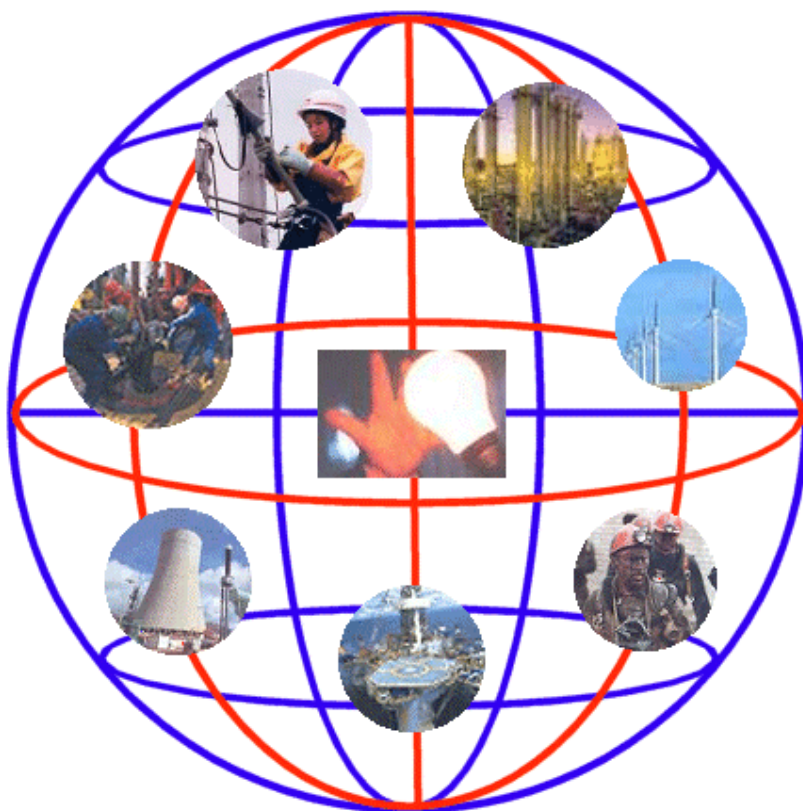


**International Federation of Chemical Energy Mining
and General Workers' Unions**

**World Conference for the Energy Industry
27-29 November 2002
Rome, Italy**



Industry Report

**Global Energy
Global Challenges
Global Union Action**



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1. FROM RIO TO JOHANNESBURG – A NEW WORLD DISORDER?

The watershed 1992 United Nations Earth Summit in Rio placed the global environment at the top of the international agenda. It also linked environmental issues with developmental challenges in a new paradigm that became fondly referred to as “sustainable development”. Worldwide, hopes were high that a new global partnership had emerged from the ‘Spirit of Rio’. Co-operative North-South relations will drive practical programmes and policies whilst striving for more equitable international trade relations as the basis for promoting sustainable development.

At the heart of the Rio ‘compact’ or core political agreement was the principle of ‘Common but Differentiated Responsibilities’. This recognised that global problems had to be solved in a more equitable way, through partnerships. In the series of UN-supervised “Prepcom” negotiations for the 2002 Johannesburg Summit the world appeared to be divided and almost daily we read reports that the Summit was doomed to failure. A ‘crisis of implementation’ of Agenda 21, the plan of action adopted at Rio, was the diagnosis, among governments, UN officials and civil society organisations that were either deeply involved or just following the process.

The reason for the tension is not to be found in the sustainable development paradigm but rather the way in which the world has changed since Rio. In 1994, just two years after Rio, The Marrakech Agreement, established the WTO with its many pro-rich rules governing intellectual property, competition, investment and international trade. Together with the Bretton Woods institutions, the World Bank and the International Monetary Fund, the forces for corporate-led globalisation found a new institutional home. Whilst the UN Summit approach represents one paradigm for international relations: that of voluntary consensus-seeking, partnership approaches, the WTO’s dispute resolution system based on trade retaliation and sanctions gave it strong enforcement capability.

In the competition between the two paradigms, we see globalisation running away as the winner, and moreover a winner whose speed, direction and effect seems to be uncontrollable. Not surprisingly, therefore, in the past few years, the power of big corporations has increased: they control even more of the world’s resources and account for a greater share of production activities, distribution, finance and marketing. On the other hand, the promised “trickle down” benefits of globalisation and the free market have not reached the majority of workers, unemployed and the worlds' poor.

The now dominant trend is to continuously reduce the role of states in the productive economy, remove or weaken rules governing the private sector and attack social policies and legislation aimed at redistributing wealth and power in society. The effect of this trend has been to erode the authority and credibility of governments and public institutions. Governments, even democratically elected ones, appear to be lacking popularity in the eyes of ordinary people. A Gallup Millennium World Survey conducted in 1999 asked more than 50 000 people in 60 countries if their country was governed by the will of the people. Less than 1 in 3 said yes but only 1 in 10 said that their government responded to the needs and will of the people.

Thus, whilst globalisation of the world economy is meant to forge greater interdependence amongst nations, the world seems more fragmented between rich and poor, between the powerful and the powerless. The key question is whether this trend is reversible. We must remind ourselves that social change does not occur because of the weaknesses of the strong but by harnessing the strengths of the weak.

The growing global movement for social justice has for the past five years raised profound questions about the failures of corporate-led globalisation and has successfully forced the debate for global social justice onto the mainstream political agenda. Whilst this movement still lacks coherence, a single body and voice, there can be no doubt that today more than ever before that greater involvement of civil society in shaping global policy and trends is vital if we are to avoid the errors of the past.

The ICEM being an integral part of this movement has an extremely important role to play.

2. TWENTY FIRST CENTURY ENERGY – AN INDUSTRY IN TRANSITION

The ICEM represents 20 million workers in 108 countries throughout the world. Of these, we have four million workers in the electric power sector, three million oil and gas workers and two million coal miners. We are truly the international home for the world's energy workers. In fact, given the diversity of the sectors we organise, we can rightly claim to be the most representative force in the global energy industry today. The energy industry, perhaps in a similar way to mining, has a range of different stakeholders from global to local claiming representation. It is a highly contested industry.

It becomes important in this context to exert our leadership role and drive progressive change in the industry. This requires us to articulate our vision and strategy for the kind of industry we want.

We want an industry in which: -

- All citizens have guaranteed access to energy at affordable prices;
- Energy workers are fully involved in decision-making and their interests respected and safeguarded;
- We have an industry that makes an important contribution to the achievement of a just, equitable and sustainable society.

In the context of this vision, the key principles and standards that underpin good human and industrial relations are:

For governments:

- Adherence to the ILO Core Principles;
- Respect for the UN Universal Declaration of Human Rights;
- Creating strong national legal frameworks and public institutions for promoting these rights and preventing abuse;
- Creating enabling legislative frameworks for workers to reap the benefits of their labour.

For corporations:

- Upholding values that promote democracy, equality, dignity, respect and freedom;
- Establishing effective mechanisms for worker participation, decision-making, collective bargaining and social dialogue in all aspects of enterprise activity;
- Developing workplaces where information is shared;
- Establishing human resource policies and practices that promotes and protects workers.

The identification of energy as one of the cornerstones together with water, agriculture, health and biodiversity in the 2002 Johannesburg World Summit for Sustainable Development is indeed a significant milestone in the future development of the industry. The principle of 'common but differentiated responsibilities' would require that the concept of sustainable development has at least two major components, each balancing the other- environmental protection, and meeting the basic human development needs of present and future generations.

The relationship between energy, in meeting basic needs, creating jobs, promoting economic development, maintaining a decent quality of life and peace for citizens are an essential aspect of equitable sustainable development. However, this is one dimension of the energy industry today. For the ICEM, it is this side of the industry that our members will promote and defend.

One the other hand, the energy industry, given it's high public profile like mining and spends billions of dollars on image, are regularly cited in human and trade union rights violations, corruption scandals, internal civil conflict, international war and environmental degradation. This aspect of the industry we cannot and will not defend.

The continued abduction, imprisonment and murder of Columbian workers in general, and energy workers in particular, continues on a horrendous scale. Energy multinationals are very conspicuous in their silence. BP is the single largest foreign investor in the country but we have not heard any protests from their quarter against these criminal acts. Silence constitutes complicity. Columbia has gained a notorious reputation as the most dangerous country in the world to live in if you are a trade unionist.

Corporations, especially those operating across the globe, now more than ever before require a social license to operate. As public awareness grows, industry captains are under increasing pressure to re-evaluate corporate strategy to include not only benefits to shareholders but to stakeholders. No doubt, the ICEM and its affiliates throughout the world are best placed to verify the corporate social strategies of these companies and their actions in upholding human and trade union rights and freedoms.

3. OVERVIEW OF THE ENERGY INDUSTRY

*“Our aim is to provide, safe, accessible and economic energy.
Such energy is essential to economic growth, environmental
protection and social progress”*

Statement from “Fuelling Sustainable Growth” – a report from the IPIECA and the International Association of Oil and Gas Producers (OGP) to the UN World Summit for Sustainable Development

3.1 World Energy Supply and Demand

3.1.1 Oil and Gas Production

Energy production and consumption patterns are shifting. So too are the challenges for investment and global energy policy. During the period 1995 to 2020, demand for energy worldwide is forecast to increase by around 65% - roughly equivalent to 2% per annum.

Fossil fuels are expected to meet 95% of this additional energy demand. The search for new reserves has become more intense, as reserves in the older oil and gas fields in North America and other mature producing areas are depleted.

