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Cumulative Costs Assessment (CCA) of the EU Ceramics and Glass industries

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Rationale and scope of the CCA

- **Cumulative cost assessment:** “how burdensome is the EU *acquis* for a given industry?”
 - Identifying, assessing and, where possible, quantifying the cumulative costs generated by selected areas of EU legislation on a given industrial sector
 - Evaluating the impact of regulatory costs on the cost structure and profitability of a typical company operating in a given industrial sector
 - **Key features**
 - No benefits, all about regulatory costs
 - Several legislative acts
 - *Ex post* perspective (2006-2015)
 - Single industry
 - Sectoral competitiveness (cost competitiveness, *international competitiveness*)

Sample

Industry	Sector		Number of plants
Glass Industry	Flat Glass		15
	Hollow glass	<i>Packaging Glass</i>	21
		<i>Glass Tableware</i>	5
Ceramics Industry	Bricks and Roof Tiles		23
	Ceramic Tiles		16
	Refractories	<i>Fired</i>	11
		<i>Unfired Shaped</i>	4
TOTAL			95

General methodological aspects

- **Direct costs**
 - **Administrative Burdens:** are generated by information obligations included in the relevant legislation, i.e. provide information to public authorities and/or third parties;
 - **Substantive Compliance Costs:** are generated by provisions requiring businesses to take actions to adapt their activities in order to comply with the legal obligation (e.g. installation of anti-pollution filters to comply with emission limits);
 - **Direct Charges:** are generated by monetary obligations (e.g. fees, taxes and levies).
- **Indirect costs:** reflect the portion of the direct cost borne by upstream operators that is passed on downstream in the form of higher prices
- **Bottom-up approach:** data have been collected at plant-level
- **EU averages** are weighted averages of regional averages computed using regional turnover in the specific sector as weight

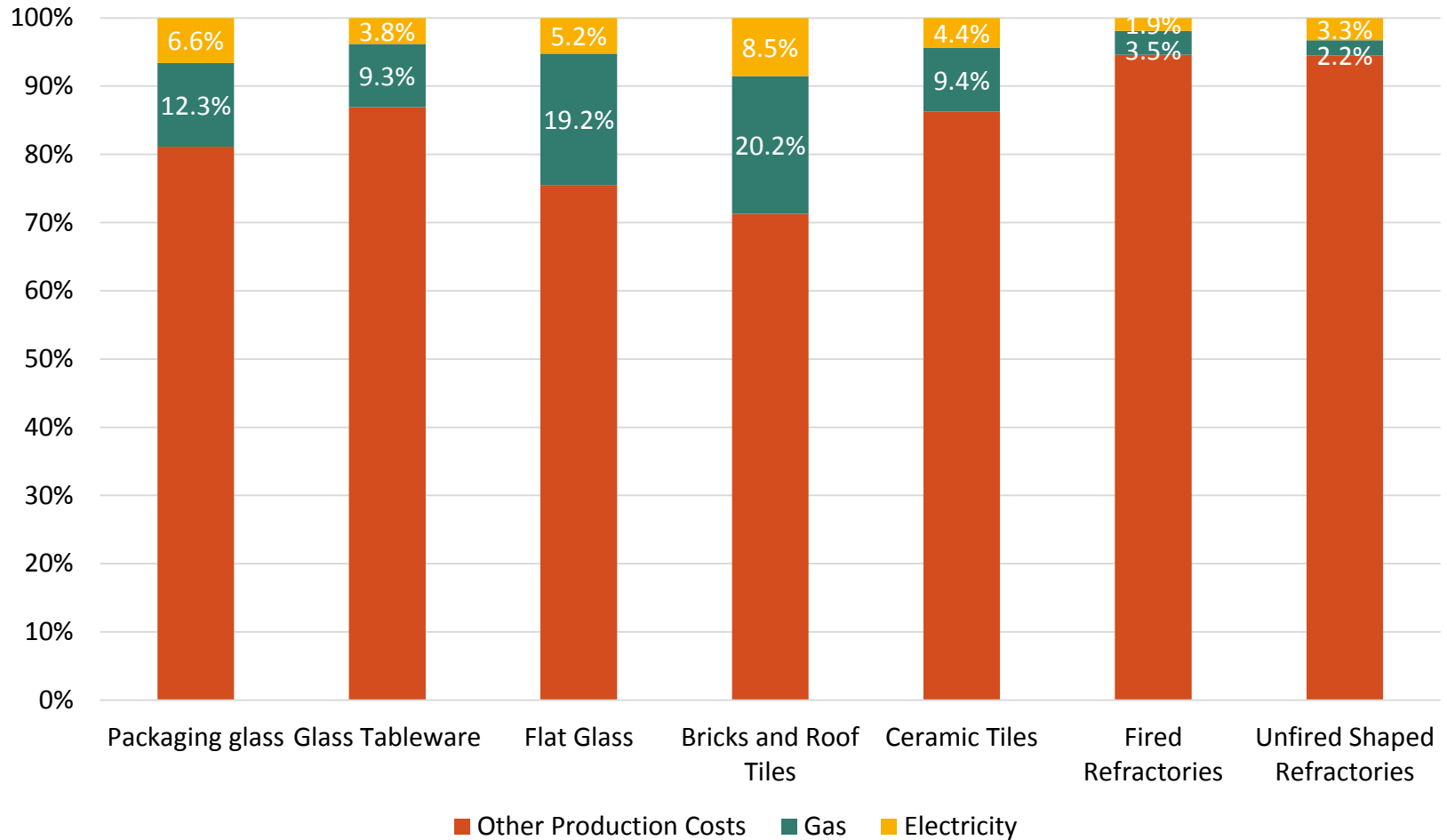
Key methodological aspects – Energy (I)

