

July 2021

Public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

FEBELCEM input to Commission's Public Consultation

FEBELCEM, the Belgian Cement Association, is grateful for the opportunity to provide input on the revised Climate, Energy and Environmental Aid Guidelines.

FEBELCEM has developed its "Cement and Concrete Roadmap 2050". The Roadmap describes how cement, through the manufacture and use of concrete, will contribute to circular and carbon-neutral construction, indicating the pathway to the 2050 targets.

As such, the cement industry aims to achieve climate neutrality in 2050. Achieving these targets will require political and financial support for the development and early operation of low-carbon and breakthrough technologies.

In such crucial point in time where both private and public investment are needed to foster CO2 mitigation in Europe, and also in Belgium, and where electricity is the main transformation vector on our way to carbon neutrality, **it is hard to understand the elimination of the cement sector's eligibility for exemptions from levies on electricity costs.**

Please find hereafter our key concerns.

1. Aid in the form of reductions from electricity levies for energy-intensive users

FEBELCEM does not understand why the cement sector has been removed from the list of eligible sectors for aid in the form of reductions from electricity levies for energy-intensive users.

The following elements are to be taken into consideration:

- FEBELCEM strongly objects to the change of methodology whereby trade intensity has increased from 10% to 20% and where the eligibility on the basis of a 4% trade intensity and a 20% electro-intensity has been eliminated;
- We believe that the methodology places too much emphasis on trade intensity. Import and export levels alone do not determine a sector's exposure to international competition. Even a low level of imports combined with overcapacity in the international market can have a significant effect on the profitability of a sector. In addition, competition in the EU market between sectors producing substitutes needs to be carefully considered to avoid distortions on the internal market.
- Furthermore, it is essential to note that extra-EU imports of clinker into Belgium have increased by 273 % between 2016 and 2020.
- There are no data available that allow sectors to assess on which grounds their case has been examined;
- Trade intensity must be seen as a dynamic indicator given that the import/export figures can increase very quickly with changing market and economic conditions. The overcapacity of clinker in emerging markets presents a direct competition to local production in the case of rising environment and carbon costs only in the EU. It is disturbing to learn that the reference period that has been taken into account is 2013-2015 which does not allow to factor in this dynamic aspect of trade nor the need for industry to adapt to the decarbonization agenda.

We would therefore urge the final version of the Guidelines to reinsert a 4% trade intensity/ 20% electro-intensity criteria for eligibility.

2. Comments on other types of aid

FEBELCEM welcomes the broadening of the scope of the State Aid Guidelines for Energy and the Environment, which will play an important role in supporting the sector's efforts on decarbonisation and other aspects of the European Green Deal (air quality, biodiversity...).

Aid for the reduction and removal of greenhouse gas emissions including through support for renewable energy

- FEBELCEM welcomes the coverage of this section, and in particular the inclusion of “aid for the reduction or avoidance of emissions resulting from industrial processes” in addition to other technologies which were previously supported in the Guidelines such as Carbon Capture, Use and Storage (CCUS). As mentioned in our "Cement and Concrete Roadmap 2050", our industry has high ambitions on CO₂ emissions reduction, and public funding will be vital to support the different technologies that will help the industry to achieve this objective.
- We welcome the fact that the draft Guidelines recognise that the aid for decarbonisation can take a variety of forms, from direct grants to carbon contracts for difference, which can indeed play a key role in unlocking investments in breakthrough technologies.
- Similarly, the draft Guidelines recognises CO₂ utilisation in addition to carbon capture – which is vital as we see a large number of projects being implemented to re-use the CO₂ captured in cement plants, either to create synthetic fuels or store it permanently through mineralisation. The definition of CO₂ removal in the Draft Guidelines should also be wide enough to allow proper accounting rules to be adopted for further CO₂ uses such as recarbonation whereby CO₂ uptake happens during the service life of a concrete structure. Scientific literature points to a potential of 20% of process emitted CO₂ that can be taken up through recarbonation but that still requires endorsement by a proper accounting methodology;
- The definition of “demonstration project” as “technology as a first of its kind in the Union” risks to be interpreted too narrowly as there may be different technologies that all need to be eligible for funding (e.g. in the cement industry, several capture technologies are available such as oxyfuel, calcium-looping, the Leilac process etc.)
- Finally, we would welcome a clarification on the (degree of) coverage of operational expenses under the Guidelines.

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

- FEBELCEM welcomes the inclusion of a dedicated section on buildings in the State Aid Guidelines. Buildings accounts for approximately 40% of energy consumption and CO₂ emissions in the EU, and renovation works – deep renovation in particular – can significantly reduce these.
- We however would suggest to include a clear reference to thermal mass as part of paragraph 116. Support for development of projects with structural thermal energy storage elements have a positive effect on the energy consumption of the built environment and therefore should be added as beneficiaries (e.g. Thermally Activated Building Structures TABS).

Aid for resource efficiency and for supporting the transition towards a circular economy

- FEBELCEM fully supports a transition towards a circular economy. Our sector's contribution is made through two different channels:
 - Co-processing, where non-recyclable-waste and biomass waste are used as both alternative fuel and raw material to replace primary fuels and raw materials (i.e. for energy recovery and material recycling). Co-processing allows for considerable CO₂ savings in the cement industry;
 - Concrete, cement's end product, is fully recyclable which helps to reduce the consumption of primary raw materials.

- We regret that the draft Guidelines do not recognise co-processing as a specific activity which allows to re-use non-recyclable waste that would otherwise be incinerated, exported or landfilled. We therefore suggest the inclusion of a point 192 (e) as follows: “investments for the use of non-recyclable waste in industrial processes, where such use allows for both energy recovery and the simultaneous recycling of minerals while avoiding CO₂ emissions from the reduced recourse to primary fuels in industrial processes”.

Aid for the prevention or the reduction of pollution other than from greenhouse gases

- FEBELCEM welcomes the addition of activities to reduce air pollution to the Guidelines.

Aid for the remediation of contaminated sites, for the rehabilitation of natural habitats and ecosystems and for biodiversity and nature-based solutions

- FEBELCEM welcomes the addition of biodiversity to the State Aid Guidelines.

Aid for energy infrastructure

- FEBELCEM supports the section on “Aid for energy infrastructure”. In particular, as the European cement industry deploys carbon capture, it will be critical to receive an appropriate level of support for CO₂ transportation networks to bring the CO₂ to storage or utilisation sites.
- We however note that the definition of CO₂ infrastructure in paragraph 35 is overly restrictive by including only two types of CO₂ utilisation, namely “using carbon dioxide as feedstock or to enhance the yields of biological processes”. This definition does not reflect the variety of CO₂ utilisation projects ongoing, which can cover the production of synthetic fuel, use of CO₂ in chemical processes and permanent storage through mineralisation. We would therefore urge to use a broader definition.
- Finally, we would stress that in addition to pure “energy infrastructure” like CO₂ pipelines, it would be highly beneficial to recognise other transport modes such as ships, trucks and barges under the State Aid Guidelines. This would support the take-up of CCUS, including in regions where building pipelines may not be economical;
- We also welcome the inclusion of hydrogen pipelines in the scope of the State Aid Guidelines.
