Position Paper

CONFINDUSTRIA

State Aid – Fitness check Confindustria

Targeted Consultation for the Evaluation of the Guidelines on State aid for Environmental protection and Energy 2014-2020

Answer 2 and 9

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ORGANISATION NAME

Confindustria

TRANSPARENCY REGISTER NUMBER

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2. Based on your experience, have Member States created a level playing field for imported and domestically produced biofuels and/or biomass energy when providing support (for instance by supporting a specific type of domestically produced biofuels and/or biomass energy, but not other types of biofuels and/or biomass energy with similar costs or greenhouse gases emissions)?

NO

Please explain:

Please, note the Italian Ministerial Decree of 2 March 2018 (*Promotion of the use of biomethane and other advanced biofuels in the transport sector*) on the promotion of biomethane which:

- identifies the advanced raw materials to stimulate the sustainability of biomethane;
- obligatory quota of biomethane to be allocated to biofuels;
- does not prevent the possibility of biomethane trade between EU countries;
- establishes guarantees of origin, in order to allow the development of a market for emission trading (in various production - sectors and in electricity production) capable of bringing out the value link between biomethane and carbon emissions.

Problems were found in the incentives provided by the Italian Ministerial Decree of 6 July 2012 (*Adoption of national guidelines for in-situ and ex-situ conservation of plant, animal and microbial biodiversity of agricultural interest*) for the energy use of olive-pomace oil (a by-product of olive processing), which had the effect of compromising the supply conditions of the food industry sector which uses this raw material.

In this regard, the Antitrust Authority intervened on March 9, 2015, deeming violated the principle of cascading use of biomass indicated by the EC in COM (2014) 14 final, based on which it is appropriate to address the products for energy use only if there are no alternative use.

9. Are there sectors (at NACE 4 level) or products (at Prodcom 8 level) which, according to your experience, were particularly affected by the financing costs of renewable energy support and therefore were put at a significant competitive according to your experience, were particularly affected by the financing costs of renewable energy support and therefore were put at a significant competitive disadvantage, but were not included in the list of eligible sectors for reductions under section 3.7.2. of the EEAG (c.f. Annex 3 and Annex 5 of the EEAG)?

YES

If you replied “Yes” to the question above, please list those sectors and subsectors and substantiate your answer:

- 25.61 Treatment and coating of metals

- The ceramic tableware sector (NACE 2341) is included in Annex 5 EEAG. However, companies in this sector will never have an electro intensity index on Gross Value Added (GVA) >20% because they manufacture products with very high added value (they incorporate intangible values such as design, innovation, etc.). Since the GVA is the denominator in the formula the result will always be low. It is relevant that European companies in the sector do not have the possibility of transferring the higher costs of electrical charges (pass-through costs) downstream. The "competitive risk" of the sector (requested by the EEAG) is confirmed by the existence of specific anti-dumping measures for this sector already devastated by imports from China. The NACE 13.30 representing the finishing sector is one of the most important reality in the global textile supply chain and, most of all, one of the flagships of the whole textile manufacturing system. This sector, for its importance in the EU supply chain - supported by proven evidences of significant competitive disadvantages - has also been included in the new Carbon Leakage list.

- In general, we believe that the provisions of Chapter 25 on Manufacture of metal products, which exclude machinery and equipment, determine distortive market situations and competition. This also taking into account that the residual heading of the same chapter identified as “25.99 Manufacture of other metal products n.e.c.” is included in Annex 5. The Italian forging of steel represents one excellence of the Italian steel industry and of all Italian manufacturing production. The sector produces very high-level quality parts for energy industry (thermoelectric and renewable generation: e.g. rotor and turbine for wind and hydroelectric generation) petrochemical industry, naval industry and mechanical industry in wider terms. This sector, already strongly disadvantaged by the imbalance between supply and demand, is heavily exposed to international competition. In this framework, the energy costs have a very important role. Against this background, the exclusion of NACE code 25.50 from the list of eligible sectors is an issue of great concern for forging companies, above all considering the impact of energy costs on production costs. However, the open die forging is included in the extremely heterogeneous NACE code 25.50, that includes very different manufacturing process. For this reasons, an aggregated trade intensity assessment is de facto impossible and it isn't anyway representative of exposure to international trade of the open die forging of steel subsector. This condition has been acknowledged and approved by European Commission itself that in ETS directive implementation foresees specific rules to identify those sub-sector with peculiarity compared to the entire NACE sector. The PRODCOM 25.50.11.34 has therefore been included in the list of sector and sub-sector exposed to "carbon leakage", as listed in table 1.2 of Commission Decision 2014/746/UE (III ETS Period) and in table 4 of Commission Delegated Decision (EU) 2019/708 (IV ETS Period). Some companies have NACE code 25.62 and are currently covered by the "Grand fathering clause" as part of the 2013-2014 energy-intensive list but not covered by Annex 3 and 5 (with GVA ≥ 20%) of the State Aid Guidelines. A closer evaluation of the NACE and PRODCOM codes is therefore required. To conclude, considering the high level of internationalization and the imbalance between supply and demand which characterize the forging sector today, the exclusion of the concerned NACE code from the "energy intensive aid" is strongly penalizing the companies and therefore it becomes absolutely necessary to include it in the eligible sectors list.

- Chemical Code 2059, 2120 CODE 2059 includes various chemical activities of which some are exposed. Some activities under code 2120 are similar to the ones under NACE 2110. While the activities under 2110 (basic pharma) are considered exposed, these under code 2120 (pharma preparations) are not.
- The agri-food industry, and in particular some sectors of the Italian Food Union, is one of the most energetic sectors of the Italian industry. Within this sector the production of cocoa, chocolate, sweets and confectionery (ATECO code 2007: 10820000) is also characterized by a high intensity of trade. In this context, the content and structure of Annexes 3 and 5 to the EEAGs are strongly penalising as the companies in the sector have been included in Annex 5 although they have an electricity intensity of more than 10% on the GVA. Therefore such Companies, not reaching the level of intensity of electricity on the GVA of 20% have been excluded from the scope of the legislation protecting the energy industry. Such exclusion precludes the access to the previewed measure to protection of the gas-intensive companies. Such an element could strongly penalize the competitiveness of the sector, characterized by the high presence of cooking plants and process fired with natural gas.