

European Commission
Directorate-General for Competition
State Aid Registry
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Contribution of Cerame-Unie to the public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

Thank you for the opportunity to comment on the draft CEEAG. Cerame-Unie is a business association representing the interests of the European ceramic industry. Our membership is drawn from the national ceramics associations and companies across Europe with whom we work to provide solutions to challenges affecting the industry in Europe and globally.

In all sub-sectors we represent, electricity is an important source of energy and will play a central role for the decarbonisation of production processes to fulfil the ambitious emission reduction targets set by the EU. To give an example, the electricity consumption of the German brick and roof tile industry will triple from 0.5 TWh in 2020 to 1.4 TWh in 2050¹. We expect a shift to renewable electricity of similar magnitude in other ceramic sectors as well. These efforts are put at risk by the revised CEEAG because many ceramic sectors were removed from the eligibility list under section 4.11 (Annex 1). The sectors concerned are:

Manufacture of bricks, tiles and construction products, in baked clay (NACE 2332)

Manufacture of ceramic sanitary fixtures (NACE 2342)

Manufacture of other ceramic products (NACE 2349)

Manufacture of other non-metallic mineral products (NACE 2399) which contains a sub-code for expanded clay

The exclusion of these sectors would cause massive cost disadvantages and hamper the ability of companies to transition towards carbon-neutral production processes. Therefore, the changes to the list of eligible sectors would not only deteriorate industry competitiveness but also run counter the climate policy objectives set by the EU.

Moreover, the exclusion of these sectors will result in the relocation of manufacturing and investments thereby undermining the EU's autonomy in relation to products and materials that are essential for the Green Deal, notably in the context of the Renovation Wave. As an illustration, a wide range of products covered by codes 23.32 comply with the technical screening criteria for energy efficiency of buildings under the Taxonomy Delegated Act on sustainable finance. Other products can contribute to water and energy efficiency (sanitaryware) or to the production of hydrogen (technical ceramics), etc.

At the same time, we believe that there are several major shortcomings in the methodology underpinning the calculations which undermine the validity, robustness, and fairness of the list. See below for several crucial issues we have identified².

For these reasons **we strongly believe that the revised CEEAG and notably the list in Annex 1 is a step in the wrong direction and suggest keeping in place the current eligibility list (Annex 3 of the current energy state aid guidelines).**

¹ See "Roadmap for a greenhouse gas neutral brick and roof tile industry in Germany" (2021). The English summary can be found [here](#), the full version (in German) [here](#).

² With „methodology“ we refer to the explanatory note on sector eligibility under section 4.11 of CEEAG published by the European Commission here: https://ec.europa.eu/competition-policy/system/files/2021-07/CEEAG_explanatory_note_sector_eligibility_under_section_4.11.pdf

In addition to our concerns related to the exclusion of ceramic industry sectors, we would also like to point to another issue related to section 4.11. The proposal only provides for reductions of energy cost in the case where the financing of renewable energies has been implemented through levies on electricity bills. This does not reflect the diversity of the financing measures used in the different MS: in some cases, these energy policies have been financed through taxes or levies, while on other occasions they have been financed through other types of instruments, such as the creation of funds to which certain obligated parties must make contributions. **Therefore, the proposal would create competitive disadvantages between companies in the same sector located in different Member states.** It is imperative that, regardless of the system chosen by each MS to finance support for renewable generation, all sectors or companies that meet the eligibility criteria set out in the Guidelines shall be able to access aids under the same conditions throughout the EU.

Lastly, we request that in case the entry into force of the CEEAG on 1 January 2022 conflicts with any deadlines for Member States stemming from the current guidelines, the date of entry into force is subordinate to the existing deadlines.

List of issues concerning the methodology and calculation of trade exposure and electro intensities:

- **Use of EU-28 data.** We understand that in the methodology used for the calculation of the sector-specific electro intensities and trade exposures, data was used for the former EU-28 including the UK. We believe that using EU-28 data instead of the EU-27 data seriously undermines the credibility of the values. This is obvious for trade exposure since all trade flows between the UK and the EU-27 were not accounted for in the calculation, causing the values to be too low. For electro intensity as well, including the UK can lead to significant differences in the results depending on the importance of production in the UK.
- **Use of outdated data.** The period considered for the calculation of electricity and trade intensity dates back as far as 8 years (2013-2015). We are convinced that the use of such outdated data is not in line with the obligations under the Better Regulation Guidelines. For many sectors, including ours, today's realities concerning electricity prices, electricity consumption, carbon prices, and trade flows differ significantly from the situation of almost a decade ago.
- **Lack of a forward-looking assessment.** Instead of basing the evaluation of sectors' needs for state aid solely on an evaluation of historical data (even if not outdated), the Commission should also take future trends into account. It is obvious that the high decarbonisation ambitions and carbon price will lead to the electrification of many industrial production processes and hence drive-up electricity consumption (and possibly prices) in the future. Such clear trends cannot be ignored, given that the list will be valid for many years to come. Against this background, the Commission should consider including more sectors to the list. From the ceramic industry, household and ornamental articles (23.41), technical ceramic products (23.44), and other technical ceramic products (23.44) should be added to the list, when taking into account the sharp increases in electricity consumption expected for these sectors.
- **Formula used to determine trade exposure penalises sectors suffering from import competition.** The formula currently used for the calculation of sector specific trade intensity is: $(\text{export value} + \text{import value}) / (\text{turnover in the EU} + \text{import value})$. The effect of using this formula is that exports and imports are not treated equally (because imports are both in the numerator and the denominator while exports appear only in the numerator). So, if the value of exports increases by a certain amount, it brings up the trade exposure value more as if the import value went up by the same amount. Or, when exports of a sector go down, but imports increase by the same amount, the trade exposure value decreases. We believe that this is contrary to what "trade exposure" should be defined as.
- **Lack of a disaggregated PRODCOM level assessment.** For several sectors, such as expanded clay, the assessment at NACE 4 - level is not appropriate. Even though those sectors meet the requirements for

state aid when assessed individually at PRODCOM level or via qualitative assessment, they are still not on the list of eligible sectors because the average electricity and trade intensities of their corresponding NACE 4 codes are too low. Often it is due to the wide heterogeneity of the sector found under the NACE code.

- **Use of GVA as a profitability indicator.** Ceramics is a labour-intensive industry which provides 200 000 direct jobs in mostly small and medium sized enterprises. That is why the Gross Value Added (GVA) indicator, which is used as profitability indicator when calculating the electro-intensity, is unrepresentative for ceramic sectors as it includes labour costs. We believe Gross Operating Surplus (GOS) should be used. The GOS measures a sectors' profitability but doesn't include labour costs. It is also easily available on Eurostat. Considering that labour costs represent more than 50% (60% for bricks and tiles) of the GVA in ceramics, the use of GVA to assess the impact of energy costs on competitiveness is extremely inappropriate for ceramics, unless the intention of the regulator is to determine if a sector can absorb energy costs by reducing its work force.