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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	Packaging Glass	21
		Glass Tableware	5
Ceramics Industry	Bricks and Roof Tiles		23
	Ceramic Tiles		16
	Refractories	Fired	11
		Unfired Shaped	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

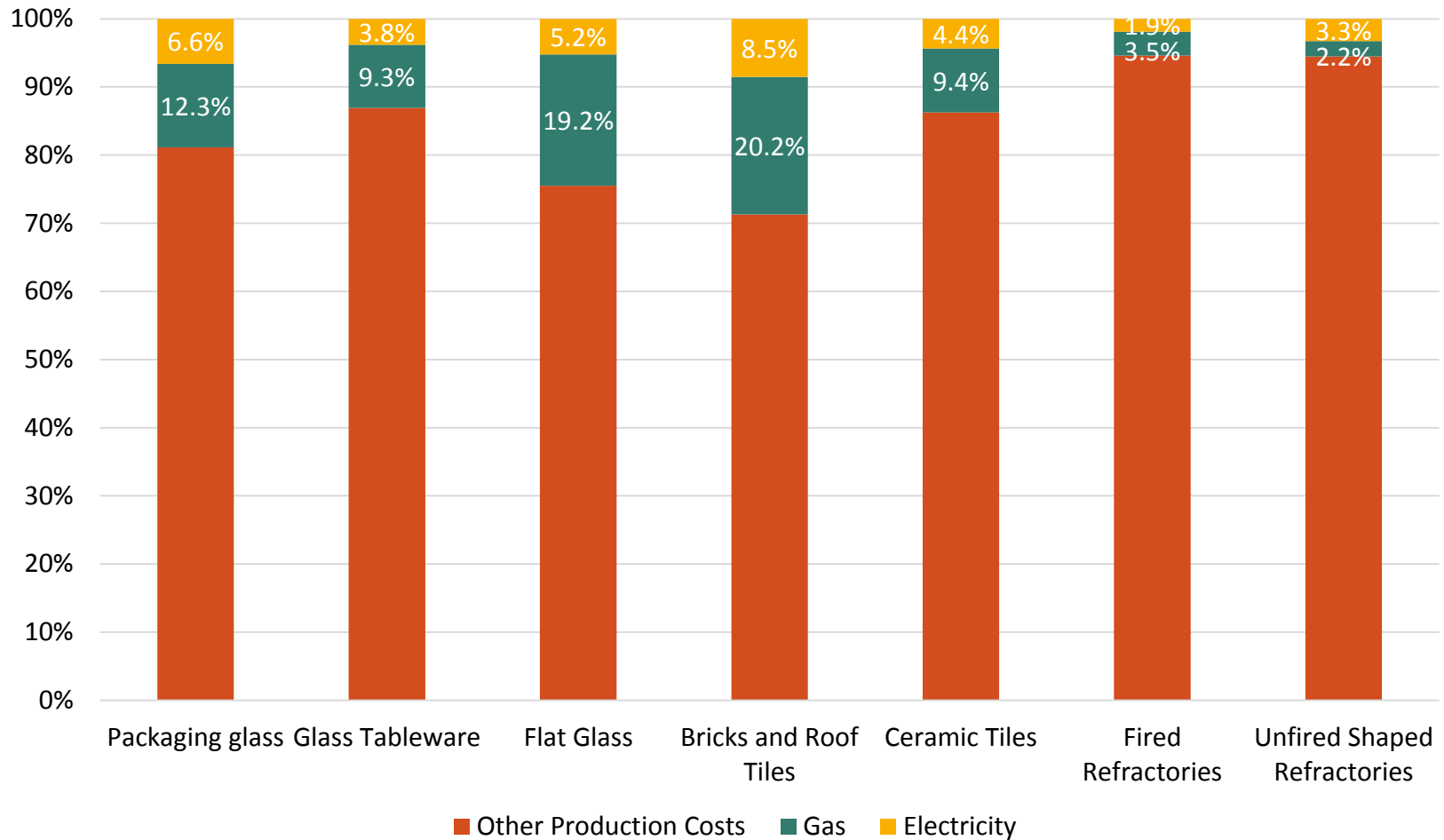
# Key methodological aspects – