

July 2021

## **Glass Alliance Europe Draft EU Climate, Energy and Environmental Aid Guidelines (CEEAG 2022)**

**Glass Alliance Europe (GAE)** welcomes the opportunity to express its position on the Draft CEEAG published by the Commission in June 2021.

**Glass Alliance Europe** is the European Alliance of Glass Industries. It is composed of 14 national glass associations and of the 5 main sectors of the glass industries: container glass, flat glass, special glass, domestic glass and continuous filament glass fibres. Over Europe, glass makers employ directly around 200,000 people.

While GAE welcomes the extension of the scope of application proposed in the draft CEEAG to new areas (such as hydrogen, the reduction and avoidance of emissions from industrial processes, clean mobility, buildings, the circular economy or biodiversity), to all technologies for achieving the Green Deal goals, as well as to new instruments (such as Contracts for Difference and the inclusion of operating cost support under certain conditions), it also deplores the proposed exclusion of the special glass industry from the list of sectors eligible for state aid corresponding chapter 4.11/Annex 1 of the draft CEEAG.

GAE has noted with concern that the requirements formulated in the draft CEEAG are too restrictive, notably leading to the exclusion of the special glass sector which is grouped into a "fit-for-all" NACE code grouping electro and non-electro intensive companies across the various subsectors. The draft guidelines in their current form are not sufficient to effectively counter the danger of relocation, production, and investment in other countries within and outside Europe (including "carbon leakage"). Improvement is therefore urgently needed.

The glass industry would like to join forces with the EU on the path to climate neutrality. With its diverse products ranging from heat-insulating windows to resource-saving container glass, reinforcement glass fibres in wind turbines and special glass for the pharmaceuticals and electricity grid development, the European glass industry is essential to the energy transition. To make the manufacture of glass products climate-neutral in the future, European glass manufacturers will have to make an enormous effort, which is impossible without the appropriate framework conditions and the maintenance of competitiveness.

In addition to the objectives arising from the Green Deal, objectives such as economic stability, access to financing that procures the necessary capital in priority for climate-friendly investments, and less bureaucracy for traditional business models, must also be considered in a balanced manner.

Within the glass melting process, electricity is currently a decisive transformation energy for climate neutrality, supported by CO<sub>2</sub>-neutral fuels such as hydrogen. Electrical energy should be made available to the glass industry, now more than ever, at competitive prices to be able to implement the investment in low-CO<sub>2</sub> production processes. The EU should facilitate this transition via state aid.

The dispositions in Chapter 4.11 of the draft Guidelines are of particular concern because these would trigger a considerable increase in the price of electricity for energy-intensive industries. Such a development would prevent the necessary transformation of production processes.

**We therefore ask you to implement the following changes in the EU Climate, Energy and Environmental Aid Guidelines accordingly:**

**1. 2022 CEEAG List of sectors eligible for aid (chapter 4.11/Annex 1):**

Requirement: Retention of the sector WZ 23.19 "Manufacture, processing and treatment of other glass, including technical glassware" as a sector eligible for aid in Chapter 4.11 according to the CEEAG 2022.

Compared to the currently valid state aid guidelines, the EU Commission has reduced the list of sectors eligible for state aid (i.e. relevant for the special compensation scheme regarding the German Renewable Energy Sources Act) by a total of 77% from 220 to only 51 sectors. The special glass industry, which among other things produces the preliminary products for vials for the COVID vaccines (Prodcom 23191150) and is also in this respect an essential contributor to the achievement of the EU Pharmaceuticals Strategy, is not on the revised list of Annex 1 (NACE code 23.19). For future pandemic emergencies it is of the utmost importance to be able to produce and to pack vaccines in Europe. In the USA and China, the whole value chain of vaccination production is funded and extended massively. Therefore, we cannot risk disadvantaging European glass producers with an electricity price that deteriorate their terms of competitiveness and counteracts their decarbonisation. The exclusion of the industrial gases sector (NACE 20.11) from Annex 1 would, in addition to that, raise costs for all the glass sectors significantly.

Given the stakes, the calculation methodology deserves an update of the data basis, rather than relying on obsolescent data of 2013-2015. We assume that the chosen values for gross value added in industry 23.19 do not reflect reality and are too high in the period 2013-2015. As a result, the electro-intensity falls below 10 %. If the correct gross value added were used, the electro-intensity would exceed the 10% limit.

GAE Proposal: Recognizing the essential contribution of the special glass to the completion of the EU Pharmaceuticals Strategy (in particular for the EU security of supply and self-sufficiency of pre-products for vials) and the EU Energy Strategy (in particular for the EU security of supply and self-sufficiency of high voltage isolators), re-introduce the sector 23.19 "Manufacture, processing and treatment of other glass, including technical glass" for the state aid guidelines CEEAG 2022 Chapter 4.11.

