



# A TALE OF TWO CITIES

LESSONS FROM STEEL TRANSITIONS IN THE EU

ERCST - MANAGING A SUSTAINABLE TRANSITION TO A LOW CARBON ECONOMY.

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SANJEEV KUMAR

+32 499 539731

[sanjeev@changepartnership.org](mailto:sanjeev@changepartnership.org)





## KEY LESSONS



STIMULUS FOR  
CHANGE

Point of no return

PSYCHOLOGY  
OF CHANGE

Depression

Denial

Anger

Bargaining

CHANGE  
PROCESS

Acceptance

Ownership

Vision

Planning

Staying the course

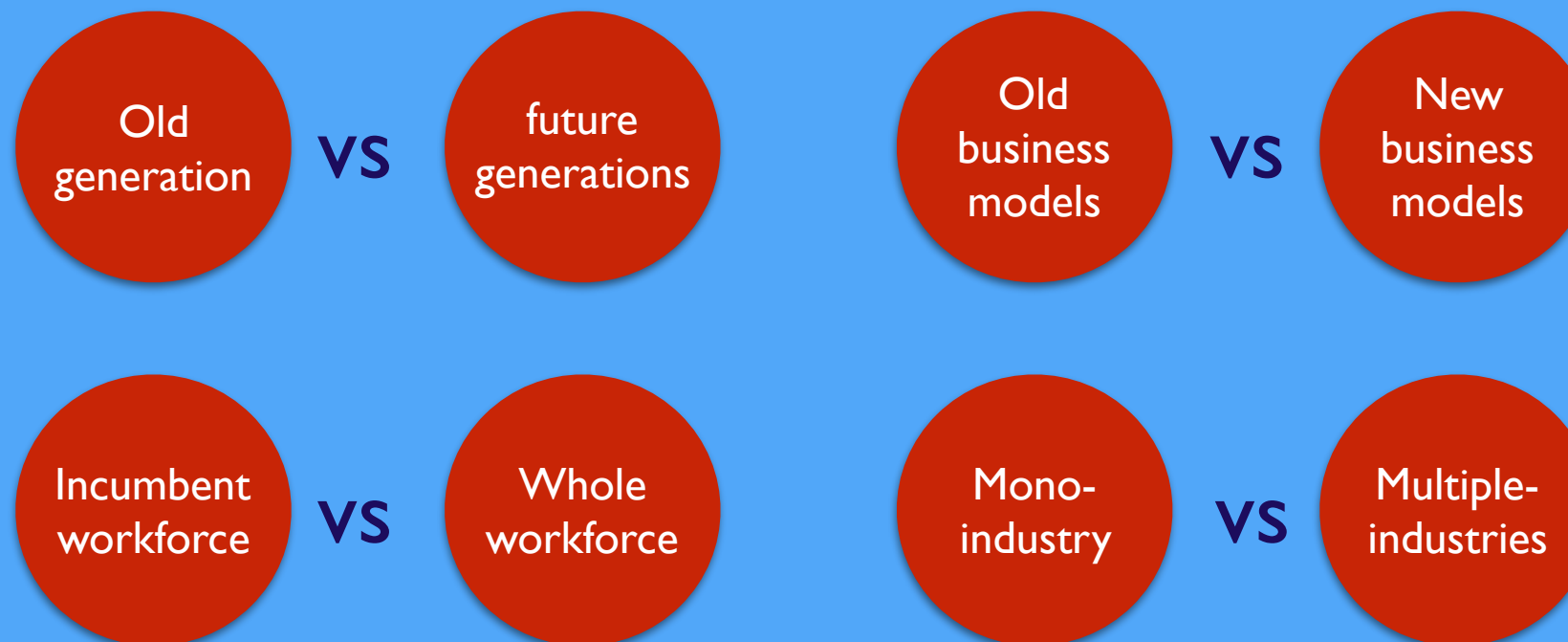
Continuous adjustment

# Political economy of transition

## Ownership and accountability for change



## Trade offs





# WARNING: THE COST OF NO TRANSITION FRAMEWORK

## ANINOASA TOWN- THE BENCHMARK FOR SUCCESSFUL TRANSITION



# ANINOASA: EUROPE'S DETROIT

- The Jiu Valley was home to a cluster of mining towns which employed about 50,000 workers in 1989. By 2016 this had fallen to 4,700. The mines were unprofitable and part of a long-term World Bank restructuring programme and part of the EU's State Aid regime.
- Aninoasa was a tiny mono-town dominated by the coal mining industry. In 2013 it became the first town to declare bankruptcy after the coal mine was closed in 2007 and the local government ran out of money to pay utility bills. Public lighting was cut off for a few months. Most of the young population has left leaving behind pensioners living off their state pensions of €100-€150 per month. This is the only source of income for the town.
- To date, there is no regional plan for regeneration. Given its geographical isolation and lack of transport infrastructure, a ceiling awaits for this town which dates as far back as 1453.





# TAKING OWNERSHIP OF THE PROBLEM AND SOLUTION:

## BILBAO - THE BENCHMARK FOR SUCCESSFUL TRANSITION







Bilbao before and after



# BIBLICAL CRISIS

- Bilbao is key fishing town dating from 1300s. During the Franco regime, massive steel works and shipbuilding facilities were created there which were considerably uneconomic when Spain became a democracy.
