Bundesverband Glasindustrie e. V. • Hansaallee 203 • 40549 Düsseldorf

Directorate General Competition
Unit B3

Bundesverband Glasindustrie e. V.

Hansaallee 203
D-40549 Düsseldorf

Hauptgeschäftsführung

Tel +49 (0)211.90227820
E-Mail overath@bvglas.de
Web www.bvglas.de

Düsseldorf, 16th of January 2019

Revision of the Guidelines on certain State aid measures in the context of the greenhouse gas emission allowance trading system post-2020
Ref. Ares(2018)6600267 - 20/12/2018

Dear Sir or Madam,

as central organisation for the German glass industry BV Glas (Federal Association of the German Glass Industry) represents the environmental, economic and energy policy interests of around 80 percent of German glass manufacturing companies. There are more energy intensive glass manufacturing enterprises in Germany than in any other European country. BV Glas is their mouthpiece.

The European Glass Industry is at risk of carbon leakage. We gladly acknowledge that the sectors flat glass, hollow glass, glass fibres and special glass (NACE 23.11, 23.13, 23.14 and 23.19) are eligible for free allocation in ETS phase 3 and 4.
Whereas we urge the EU commission to take into account that the glass industry needs to be eligible for indirect compensation as well because, glass industry today is already highly electro intensive. Almost all the electricity used in glass companies in Germany receives the `EEG – Besondere Ausgleichsregelung´. To be eligible for this compensation companies have to pass a high individual threshold of energy costs in relation to GVA.

The process of glass melting is energy intensive but also highly electro intensive. As energy efficiency rises and the need for demand side management grows, electrical boosting and the switch to electrical melting becomes more important. For the future development of low carbon techniques of glass melting and sector coupling it is of the utmost importance to foster the use of

electricity in the glass sector and thus also contributing to make more use of renewables in heat supply. Without a compensation of indirect costs this technological switch will not be possible for companies to realise and the protection of the sector (especially some sub-sectors) against carbon leakage will not be ensured.
Glass melting tanks are severe long-term investments for several million euros and run for up to 15 years nonstop (24h, 365 days per year).
If companies shall opt for a climate friendly switch to a higher share of electricity in glass melting, they need the security of compensation of indirect ETS costs already today. Otherwise the currently increased indirect costs might prevent companies from the investments necessary for a higher share of electricity and renewable within their production processes.

As stated above, the eligibility for compensation of indirect ETS related costs in electricity consumption will be of growing importance. However, the eligibility criteria for this compensation should be transparent and reflect the criteria for carbon leakage in general.

Therefore within this representation we focus on targeted eligibility criteria and propose a general scheme as follows:

1. In order to ensure effectiveness, efficiency and coherence, the eligibility for compensation should be based on the revised carbon leakage rules and the according data for the period as of 2021.
2. This can be done be defining an “indirect carbon leakage indicator” that bases on the revised carbon leakage list. This indicator is derived by multiplying the trade intensity with the indirect emission intensity on sector-level (NACE). If the indicator is above a defined threshold, the sector is treated as eligible, if the indicator is below this threshold, but above a second threshold, the sector qualifies for a qualitative assessment or a quantitative assessment on the sub-sector-level (PRODCOM).This allows for using the existing methodological approach of the current carbon leakage list.
3. The thresholds for direct eligibility and for qualitative assessment could be derived from the values defined in Annex II of the Guidelines 2012/C 158/04 but converted to the new methodological approach that is applied in the new ETS Directive (EU) 2018/410:

    a. Threshold for direct eligibility: The same threshold could be applied as for qualification for free allocation under revised carbon leakage rules. The actual value 0.2 in the Directive (EU) 2018/410 has been calculated based on the combined criteria of article 10a(15) in former directive 2009/29/EU (10% trade intensity and 5% emissions cost). The Guidelines 2012/C 158/04 refer to the same article for the definition of eligibility on a quantitative basis: “intensity of trade with third countries is above 10 % and the sum of indirect additional costs induced by the implementation of the ETS Directive would lead to a substantial increase in production costs, calculated as a proportion of the gross value added, amounting to at least 5 %". **Under the new methodological approach in Directive (EU) 2018/410 this would result in a threshold of 0.2.**

   b. Threshold for qualitative assessment: **As a threshold for qualitative assessment we propose a value of 0.09.** In case that this proposal is not accepted we suggest an alternative approach which defines the thresholds for qualification for qualitative assessments according to the Guidelines 2012/C 158/04, that is "indirect emission costs in the range of 3-5 % and a trade intensity of at least 10 %".[1]
   c. Quantitative Assessment at disaggregated level: **Quantitative assessments at 6-digit level or at 8-digit level (Prodcom) should be possible even for sectors or sub sectors that do not exceed the required thresholds at NACE4 level.** The quantitative threshold should be the same as under bullet point a (0.2). This possibility should also be possible for sectors which qualify for free allocation **under the new methodological approach in Directive (EU) 2018/410.**

4. As a result of the approach proposed here by far not all sectors covered by the Carbon Leakage list for free allocation would become eligible for compensation of indirect costs as well. Some sectors might additionally become eligible for compensation of indirect costs under the criterion under 3a and some more (sub-)sectors under the criterion under 3b or 3c. However, most of the (sub-)sectors becoming eligible additionally do not represent a large share of overall industrial electricity demand.
5. Also reflecting other EU legislation, especially on renewable energies, at least it needs to be ensured that companies within sectors not evaluated as eligible for compensation of indirect costs have an opportunity to become eligible if they invest in efficient electrification of production processes thus contributing for an increased and more efficient utilization of renewables.

Yours sincerely

Dr. Johann Overath

[1] Under the new methodological approach in Directive (EU) 2018/410 this would result in a threshold of 0.13.