

July 2021

EUsalt - The European Salt Producers' Association<sup>1</sup> - calls on policy makers to recognise the important role of the salt sector within the European Economy and its efforts to contribute to the EU's energy transition. The draft CEEAG does not include the salt sector in the list of sectors eligible for certain aid in the form of reductions from electricity levies according to 4.11. Therefore, EUsalt members request that the EC reconsiders the salt sector's eligibility to the list of eligible sectors to support the industry towards climate neutrality and avoid negative impacts on production and jobs. The salt industry wishes to be a key player within the transition to a competitive low-carbon economy, and fully supports the efforts made by the EU to reduce emissions and preserve our environment. Preventing climate change is a priority for European salt producers all while safeguarding the European industry's competitiveness. Therefore, ***EUsalt members request to the European Commission (EC) and Member States (MS):***

- ***EUsalt members request that the EC reconsiders the salt sector's eligibility to list of eligible sectors to support the industry towards climate neutrality and avoid negative impacts on production and jobs.***
- ***Since NACE code level assessments do not consider the energy-intensive subsector of vacuum salt and there is no disaggregated PRODCOM level, EUsalt members ask for a qualitative assessment.***
- ***The criteria/thresholds should be more flexible to allow sectors that are obviously at a significant competitive disadvantage and risk of relocation inside and outside the EU like the salt sector, to be eligible. With a change in the data period being assessed to 2017 - 2019. The EC should also make the assessment and methodology used transparent as soon as possible to allow stakeholders to substantially contribute to the consultation.***

#### **A multifaceted Salt sector not considered by NACE code assessments**

The European Commission's (EC's) assessment of the salt sector results from a NACE code assessment, however, these do not consider the **multifaceted and energy intensive nature of the salt sector**. The salt sector is composed of three production methods: solar evaporation (solar salt), rock salt mining (rock salt) and solution mining (vacuum salt). These types heavily differ by the energetic processes and the quality/purity of the salt needed for certain uses. E.g. vacuum salt is highly energy intensive and provides highly purified salt for special uses in the chemical sector, the medical and pharmaceutical industry (e.g. used for Covid-19-vaccines).

Vacuum salt refers to the high-quality, crystalized salt produced by employing solution mining, brine purification and evaporation technology. Furthermore, to produce vacuum salt, **two technologies** can be used, such as the **Mechanical Vapour Recompression technology (MVR)** which is an electricity-driven technology and **Multi-Effect Evaporation technology (MEE)**, a heat-driven technology. Producing vacuum salt is the most **energy intensive part of the salt sector**, i.e. the subsector which would contribute to the EC's Green Deal targets to make the EU Climate neutral by 2050 by being on the list of the CEEAG.

Therefore, in the case of the salt sector, by basing its calculations and identifying the sector at NACE-code level, the EC's **calculations do not reflect the reality of the salt sector**. Throughout previous assessments, EUsalt and other sectors have raised this issue that NACE-code level assessments bring about such an issue and this was also flagged during the ETS assessment process. No disaggregated PRODCOM level is available for Vacuum salt. ***EUsalt members, thus call on the EC***

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<sup>1</sup> EUsalt is a European industry association, which has been acting on behalf of the interests of salt producers located across Europe and beyond. Our Association acts as an informative platform and facilitator for exchange, providing information to salt producers, as well as interested parties outside the salt industry. We aim to be the authoritative voice of the salt industry in Europe in advocacy and to educate and communicate the values and benefits of salt as an essential building block for the chemical industry, the energy sector and as a vital mineral for health, safety and nutrition. More information available [HERE](#).

*to acknowledge the possible misrepresentation of the sector by a NACE code assessment and consider the special case of Vacuum salt production and its need to be on the list for the CEEAG.*

### Salt industry's relevance under the CEEAG: Need for flexible assessments of the list of sectors eligible for the CEEAG

The published draft CEEAG does not include further explanations, assessments, data and methodological justifications. ***The EC should make this information transparent as soon as possible to allow stakeholders to substantially contribute to the consultation.*** The CEEAG thresholds relevant for the sector list of Annex 1 are:

- **trade intensity > 20 % or > 80 % & electro intensity > 10 % or > 7 %**

The Salt sector is included in the EU ETS carbon leakage list<sup>2</sup>, the German EEAG sector list and the German national carbon leakage list, amongst others. In different European Member States, such as Germany with its Renewable Energy Law, the salt sector is granted a reduction from additional electricity levies. This levy is an additional cost on the electricity price to finance the transition to renewable energies in Germany. The levy and the reduction are a significant financial factor for the concerned salt installations. ***The elimination of the eligibility for the reduction would have a huge negative impact on the profitability of the concerned installations and would risk site closures and job losses.*** That's why the EC already allowed in the context of the EU ETS carbon leakage list that the salt sector provides a separate (ecofys, Navigant) assessment to adequately cover the vacuum salt sector that is subject to the ETS and other energy related regulations.

