

Eurima response to the European Commission public consultation on the proposed Climate, Energy and Environmental Aid Guidelines

Introduction

Eurima, representing Europe's mineral wool insulation manufacturers, welcomes the Commission's initiative to update the EU's state aid guidelines in the field of climate, energy and environment and to launch a broader debate on how EU competition policy can best support the implementation of the European Green Deal.

One area where the proposed guidelines have evolved considerably concerns aid in the form of reductions from electricity levies for energy-intensive users (Section 4.11). The proposed methodology applied to determine the eligibility of sectors for such aid is assessed based on the risk of relocation, which is determined through a two-fold calculation assessing the electro-intensity and trade intensity of the sector in question. **Annex I outlines the sectors that meet the proposed criteria, based on screening at NACE code level.**

The methodology embedded in the proposed guidelines diverges from the current one (2014-2020) as the threshold for trade intensity is doubled from 10% to 20%. Yet, a justification for such a steep increase has not been provided and it is unclear how competitiveness of EU industry during the energy transition will be impacted by excluding such a large number of energy-intensive sectors from eligibility for state aid.

Stone and Glass Mineral Wool: two products, one sector

Whilst the NACE code level is suitable for assessing economic activities that fall within a single homogeneous NACE code, it is not appropriate for activities that are grouped in a heterogeneous NACE code with other economic activities with large variances in terms of electro-intensity and/or trade intensity.

The mineral wool sector produces two main products, which span across two different NACE codes: 23.14 covering glass wool and 23.99 covering stone wool (amongst a range of other non-metallic mineral products). Whilst the former is included in Annex I of the draft guidelines, the latter does not meet the thresholds defined in the methodology due to the overall performance of the heterogeneous NACE code it is part of. **This differentiation seriously threatens to undermine fair competition in the mineral wool sector** which is dependent on increased electrification to decarbonise production and is not coherent with existing EU energy and climate legislation.

Glass and stone wool products are substitutable and the insulation market is highly price driven. Mineral wool is recognised as one sector in an array of EU regulatory instruments such as BREF, the Industrial Emissions Directive, European standards (EN 13 162, EN 14 303, EN 14 064) and the Emissions Trading Scheme (ETS), where one benchmark is used for the mineral wool sector as a whole. To avoid distortion of competition between activities that ultimately offer substitutable products, subsector evaluation at PRODCOM level should be permitted in case of heterogeneous NACE codes. Recognising the shortfalls of using heterogeneous NACE codes to define a sector's exposure to risks of carbon leakage, the Commission has already opted for this approach under the ETS

Directive¹. The same principle should be applied when assessing risk of relocation under the proposed State Aid Guidelines.

Trade- and electro-intensity of mineral wool

When assessed at PRODCOM level, both stone and glass wool meet the eligibility criteria outlined in Section 4.11.3.1 of the draft guidelines with respect to trade intensity and electro-intensity.

Trade intensity: Mineral wool products are worldwide traded commodities that face competition from global producers in the domestic EU market. Major producers outside of Europe are headquartered in China, Japan, Russia and the USA and recent years have seen a growth of imports to Europe from Asia and North America. The average trade intensity from 2012 to 2016 was 48% for PRODCOM code 23.99.10 (stone wool) and 63% for PRODCOM code 23.14.12 (glass wool).

Electro-intensity: In the mineral wool production process, electricity is an important energy source, and its share of total energy use is only set to grow as more plants opt for electrification to decarbonise the production process. During this transition, state aid will play a crucial role in helping European companies achieve their decarbonisation objectives whilst retaining competitiveness in global markets. The average electro-intensity from 2013 to 2015 for the mineral wool sector sits in the 20%-33% range, depending on what electricity price is used for Q2 2015 (incl. taxes & levies vs no taxes & levies). When assessed at sub-sector level, both PRODCOM code 23.99.10 (stone wool) and PRODCOM code 23.14.12 (glass wool) comfortably meet the 10% electro-intensity eligibility threshold, irrespective of which electricity price for Q2 2015 is used (incl. taxes & levies vs no taxes & levies).

Due to the sector's high trade and electro-intensity, Europe's mineral wool industry finds itself squeezed between high electricity and CO₂ costs in Europe and rising competition from abroad, which altogether poses a significant risk of relocation.

Addressing the issue in the draft guidelines

Whilst both stone and glass wool meet the eligibility criteria outlined in the draft guidelines when evaluated at PRODCOM level, only one part of the mineral wool sector is deemed eligible when the same assessment is carried out at NACE code level. As outlined above, this is due to the composition of NACE 23.99, which includes several activities with highly varying levels of trade- and electro-intensity. This is causing a serious distortion of competition and goes against the intention of the guidelines.

In order to address this discrepancy, **Eurima calls on the Commission to adjust the draft text in section 4.11.3.1 to allow for subsector evaluation at PRODCOM level in case of heterogeneous NACE codes.** This would allow for NACE code 23.99 to be disaggregated into its constituent parts, with stone wool assessed on its own trade- and electro-intensity, thereby preventing distortions to the functioning of the Single Market.

¹ Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814 (Article 10b) [[available here](#)]