- As for production outputs and KPIs, regulatory costs generated by electricity and gas have been **collected for each year of the time span covered by the CCA**. Therefore costs and margins vary across years in both absolute value and €/tonne (by reflecting variations in the production output of sampled plants)
- **Legislations covered**
 - The Energy Taxation Directive (2003/96/EC)
 - The Internal Market for Electricity Directive (2009/72/EC)
 - The Internal Market for Gas Directive (2009/73/EC)
 - Renewable Energy Directive (2009/28/EC) (*only for Electricity*)
- Regulatory costs generated by these legislations are limited to Direct Charges and Indirect Costs

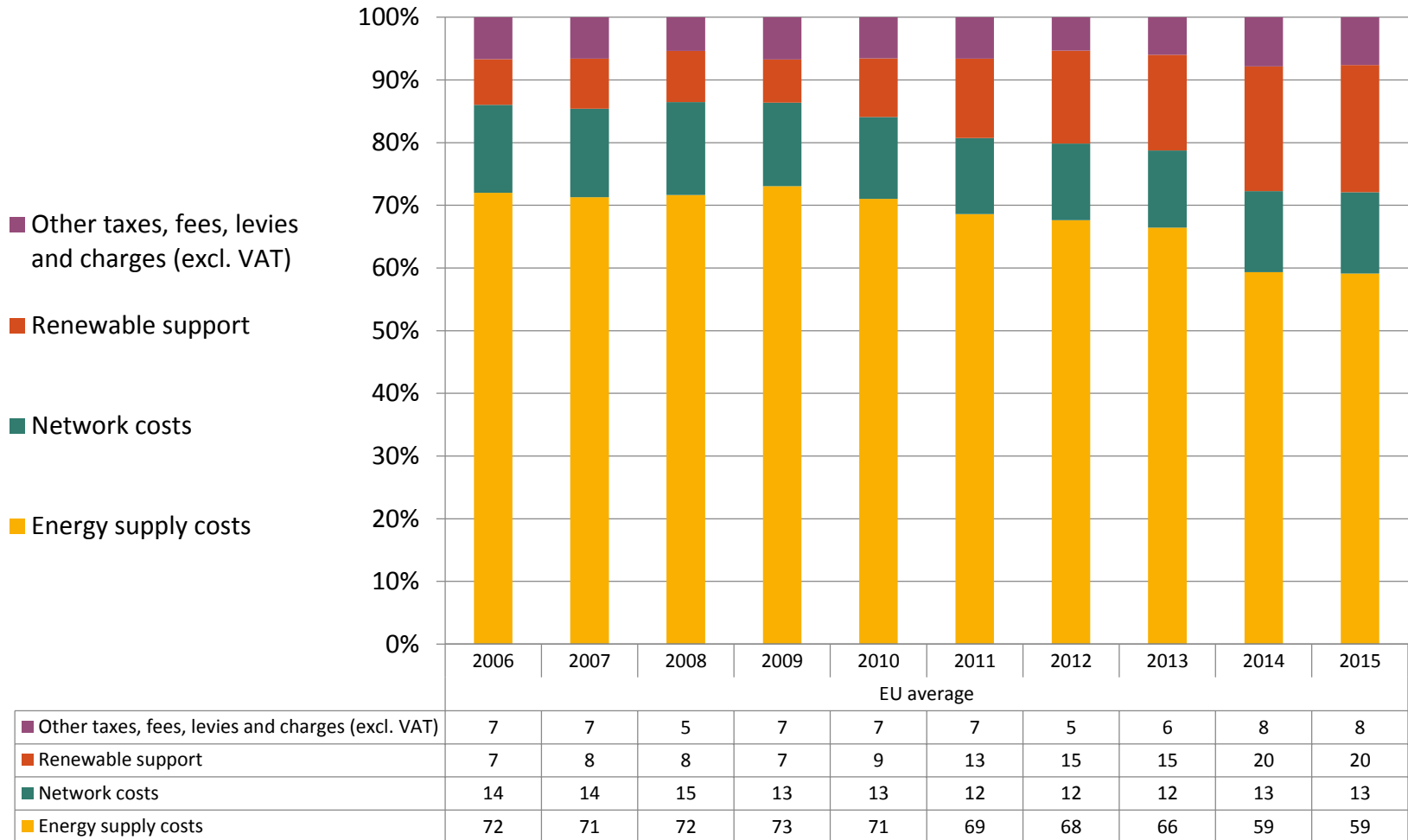
Key methodological aspects – Energy (II)