Therefore, as an alternative to the NACE code analysis, EUsalt members suggest that the EC allows additional sector specific (qualitative and quantitative) assessments to cover and assess the salt sector adequately in the context of the CEEAG. ***The criteria/thresholds should be more flexible to allow sectors, that are obviously at a significant competitive disadvantage and risk of relocation inside and outside the EU like the salt sector, to be eligible.***

### Understanding the European salt sector and the support needed for further electrification

The production of vacuum salt is highly energy- and electro-intensive to achieve the high purity of salt needed for certain uses (industry, chemical, medical, pharmaceutical). The electro-intensity and the demand for electricity will significantly increase in the future due to the further electrification of processes and due to the electrification of the underground vehicles and machineries in salt mining which is necessary to comply with newly introduced occupational exposure limits for diesel (particular DEE) and nitrogen (NOx) in the context of the EU carcinogens and EU chemical agents directives. The required further electrification is only possible if cost-efficiency and competitiveness of the concerned salt installations are ensured. Therefore, the reduction of additional costs, like levies on the electricity price to finance renewable energy, is absolutely necessary. Moreover, if the profitability of European salt mines is at risk and production would decrease, salt imports would increase with a worse ecological and climate footprint due to transport emissions.

If not on the list, the additional energy related costs will be felt by the salt industry's downstream users and ***hinder the international competitiveness of the European salt industry and its downstream users.*** Profit margins in salt production are low and higher costs cannot be transferred. Although the economic value of the salt sector to its European downstream users is great, at the same time, it is also under grave competitive constraints due to energy costs. The salt sector finds itself in an impossibility to maintain a competitive economic activity without deducting decarbonisation efforts from the price of the final good. European salt enables a rapid distribution to its end users due to proximity which limits transport costs and the negative environmental impacts these have. Transport costs are higher than the price of

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<sup>2</sup> To demonstrate its eligibility to be on the preliminary Carbon Leakage List for Phase 4 of the EU Emissions Trading System (2021-2030), EUsalt with the help from Ecofys, a Navigant Company, carried out a qualitative assessment on the subsector Vacuum salt, which was done according to the criteria outlined in Article 10b paragraph 2 of the revised Directive (three pillars: abatement potential, market characteristics and profit margins) and based on external verified and audited data.

the final good, therefore without this proximity aspect, the price of salt would skyrocket, which would be damaging for downstream users, particularly the chemical industry. With no substitute products available, if salt becomes too expensive, downstream producers may shutdown their chemical plants, as they experience escalating energy costs and green taxes, and import finished goods.

Moreover, without the CEEAG, the risk that other regions will increase salt exports to the EU are considerable. In recent years, international trade in salt has increased, helped by historically low dry bulk shipping costs and putting local European producers under pressure. Imports for salt are robust and it is easy to access large volumes of non-European substitutes for vacuum salt from outside the EU. High-quality salt requirements from the chemical industry will remain. Thus, increasing the emissions and negative environmental impact due to an increased use of delivery routes. ***In today's world, where the international trading system and multilateralism are at risk, we cannot risk depending on others for such a vital and necessary good to our industries and our population.***

With rising production costs, with modest increases in overall demand within the EU, with a salt sector at full capacity, with low investments compared to other regions and with a fragile trade balance, importing salt into the European Union is an economically viable decision, with many countries ready to penetrate the market. There is a real possibility of not only salt but also chemical goods or finished products being imported.

### **Salt: an essential raw material crucial to reinforce Europe's industrial and strategic autonomy<sup>3</sup>**

The salt industry plays an important role in Europe as a competitive actor and employer, which ***not only contributes to European economic growth and job creation, but also produce a vital and necessary good to European industries and the European population.*** With multiple applications, salt is an essential raw material for a long chain of transformation in the chemical industry. In the past, due to competitive pressures, many efforts have been made by the salt sector to increase energy efficiency, with MVR considered the best available technology within the sector. Therefore, we look forward to working with the EC in ensuring that the State aid rules will be revised to reflect those policy objectives, to support a cost-effective and just transition to climate neutrality, and to facilitate the phasing out of fossil fuels, in particular those that are most polluting, while at the same time ensuring a level-playing field in the internal market. It is necessary that the EC amends the draft CEEAG to allow the salt sector to qualify for the list of eligible sectors to avoid negative impacts on European production and jobs.

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<sup>3</sup> Pharmaceuticals Strategy adopted in November 2020, action plan on critical raw materials presented in September 2020, or action plan on synergies between civil, defence and space industries, adopted in February 2021.