The surge in energy prices in 2000 and most of 2001 has drawn attention once again to issues of access and security of energy supply. Over 95 % of the net increase in energy production over the next two decades will occur outside the OECD countries. There is little doubt that oil will retain its position as the single largest source of primary energy representing 40 % of the world's energy mix, roughly equivalent to today's share. Whilst global proven reserves of oil are abundant, supply is not guaranteed. The problem is not just geopolitical. Production in ageing oil reservoirs is declining and new capacity will have to be built if expected demand-led growth is to be met.

3.1.2 Exploring New Frontiers

Although the bulk of the world's oil and gas will continue to come from existing areas for some years to come, incremental growth in demand will have to be met either through steadily rising production rates among mainly Middle East producers in the Organisation of Petroleum Exporting Countries (OPEC), or through the opening of new areas, such as the deep-water basins off Angola and Brazil, the Caspian Sea region, or the remote areas close to or within the Arctic regions.

The war in Afghanistan has again shifted the geo-politics of oil and gas. Following the removal of the Taliban and the installation of a more internationally acceptable "western-friendly" government, the prospect of a war-ravaged country becoming a major central Asian energy transit route, as an alternative to Iran has re-emerged. Iraq, holder of the world's second largest oil reserves after Saudi Arabia, is a vital source of oil supply to the western world. Whilst US President George W Bush calls for a "regime change", members of his energy cabal would surely be keeping their eye on the nation's huge oil assets.

The Caspian region's profile has been enhanced by Western governments' nervousness over their dependence on the Middle East. Both Turkmenistan and Uzbekistan have major gas reserves but very limited export routes. Azerbaijan, Turkey and Georgia have become key players in the transport route to the Far East.

Recent events in the Middle East and good oil prices since 2000 have intensified efforts inside and outside Russia to bring several pipeline projects to fruition. Revenue over the past two years have boosted the balance sheets of Russia's leading oil and gas firms. Exports have doubled making Russia a leading role player in non-OPEC oil and now the world's leading gas producer.

Africa, between the two blocks, with the world's third largest reserves, would soon become a major strategic area, described as "an expansion joint." The US already imports as much oil from Western Africa (Nigeria and Angola) as from the Middle East, and countries like Mozambique, Ethiopia, and Somalia have promising deepwater reserves. Although currently more expensive than Middle East oil, Africa's resources could develop as an alternative.

Currently there are cross border projects in Southern, West and North Africa worth about \$12 billion awaiting finalisation. The extent to which workers and communities will directly benefit from Africa's good energy prospects remains to be seen especially with the context of the implementation of the New African Partnership for Economic Development (NEPAD) adopted by the African Union, a political reconstruction of the former Organisation for African Unity.

3.1.3 Coal – the Grandfather of Energy

Whilst the Industrial Revolution saw industrial areas covered in a dark haze, the smoke was often then viewed as a symbol of economic progress. Although now much cleaner, more efficient and environmentally aware, the coal industry of today is still working to escape the image of coal which bears the stigma of being a 'dirty', polluting fuel.

Coal can be burnt cleanly and effectively throughout the world, using constantly improving technologies. Most coalmines today increasingly resemble highly mechanised factories, rather than the labour intensive, cramped and hazardous production environment of the 19th Century.

The growth in energy demand will increasingly rely on the abundance of coal throughout the world.

Coal now generates 55% of USA electricity and 70% of that in India and in China - the world's three largest populated states. More than half of total world coal production currently provides around 37% of the world's electricity. Many countries are heavily dependent on coal for electricity, including in 1998: Poland (96%), South Africa (90%), Australia (86%), China (81%), India (75%), Czech Republic (74%), Greece (70%), Denmark (59%), and the USA (56%).

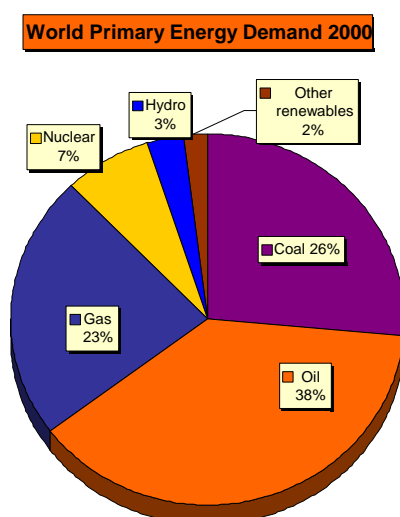
Figure 1 - World Electricity Balance

	2000	2010	2020	2030	Average Annual Growth 2000-2003 (%)
Gross generation (GWh)	15.391	20.037	25.578	31.524	2.4
Coal	5.989	7.143	9.075	11.590	2.2
Oil	1.241	1.348	1.371	1.326	0.2
Gas	2.676	4.647	7.696	9.923	4.5
Hydrogen-fuel cells	0	0	15	349	-
Nuclear	2.586	2.889	2.758	2.97	0.1
Hydro	2.650	3.188	3.800	4.259	1.6
Other renewable	249	521	863	381	5.9
Own use and losses (Mtoe)	235	304	388	476	2.4
Total final consumption (Mtoe)	1.088	1.419	1.812	2.235	2.4
Industry	458	581	729	879	2.2
Residential	305	408	532	674	2.7
Services	256	341	440	548	2.6
Other*	68	89	111	133	2.3

*Includes transport, agriculture and non-specified uses of electricity

Coal is also indispensable for iron and steel production; some 70% of steel production comes from iron made in blast furnaces using coal and coke. It is estimated, at current production and consumption levels, there is about 200 years supply of coal still available.

Figure 2 – World Primary Energy Demand



Courtesy: IEA World Energy Outlook 2002

3.1.4 Renewable Energy

The outlook for coal, oil and gas supplies should be bright, therefore, as long as geopolitical issues do not pose a problem. But what of renewable sources of energy? These are expected to grow even more rapidly over the next two decades, but their share in the global energy mix will probably remain small, particularly without determined government intervention.

Over the last few years, the renewable energy markets have shifted into a new gear. Wind power generation, for example, has gone from 2,170 megawatts at the beginning of 1992 to 24,800 megawatts at the beginning of 2002, a more than tenfold increase in 10 years. The annual production of solar cells has risen from 55 megawatts in 1991 to 391 megawatts in 2001, a seven-fold increase.

These growth rates-averaging more than 30 percent annually in the last five years provide early indicators that the world has entered the 'post-petroleum century'. A century in which diminishing oil supplies, a limited capacity of the atmosphere to absorb carbon dioxide, and the burgeoning energy needs of 2 billion people mostly in the developing world all indicate the need for new sources of energy to complement and replace the past-century's fossil fuels.

Given their important benefits in terms of environmental protection and security of supply, renewable energy sources, relative to fossil fuels, do not emit much in the way of greenhouse gases and are by definition geographically dispersed. Renewable sources of today represent roughly the same share of the overall energy supply, and the same prospect for future growth, as petroleum did a century ago. In 1902, petroleum accounted for about 2 percent of the total but was already expanding quickly in niche markets. With wind and solar markets now doubling in size every three years, manufacturers are able to scale up production and drive down costs for them to compete with fossil fuels.

The potential for renewable energy is increasingly recognised both in the worlds of government and of business. This is seen in a growing flow of capital into renewables by large oil and power companies, as well as from the venture capital sector. Shell, for example, has recently committed itself to investing up to US\$ 1 billion in renewable energy

of the next five years. Renewable energy legislation is beginning to proliferate at the national and state levels. Brazil, China, and India are among the countries that have recently strengthened their renewable energy laws, with the aim of accelerating market growth. The main responsibility for accelerating the use of renewable energy lies with national governments (and in some cases state or provincial governments) that regulate the domestic energy sector, dictate taxes, allocate subsidies, and otherwise influence energy trends.

Renewable energy has a particularly important role to play in developing countries. Indeed, it was hard to think of a better setting than Johannesburg as UN host city in which to get serious about renewable energy as a tool for tackling what might be called a form of "energy apartheid." With 4 billion people relying predominantly on unsustainable energy sources, and the remaining 2 billion lacking access to electricity or liquid fuels, the world's energy haves and have-nots are both in unsustainable positions and could both benefit enormously from the accelerated spread of renewable energy.

3.1.5 Nuclear Power

The future of nuclear power remains uncertain. Whilst nuclear safety remains a key concern, some have welcomed increased production as a means to reduce emissions and improve security of energy supply. However, whilst its future will rest on political decisions, nuclear power would retain its existing share of about 7% in global electricity generation. Japan and Korea have large construction programmes, whilst India and China will also increase the role of nuclear power in electricity generation.

It is estimated that 40% of the current plans would be retired over the next thirty years. EU candidates Lithuania, Slovakia and Bulgaria have agreed to shut down some of their older reactors within ten years. Whilst Russia's ambitious nuclear plans might find difficulties in funding, Finland, it's neighbour has recently announced plans to build a new reactor.