- Electricity
 - **Direct costs** are estimated by multiplying the minimum tax rate (for electricity) imposed by the Energy Taxation Directive (i.e. **0.50/MWh**) by the total electricity consumption;
 - **Indirect costs** are estimated by summing **50% of network costs** generated by the Internal Market Directive for Electricity (30% for the period 2006-2009) and **85% of RES support costs** generated by the Renewable Energy Directive (50% for the period 2006-2009).
- Gas
 - **Direct costs** are estimated by multiplying the minimum tax rate (for gas) imposed by the Energy Taxation Directive (i.e. **0.54/MWh**) by the total gas consumption;
 - **Indirect costs** are estimated as the **15% of network costs** generated by the Internal Market Directive for Gas.

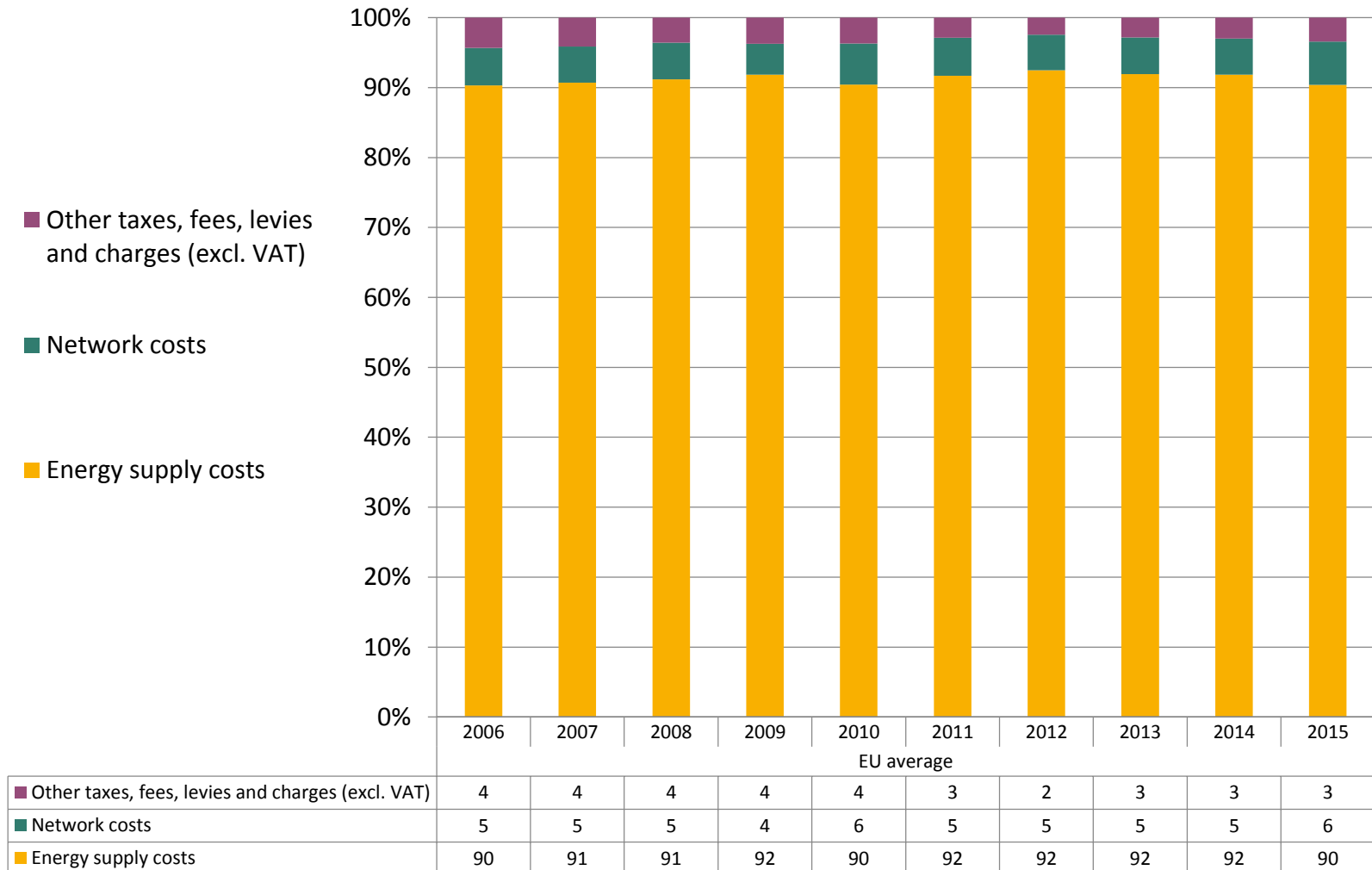
Energy costs vs Production costs (2015)