- Violent clashes with steel and shipbuilding workers who resisted restructuring. The Basque Country government was also pushing for independence from Spain but was also able to spend all the money it collected in tax in the region. This was maintained to keep it part of Spain.
- The river that runs through the city was one of the most polluted in the country yet the centre of the steel industry, the largest employer. The narrowness of the river limited the economic opportunities for steel making as well as making the city one of the dirtiest in Europe.
- A massive flood destroyed the city in 1983, killing 30+ people and crippling many ancient landmarks.



- In the 1980s the local government started working on a visionary plan to rebuild the city. A deal was made with the Spanish government to help relocate the steel works closer to the mouth of the river whilst the city would pay for all of its regeneration.
- The pillars of the new regional approach were:
  - i) *Strategic Plan for the Revitalisation of Metropolitan Bilbao*
  - ii) Bilbao Metr poli-30 to manage delivery of the plan
  - iii) *Bilbao R a 2000*, a limited liability public company to implement the plan
- The Mayor built a political consensus with all parties to ensure they stuck to the plan which involved redeveloping public land and selling it for major new activities. This was managed by the Bilbao R a 2000 company.
- All profits made from land sales were used to finance the remainder of the plan. The public was invited to contribute to planning as well as holding all regional politicians and the Bilbao R a 2000 company accountable for project delivery.



- The plan centred on restructuring the city to capture tourist and service industries. Key was getting Guggenheim Museum designed by the architect Frank Gehry in 1997. It attracts 800,000 non-Basque visitors a year compared with less than 100,000 beforehand. Importantly, 90% of local inhabitants were against the project until it was built.
- Industrial jobs declined from 48% in 1975, to 28% by 1996, and 22% by 2005. However total number of number of jobs grew from 267,000 in 1995 to 380,000 in 2005 bringing down the once crippling unemployment rate.
- Per capita GDP was €26,225 in 2005 compared to €11,000 in 1980, before the city was restructured.