Figure 3 - Major electricity utilities in the world – rated by sales

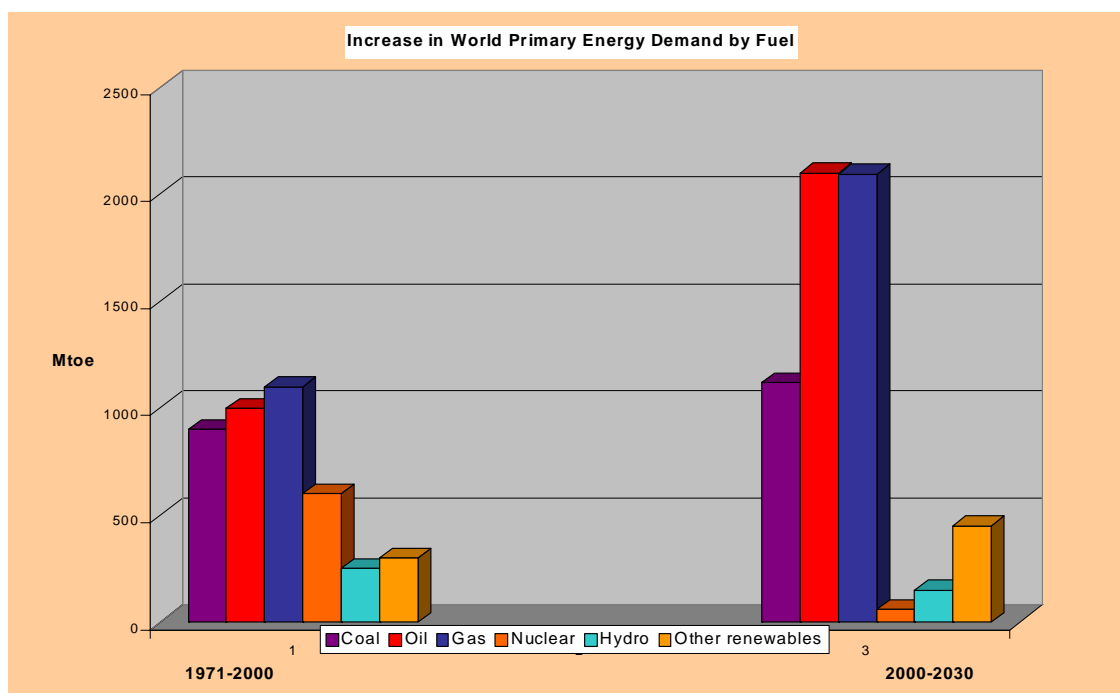
Company	Country	Sales GWh	Rating by sales
RAO-UES	Russia	588 600	1
EDF	France	397 500	2
Tepco Electric Power Co.	Japan	280 651	3
KEPCO	South Korea	239 535	4
Enel	Italy	222 879	5
PreussenElektra Group	Germany	211 052	6
AEP	USA	206 281	7
Hydro-Québec	Canada	190 100	8
Eskom	South Africa	178 192	9
Southern Company	USA	176 947	10
RWE Energie AG	Germany	170 571	11
Endesa Group	Spain	165 803	12
Tennessee Valley Authority	USA	159 571	13
TXU	USA	151 899	14
Kansai Electric Power Co.	Japan	142 852	15

Source: Data Monitor UK, 2000 figures

3.2 Meeting Future Energy Demand

The shape of world energy demand is likely to shift, too, with the OECD's share of world energy consumption declining in favour of developing countries. Developing economies, with their industrial development and rising living standards, are consuming electricity at a rapidly expanding rate. Projected figures for energy consumption in the developing world, and particularly Asia, indicate a massive increase in electricity utilisation. China and India together are expected to account for over 20 % of world energy demand in 2020, compared with some 13 % in 1997. Coal is forecast to maintain its share of electricity generation in the region of over 60% in the period to 2020.

Figure 4 – Demand by Fuel



The latest forecasts suggest that world population will grow from 6 billion at the end of the 20th Century to around 8 billion in 2020. It is estimated 90% of that projected increase will take place in the developing world. In 1990, some 75% of the world's population - those living in the developing countries and newly industrialised countries - were responsible for only 33% of the total global energy consumption. By the year 2020, about 85% of the global population is forecast to live in these countries and be responsible for approximately 55% of the world's energy consumption.

The main factors behind the shift are rapid economic growth and industrial expansion, population increase and urbanisation, and substitution of modern for traditional fuels, like fuel wood and dung. This shift has far-reaching implications for the world energy system and the environment, with carbon dioxide emissions from developing regions and their dependence on oil imports both rising. Higher demand clearly means substantial investment requirements for expanding power generation there.

This increased energy demand means that the main energy issues will have a truly global dimension. This raises important challenges that international policymaking, on forestry

and biodiversity, for instance, must take into account. As workers, it is important for us to recognise energy's role in reducing poverty. The message is simple and straightforward - Improved access and more affordable energy are preconditions to alleviating the incidence of poverty, itself a precondition of sustainable development.

4. KEY POLICY DRIVERS IN ENERGY REFORM AND RESTRUCTURING

4.1 International Financial Institutions (IFI's)

The World Bank and the International Monetary Fund (IMF) have spearheaded privatisation across the globe, particularly in developing economies, creating a greater role and dependence on the private sector for the provision of basic goods and services, such as water, electricity, health services and housing. These institutions are key protagonists in the spread of one-size-fits-all privatisation policies as advisers, as investors and as lenders conditional to clients accepting their prescriptions.

The classic model is to unbundle vertically integrated utilities into separate generation, transmission and distribution business units and outsource services wherever possible. In the process of achieving business efficiency and competitiveness, the first victims are usually workers. Restructuring a public utility is politically sensitive as changes have deep consequences not only for those directly involved in them but also for wider society and the economy. According to the ILO, privatisation alone has shed 30% of jobs worldwide.

Trends in electricity restructuring are a clear indication of how IFI's, particularly the IMF and World Bank, have driven reforms by focusing on narrow financial interests at the expense of the public interest. IFI policy has been carried out on the premise that private corporations are inherently more efficient than a public company or authority.

Governments, in order to attract foreign direct investment are privatising their nation's silverware and handing them over to domestic and foreign investors. Developing countries alone over the last ten years have generated about US\$ 361 billion through privatisation whilst official government-to-government development aid declined rapidly in the same period.

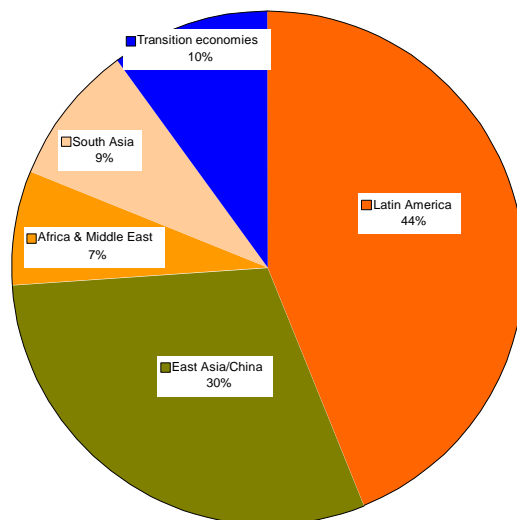
Whilst the telecommunications sector has seen a massive shift from public to private ownership, one out of every six utilities privatised has been in the power sector. The Bank is currently involved in financing energy restructuring and privatisation in some fourteen countries across the globe. In the Asia-Pacific and Latin America and the Caribbean regions, these two sectors alone accounted investments of more than US\$ 100 billion in privatisation programmes in the last decade.

Electricity sector reforms and the investment they attract have serious implications, both positive and negative, for long-term sustainable development goals. A reform model designed to ensure access to electricity for all could bring considerable social benefits, including opportunities for education, better health and nutrition, and economic development. Decisions made now about the institutional structure and functioning of the electricity sector will shape social and environmental outcomes for decades to come.

Whilst national energy industries, built over decades, owned and operated by governments as custodians of essential public services and the nation's wealth, today, as in other sectors of economic activity, these natural monopolies have become a prime target for takeover by private capital interests aided and abetted by the international financial institutions (IFI's).

Figure 5 – Investment in Developing and Transitional Economies

Private Foreign Energy Investment in Developing Countries and Transitional Economies



Courtesy: IEA World Energy Outlook 2002

Access to energy generates demand for energy services. The bulk of investment in the production, transformation, transportation and distribution of energy is needed in transition economies and in developing countries in order to meet growing demand. Governments, hard pressed for cash and under pressure from international finance agencies to curb spending are not prioritising direct tax revenues into power infrastructure. Securing investment for further infrastructure development is a major challenge.

However, recent experiences both in the UK and in the US indicate that the tide against wholesale liberalisation is turning. Privatised companies, for example British Energy, are now turning to government for financial bailouts and in the process the re-nationalisation debate is back on the agenda.

4.2 Reforming Power in the Developed Economies

Perhaps the biggest neo-liberal energy project unfolded when the European Union, after more than ten years of negotiations, formally opened the European electricity markets in 1999 allowing cross-border movement of electricity and intrastate competition. The directive provided for the progressive introduction of the free market – initially directing that 26% should be opened – moving to 30% in 2003 and any further opening from 2006 and beyond was left for the approval of the EU Council of Ministers.

Whilst this policy paved the way for national utilities to be privatised, it also unleashed a series of cross-border expansions, alliances, mergers and acquisitions as cash rich utilities began ring-fencing targets in other member states.

In the process of implementing this model, employment was reduced by 250 000 workers. A new problem, called “fuel poverty” emerged in Britain. In response to these negative social implications, the European Chemical, Energy and Miners Federation (EMCEF) called for the EU development of a sustainable energy policy that would promote electricity as a

public service; ensure access to all especially the poor and to promote employment opportunities to counter balance the loss of job.

EMCEF resolved to promote increased solidarity amongst workers and consumers to achieve greater democratic control of energy and sustainable energy development at the service of jobs and citizens.

Countries aspiring to join the EU must reform their electricity markets as a condition for membership. Others have already embarked on energy liberalisation or are adapting their energy policies to align with the EU model and in the process creating massive social upheaval.