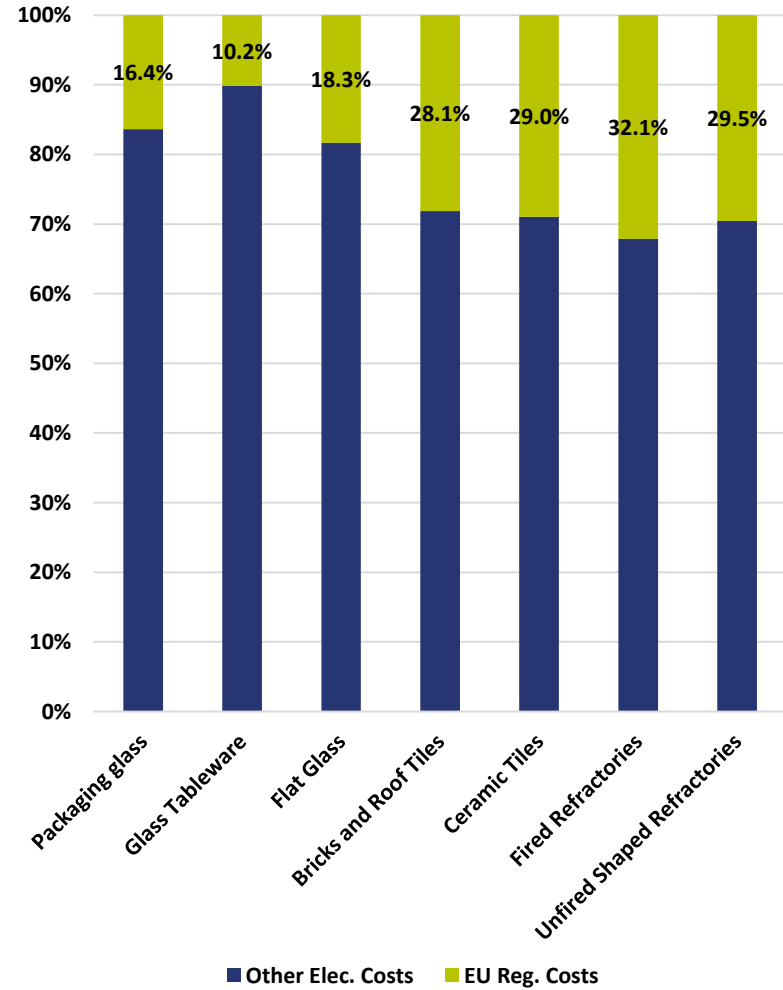
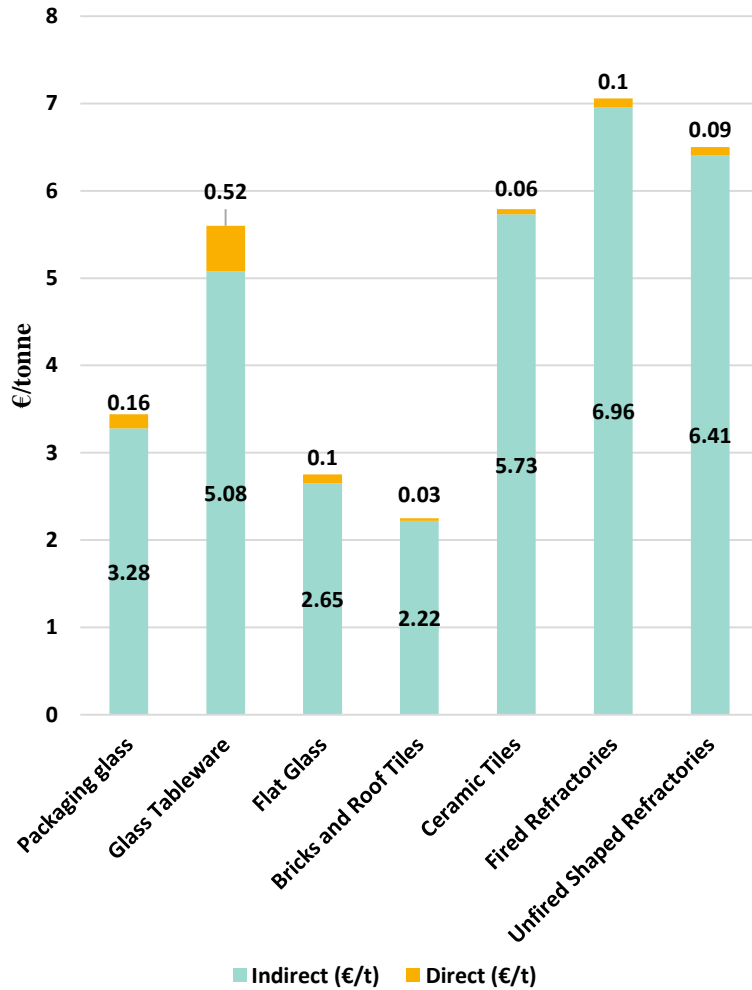
Components of the electricity bill – Packaging Glass



