

Input from the FEVE to the Public consultation on draft ETS State aid Guidelines (Ref.: HT.582).

9th of March 2020

FEVE, The European Container Association, welcomes the possibility to provide feedback on the **draft State aid ETS Guidelines**.

The European Container Glass Industry has serious concerns about not being included in the draft list of sectors which may be compensated under the ETS directive.

These concerns relate to the following elements:

1. Glass packaging is substitutable with other food packaging materials. The container glass industry is therefore in direct competition on the food & drink market with sectors which are on the draft list (aluminium, paper). It also faces pressures from upstream and downstream suppliers. **As a result, passing on costs to consumers is difficult and this exacerbates the risk of carbon leakage.**
2. Glass' main competitors have previously received compensation for indirect carbon costs. In the packaging glass sector in 2017, electricity costs represented 7% of production costs and 5% of turnover
3. The official NACE data for container glass indicate an indirect emission intensity of 0.146 (carbon intensity of 0.593 kg CO₂/GVA x a trade intensity of 24.7%). There are however unexplained variations in the electricity intensity as measured at NACE 4 23.13 (0.87 in 2009; 1.17 in 2014; and 0.54 in 2019). It's possible that the volatile estimates of indirect emissions is being driven by an **inconsistency in the data for electricity consumption** due to poor coverage. Data on indirect costs are collected directly from members states and, according to the Commission¹, only 70% of total indirect emissions were covered under Phase 3 of the EU ETS. Due to the data limitations outlined above, the European Commission estimates for indirect emissions intensity may not be representative for the hollow glass sector. **Sectors should therefore be allowed to collect data among their membership to ensure better data quality.**

¹ European Commission, 'Impact Assessment: Accompanying the document Commission Decision determining, pursuant to Directive 2003/87/EC of the European Parliament and the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage for the period 2015-2019', <https://vivedeconomics.sharepoint.com/sites/projects/2337FEV/Shared%20Documents/Phase%2013%20-%20Indirect%20Costs%20Consultation/4%20-%20References/EC%202014%20Carbon%20leakage%20list%20impact%20assessment.pdf>

4. Today, only 15% of the energy input in the container glass industry is electricity, the rest being natural gas or heavy fuel oil. Further electrification of the glass industry is one of the most obvious long-term decarbonisation option, but the cost of electricity compared to natural gas is a significant deterrent to glass producers (per MWh, electricity is about three times more expensive than natural gas, depending on the country). **Declaring glass producers ineligible for indirect cost compensation would represent a key policy failure which is countervailing to the climate objectives of the EU ETS.**

All these points have been covered in more details in our input to the targeted consultation which is also attached to the e-mail sent with this input.

Given the elements given above, FEVE does not believe that compensation should be determined on the basis of a quantitative assessment only. Instead, **sectors for which inconsistency in the data for electricity consumption is blatant and which are in competition with sectors on the draft list should qualify for a qualitative assessment**, similar to the carbon leakage list assessment procedure.

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FEVE is the Federation of European manufacturers of glass containers. It is listed in the EU Transparency Register with number 1550133398-72.

Founded in 1977 and headquartered in Brussels, FEVE is an international not-for-profit association. Its members produce over 20 million tonnes of glass per year. The association has some 60 corporate members belonging to approximately 20 independent corporate groups. 160 manufacturing plants are located across 23 European States and include global blue chip and major companies working for the world's biggest consumer brands.

The European container glass industry provides a wide range of glass packaging products for food and beverages as well flacons for perfumery, cosmetics and pharmacy to their European and world customers. With its 162 manufacturing plants distributed all over Europe, it is an important contributor to Europe's real economy and provides employment to about 50,000 people, while creating a large number of job opportunities along the total supply chain.