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Draft of the EU Commission: Guidelines on State aid for climate, environmental protection and energy 2022: remarks to No. 4.11 and Annex 1 – missing NACE Code 23.99 - and No. 4.2

Dear Ladies and Gentlemen,

The FMI Fachverband Mineralwolleindustrie e.V. represents the manufacturers of glass wool and stone wool insulation materials in Germany. Glass wool and stone wool insulation materials both belong to the mineral wool insulation materials and are key products in terms of energy efficiency in new construction and the renovation of buildings as well as in technical insulation in many industrial sectors.

We would like to contribute to two items in the draft:

- 4.11. Aid in the form of reductions from electricity levies for energy-intensive users including Annex 1
- 4.2 Aid for the improvement of the energy and environmental performance of buildings

We would appreciate, if the EU Commission will consider our arguments when finalizing their proposal for the Guidelines.

To 4.11: Aid in the form of reductions from electricity levies for energy-intensive users including Annex 1

- While glass wool production is classified under NACE Code 23.14 (Manufacture of glass fibres), stone wool production is classified under NACE Code 23.99 (Manufacture of other non-metallic mineral products – more precisely under PRODCOM 23.99.19. (Slag wool, rock wool and similar mineral wool).
- During our examination of the draft, we noticed that NACE Code 23.99 is not included in Annex 1 to No. 4.11.
- According to our assessment, stone wool plants, in contrast to glass wool plants, would no longer be eligible to apply for the special reduction scheme (BesAR) of the German renewable energy law (Secs. 63 et seq. of the German Renewable Energy Act - EEG).
- In addition to the significant economic effects of the abolition of the BesAR for the affected plants, this would further lead to a unequal treatment, with the glass wool insulation plants not being affected by the amendment, and thus cause a competitive distortion due to the substitutability existing between glass wool and stone wool products in many areas of application. This substitutability is also illustrated by the fact that both stone wool and glass wool products are produced and marketed according to the same European harmonized standards, mandatory for construction products, EN 13162, EN 14303 and EN 14064.
- increased electrification with renewable electrical energy – especially of the melting operations in our plants, requiring high temperatures above 1000°C - will be a the most important decarbonization tool for our industry. That increased usage of renewable electric energy should be encouraged, but not disincentivized through higher costs.

We therefore ask you to support the inclusion of NACE Code 23.99 (or PRODCOM 23.99.19.10) in Annex 1 to No. 4.11.

To 4.2 Aid for the improvement of the energy and environmental performance of buildings

- National or regional funding measures to improve the energy efficiency of buildings are funding measures that – as long as they are technology-neutral – do not affect interstate trade and thus do not affect competition on the European internal market. It is therefore questionable, if they should be classified as state aid in the meaning of Article 107 (1) of the Treaty on the Functioning of the European Union (TFEU). Should the EU Commission consider it appropriate to formulate EU-wide guidelines for the promotion of energy efficiency in the building sector, these should be laid down in the corresponding regulations, namely the EPBD.
- Fundamentally, we welcome the approach of the EU Commission to support the energy efficiency of buildings and to promote “Efficiency First” as the guiding principle for eligibility (paragraph 4.2.2, no. 115).. Raising awareness about how to design programs, excluded from State Aid, will simplify and accelerate the implementation of Energy-efficient projects as described in the renovation wave. This is particularly needed in the case of complex ownership and contracting models that involve professional landlords, commercial real estate owners, and ESCOs. Being proactive in providing clear and practical guidance on how to develop

compliant State Aid schemes will help Member States seize the potential of the new mechanisms and rules, and efficiently steer funds towards the intended objectives.

- It is also correct and important to generally give preference to comprehensive renovations, however single renovation measures and step by step renovations are currently the most important tool in the improvement of energy efficiency and should not be disincentivized, but which would likely be the result of the proposal in Paragraph 118 (a).

Recommendation: adopt practical-oriented official guidance, backed by concrete examples (i.e., as done for the guiding template for energy efficiency in buildings linked to the Recovery and Resilience Facility). These guidelines shall draw examples from existing and validated schemes, such as the German Support Scheme (BEG) and serve as practical support for other National Governments. For instance, the BEG fulfilled the non-selective criteria by being open to all kinds of building owners, types and providing a comparable level of support to all applicants and was therefore excluded from State Aid rules.

