

GUIDELINES ON STATE AID

Shaping State Aid that Helps the Green Transition

Eurogypsum's comments on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

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Eurogypsum, the European federation of national associations of gypsum product manufacturers, is committed to the European Green Deal and it strongly believes that low-carbon and lightweight construction solutions such as gypsum-based products are instrumental to achieving it. Indeed, the gypsum industry significantly contributes with its systems and solutions, to a carbon neutral construction sector.

Eurogypsum has welcomed the presentation of the "Fit for 55" package to introduce the necessary policy and legislation for Europe to cut its greenhouse gas emissions by at least 55% by 2030. In line with the package, we appreciate the effort towards coherence among EU legislation in the environmental and energy field, such as with the new draft for Climate, Energy and Environment Aid Guidelines (CEEAG).

Eurogypsum stresses its support to the green transition, however it notices that some of the proposed measures, in the Fit for 55 Package or the CEEAG, may disproportionately impact some sectors that are seeking to support the European Commission in delivering its goals.

Coherence among the legislation is paramount. However, we believe a proper assessment of the combined effects of measures proposed in parallel legislative initiatives should be carried out. We believe that sectors such as the gypsum industry, which are well placed to contribute to the European Green Deal, would be dually and unfairly penalised. The multiplication of obligations on companies would likely lead to higher production costs, thereby reducing the potential for investment and ultimately slowing down key transition objectives - such as the renovation of Europe's buildings.

For instance, the gypsum industry currently needs to face the following changes:

- The removal of NACE 23.62 (manufacture of plaster products for construction purposes) from carbon leakage protection within the EU Emissions Trading System (EU ETS)
- A proposed significant extension of EU-ETS to all factories producing more than 20 tonnes per day
- A proposed inclusion of raw material resources (mines and quarries) into the Industrial Emissions Directive (IED)
- A draft Energy Taxation Directive with the proposed removal of the tax exclusion of the mineral transformation sector
- The proposed loss of state aid options

Therefore, Eurogypsum is calling upon the European Commission to consider the need for materials which are less energy-intensive and solutions for energy efficiency in order to succeed with the transition to a carbon-neutral construction ecosystem. This requires secure and stable access to raw materials such as gypsum, avoiding the risk of quarrying and production leakage outside the EU.

In the revised draft Climate, Energy and Environmental Aid Guidelines, Eurogypsum identifies the following obstacles that may not only hamper the gypsum industry but also run counter to the objectives of the European Green Deal, e.g. by making it less affordable and more difficult to achieve the EU's Renovation Wave in buildings.

Expansion of the list of eligible sectors for state aid to NACE 23.52 and 23.62

Stricter criteria, especially for trade intensity, resulted in a severe drop in the number of eligible sectors for state aid in the form of electricity levy reduction as per Section 4.11 of the Guidelines.

Eurogypsum asks the European Commission to include NACE 23.52 "Manufacture of lime and plaster" under the list 1 sectors as well as NACE 23.62 "Manufacture of plaster products for construction purposes" under the list 2 sectors. NACE 23.62 includes plasterboards, which are key components of insulation systems, and together they deliver solutions for the building sector to decarbonize. Furthermore, the relatively low energy and resource-efficient production of such products should be valued.

Release of re-investment conditions for compensation

The new guidelines propose to introduce several conditions to the reception of state aid. While this is understandable, Eurogypsum believes it would be more effective to grant compensations for companies as financial support. In fact, the conditions for re-investments would lead to liquidity issues or inefficient capital allocation and would ultimately hinder the transformation towards climate neutrality.

A gradual approach on levies costs

Beneficiaries of state aid, in the form of electricity levies reduction under Section 4.11, will have to pay a percentage of the costs generated by the electricity levies. Member States may, however, limit the additional costs to 1.5% of the gross value added (GVA) of the enterprise, which represents an increase from the current limit of 0.5%.

A cap on the total burden of levies arising from various laws is necessary. Moreover, Eurogypsum is concerned that the new deductible of 1.5% of GVA is excessive and would prefer a more gradual approach on increasing the GVA contribution.

The use of the term "levies" can be helpful; however, it may also be subject to different interpretations about the scope of levies.

Uniform electricity tariff for industrial processing

In addition to the above-mentioned changes, Eurogypsum would be in favour of achieving a uniform electricity tariff for industrial processing, to establish a level playing field within the EU. A uniform tariff would also contribute to support electrification and decarbonisation of industrial processes.

As outlined above, Eurogypsum is supportive of the general ambition taken by the Commission in the revision of the EU Climate, Energy and Environmental Aid Guidelines, but calls for reconsidering the treatment of industries which are playing a major role in achieving the European Green Deal's objectives.

Eurogypsum is a European federation of national associations of producers of gypsum products (i.e. plaster and plasterboard). It is one of the few fully integrated industries (from cradle to cradle) within the construction products field. The companies which mine gypsum also process it and manufacture the value-added products and systems used extensively in construction and other industries.

With a turnover of EUR 7 billion, the European gypsum and anhydrite industry operates some 160 factories and 154 quarries and generates employment directly to 28,000 persons and indirectly for 300,000 persons. The Gypsum industry provides jobs to 1,100,000 plasterers and plasterboard installers. It trains around 25,000 persons per year across Europe.

Contact:

Tristan Suffys, Secretary General - t.suffys@eurogypsum.org

Annita Papa, Policy Officer - a.papa@eurogypsum.org

Ed Allathan, Climate Action Working Group Leader - Ed.Allathan@saint-gobain.com