4.3 A Different Scenario in Developing Economies

Electricity reforms in Argentina in the early 1990's were undertaken in an environment of macroeconomic crisis. Consequently, reform design was often driven by an immediate need to attract capital, a trend reinforced by donor agencies. The urgent need for capital led to privatisation at reduced prices. While reforming countries are criticized for not providing sufficient incentives to attract foreign capital, it is not clear whether such incentives are politically viable and socially desirable. Structuring reforms mainly to attract finance at the expense of public service obligations may not be a sustainable long-term strategy for the sector.

To a large extent, government bureaucrats and their consultants in the energy and finance ministries, to the exclusion of other voices, design reforms. Reforms in Argentina were designed and implemented with great speed by a small group of technocrats. Despite a vibrant civil society, the cases do not provide instances of participation or influence by nongovernmental organizations (NGOs) and trade unions in policy design, even though they bring considerable experience to the table.

A decade after Argentina, the new democratic government in South Africa also embarked on a process of electricity reform in the context of a post-apartheid reconstruction and development programme (RDP). The RDP was drafted by the democratic movement with a major contribution by the labour movement. The key objective of energy restructuring was to alleviate poverty and increase access particularly in black households. However, in pursuit of business efficiency, employment was reduced and the project was hijacked by a neo-liberal agenda wanting privatisation. A major struggle for the retention of the utility as an engine for socio-economic development has ensued. This campaign is located in the overall campaign against the privatisation of strategic national state-owned assets delivering basic goods and services to historically disadvantaged communities.

4.4 Dealing with the Scourge of Private and Public Sector Corruption

Rampant privatisation, liberalisation, and market deregulation is also accompanied by a corresponding increase in international financial instability. Our experience in the ICEM points to several situations where our affiliates have highlighted government, private sector and IFI collusion in deal making that goes against public policy. Transparency is the exception rather than a good governance rule. Key stakeholders especially labour, consumers and even parliamentarians are marginalised. In many cases, key utility managers are accused of feathering their nests seeking greener pastures in post privatisation companies. These scandals have exposed high-flying executives who extract huge personal gain through corrupt practices and accounting fraud without adequate regulatory control.

For our affiliates dealing with electricity reform we need to analyse the concrete reality in our countries and pose some important questions such as, who is driving reform, what are political interests at stake, what role is the World Bank and IMF playing and how will social and environmental issues be addressed?

In a major campaign to combat corruption in the oil industry, renowned international financier and philanthropist George Soros launched a call to governments across the globe for transnational resource extraction companies to 'Publish What You Pay.' He has teamed up with a coalition of over 30 NGOs to insist that oil, gas and mining companies must publish net taxes, fees, royalties and other payments as a condition for being listed on international stock exchanges and financial markets. Relying on companies to disclose information voluntarily has so far failed because they fear being undermined by less scrupulous competitors.

The campaign calls for mandatory disclosure backed by legislation so that citizens in developing countries are able to call their governments to account over management of resource revenue. The coalition includes Amnesty International, CAFOD, Christian Aid, Friends of the Earth, Global Witness, Oxfam, Save the Children and Transparency International.

4.5 Case Study: Enron – the rise and fall of the deregulation champion

This company is regarded as the champion of a deregulated US energy industry. Enron, once the USA's seventh largest company, until recently worth some \$70 billion as their books would reflect had operations in forty countries. Through its very strong connections with high profile politicians, it changed the once tightly knit regulated US wholesale electricity system to one in which suppliers were no longer responsible for reliability and security of electricity supply.

Its collapse globally was the result of a combination of naked profit ambitions, an excessive dependence on energy trading, the onset of California's power crisis last year, and crooked bookkeeping and other such irregularities by senior staff of the company, which Wall Street punished severely by downgrading the company's stock in a big way. As a result, the company has filed the largest bankruptcy suits in the US and in the process, its partner in crime, Arthur Anderson, was exposed and fined for corrupt business practices.

Armed with just over \$7 billion of taxpayer funding from the World Bank and Overseas Private Investment Corporation, Enron marched into developing countries' energy sectors as part of the privatisation brigade. The cause and effect of the Enron Collapse and the Californian energy crisis has led to poor countries such as India, and Mozambique re-evaluating and assess what consumers might end up paying for the sins of the company and their decision makers. The price could be very high. The victims suffering the most are workers who, encouraged by company executives invested their life and retirement savings into company stocks. Those executives who cashed in their shares walked away from the company with millions of dollars in their pockets.

The effect of this scandal and the Californian energy crisis has already led to serious questions about the political, social and economic logic of market friendly deregulation policies for goods and services essential for promoting quality of life. Many companies operating in the California energy market are multinationals pushing the same agenda in other countries. On the positive side, many states in the US are holding out for public control of electricity.

For energy workers the Enron scandal has increased the resolve of our affiliates to stop fast track deregulation and privatisation in their own countries.

5. GLOBAL CORPORATE CONSOLIDATION

Cross border mergers and acquisitions remain a permanent feature of the industry “fuelled” by intense competition for the dominance of the world's fossil fuel reserves and market share. Multinational companies are taking over former strategic state assets, and planning their production and distribution chains on a global scale. They are adopting global convergence strategies combining oil, gas, electric power, renewables, coal and energy services, becoming full-scale global energy conglomerates extending their activities and investments into all parts of the world. Pushed by increasing competition, companies are restructuring their organisations, rationalising operations, cutting costs, laying off workers and outsourcing so-called non-core operations.

5.1 When Size Matters – The Urge to Merge

Industry analysts argue that the definition of an energy company is changing fast. Fifty years ago, it was a coal company; 20 years ago, an oil company; now it is an oil and gas company; and in ten years' time, it will be a gas and electricity company.

The industry is currently estimated to have a turnover of approximately \$2 trillion a year. For decades, seven big corporations – the so-called ‘Seven Sisters’, dominated the oil industry. Today the oil industry has undergone a massive consolidation since BP started the mega-merger wave in August 1998. The Exxon-Mobil, BP Amoco-Arco and TotalFinaElf-Elf Aquitaine mergers closely followed the BP Amoco merger. Combined, these deals totalled a quarter of a trillion US dollars in value, and raised the share of market cap held by the four largest players (ExxonMobil, Royal Dutch/Shell, BP, TotalFinaElf) by almost half. These three super-majors ExxonMobil, Shell and BP have combined sales greater than the total annual domestic production (GDP) of the one billion people of India.

The recent merger of Conoco and Phillips has created the largest refiner in the US and the third-largest integrated US energy company. On a global basis, it is the sixth largest publicly held energy company based on hydrocarbon reserves and production, and it is the fifth-largest global refiner sharing middle-major status with TexacoChevron.

The share of the oil industry market capitalisation held by the top four companies rose from 46% in July 1998 to 65% (\$880 bn) after the TotalFinaElf deal in 2000. The top 10 companies increased from 72% of oil market up to 84% (\$1.2 trillion). The top 15, which includes nearly all the world's public integrated majors, held almost 90% of market value.

The urge to merge is explained by the rising costs of exploration in the context of low commodity prices. The most common reasons given by oil companies for the recent spate of mergers and acquisitions has been the need for greater efficiency to meet increased competition, or the need to increase shareholder value. The rising costs of exploration have slashed profits for oil majors and minors alike. The need for cost savings continued to drive mergers and acquisitions in 2001. Institutional shareholders demand better returns and companies will be judged not on how big they are (whether by output volume or size) but on what profit they return to their shareholders.

These strategic mergers, acquisitions and asset purchases, along with others, have given companies critical mass for growth and enabled them to shed “non-core assets” to exploit developing energy and mining markets. Meanwhile power companies have been actively consolidating to exploit opportunities created by privatisation, liberalisation and deregulation in the sector.

More mergers and acquisitions in the oil industry are expected as cost savings now take priority. Companies merging could tap each other's portfolio of assets and the synergy would accordingly allow them to better cope with any volatility in oil and product prices in the year ahead.

Recently Shell announced that it would start investing billions of dollars in the electric power industries in the years to come, because they offer good profit prospects. A traditional oil and gas company such as Shell is expanding into US electricity. Electricité de France, the world's biggest electricity utility group, now trades gas, albeit outside France. Centrica, Britain's gas-to-financial services conglomerate, is taking its multi-commodity approach to European households with a first investment in Belgium.

Trading in gas and power and in the price spreads between them has made it necessary for companies to cope with the supply/ demand imbalances and price volatility that have come with liberalisation. It is also big business. In the oil, gas and coal sectors the World Bank alone has pumped some US\$ 27 billion into project finance for some of the world's largest energy companies. Shell, BP-AMOCO, Halliburton, ChevronTexaco and ExxonMobil are among the top fifteen energy companies to have received finance for privatisation, equity, exploration, pipeline and other infrastructure development projects. Of the top 20 corporations that have received funding for energy projects, 14 are headquartered in the US, the Bank's single largest investor.

“Energy is the biggest business in the world today. There just isn't any other industry that begins to compare.”

Lee Raymond, Chairman of ExxonMobil

5.2 Case Study: Reinventing BP – Beyond British Petroleum

The British Petroleum Company is now just plain BP. It is a commercial and financial reality that Britain is no longer a major focus of BP investment, and nor is the North Sea the largest profit source. BP's head office is in London. Most of the company's directors are British citizens and its CEO was recently made a peer, as Lord Browne of Madingley.

