



POSITION of the SPANISH INDUSTRIAL and MEDICAL MANUFACTURERS ASSOCIATION on the CEEAG and its ANNEX

In my capacity as General Secretary of the Spanish Association of Manufacturers of Industrial and Medical Gases (AFGIM), whose members are companies that manufacture, sell and distribute industrial gases in Spain, I am addressing you in order to express our concerns regarding certain facts and circumstances that are yet to be finally defined and that affect our industry and that, if remaining unchanged, could have a major impact on the industrial framework as a whole, and mainly in the steel, chemical, petrochemical and refining sectors, among others.

All the companies that are members of AFGIM, as well as the Association itself, strongly support the European ambitions that are reflected in the Green Deal and contribute to achieving its objectives, by providing the most efficient products to the Spanish industry. AFGIM closely monitors the EU regulations in the field of Climate Change, and we wish to express our surprise and concern at the fact that our sector (NACE code 20.11) has been removed from CEEAG's Annex.

Industrial gases are mainly used in sectors such as steel, chemical and refining industry as an indispensable element of their processes and of their decarbonisation strategies. In addition, our priority has always been to handle our products with the highest safety standards, so that our capacity and experience have made us a highly reliable player in the growing hydrogen economy.

Our business is based on the installation of our gas plants, often at our clients' sites, as these outsourced plants, when compared with the internalised production units that could be operated by our clients, make it possible to obtain synergy effects and thus to reduce costs, and to raise energy efficiency, thereby reducing also emissions.

We are highly concerned that the production of industrial gases (NACE code 20.11) is not considered eligible, contrary to what was set forth in the guidelines for environmental protection and energy for 2014-2020. This is key to maintaining efficient production and a level playing field between outsourced and insourced production. Our clients currently entrust us with such production on account of the professionalism we show when continuously optimising our processes, which is fully in line with the principle "energy efficiency first".

The distortion that could result from the exclusion of our sector from NACE 20.11 is likely to have an impact on the value chain if clients decide to produce gases in those plants internally, as they are

actually included in the draft of the aforesaid Annex. This would lead to an increased cost and additional emissions, while jeopardising the industrial gases sector as a whole.

To sum up, the situation described above results in a distortion of competition and in an unequal treatment in respect of the same activity, depending on whether it is insourced or outsourced. As if this were not enough, our clients would be at risk of relocation if, instead of trying to obtain gases through insourced production, they decide to move their facilities to territories where the concerns raised by the EU Green Deal are not taken into account. In any case, the exclusion of industrial gases would lead to increased costs for our clients and would disrupt the industrial sector's value chain, thereby causing a loss to European competitiveness.

Having in mind the approach based on "energy efficiency first", energy similarity and the risk of relocation that also exists for sectors with very high electro-intensity and an indirect exposure to trade intensity (as the production of industrial gases is an integral part of the value chain of their clients' production processes), we urge you to support retention of NACE code 20.11 in CEEAG's Annex and to highlight the importance of this measure before EU authorities.

According to the abovementioned arguments you will find attached a draft of our wording proposal.

Carlos Romero Moreno
General Secretary AFGIM
Madrid, July the 30th, 2021



Appendix 1: Proposed text to provide a solution to the issues raised by the IG sector:

- ADFIM here provides a proposal which is based on the following principles
 1. Introduction of third criterion for sectors with very high electro-intensity, based on the sense of footnote 84 in EEAG 2014
 2. Consideration of the characteristics of sectors supplied.

CEEAG draft text	AFIM proposal
<p>(...) 357. <i>The aid under thisSection should be limited to sectors that are at a significant competitive disadvantage andrisk of relocation outside the Union because of the eligible levies. The risk of relocationdepends on the electro-intensity of the sector in question and its exposure to international trade. Accordingly, aid can only be granted if the undertaking belongs to a sector facing a trade intensity of at least 20 % at Union level and an electro-intensity of at least 10 % at Union level. In addition, the Commission considers that a similar risk exists in sectors that face an electro-intensity of at least 7% and face a trade intensity of at least 80%.</i></p> <p><i>The sectors meeting these eligibility criteria are listed in Annex I.</i></p>	<p>(...) 357. <i>The aid under thisSection should be limited to sectors that are at a significant competitive disadvantage and risk of relocation outside the Union because of the eligible levies. The risk of relocationdepends on the electro-intensity of the sector in question and its exposure to international trade. Accordingly, aid can only begranted if the undertaking belongs to a sector facing a trade intensity of at least 20 % atUnion level and an electro- intensity of at least 10 % at Union level. In addition, the Commission considers that a similar risk exists in sectors that either:</i></p> <p style="padding-left: 40px;"><i>(a) face an electro-intensityof at least 7% and face a trade intensity of at least 80%; or</i></p> <p style="padding-left: 40px;"><i>(b) face an electro-intensityof at least 30% and are part of the value chain of sectors meeting the above thresholds of trade and electro-intensity(1).</i></p> <p><i>The sectors meeting these eligibility criteria are listed in Annex I.</i></p>

(1) In reference to European Parliament resolution of 9 June 2021 on competition policy – (2020/2223(INI)) [...] 63. [The European Parliament] Calls on the Commission to give careful consideration to sectors which are the basis of many other industries, as well as the Union’s sustainable social and economic value chain; reiterates the need to promote technologies and production practices that lead to significantly reduced environmental impacts;