funds the investment needs of wastewater treatment plants, and the financial contribution of the pharmaceutical industry is essential. The revised Urban Wastewater Treatment Directive has finally included the EPR, even if only 80% is covered by the polluters and the final 20% is borne by the governments. This is a significant policy revolution and must be further streamlined across the environment and climate-related EU policies, where possible.

Furthermore, the **EPR, in the context of the Waste Framework Directive on the treatment of textile waste, should be better designed in order to transfer more efficiently to producers** (and in general to those responsible for product design) a “price signal” that actually makes a cleaner production convenient and sustainable.

Among not yet existing economic and financial instruments, support mechanisms for the secondary raw materials market would be useful. For example;

- reduced VAT on recycled materials;
- balancing mechanism supporting secondary raw material market against commodity price volatility (in phases in which the price of some raw materials - e.g. oil - drops dramatically, buying secondary raw materials - e.g. recycled plastic - may be no longer (economically) convenient);
- energy efficiency (and life cycle GHG emission reduction) certificates associated with the production and use of recycled materials

Environmental dimension – Sustainable water consumption and climate adaptation

Water is not only an environmental issue to our ecosystem and human health but also a fundamental basis for running the economy. Without the availability of good and sufficient water supply, the economy will be restricted, and reindustrialisation will be hampered. To ensure water availability for Europe, it must be underlined that any measure taken must respect the existing EU water legislation under the Water Framework Directive and its daughter directives and follow the precautionary and control at source as guiding principles for effective measures. **It makes economically and ecologically more sense to avoid pollution at the source than remove substances** once they have entered the water cycle.

Primarily, for SGI Europe the protection of the quality and quantity of drinking water resources is a high priority standard. The EU sets already under the Drinking Water Directive and the Water Framework Directive the right conditions for drinking water protection. Yet, with the increasing effects of climate change, from floods to extreme heat, the EU water economy must be protected by a strong political resilience plan that addresses this issue.

Bringing, therefore, more awareness of the importance of water as a social, environmental and driver of the economy source, SGI Europe supports the European Economic and Social Committee (EESC) "EU Blue Deal" addressing the topic of water security from a sectoral perspective and making concrete proposals to minimise the threatening effects of water scarcity in the future. This particularly applies to **measures to ensure the supply of drinking water, including the need for adjustments on the demand side.** In order to assess this holistically and manage it in the interests of security of supply it is absolutely necessary to have complete recording and transparency of all withdrawals. In a water shortage situation, the **public drinking water supplies must be given priority over other users**.

For this reason, **SGI Europe supports the recommendations of the EESC's Blue Deal Declaration and calls upon the European Commission to a clear prioritisation for the EU agenda on a Water Resilience framework**, where water is treated as a multi-usage public source and raise awareness of people of the importance of water in all areas of society - from civil, industry, energy and agricultural use, so that everyone is conscious of the real value of water and the costs of water services.

Furthermore, in the context of the Climate Resilience communication of the European Commission, SGI Europe wishes to stress the importance of such preventative measures and long-term planning strategies for Europe. SGIs are facing extreme weather climates already, and dealing with climate change has already started today. The **next European Commission must anticipate the coming crisis by encountering them with building a resilient critical infrastructure**. SGIs can help communities adapt to the impacts of climate change in these extreme weather events by providing essential services and infrastructure for energy and water. Social services and local and regional authorities can support vulnerable communities in preparing for and recovering from climate-related disasters. SGIs must be at the forefront of the climate-resilient agenda and in the continuation of the work on the climate adaptation strategy.