According to Alexander's Oil and Gas Connection, in terms of capital invested, the UK represents just \$ 19 bn or a fifth of the capital employed. The US accounts for \$ 44 bn and the drift is continuing, with the UK receiving less than 15 % of new investment last year, compared with 44 % for the US and 29 % for Asia, Africa and Latin America.

In terms of profit, the figures are even more striking. Producing oil and gas from the North Sea, and refining petrol and selling it to UK consumers made BP \$ 2.7 bn in operating profits last year, a billion dollars less than the previous year and just 17 % of BP's total operating return of \$ 16 bn. However, the US accounted for \$ 7 bn of profits or 44 % of the total. Clearly, BP is right to be spending more and more abroad and less at home. So in respect of the things that really make a business, BP is an American oil company.

It was not always so. A decade ago, The British Petroleum Company was not the “smartest of the Seven Sisters”. Analysts dismissed it as a two-well company. BP made its money lifting oil from Forties, the giant North Sea field, and Prudhoe Bay in Alaska. BP was weak in US refining and marketing and weak in gas. It had few long-term opportunities in new oil provinces in Asia and Africa. Over two years, from 1998, BP was transformed by acquisitions. Its takeover of Amoco, in what was then the world’s largest industrial merger, gave BP a huge position in the US gas market and greatly expanded its US downstream operation.

Amoco also brought with it a big share in Atlantic LNG, the Trinidad LNG project, which is now in rapid expansion and a cornerstone of BP’s growth in upstream markets for the next few years. The second US takeover, Atlantic Richfield, increased BP’s dominance in Alaska and gave it the Arco petrol retailing chain in California, the missing piece in BP’s US downstream business.

Arco brought Tangguh, a huge gas prospect in Indonesia, offering BP the prospect of its first foothold in the growing Asian LNG market. It has invested heavily in Azerbaijan and paid up for a stake in Angola’s offshore oil bonanza, but has not acquired a developing world power base such as Shell has in Nigeria and Malaysia or TotalFinaElf’s position in the Middle East.

BP’s latest thrust is into Russia, a nation that has become a thorn in the side of OPEC and where Lord Browne believes a more investment-friendly culture is developing. It is an initiative that followed the September 11 attacks and led to BP taking virtual control of Sidanco, a major Russian oil company.

BP may be no more wedded to Western values than other oil companies, but it wears them more boldly, championing environmental causes, and going “beyond petroleum”.

6. SUSTAINABLE DEVELOPMENT – THE NEW BUZZWORD

6.1 The UN World Summit for Sustainable Development (WSSD)

The summit, one of the UN’s largest gatherings ever, recognised the importance of broad based participation in policy formation and respecting the independent and important roles of social partners in the strive for a more sustainable planet. In the most telling indictment of the structures of world multi-lateral institutions, the final declaration adopted by the heads of government called for more “effective, democratic and accountable international and multi-lateral institutions” for the implementation of Agenda 21, The UN Millennium Development Goals and the Johannesburg Plan of Action. Implementation must be an inclusive process and be monitored at regular intervals.

Delegates also reaffirmed their commitment to the UN Charter and support for the leadership role of the United Nations as the most universal and representative organisation in the world, which is best placed to promote sustainable development.

The Johannesburg WSSD called on the UN member states to collaborate and strengthen efforts to improve access to reliable and affordable energy services towards the achievement of the millennium development goals, including the goal of halving the proportion of people in poverty by 2015. In summary, this would include actions at all levels to:

- (a) Improve access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services and resources, taking into account national conditions and circumstances;
- (b) Improve access to modern biomass technologies and fuel wood sources and supplies, in rural areas and where such practices are sustainable;
- (c) Support the transition to the cleaner use of liquid and gaseous fossil fuels, where considered more environmentally sound, socially acceptable and cost-effective;
- (d) Develop national energy policies and regulatory frameworks that will help to create the necessary economic, social and institutional conditions in the energy sector to improve access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services;
- (e) Enhance international and regional cooperation to improve access to energy services;
- (f) Assist and facilitate on an accelerated basis, with the financial and technical assistance of developed countries, including through public-private partnerships, the access of the poor to energy services.

6.2 Energy and the Environment

Under pressure from the Kyoto Protocol, the 2002 UN World Summit on Sustainable Development and sustained public pressure from the global environmental movements, the energy industry is today under more scrutiny than ever before to clean up. The protocol was drawn up in 1997 in Japan and elaborates upon the UN's Framework Convention on Climate Change that dates back to the 1992 Earth Summit in Brazil.

It needs ratification by countries that were responsible for at least 55 % of the world's carbon emissions in 1990. So far, some 178 countries have signed up to the treaty, including all the major industrialised countries except the United States. With the latest ratifications by Canada and Russia, sufficient countries have now adopted the protocol to make it enforceable.

The nature, severity and perception of greenhouse-related impacts will vary greatly worldwide, which means every country must consider its responses in the context of its own needs and the three pillars of sustainable development: social, economic and environmental.

When it takes effect in 2008, the treaty will require all signatories to achieve emission reduction targets. It will also provide a complex system that will allow some countries to buy emission credits from others. For instance, a country may buy rights or credits to emit carbon from another that does not emit the carbon in the first place. Thus, the seeds of a new industry that of pollution trading, have been planted.

6.3 Energy and Poverty Reduction

For developing countries, providing energy is essential to education, health care, and the development of new industries. Energy security is also about having access to energy. And access means equity, since energy is vital for human survival. The richest 20 % of the world uses 75 % of power generated, while the poorest 20 % uses less than 3 % of power. About a third of the world's population do not have access to electricity and rely almost exclusively on fuel wood, agricultural residues and animal dung to meet their energy needs. According to the United Nations, about 2,5 million women and children die each year as a result of acute respiratory infections due to indoor air pollution from traditional cooking stoves.

The first sign of improving standards of living is the supply of electricity. Initially, this may just be to provide lighting, but it is quickly required to power household and industrial appliances of every kind. As standards of living rise, and firewood becomes scarcer, it is inevitable that these developing economies will turn to electricity, gas and other fuels for cooking, refrigeration and heating.

As the global population grows and as living standards improve in the developing world, international demand for energy increases, often at a dramatic rate. Energy services are needed to create jobs, develop industries, transportation and for improved social services in water and health. Central to the economic development process is the building of infrastructure (roads, railways, ports etc) and the growth of cities requiring steel and cement which are energy intensive, implying a rapid growth in energy use through the early stages of industrialisation.

Raising electrification rates would benefit poor people in developing countries by improving their access to lighting, education, health and telecommunications. But as low income communities tend to restrict their electricity consumption to these basics, new electrification is unlikely to significantly reduce the demand for fuel wood over the next 30 years. In any case, unless new policies are introduced over that period, a vast number of people will still lack access to electricity unless there is stronger government action and international co-ordination to assist these countries develop plans for power production.

7. DRIVING A LABOUR AGENDA

7.1 Towards Sustainable Industries

“We are not an NGO. We are a trade union representing members who have a vested interest in the future of the industry. Unions have an important role in promoting their industries for the greater good. However, we will not defend the indefensible”

Fred Higgs, ICEM General Secretary

The industries in which the ICEM organises span the social, economic and environmental dimensions of sustainability. In developing an agenda for engagement with industry and government, it is useful for this occasion to briefly pause for a moment and revisit the resolution on sustainable development and just transitions adopted by our 1999 World Congress Durban, South Africa. This resolution sets out a broad strategic direction for the ICEM that we must pursue with our membership at grassroots level whilst interacting with key players at a global level.

Congress resolved inter alia:

- To work with affiliates and others to develop ‘Just Transition’ policies and strategies which address the transitional needs of workers and their families in the pursuit of more sustainable development; in particular where large scale moves from old to newer, more friendly, technologies are involved;
- To continue to insist on the international context of ‘Just Transition’ and sustainable development and, in particular, to promote support for workers and their families in developing and newly restructuring countries;

- To increase its work with major companies, in particular regarding the development, implementation and monitoring of global agreements aiming to ensure the highest possible standards of health, safety and environmental performance of such companies – wherever they operate;
- To seek innovative ways of increasing the profile and impact of the ICEM and its affiliates in the ongoing debates and decision-making surrounding sustainable development;
- To continue to develop contacts and strategic alliances with citizens' groups in order to strengthen the process of sustainable development.

In its role as defender of the interests of those who work in the industries it represents and of the communities within which they work and live, the ICEM therefore has an obligation to continuously defining, promoting and refining the concept of sustainable development and the notion of sustainable communities from a labour perspective.

The integration of environmental, economic, and social thought into those decision-making processes requires the utilisation of human knowledge and experience from the widest possible range of sources and across the widest possible range of disciplines. The ICEM believes that credibility and sustainability from a policy point of view can only be achieved when these challenges and concerns are dealt with in a consensus-seeking, integrative fashion that attempts to balance the environmental, economic, and social imperatives of sustainability.

Therefore, a sustainable society is one in which:

- The costs and benefits for society are shared fairly between communities and regions;
- Social dumping and runaway production are minimized;
- Corporate decision-makers recognise that shareholders are not the only stakeholders;
- Corporations and the wealthy make direct contributions to building and maintaining the social fabric of society;
- Programs exist to protect those negatively affected by economic and environmental change;
- Social Plans are implemented to cushion the effects of downscaling industries.

