

Comments on draft CEEAG

Special Glass Sector : a special case

The special glass sector is currently proposed for exclusion from the list of eligible sectors in the draft CEEAG, on the ground that its electro-intensity would be too low. Indeed, the new criteria are :

20% trade intensity & 10% electro-intensity; or
80% trade intensity & 7% electro-intensity

The provided calculation estimates :

NACE	Sector	Electro-intensity	Trade intensity
23.19	Manufacture and processing of other glass, including technical glassware	9,3%	48,5%

Data used for the calculation of those of 2013-2015 and are therefore so outdated that actually, no conclusions can be drawn about which sectors are particularly at a risk. In this perspective, we think that there is actually no other option than maintaining the existing Annex 3 from the 2014-2020 Guidelines.

Special glass NACE code is a “fit-for-all” code grouping disparate sectors with and without high electro-intensity. Within NACE 2319, certain subsectors display a high electro-intensity and high trade intensity, qualifying for inclusion in the CEEAG

Actually, NACE code 23.19 is “fit-for-all” code, grouping very disparate sub-sectors ranging from glass in the mass, unworked glass, glass for construction, bulbs and tubes for electric lamps, clock or watch glasses and glasses for spectacles, laboratory or pharmaceutical glassware, glass electrical insulators, door handles, toys, imitations pearls and stones, glass eyes for dolls etc. (see Annex). Among such a wide spectre from large plants to tiny workshops of less than 10 employees, a high variation of electro- and trade-intensity is inevitable.

In particular, when applying the calculations to certain subsectors, the latter display an estimated range of 25% to 50% for electro-intensity, and 75% and 87% for trade intensity, therefore completely qualifying for inclusion in the CEEAG list of eligibility sectors. These are : 23191150 (unworked glass tubes) and 23192500 (high voltage insulators). In other words, these subsectors cannot be properly assessed at 4-digit level (NACE-4 code).

With regard to the elaboration of the carbon leakage list, Directive 2018/410/EU amending the Emissions Trading Directive 2003/87/EC empowers the EU Commission to adopt delegated acts concerning the determination of sectors and subsectors deemed at risk of carbon leakage for activities at a 4-digit level (NACE-4 code) and also at PRODCOM 6- or 8- digits, pending certain criteria.

With regard to Guidelines on state aid, we understand that nothing prevents the Commission to similarly determine the eligibility of sectors at PRODCOM 6- or 8- digits. Indeed, only PRODCOM-8 statistics allow a proper assessment in the special glass sector. It results from the NACE 2319 statistical mismatch that an assessment at NACE-4 consistently underestimates the effective global electro-intensity in certain special glass subsectors. The wide product range reflects the sector's heterogeneity as concerns trade and energy intensity. Key sectors, unworked glass tubes and high voltage insulators, are at risk if not properly assessed on a PRODOM-8 level.

To sum up, the global special glass NACE code is a “residual” code created to group all glass products not otherwise classified as flat glass, hollow glass and fibre glass. The statistical categorisation at NACE-4 does not always reflect market realities. NACE codes are useful statistical classifications but they were never conceived for the purpose of analysing the impacts of the EU ETS. This is so true that Regulation 1893/2006 establishing the statistical classification of economic activities stipulates unequivocally that *This Regulation shall apply only to the use of the classification for statistical purposes.*¹ The special glass sector is therefore put at a systemic disadvantage since that NACE code 2319 groups together diverse high-and non-high electricity and trade intensive sub sectors.

Special glass is a key enabling factor in sectors crucial for the shift to a decarbonization and security of supply in certain essential pharmaceutical products

The special glass sector is a key enabling factor to

- The health and safety of citizens : glass tubes are essential for the supply of vaccines and the pharmaceutical sector in general
- The energy transition : high voltage glass insulators are essential components to electric grid development and maintenance.

¹ Regulation 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) N° 3037 as well as certain EC Regulations on specific statistical domains, in OJ L393 of 30.12.2006, Article 2, para. 2.

