# Athens, 28/7/2021

# The Hellenic Cement Industries Association (HCIA) hereby responds to the Commission’s consultation on the revised Climate, Energy and Environmental State Aid Guidelines (CEEAG).

HCIA supports the increase of the target of reduction of the Greenhouse gas emissions from 40% to 55% by 2030 relative to 1990. Having said that, without the necessary initiatives to maintain the competitiveness of the businesses exposed to “carbon leakage”, achieving this important climate goal will have negative social and financial effects.

The loss of competitiveness of the European industry and the transfer of production outside the EU, in countries without or with inferior environmental legislation (risk of carbon leakage) is already a reality that burdens the effort to achieve the goals of the Paris’ agreement.

The European cement industry continuously invests in new products and innovative technologies; it substitutes fossil fuels with alternative fuels that create lesser carbon emissions, contributing towards the achievement of the EU goal to reduce GHG emissions by 55% until 2030 and climate neutrality by 2050. The cement industry has an important role in the development of the circular economy as a main receiver of by-products from other activities as alternative fuels and raw materials. At the same time, countries outside the EU, who have not introduced similar goals, increase their export capacity, estimated now at an additional 70 mil tons of cement between 2018 and 2025. Especially in our region of East Mediterranean sea, cement industries of non-EU countries evolved into predominantly exporting ones, also helped by the deteriorating financial situation in their country. USA and the EU are among their main export destinations (approximately 50% of their export volumes) competing directly with the Greek exports. Further, imports of cement in the EU from third countries increased by 160% in the last five years (Eurostat 2016-2020) while they increased fivefold in Greece. Trade intensity of the Greek cement market increased to 30,4% in 2018, practically tripled relative to the period before 2011 and continues increasing ever since according to Eurostat. Exports to non-EU countries from non EU competitors, assisted by state subsidies, create distortions; as an example, the Greek cement industry faces trade intensity that is multiple than the average in the EU.

The “carbon leakage” risk is greater for our country because of Greece’s geographical position. Indicatively, Turkey is among the six COP 21 countries that have not validated Paris’ Agreement. In addition, they submitted on 28/4/2021 a request to the UN Framework Convention on Climate Change to be removed from the list of countries in Annex I who have to introduce relevant goals. Finally, they increase CO2 emissions by 3,1% annually since 1990 (1990: 219mil tons, 2018: 521mil tons), targeting to an overall increase of 300% by 2030.

In the “Fit for 55” package, the revised draft of the Guidelines on State Aid for Climate, Environmental Protection and Energy 2022 (CEEAG), includes new criteria for the support in the form of the reduction of the cost of electricity for the Energy Intensive Industries (Art. 4.11). In particular, the sectors having electrical energy intensity more than 20% and trade intensity outside the EU more than 4% are not considered eligible anymore. In practice, this will result in the reduction of eligible sectors by 170 (as determined by the 4 digit NACE code). This change will affect more than 3.000 businesses in Greece, those of our sector included.

The feasibility of the introduction of the proposed criteria is not justified; the new environmental targets push towards the electrification of our production processes and therefore to the increase of the electrical energy consumption from our industry in the near future. Instead, we propose to maintain the criteria by which a sector is eligible when they combine an electricity intensity greater than 20% and a trade intensity outside the EU greater than 4%.

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