

Brussels, 29 July 2021

To the kind attention of

European Commission
Directorate-General for Competition
State Aid Registry

And to

European Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs
Mr Thierry Breton

HT.5371/CICLOPLAST Comment to the Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

The present comment is sent on behalf of CICLOPLAST that represent Spanish European Plastics Converters and Raw Material Producers in the context of the public consultation on the revised Climate, Energy and Environmental aid guidelines. This comment can be published online.

CICLOPLAST is a non profit organisation, based in Spain, representing both Plastics converting companies and raw material producers in Spain. We are the entity that represent the plastic industry at Ecoembes, the PRO System for domestic packaging in Spain. Plastics converters use plastics raw materials and recycled polymers to manufacture new products. Raw material producers produce a wide range of plastic raw material: virgin and also from renewable sources (biowastes, and recycled). The European plastics industry makes a significant contribution to the welfare in Europe by enabling innovation, creating quality of life to citizens and facilitating resource efficiency and climate protection. More than 1.6 million people are working in EU converting companies (mainly SMEs) to create a turnover in excess of € 260 billion per year. The Spanish plastic industry makes a significant contribution to the welfare in Spain, more than 255,000 employs direct, indirect and induced in Spain, the 98% of companies are SME that create a turnover of € 30,000 million, and high quality employment 92% open ended contracts.

Before, we worked under the 2014-2021 Guidelines, which promoted a gradual move to market-based support for renewable energy and introduced provisions for aid to energy infrastructure and generation capacity to strengthen the Single Market and ensure security of supply. Furthermore, the Guidelines



provided criteria on how Member States could relieve energy intensive companies from charges levied for the support of renewables.

Today, we appreciate many of the proposed changes: from the broaden scope, to the administrative flexibility as well as measures to ensure the effectiveness of aids. In particular, the alignment and coherence with the relevant EU legislation and policies in the environmental and energy fields. At the same time, we noticed that the many proposals run against the green initiatives put in place by the Commission.

Eligible sectors – exclusion of manufacture of plastics packaging

First, there is the proposal according to which the **manufacture of plastic packaging goods** (NACE-Code 22.22) should no longer be a sector eligible for state aid. Such radical change from existing rules would undervalue all the efforts the industry has done in the past years to keep its productivity and competitiveness.

The manufacture of plastics packaging is vital in today's everyday life and its production has been considered *essential* during the COVID19 pandemic in Europe. During the first months of pandemic, EU Commissioner Breton met EuPC in several ad hoc industrial meetings and supported the need to ensure the production of plastics, in particular plastics packaging to ensure coverage of personal equipment and packaging throughout Europe.

Additionally, the plastics sector is indirectly recognised a relevant one for resource efficiency and circularity, since the draft Guidelines foresee aid for investments that improve resource efficiency and prevention, preparing for re-use or recycling and recycling of waste or other products, materials or substances. Today, plastics packaging does not have a full alternative, nor there is clarity, not in practice nor at regulatory level, in terms of performance or end-of-life disposal of types of plastics coming from non-fossil sources.

It is also important to know that the manufacture of plastics packaging includes all forms of packaging: manufacture of plastic articles for the packing of goods: such as plastic bags, sacks, containers, boxes, cases, carboys, bottles: this includes single use and reusable packaging; primary, secondary and tertiary packaging. While, today, part of the packaging industry is regulated (e.g. so-called *Single Use Plastics Directive*¹) and the rest is governed by the Packaging and Packaging Waste Directive, which is currently being revised in view of improving all sorts of packaging to ensure that "*all packaging on the EU market is reusable or recyclable in an economically viable way by 2030*"².

¹ Directive (EU) 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *A new Circular Economy Action Plan For a cleaner and more competitive Europe*.

Therefore, for the above reasons, we kindly request to maintain inclusion of manufacture of plastic packaging as one of the economic sectors eligible for State aids in Annex 1 of the draft Guidelines.

On reductions from electricity levies for energy intensive users

Under Par. 4.11, the draft Guidelines foresee that Member States may grant reductions from levies on electricity consumption which finance an energy policy objective. This is particularly relevant irrespective of the size of the users and it is essential to allow the shift to different technologies. Hence, the intensity of the aid should be kept at 85% as it was set in the current Guidelines.

The risk of relocation outside the European Union to locations where environmental disciplines are absent or less ambitious is already happening in the plastics sector. Today, the European plastics value chain is the considered the worldwide leader and a trendsetter; at the same time, however, this industry is challenged on quotidian stringent laws: increasing and pervasive regulations at different levels: European, national and regional; raw materials producers emigrating to more favourable continent; prices of primary and secondary materials that are skyrocketing; *force majeure* declarations. The future of the European leadership has never looked more uncertain.

It is worth to mention that the production of polymers in Europe is necessary to keep a healthy plastic converting activity in the EU. The plastics sector analysis of the global market sees that the driving force for all commodity plastics production in Europe is the crisis of the declining primary industries based on fossil resources like coal and oil. Moreover, European petrochemistry and commodity plastics production already fights to be competitive in today's globalised market; nonetheless, the internal demand of finished and semi-finished plastics products is still very high and the risk of converters' delocalisation outside the EU together with thousands of job losses is real.

Therefore, scope of the grants should also cover charges financing capacity mechanisms, since such charges, similar to those directly linked to the support of renewables, have a significant impact on tariffs, thus putting at risk the competitiveness of energy intensive sectors which face international competition.

CICLOPLAST has signed the CPA. Our industry is very keen to continue to work under the Circular Plastics Alliance to create a circular economy for the plastics industry.

Yours faithfully,

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Manager of CICLOPLAST