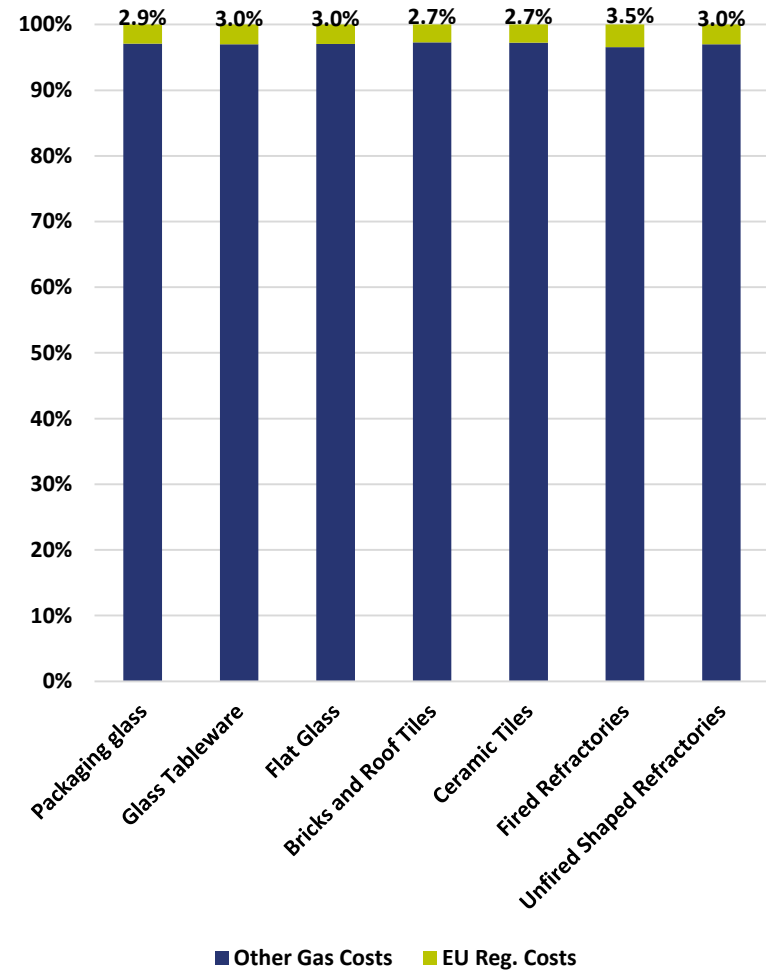
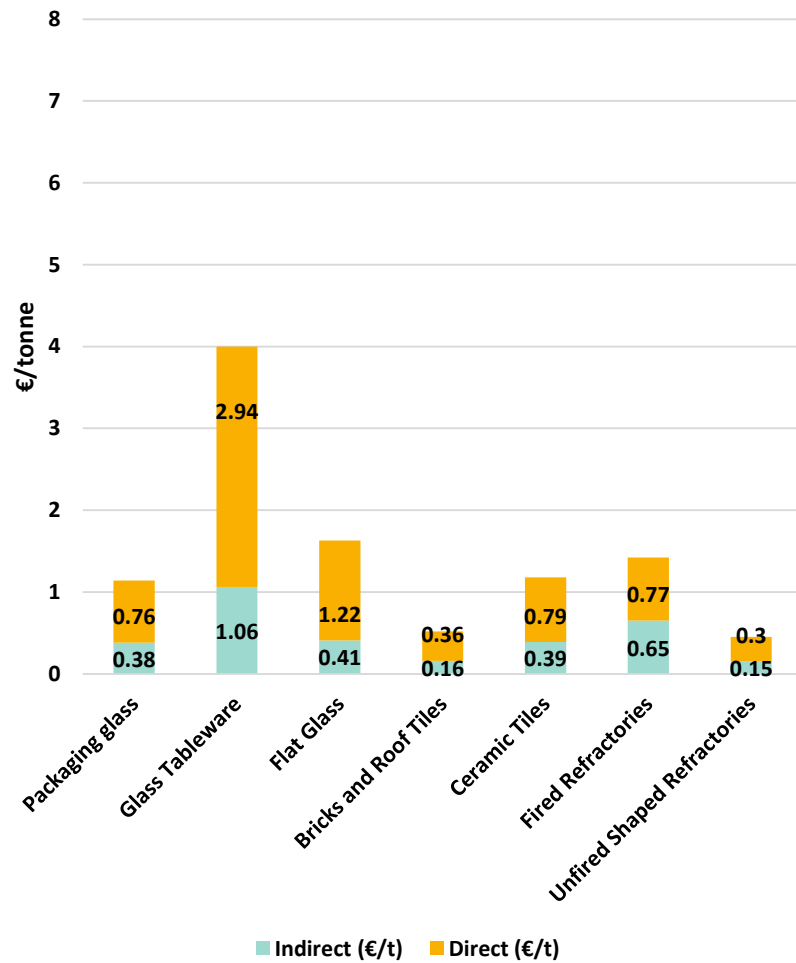
Components of the gas bill – Packaging Glass



EU Regulatory Costs – Electricity (2015)



EU Regulatory Costs – Gas (2015)



Key Results

- The regulatory cost component generated by EU rules is more significant in total electricity cost than in total gas cost
- Whereas **Direct Costs** constitute the main EU regulatory cost component in gas, **Indirect Costs** represent the lion's share in EU regulatory costs for electricity
- Overall, EU regulatory costs stemming from Energy legislation range **between 0.7%** (Tableware and Fired Refractories) **and 2.9%** (Bricks and Roof Tiles) **of total production costs**



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Thank you for your attention.



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