The main reason for the existence of the labour movement is to improve the quality of working people's lives not only at work, but also for their families and the communities they live in. It falls upon labour to speak up for social needs - as it has so often in the past. As a minimum, trade unions believe that the social component of sustainability can start to be addressed by promoting or developing, and fully implementing social sustainability by paying due attention to all of those things that make human communities acceptable and individual human lives fulfilled. Essential to the preservation of the natural environment and the enhancement of economic growth, the social component of sustainable development focuses upon many of the characteristics that human beings value most highly, that is, decent work and better quality of life for all.

Thus far, both the Bank and the ILO acknowledge socio-economic costs of transition, particularly in mining are borne principally by the workers and the communities that are dependent upon these industries. The question is therefore who pays for, and who benefits from, a transition to sustainability. Unions cannot promote change if the process excludes workers, if their job security issues are not addressed effectively and explicitly or if the

transition for their members is to a low-income, non-protected, and non-union work environment.

Union members are sympathetic to the cause of environmentalists, but they are also dependent upon employment. If environmental change is forced in the absence of any arrangements agreed with them, workers and their unions will inevitably end up on the “con” side of the environmental change debate. They will have no choice. In the absence of an agreed adequate transformation programme, workers and communities are more likely to frame sustainability questions in terms of jobs versus the environment rather than jobs and the environment.

In pursuance of this goal, the ICEM agreed to participate in two important multi-stakeholder policy initiatives of concern to two of the main industries we organise, mining and energy.

Firstly, the Mining, Minerals and Sustainable Development project sponsored by the World Business Council for Sustainable Development’s Global Mining Initiative, a consortium of the big mining corporations. The ICEM was invited and accepted to be part of the Sponsors’ Group and the Assurance Group. Our key affiliates were invited to participate in the regional MMSD Structures. After two years of intensive work, a report entitled “Breaking New Ground” was presented to a meeting of global stakeholders in Canada a few months ago. The report contains several key recommendations and interventions that the stakeholders need to pursue both individually and collectively as part of a new forward for mining and metals.

Secondly, The Extractive Industries Review (EIR) is a consultative process initiated by the World Bank Group (WBG), to review its future role in the extractive industries (oil, gas and mining). It believes that such industries can make a “contribution to sustainable development and poverty reduction” in its client countries. Given increasing concerns expressed by civil society, as well as changes in the focus of its own activities and in the industries themselves, the WBG senior management believed that a review of the WBG role in the extractive industries was urgently needed. A report will be presented to the World Bank Board in the second half of 2003.

Both projects had the Johannesburg Summit in sight. Both were research projects aimed at finding policy alternatives. Both projects were consultative in nature and were underscored by the principles of transparency, inclusiveness, independence (from their sponsors) and to be valued for participants.

These projects are not ends in themselves but are part of a broader on-going process of continuous improvement of industry policy. Our industries will continue to come under the spotlight at the national and global levels simply because of the high profile and high impact nature of these industries. Our task as a union major in these sectors is to ensure that we articulate and fight for a radically different approach for our industries. If we succeed we will have played our role in reshaping these industries in ways that we can be sure will contribute to long term sustainable development and poverty reduction in a world that is currently characterised by massive levels of wealth inequality, social upheaval, mass unemployment and underemployment and unprecedented levels of poverty.

7.2 Human and Labour Rights – A Cornerstone of Sustainable Development

Minimum standards generally are the basic foundation from which societies, organisations and corporations build and improve quality of working and community life for populations. The ICEM believes that labour standards are not an obstacle but a prerequisite to broad,

balanced and sustained social and economic development. In the context of a globalised world trading system the opportunities for business enterprises has never been better, and we are constantly reminded of these advantages. However given the increasing negative impact globalisation has had on workers and communities, it is no wonder that we are seeing a greater pressure for global companies to respect human and trade union rights.

There are already several instruments available for promoting and protecting human and trade union rights i.e. at the workplace, company, national and international levels. However, many of these principles require a voluntary commitment to enforcement. Voluntary codes rely on a company's sense of values and "charity" for their effectiveness. They are regarded as "soft law". There are no real penalties for non-compliance.

At a global level we see, codes of conduct, internationally agreed conventions that are voluntary approaches and requires self-regulation by nation states and corporations. There is little or legal accountability on the part of states or corporations to enforce internationally agreed standards. But, international law is not static.

There is a growing view emerging within the international community that voluntary initiatives are in themselves not enough. In the last 50 years the UN and its agencies e.g. the ILO, have developed many international rules to protect human rights. Though primarily concerned with the obligation of states, such rules provide a clear basis for extending the international obligations of companies. It is the primary role of states to protect human rights and therefore ensure that the private sector do not abuse them. Equally, international law can place direct obligations on companies to enforce these when states are unable or unwilling to do so.

Trade unions and civil society have to wage never-ending battles to uphold these principles. There are several ways to do this. One recent example is the publication of a world atlas of countries where multinationals co-exist with regimes inflicting human rights abuse. This publication, the first of its kind, by Amnesty International and the Prince of Wales International Business Leaders Forum is part of a campaign for ethical investment to press companies to take account of human rights when making commercial decisions. The report provides details of 35 countries where abuses ranging from murder and torture to child and bonded labour had not prevented 129 companies, many of them British, from investing.

The ICEM will actively pursue and participate in debates and policy discussion aimed at developing mechanisms for both voluntary and legally binding enforcement of human rights in general and worker rights in particular across the globe.

7.3 ILO Core Labour Standards

The ILO through its unique tripartite structure has developed standards and targets for nations that provide the means through which governments, businesses and labour can achieve them. The minimum criteria for this dignity and respect are articulated in the ILO's (International Labour Organization) Core Labour Standards (sometimes referred to as Fundamental ILO Conventions.)

Eight ILO Conventions have been identified by the ILO's Governing Body as being fundamental to the rights of working people. They are intended to apply to all workers, whether the country of work is a developed nation or a developing one. All other workplace rights are considered to build upon these fundamental rights, in that they provide the tools of the conditions necessary for workers to strive to improve their individual and collective working conditions.

Freedom of association

- Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87)
- Right to Organize and Collective Bargaining Convention, 1949 (No. 98)

The abolition of forced labour

- Forced Labour Convention, 1930 (No. 29)
- Abolition of Forced Labour Convention, 1957 (No. 105)

Equality

- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)
- Equal Remuneration Convention, 1951 (No. 100)

The elimination of child labour

- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)

In addition to these, the ILO also adopted a more legally enforceable Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. The latter is only one of two international treaties that provides for direct scrutiny on the degree to which companies are respecting these rights. The other is the OECD Guidelines for Multinational Enterprises.

7.4 United Nations Secretary-General's "Global Compact" Initiative

The Global Compact, launched in 1999, is an initiative of United Nations Secretary-General Kofi Annan. He has challenged business, worldwide, to implement the nine principles of a "Global Compact". This builds upon previous understandings of business as both the principal instrument of economic growth and a prime instrument of environmental and social change.

The Global Compact is a voluntary initiative. It is not a code of conduct in the usual sense as there is no procedure for monitoring compliance. The only obligations are those that companies impose on themselves and provide reports to Annan's office on progress they are making. It is intended as a forum for learning and best practices.

Many UN agencies may play a role in strengthening the Global Compact. However, it is principally businesses themselves who are called upon to act in the Global Compact. The Global Compact aims to ensure respect for labour and human rights and the environment, in a globalised economy. It identifies nine principles in all:

Two human rights principles:

- Support and respect the protection of international human rights within their sphere of influence;
- Make sure their own corporations are not complicit in human rights abuses;

Four labour principles:

- Freedom of association (right to organize) and right to bargain collectively;
- Elimination of all forms of forced and compulsory labour;
- Effective abolition of child labour;
- Elimination of discrimination in respect of employment and occupation; and

Three environmental principles:

- Using a precautionary approach to decision making;

- Managing business enterprises in an environmentally responsible manner;
- Developing and implementing environmentally sound technologies.

The UN Secretary-General has asked all global stakeholders to embrace and enact it, and has said that this will require the effective involvement of trade unions along with management. The ICEM has accepted an invitation to be part of the GC Advisory Committee and is represented by our General Secretary, Comrade Fred Higgs. We believe that the Global Compact is best implemented by means of global union-employer agreements; agreements which give substance and credibility to voluntary initiatives.

Additionally, the Global Compact invites corporations to directly contribute money, and personnel to work with the United Nations as “ambassadors of responsible development”. This noble idea carries with it a heavy responsibility if corporations are to act in this capacity without using the access so provided to gain an unfair competitive advantage over local firms in the fight for market share.

At an international level, the labour movement believes that a commitment to the human rights and labour rights principles of the Global Compact will help to move the world towards social sustainability. However, in the first batch of reports received none of the companies followed the guidelines for reporting which must show how these 9 principles have been fulfilled backed up by actual case studies. Perhaps it should be noted that in the ICEM Bayer, BASF, BP, Du Pont, Indian Oil Corporation, Novartis, Placer Dome and Statoil did submit reports. If the UN response to this is explained that they are “just teething problems and that this is an on-going process”, then perhaps in the next round we should verify their reports and assess their quality and accuracy.

8. EMPLOYMENT AND INDUSTRIAL RELATIONS CHALLENGES

8.1 The Struggle for Good Jobs

Millions of people worldwide rely on the energy extraction, production and services industries for their livelihood. According to the ILO for every job in the energy industry up to four indirect jobs are generated in secondary industries supplying production or in valued-added services. Structural change is likely to continue throughout the oil and gas industries and affect many aspects of the sector, including industrial relations. Based on experience, industrial relations are likely to become more complex.