Detailed remarks to 118a:

- The proposed minimum threshold for the 20 % reduction of primary energy would rule too many of these individual renovation measures out of eligibility, including individual measures on the building envelope that are necessary and important for achieving energy efficiency of the total building the and climate protection goals.

The Commission should therefore keep single renovation measures eligible to state funding by either reducing the 20% threshold or by clarifying, that that 20% threshold is applied, in case of single renovation measures, to the reduction of energy losses of the renovated building part.

- Step-by-step renovations offer advantages. They usually allow landlords to carry out renovations, while keeping buildings inhabited- which is extremely important in areas of housing shortages - and take into account the limited financial possibilities of landlords who are willing to renovate, which regularly leads over time to comprehensive, deep renovations of a building,
 - In particular, the individual renovation schedule used in Germany significantly contributes to more full renovations being carried out. Yet, these successes are jeopardized through the specifications in paragraph 118 (a) and the demand for a reduction in energy consumption of at least 30 % over a maximum of 3 years. The Commission would, however, like to double the renovation rate and is also relying on socially acceptable measures. The proposed rule in paragraph 118 (a) will be counterproductive, as this regulation fails to recognize that there is an economical and sensible timing of measures in a renovation cycle of components and systems. The regulation in

sentence 118 thus also misses the practical circumstances of building renovation and could have a negative impact on renovation rates.

We therefore propose the deletion of the 3-year period for step-by-step renovations or the extension of that period to 15 years, if energy-related renovation measures are implemented step-by-step as part of an individual renovation schedule, as included in the German guidelines for federal aid for efficient buildings (BEG), residential buildings and single measures.)

Detailed remarks to paragraph 118 (b)

- While with the proposed threshold in paragraph 118 (a) energy saving potentials are hindered, they may not be used sufficiently for new constructions with the proposed 10 % improvement threshold compared to the NZEB, since structural and technical measures to increase energy efficiency can be implemented much more easily and cost-effectively in the new construction rather than in the renovation area. However, such requirement steps in new constructions only make sense if the member state defined the NZEB based on the cost-optimal level. However, since there is no clear definition for NZEB, but rather the member states determine this level at their own discretion (including some member states with NZEB definitions that go well beyond the cost-optimal level), the NZEB level cannot be the base for threshold values. Instead, the cost-optimal level should be used as the baseline for threshold values for aid for new constructions.

Germany has had good experience with the requirements for additional funding for new buildings of 20 % or 25 % for primary energy requirements, based on a cost optimal definition of NZEP. The EU Commission should use these as a guide as well.

To Paragraph 125

- The definition of the eligible costs of energy efficiency investments in the building sector should not be defined only as the costs, directly linked to achieve a higher level of energy or environmental performance. In particular for energy-related renovation measures in existing buildings, the total costs of the renovation measure must be defined as eligible costs, but not only additional costs that “correspond exclusively to the investment costs directly linked to the achievement of a higher level of energy or environmental performance”. The basic scenario, which must be compared against, always consists of “no renovation measure”, since it can usually be assumed that energy improvement renovations would not be attempted without funding. It would also be methodologically complex to separate parts of an investment that do not improve energy efficiency in themselves, but are a necessary part of such investments.

We therefore propose to define eligible costs for building renovations as total costs of investment.

To Paragraph 126

- The majority of building owners are small landlords and owner-occupiers. There is enormous potential for efficiency here, which must be raised to allow the building sector to reach climate neutrality and achieve the goals of the renovation wave. The proposed basic aid intensity of up to 30 % of the eligible costs in 126 could be too small, to achieve these goals. Due to the – especially for buildings – relatively short term till 2050, in which the climate goals have to be achieved, most renovations have to be performed prior to their natural refurbishment cycle, meaning buildings and building parts, which will not have reached their usual lifespan. To activate landlords and owners prematurely for such renovations, the proposed maximum 30% aid intensity is probably not sufficient to cover the financing gap.

We therefore propose to increase the basic aid intensity up to 40% for building renovations.

We thank you for your understanding and are at your disposal for questions and discussions.

Yours sincerely,

FMI Fachverband Mineralwolleindustrie e. V.



Thomas Tenzler

Geschäftsführer