EU Special Glass sector is essential to the delivery of the EU Pharmaceuticals Strategy

The EU Pharmaceuticals Strategy aims at ensuring accessibility and affordability of medicines, reducing medicines shortages and securing strategic autonomy. Notably, the Commission will “*propose to revise the pharmaceutical legislation to enhance security of supply and address shortages through specific measures including stronger obligations for supply and transparency, earlier notification of shortages and withdrawals, enhanced transparency of stocks and stronger EU coordination and mechanisms to monitor, manage and avoid shortages*”.²

The Commission also announced that it would “*follow up on the European Council request for open strategic autonomy and launch a structured dialogue with and between the actors in the pharmaceuticals manufacturing value chain and public authorities to identify vulnerabilities in the global supply chain (...) and propose actions to strengthen the continuity and security of supply in the EU*”.³

At a moment where, in the context of the Covid pandemic, China develops more efforts to support its local pharmaceuticals production strategy⁴ and the USA launched the “[Operation Warp Speed](#)” to deliver over 300 million doses of vaccines, with plans and infrastructure for distribution including the [support to the US special glass plants for the production of vials](#), the loss of state aid in the European Union would ineluctably lead to a loss of competitiveness leading in turn to the disappearance of these highly specialised EU glass plants.

EU Special Glass sector is essential to EU Grid Electrification

There are only two EU glass manufacturers of high voltage insulators. Being dependent from abroad in this specific segment would jeopardize the development of grid electrification network. The state aid currently provided under the framework of the EU Guidelines is essential to maintain this activity in Europe.

The high electro-intensity of the special glass specific subsectors mentioned above demonstrates that electricity is the preferred energy vector for these productions. As a consequence, once renewable energy sources will be prevalent in the energy mix, production of glass tubes and high voltage glass insulators will be obtained at a very low carbon footprint.

Without state aid, the energy cost to companies would rise to the point of putting this sector’s viability at stake, due to its extremely high trade intensity.

Without state aid and given that the production costs are mainly spent in electricity consumption, the delta between the electricity price and the fossil fuels price will fail to generate an incentive to

² https://ec.europa.eu/health/documents/pharmaceutical-committee/human-meeting_en, document Pharmaceuticals Strategy for Europe (Pharm 816), Action 41, p. 8

³ Idem, Action 42, p. 8

⁴ [China policies to promote local production of pharmaceutical products and protect public health](#), European Commission and World Health Organisation, 2017

decarbonize the production process, even in the case of a very high CO₂ quota price.

Competitiveness distortion

Only four special glass companies still produce pre-products for vials in the European Union. These companies belong to holdings present in US, India, Japan, China, Russia, Singapore, Taiwan etc. and are already competing within their respective groups to maintain an implantation in Europe. If state aid would not be granted to accompany the gradual shift towards electricity as power supply, the 4 remaining EU plants would in the mid term be closed to the benefit of those in US, Japan or China.

Only two special glass companies still produce high electrical insulators for the development of the electrical grid in the European Union.

Under Article 107(3), point (c), of the Treaty, an aid measure may be declared compatible with the internal market provided that two conditions, one positive, one negative, are fulfilled. The positive condition is that the aid must facilitate the development of an economic activity. The negative condition is that the aid must not adversely affect trading conditions to an extent contrary to the common interest.⁵

The elimination of the subsectors 23191150 (unworked glass tubes) and 23192500 (high voltage insulators) from the eligibility list via the absence of PRODCOM 8 assessment would lead to a distortion of competitiveness and would result in hampering the deployment of essential EU strategies in relation to health and energy and would damage to the common interest of the European Union.

Conclusion

We would like the Commission to consider the fact that NACE code 2319 is a special case because

- ⇒ It groups electro- and non-electro-intensive glass manufacturers, thereby creating an inner distortion in the calculations for the whole group.
- ⇒ The exclusion of NACE code 2319 will create an international trade distortion putting EU special glass manufacturers at a dramatic competitive disadvantage, therefore creating a risk of plant closure or relocation outside the EU.
- ⇒ The exclusion of NACE code 2319 would jeopardize the completion and success of the ambition of the EU Pharmaceuticals Strategy for security of supply and EU autonomy.

⁵ DRAFT Communication from the Commission - Guidelines on state aid for climate, environmental protection and energy 2022, para. 8, page 7

In order to achieve such an outcome towards decarbonization and security of supply chain in some vital pharmaceutical products, it is essential for the EU special glass sector to obtain the continuation of state aid to accompany and support its efforts towards electrification.