Alternatively, we suggest introducing the option of assessment at disaggregated level (PRODCOM) or a qualitative assessment, in case where the exclusion of certain subsectors from the Annex I would put at stake the achievement of other EU Strategies such as the Pharmaceuticals Strategy or the completion of the EU electrical grid, notably regarding security of supply and auto-sufficiency. There should also be given the opportunity to individual companies to prove they are eligible for state aid measures respective chapter 4.11 CEEAG (i.e. quantitative assessment on company level). Companies that prove to be electro intensive above 10% should be eligible individually.

## **2. CEEAG 2022 (recital 356)**

Requirement: Remove the minimum cumulative level per MWh of the concerned levies

Where possible, it is important to remove differences of interpretation of the Guidelines between Member States to ensure harmonised implementation. To this end, the Commission should not consider a minimum level of costs per MWh of the concerned levies in absolute terms. A minimum level would not be advisable as the beneficiaries' contribution is expressed in relative terms.

## **3. CEEAG 2022 (recital 359, 360)**

Requirement: No reduction in the scope of relief

An increase in the electricity price burden for companies using the Special Equalisation Scheme counteracts the urgently needed electrification of the industry, as this effectively prevents investments in decarbonisation measures and weakens the industrial location on the EU territory. Moreover, some very high job-intensive sectors such as domestic glass would face an unfair treatment under the proposed measure. Indeed, electro-intensive evaluation is performed vs turnover or grow margin without considering the job intensity which is a parameter of paramount importance because which it adds a very high economic constraint.

GAE Proposal: Keep the existing burden limitations (recital 188 and 189 of the EEAG 2014) and thus limit the own contribution to at least 15% of the costs or reduce it to 4% of the gross value added of the company concerned. For enterprises with an electricity intensity of at least 20%, Member States may limit the total amount to 0.5% of the gross value added of the enterprise concerned. Moreover, a mechanism should be put in place to allow to halve the abovementioned figures, where the total manpower of a sector (permanent and interim) reaches 35% of turnover.

## **4. CEEAG 2022 (recital 365)**

Demand: No investment constraints

Investment constraints mean high bureaucratic hurdles and a considerable competitive disadvantage compared to competitors who are not subject to such restrictions. The industry should be supported in international competition because a transformation can only succeed if competitiveness and an international level-playing field are concomitantly maintained.

GAE Proposal: Deletion of recital 365 (a), (b) and (c). The existence of an energy audit should fulfil the conditions. The requirements for energy management systems (mainly ISO 50.001 in the glass industry) demand from the companies an intensive examination of energy consumption and energy efficiency measures.

## **5. CEEAG 2022 (recital 414)**

GAE Proposal: The CEEAG 2022 should clarify that it is not necessary to for the German Renewable Energy Act 2021 and its Special Equalisation Scheme to be adjusted.

## **6. Carbon Contracts for Difference/Contracts for Difference**

Glass being an energy-intense industry, such financial guarantee is essential for its international competitiveness on the pathway to decarbonisation. GAE therefore welcomes the Commission's concern to take this situation into account and to contribute to the creation of the necessary legal certainty.

### **Methodological issue**

When designing CO<sub>2</sub>-Contracts for Difference, it is important for the glass industry that differential costs to avoid CO<sub>2</sub> emissions from all energy sources (e.g. natural gas, electricity) and process emissions be included in the operating cost subsidy (for example for climate-neutral hydrogen and green electricity).

### **Procedural issues**

However considerable bureaucratic obstacles are raised in the draft CEEAG to granting the aid and very extensive proof of the appropriateness and necessity of the respective aid is required. Particularly, regarding the continuing requirement to notify all aids to the Commission and the public tenders, there is a risk of generating a long delay before the respective measure takes effect. The supervision required by the Member States in connection with the necessity of the aid can mean a considerable burden compliance for companies.

We are convinced that we are at a decisive turning point on the way to climate neutrality. However, the draft dispositions that have been mentioned create uncertainties that are counterproductive to long-term investments. The right framework conditions for the glass industry are indispensable for the transformation of the industry towards climate neutrality.

### **About Glass Alliance Europe - EU Transparency Register N° 74505036439-88**

Europe is the world leader in glass making. The glass industry comprises more than 500 plants providing 500,000 direct and indirect jobs. Glass is a unique and inert material made from abundant natural resources and fully recyclable. It is a key contributor to the EU objectives of a low-carbon, energy efficient and circular economy, and a key enabling material for essential supply chains, such as the pharmaceutical and health sector, the food and drink industry, buildings and construction, automotive, luxury goods and perfumes, electronics, etc.

For more information <http://www.glassallianceeurope.eu/>