Workers covered by collective bargaining often have better working and retirement provisions. Oil workers in most countries are usually relatively better paid than their compatriots. However, disparities exist between workers in the same company doing the same job.

The impact of the changes in the oil and gas industry has a direct impact on employment and union membership trends. The overall membership base of the union movement has been weakened. Rightsizing does not mean retaining jobs and creating new demand for labour. New forms of work organisation that redefines the notion of what is “core business” has led to companies shedding traditional quality energy jobs. As these jobs are shed, the scope of existing collective bargaining agreements between unions and employers is narrowed. In addition, across the world, a new generation of unionised sub-contracted has been created to drive down wage overheads. Often, though there are exceptions, these workers are unprotected by labour and safety laws and existing collective bargaining agreements.

Another very important issue for members is education and training programmes – its impact on job security, job mobility, productivity and career pathing within the enterprise and across the industry. New technology and work methods have created new challenges for companies and governments to ensure that the existing skills are upgraded and new entrants in the labour market possess the right skills.

In a survey of our energy affiliates, respondents were asked what were the main priority issues on their current agenda and reflected key concerns of members. The responses are summaries below:

- Fighting unilateral industry restructuring including privatisation and recognising of the right and value of worker participation in decision-making processes at enterprise level;
- The struggle for the protection of fundamental worker rights including safe work;
- The campaign for decent work and working conditions, job security, creation of quality jobs and skills training;
- Better retirement provisions for workers;
- Dealing with the socio-economic impact of job redundancies and job losses;
- Responding to new forms of work reorganisation key to which is lowering standards through outsourcing, redefining core businesses etc.,
- Building contact, organising and mobilising solidarity with other workers;
- Dealing with the human resource consequences of mergers, acquisitions and takeovers;
- The right to information;
- Building sustainable communities that depend on the energy industry; and
- Access to safe, affordable energy and environmental care.

8.2 An Important Role for the ILO – Promoting Social Dialogue

At a Tripartite ILO Meeting on the Oil and Gas Sector held in February this year the challenges of promoting good industrial relations was discussed. Given the ILO system of consensus seeking, the meeting could be best described as a qualified success. On the one hand, all our concerns about workers rights expressed at previous meetings remain outstanding issues in the sector. Governments that historically opposed trade unions still continue to do so in collaboration with certain multinationals. Instances where the right to organise and bargain are enshrined in countries constitutions and laws, employer and often government actions are aimed at undermining these rights.

The meeting agreed that the ILO's core standards lay the foundation for decent work around the world and are an important element in improving industrial relations. The importance of voluntary global agreements and codes of good practice was emphasised. Workers should not learn about corporate strategy through the mass media. Clear communications strategies must be developed during mergers and acquisitions. Corporate restructuring should be managed through social dialogue and workers' rights and interests must be protected.

Health and safety should not be compromised. When work is sub-contracted the principle employer has obligations including legal responsibility for health and safety. Workers, engaging in social dialogue at whatever level or whatever their qualifications and responsibilities, should be protected from victimization. In order to promote greater understanding and respect for workers rights and promote social dialogue within the sector

globally, the ILO should collect and disseminate examples of good industrial relations practices and explore mechanisms to strengthen understanding of and support for all the principles of the United Nation's Global Compact in the sector.

9. THE ICEM SOCIAL ENERGY POLICY

9.1 Setting a Union Agenda for Energy Restructuring

To provide practical alternatives to restructuring and privatisation of energy, the last World Conference in Cork developed a Social Energy Policy Framework that aimed to assist and guide our affiliates in their responses. The framework consists of a set of eight key principles.

(i) Democratic basis for national energy policy options

Based on experience in a number of countries, the ICEM and its affiliates are against savage full-scale privatisation, which leads to job losses, declining social standards, attacks on trade unions and higher prices for small consumers.

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

In situations where capital is not available for investments needed to satisfy growing energy demand or upgrade existing facilities, the partial involvement of private capital can be acceptable. In these cases, governments must define framework conditions in such a way that private investors are required to recognise trade union rights, maintain a high level of employment and safeguard collective bargaining, health and safety standards, social benefits, training and retraining. These items should be confirmed through agreements between the unions and new owners. These principles should apply also in the case of take-overs and mergers between private companies.

A Social Solidarity Fund should be established to cushion the effects of job losses arising from any restructuring and privatisation. The fund should be financed through either setting aside a percentage of the proceeds from the sale in the case of full privatisation or a levy on turnover or both. This Fund should be used for amongst others, training and retraining of workers who loose their jobs in skills required elsewhere in the enterprise or in other sectors of the economy.

(ii) Public enterprises must be developed

Unions cannot defend public services that are corrupt and ineffective. To survive in the new environment, public enterprises must be efficient and an agent for social development. Developing and modernising them is in the best interests of workers and society. A number of ICEM-affiliated unions have already been engaged in successful projects. Developing human resources by training and retraining, and enhancing technical and managerial capacity, are an essential part of such projects.

(iii) Unions must be involved and consulted

Trade unions and other interest groups must be involved in all phases of the restructuring process, and represented in planning and regulatory bodies. Transparent and effective consultation is vital when formulating national and international energy policies as well as regulatory frameworks.

There should be strong democratic control of regulatory bodies. Unions and communities should have representation on regulators.

(iv) Deregulation requires strong regulation

Strong regulatory frameworks are essential to ensure democratic control over this strategic sector, instead of leaving it to multinational energy companies. Before any structural changes are introduced, a proper regulatory framework, based on national energy policies, must be established. Regulation is a broad concept. Experience shows already that liberalised markets require in fact very detailed rules to avoid distortions and social and environmental dumping. A strong regulator who is subject to democratic control must have effective means to monitor the markets and to order changes when deemed necessary.

(v) Public service obligations for all players

Trade unions must work together with community and consumer groups to put pressure on governments to ensure that the regulatory framework covers a series of public service obligations:

- obligation to supply (universal service)
- security of supply
- equality of consumers
- fair pricing mechanisms (including equalised tariffs or targeted assistance for the poor)
- environmental norms and safety standards
- quality and regularity of service.

These obligations must apply to all companies in the market – public or private.

(vi) National collective bargaining structures must be strengthened

Within each country, meanwhile, a national agreement that covers all possible existing and new entrants to the market is the best basis for limiting threats of social dumping. Agreements should, whenever possible, also cover contract workers, limit their use and make their wages and conditions comparable to those of the permanent workforce. Organising workers becomes even more important as new companies are emerging on the energy markets and outsourcing is increasing.

(vii) Rules to prevent social dumping

As new players emerge in the market, regulation must provide for a level playing field as regards employment, sufficient manning levels, health and safety standards, training and qualifications of staff. Laws, regulations and collective agreements are all possible means of creating this level playing field and preventing social dumping.

(viii) Need for cross-border rules

Minimum social standards, harmonisation and union involvement must be guaranteed in the trade structures/commissions that are driving policy. The ICEM and its affiliated unions think that without a balanced approach to transposing social standards into national legislation, there is a clear threat of job losses, declining social standards, growing inequality between consumers, loss of investment, and deteriorating environmental protection.

Several affiliates in Latin America, Africa, Asia-Pacific and Central and Eastern Europe have incorporated these principles into their own national energy policy and have used these as a basis for lobbying parliamentarians and government ministers in the process of new energy policy formulation.

9.2 Action for Social Energy

9.2.1 Pursuing Global Agreements with Energy Multinationals

The ICEM at its 1999 World Congress in South Africa, adopted a strategy to pursue, with multinational companies, Global Agreements that have as their cornerstone these ILO Conventions and other “best practice” principles that aim to ensure respect for human, labour and environmental rights by the company’s operations throughout the globe.

Global agreements provide a practical vehicle for a bilateral approach to implementing and monitoring application of these standards. These agreements are not intended to replace our affiliates’ existing bargaining arrangements but to extend and reinforce the work of the ICEM’s affiliates to organise and to improve industrial relations and employment conditions within the multinational.

The point of departure with such global agreements is the company’s agreement to apply the ILO core labour conventions: on basic trade union rights; to organise and to bargain collectively; against child labour, bonded or forced labour; on equality of opportunity and treatment in employment; on fair payment of wages and benefits according to good industry standards.

Companies signing such agreements commit and are required to ensure that their global operations, even where the local law does not require them to, abide by such strict standards. They also allow workers to monitor the companies’ practices and to correct abuses. This requires that workers covered by such agreements be trained in the terms of the agreement and in how to enforce it.

The unions involved help to ensure that the company’s global spread does not mean that it can apply different standards. Corporate management obtains a stable framework for its global employee relations and an early warning system in case of problems. It also gains from public approval of its ethical performance.

Violations may be taken up by ICEM affiliates individually or through the engagement team. An annual review meeting takes place to check progress and to discuss general questions relating to the company’s industrial and financial performance. The aim is to ensure consistently high standards worldwide by securing the right of the ICEM and its member unions to monitor companies’ global performance on these and other issues, and to raise any alleged breaches of the agreements with corporate headquarters management. This is the crucial difference between global agreements and companies’ own codes of conduct.

The agreement with the Norwegian-headquartered oil company, Statoil, was regarded as “ground-breaking” and has already undergone a review. In response to a strike by our Nigerian affiliate, Pengassan, in February, the ICEM brought together the union and management and a process was agreed to resolve the key grievances.

In January this year a Protocol Agreement between ICEM, our Spanish affiliates, FIA-UGT and FM-CCOO and Endesa was signed. This agreement will be a forerunner towards a full global agreement with the company that employs approximately 30 000 workers worldwide.