We suggest several possible considerations:

- Consider the strategic importance of the special glass sector as a key enabling technology for such certain essential pharmaceutical products. The special glass industry is manufacturing the pre-products (glass tubes) for the vaccine vials, essential in current fight against the covid-19 pandemic and in the EU autonomy strategy of the pharmaceuticals supply chain
- Give to certain special glass sub-sectors of NACE 2319 a deserved specific attention as they are paramount to the self-sufficiency of EU in strategic areas, especially in relation to health and the fight against pandemics and adaptation to climate change challenges. These sectors belong to the NACE 8 digit-level, such as 23191150 (unworked glass tubes) and 23192500 (high voltage insulators).
- Alternatively, – besides the assessment at Prodcom level – there should be the possibility of a sector-independent company-specific case assessment if a company has an electrical intensity of at least 10%.
- Consider the requirement for the Guidelines to State Aid *not [to] adversely affect trading conditions to an extent contrary to the common interest*, because the current proposal would greatly affect the EU Pharmaceuticals supply chain autonomy objective, and the success of the EU electricity grid deployment.

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Annex : Breaking down of NACE 2319

2319	Manufacture and processing of other glass, including technical glassware
23191110 (CN 7001009) -	Glass in the mass EXCLUDING: - glass in the form of powder, granules or flakes
23191130 (CN 700210 + 700220) -	Unworked glass in balls or rods EXCLUDING: - glass balls as toys - glass balls, which have been ground after shaping, used as stoppers for bottles - glass microspheres not exceeding 1mm in diameter
23191150 (CN 70023) -	Unworked glass tubes INCLUDING: - tubes which have had fluorescent material added to them in the mass EXCLUDING: - tubes coated inside with fluorescent material
23191200 (CN 701690) -	Glass used for building or construction purposes INCLUDING: - solid or hollow bricks, squares, tiles and slabs, architectural ornaments, steps and risers, banister knobs; stained glass windows; leaded lights; multicellular or foam glass in blocks, panels, plates, shells or similar forms EXCLUDING: - multicellular or foam glass used for lifebelts, life-buoys, ornaments, etc. - multiple-walled insulating units - glass for doors and windows
23192100 (CN 7011) -	Open glass envelopes, bulbs and tubes for electric lamps, cathode-ray tubes or the like, without fittings INCLUDING: - glass parts of envelopes - tubes with narrowed ends for electric lamps, or bent into shape for advertising signs - tubes lined with a fluorescent substance EXCLUDING: - finished bulbs, tubes and valves - tubes merely cut to length - tubes which have had fluorescent materials added to the glass in the mass
23192200 (CN 7015) -	Clock or watch glasses, normally designed to protect the dials or faces of articles; glasses for spectacles, curved, bent, hollowed or the like, but not optically worked; hollow glass spheres and their segments for the manufacture of such glasses INCLUDING: - curved watch glasses for laboratory use EXCLUDING: - flat glass articles - watch glasses specially prepared for laboratory use (pierced in centre, ground on the edges, etc.)
23192330 (CN 7017) -	Laboratory, hygienic or pharmaceutical glassware EXCLUDING: - containers for the conveyance or packing of goods - ordinary curved watch glasses for laboratory use - chemists' special display bottles - glassware used for industrial purposes
23192350 (CN 701010)	Glass ampoules used for the conveyance or packing of goods

<p>23192400 (CN 94059110 + 94059190)</p>	<p>Glass parts for lamps, lighting fittings, illuminated signs and name-plates INCLUDING: - for trains, aircraft, ships or boats</p>
<p>23192500 (CN 854610)</p>	<p>Glass electrical insulators EXCLUDING: - insulating fittings (other than insulators) for electrical machinery, appliances or equipment</p>
<p>23192640 (CN 7014 + 701610)</p>	<p>Signalling glassware and optical elements of glass, not optically worked; glass cubes and other glass smallwares, for mosaic or similar decorative purposes INCLUDING: - for incorporating in reflecting road signs - as reflectors for cycles or motor vehicles EXCLUDING: - finished panels and other decorative motifs made from mosaic cubes</p>
<p>23192670 (CN 7018) -</p>	<p>Glass beads, imitation pearls, imitation precious or semi-precious stones and similar glass smallware; glass eyes for dolls, robots and stuffed animals; statuettes and other ornaments of lamp-worked glass; glass microspheres not exceeding 1mm in diameter EXCLUDING: - imitation jewellery; imitation pearls, precious or semi-precious stones mounted or set in precious metal or metal clad with precious metal; toys, games or Christmas tree decorations</p>
<p>23192690 (CN 70200005 + 70200010 + 70200030 + 70200080)</p>	<p>Other articles of glass INCLUDING: industrial articles; for horticulture and husbandry; door handles; shop display bottles; non-illuminated sign-plates; floats for fishing nets; life-belts; spirit burners; decorative motifs EXCLUDING: Optical or scientific instruments; toys, games, festive or sports requisites; hygienic, laboratory, or pharmaceutical glassware; containers for packing of goods; eyewear</p>