

FIVRA response to EC public consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)

Background

FIVRA, representing Italy's mineral wool insulation manufacturers, welcomes the Commission's initiative to update the EU's state aid guidelines in the field of climate, energy and environment and to launch a broader debate on how EU competition policy can best support the Green Deal.

One area where the proposed guidelines have evolved considerably concerns aid in the form of reductions from electricity levies for energy-intensive users (Section 4.11). The proposed methodology applied to determine the eligibility of sectors for such aid is assessed based on the risk of relocation, which is determined depending on the electro-intensity and trade intensity of the sector in question. Annex I outlines the sectors that meet these criteria, based on screening at NACE code level.

Problem statement

Whilst the NACE code level is suitable for assessing economic activities that fall within a single homogeneous NACE code, it is not appropriate for activities that are grouped in a heterogeneous NACE code with other economic activities with large variances in terms of electro-intensity and/or trade intensity.

The mineral wool sector produces two main products, which span across two different NACE codes: 23.14 covering glass wool and 23.99 covering stone wool (amongst a range of other non-metallic mineral products). Whilst the former is included in Annex I of the draft guidelines – listing sectors eligible for aid in the form of reductions from electricity levies for energy-intensive users – the latter has been excluded due to the heterogeneous composition of the NACE code. This differentiation seriously threatens to undermine fair competition in the mineral wool sector which is dependent on increased electrification to decarbonise production and is not coherent with existing EU energy and climate legislation.

The insulation market is highly price driven. Glass and stone wool products are substitutable and should therefore be assessed at PRODCOM level (23.14.12 and 23.99.19.10) to avoid distortion of competition between activities that ultimately offer substitutable products. Mineral wool has been recognised as one sector in European standards (EN 13162, EN 14303, EN 14064) and policies like the Emissions Trading Scheme (e.g. when applying for carbon leakage status, the mineral wool sector submits one dossier including two annexes providing data at PRODCOM level).



Fabbriche Isolanti
Vetro Roccia Associate

Both glass and stone wool meet the proposed eligibility criteria

When assessed at PRODCOM level, both stone and glass wool meet the eligibility criteria outlined in Section 4.11.3.1 of the draft guidelines with respect to trade intensity and electro-intensity.

Trade intensity: Mineral wool products are commodities that are traded worldwide, which means that the European mineral wool sector is trade intensive and faces competition from global producers in the domestic EU market. Major producers outside of Europe are headquartered in China, Japan and the USA and recent years have seen a growth of imports to Europe from Asia and North America. The average trade intensity from 2012 to 2016 was 48% for PRODCOM code 23.99.10 (stone wool) and 63% for PRODCOM code 23.14.12 (glass wool).

Electro-intensity: In the mineral wool production process, electricity is an important energy source, and its share of total energy use is only set to grow as more plants opt for electrification. Based on averages of company data, at a tariff of EUR100/MWh, costs of electricity alone represent around a third of the total value added for a tonne of mineral wool produced. In our sector, the average electro-intensity per tonne of product is around 670 MWh/ktonne.

Due to these two interlinked factors, Europe's mineral wool industry finds itself squeezed between high electricity and CO₂ costs in Europe and competition from Asia and the United States, which altogether poses a significant risk of relocation.

Addressing the issue in the draft text

Whilst both stone and glass wool meet the eligibility criteria outlined in the draft guidelines when evaluated at PRODCOM level, only part of the mineral wool sector is deemed eligible when the same assessment is carried out at NACE code level. As outlined above, this is due to the composition of NACE 23.99, which includes several activities with varying levels of trade- and electro-intensity. This is causing a serious distortion of competition and goes against the intention of the guidelines.

In order to address this discrepancy, the Commission should adjust the draft text in section 4.11.3.1 to allow for subsector evaluation at PRODCOM level in case of heterogeneous NACE codes. This would allow for NACE code 23.99 to be disaggregated into its constituent parts, with stone wool assessed on its own trade- and electro-intensity.

Alternatively, the draft text in Annex I referring to NACE code 23.14 "Manufacture of glass fibres" could be supplemented with a reference to PRODCOM 23.99.19.10, thereby including the mineral wool sector as a whole.