The agreement commits the parties to ensure respect and compliance with international labour standards in the company globally. It also provides for a company-sponsored annual global council meeting between senior management and ICEM representatives from the company's global operations to discuss employment issues; general industrial relation matters; health and safety and a global code of conduct for Endesa. There is an agreement in principle to organise an inaugural global meeting of ICEM leadership in Endesa operations.

The agreement is already put to the test particularly by our Latin American affiliates in Brazil and Peru currently involved in disputes with local management on high fatality rates and victimisation of union leaders.

9.2.2 Building a Worldwide Web of Union Networks

A global energy industry requires a global trade union response. New membership recruitment by energy industry unions is a major priority. A stronger united union movement is a prerequisite if our voices are to be heard. All unions with members at a given multinational corporation should make the joint commitment that unorganised workers will be organised, no matter in what country they may live.

The ICEM will continue to support its affiliated energy unions in their action worldwide. Achieving and implementing global agreements requires worldwide networks of unions within each multinational. The ICEM is actively building such networks in all its sectors, including energy.

Whilst a major part of our work has been in direct support of affiliate-based campaigns, we have spent for most part of this year actively building and servicing our seven functioning energy networks across our regions. To date we have established six functioning networks across our regions including an Inter-American Oil and Gas Network. Our Social Energy advocacy programme is a regular point of reference for the several energy affiliate-based networks the ICEM has established in Asia-Pacific, Latin America, North America, Africa, Central Europe and the Mediterranean. Such activities have also been opened up to potential affiliates and union-friendly organisations.

In addition to discussing and sharing information on global energy trends, our Social Energy Policy has become an important point of reference for debate and discussion amongst our affiliates. In our mostly southern hemisphere based networks the key issue affiliates are grappling with in one form or another is, not surprisingly, the restructuring and privatisation of state-owned electricity utilities. In most countries energy policy is often the reason for political mobilisation. New alliances between and amongst workers, communities and social movements are being forged to counter the negative effects of restructuring.

Latin America and the Caribbean

Our energy programme in Latin America is into its fourth year. The continent is reeling from the effects of full-blown liberalisation policies of the IMF and World Bank. The negative socio-economic effect of energy privatisation poses the biggest headache. The project has reached a strategic importance for the unions, providing a platform the exchange of experiences, information and providing alternative perspectives on the regional energy situation.

The crisis in Brazil, Argentina and Chile, emphasised the importance and the impact of the project in these countries, reaching great repercussion mainly in Brazil. The network coordinated solidarity action with our Argentine affiliate, FETERA, in a high-profile campaign against privatisation of the energy utility. In the state of Cordoba, this campaign was

successful in mobilising public support to keep the state utility in public hands. Our affiliates in Paraguay and Peru have been active in the anti-privatisation campaigns.

This network has also embarked on an education programme including training seminars and the publication of popular education material to build the capacity of affiliate leadership to respond to the challenges of energy restructuring.

Asia Pacific

A new Oil and Gas Network was established in Asia Pacific and resolved to promote greater cooperation amongst affiliates in the same multinational oil company. In addition, support for a global shop stewards network in Shell was agreed.

In the Electric Power Network, an important regional consensus was adopted as a basis for united action amongst our affiliates.

Unions emphasise the strategic role of the energy industries in promoting economic development, eliminating poverty and promoting quality of life and well being for citizens, particularly those in least developed countries. In Nepal this year, the ICEM and the National Trade Union Federation, Gefont facilitated a process uniting public sector unions into a common programme to fight unilateral restructuring and privatisation of state-owned utilities.

Our affiliates argue strongly in the centrality of government in the development, promotion and regulation of the energy industry and the provision of equitable access to electricity for all citizens – either through state-owned and public enterprises, through public private partnerships or through the establishment of strong national regulatory frameworks.

However, a key challenge in most countries is finding ways in which energy services can be accessible, affordable and socially and environmentally sustainable. The way in which energy policy is developed and implemented in a specific country depends in its domestic circumstances – history of industrialization, political and constitutional model, geography, demographics etc. Strategies in the AP region also need to consider the specific circumstances small island countries that will find it difficult to attract the same level of investments (public and private) than other countries.

There is enormous pressure on our unions to keep up with the fast pace of restructuring whilst still having to deal with normal day-to-day workload representing workers, defending jobs and improving quality of life for workers. Our challenge to organise and unite workers remains key, as there are uneven levels of union organisation - from 5% to 90% of total workforce.

Difficulties in organising contractors and other vulnerable sections of the workforce remains an important challenge. In addition, unions have to respond to management's union-busting tactics that undermine union organisation using a variety of ways e.g. promotion of union members into management positions and transfer of elected leaders away from their constituencies.

A key problem for trade unions, is the legal limitation and or prohibition of the right of workers to strike for political, socio-economic reasons and in disputes around rights and interests by the declaration of energy industries in whole or part as essential services – thus making industrial action illegal and therefore punishable. The extreme case of the jailed Korean electricity workers required a response from our Network. Subsequent to this, a

demonstration was held outside the Korean Embassy and a petition signed by all network members was passed on to government officials.

Affiliates also recognised the need for bilateral, regional and global co-operation and solidarity to respond to changes and meet needs of our members. In this context, the role of the network becomes extremely important. Our thanks must go to our Japanese affiliate, Denryoku Soren and JAF for continuing to provide back up and support for the network.

Africa

The Southern African Electric Power Network (SAEN) has already had two meetings. The key areas of focus of the network is the revitalising and building a strong functioning structure in the context of increased cross border nature of the electricity supply industry and the strong push for privatisation of the state-owned utilities. The advent of the New Partnership for African Development (NEPAD) provides the ICEM with a strategic opportunity to push for greater involvement in the development of the continent's energy industry in line with our policy. The Network must also establish a relationship with NEPAD. In this context, the debate of establishing an Africa Energy Commission must involve the ICEM and labour must be represented in its structures.

Building strong active ICEM affiliates in the network is a key priority. Affiliates at the meeting agreed to work towards sharing with each other terms and conditions of employment applicable in each country in order to make comparisons and work towards possible harmonisation. Unions must begin serious internal discussions on how they want to remain relevant, strong and united. Whilst this is an internal policy matter, the role of the network in implementing achievable goals is crucial in building strong members. Our South African affiliate, the NUM will act as the co-coordinator of the SAEN until the next meeting.

In response to reports received on the continental operations of the SA utility, ESKOM, it was agreed that the ICEM should pursue a global agreement with the company in order to ensure that fundamental worker rights in host countries are respected and the company executes it's social responsibilities in line with its "Embracing Sustainable Development" policy.

The Balkans and South East Mediterranean Network

A key issue for the network has been at the basic level of providing physical and moral support for members against privatisation of their energy utilities. Governments, particularly in Romania, Bosnia and Serbia, in their quest to appease the EU have been rushing to liberalise the markets and in the process have no coherent restructuring policy and programme in place.

An important role of the network has been to build unity and solidarity amongst members. This is a remarkable achievement given the recent wars and the massive political transition taking place in the region.

ICEM training programmes for energy unions in our networks provide practical tools to campaign and defend the interests of workers in the restructuring process. The ICEM will help to build and reinforce strong national union structures, which are indispensable if the unions are to safeguard the interests of workers and their families.

9.2.3 Support for Local Initiatives

Given the pace of energy reforms, there has been a high level of demand for policy advice and support from our affiliates.

Our affiliates have been actively involved in campaigns and have kept the Secretariat abreast of industrial restructuring initiatives taking place in their countries. Support has been provided at all times. We have witnessed militant action in Romania, India, Bulgaria, South Africa and Korea against unilateral restructuring of state-owned enterprises. In addition, our affiliates in Serbia, Canada, US, Argentina and in the EU countries are actively involved in pursuing the creation of better national legal frameworks and regulatory structures for democratic control of state-owned energy enterprises.

We encourage affiliates to share more of the policy and campaign work at global and regional level. This approach provides us with an opportunity to share such experiences and best practice amongst affiliates, coordinate solidarity support and publicise actions globally.

In the Latin America & Caribbean and the Asia-Pacific Regions, our affiliates have participated in extensive research into energy reforms and policy proposals. The Latin America Office presented its policy proposals at the recent World Social Forum. In Southern Africa, our affiliates have been monitoring and engaging actively the developments within the Southern Africa Power Pool.

10. CONCLUSION

Recently, at both the World Economic Forum in New York and the World Social Forum in Porto Allegro, the Director General of the ILO announced the establishment of a tripartite commission to explore how globalisation of world trade can better serve the needs of workers. This project can represent a step forward in protecting workers and advancing workers interests in the currently unbalanced global economy.

It provides the labour movement with another opportunity to make advances in the field of trade union rights and promoting good industrial relations. We must develop and strengthen our capacity to enforce our rights and advance the gains made nationally and globally. The key challenge is to build our power to enforce the good standards we work tirelessly for and on behalf of those whom we serve. To meet this challenge, unions must ensure that workers know and understand their rights.

Given the current state of the balance of political forces on this planet, it is therefore, most unlikely that our corporate global citizens will voluntarily curb their own practices, through self-regulation. It therefore becomes important that the trade unions and social movements across the globe provide the necessary counter balance in this rapidly changing world.

The call to “think globally and act locally” is in these times more urgent and relevant than before in pursuit of the noble cause of human solidarity. For the ICEM, promoting good jobs, good industrial relations in sustainable industries, is both a terrain of struggle and an area of co-operation. We must ensure that we are in a constant state of readiness for either scenario.