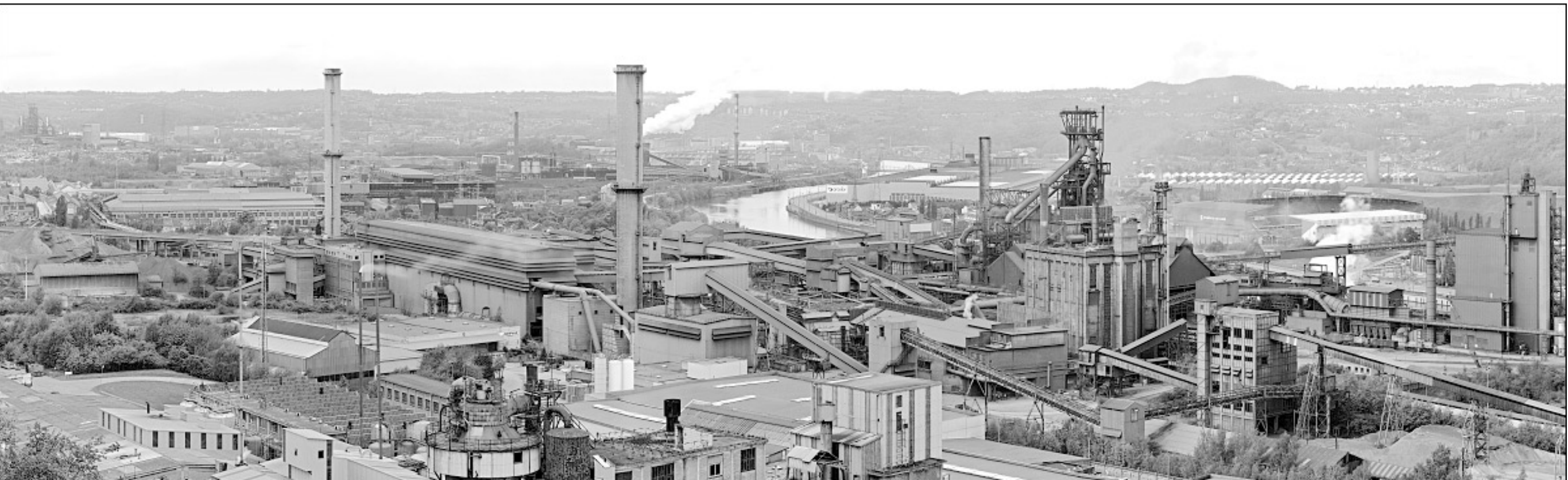
# LACKING UNDERSTANDING, VISION AND SOLUTIONS:

## LIEGE - HOW POLITICAL CAPTURE DISTORTS DEVELOPMENT





- The Seraing steel plant was opened in 1809 along the banks of the River Meuse using John Cockerill's coal blast furnace instead of charcoal. The steel industry was the major source of income for the Walloon regional government.
- **1980s economic crisis:** Steel production was reduced to flats and cold-rolling and various companies consolidated into Cockerill-Sambre group in 1981. In 1998 the Walloon Government brought a 79% stake in the company. The company was sold to the French steel company Usinor. Usinor merged with three other companies to create Arcelor in 2003. Arcelor merged with Mittal in 2006 to create ArcelorMittal.





- **2003 Re-orientation** - Dollé announced closure of 6 smelters and investment would shift towards production on coastal regions to maximise profits from exports to Asia. The rationale was based on over-capacity, trade barrier disputes with the US and the rise of Asian steel production in terms of quantity, quality and price, Arcelor earned a quarter of its revenue outside the EU at that time. Facilities started to close in 2011.
- The Walloon Regional government commissioned two reports on the Belgian steel industry by Laplace and Syndex. Syndex estimated steel industry was viable with €600 million short-term investment and a new distribution network installed. Trade unions presented a plan on the basis of these two reports to create an independent and state-owned company but ArcelorMittal refused to sell their plant.
- Regional regeneration focused on diversifying customer base for steel - arms, aviation, spacecraft propulsion, and new sectors such as biotechnology, ICT, beer (Jupiler) and chocolate (Galler).

- **Federal government perspective:** Devolved issue to the regional government.
- **Regional government perspective:** Initially wanted to nationalise the company but accepted it would be too costly so opted for privatisation. Main objective was to support steel production rather than build a vision for regional transition.
- **Trade Union perspective:** Wanted to state to subsidise production and wait for general recovery of the sector even though car industry was closing down and steel was not competitive on international export markets. Many parties blamed trade unions hostility for lack of constructive dialogue.



Further reading at

[www.changepartnership.org/campaigns/campaignsjusttransition/](http://www.changepartnership.org/campaigns/campaignsjusttransition/)



### The new social contract: Implementing a 'Just Transition'

Unlocking the politics of climate change.

changepartnership.org

Climate change is as much an economic restructuring dilemma as it is an environmental catastrophe. Effective solutions are based on a balancing act between systemically deconstructing fossil fuels whilst building clean and sustainable regions and ensuring no one is left behind in the transition. For this to happen, a new *social contract* is required between polluters, victims of the pollution, future generations and the regions in which they are located ensuring that the needed transition happens in a civil and just way to avoid a violent break with past ways of living.

Change Partnership, with the Foundation for European Progressive Studies (FEPS), launched their report on the New Social Contract: A Just Transition on 28th September, 2016. For further information click on images below to access the slide deck, report and Vice-President Šefčovič's speech.

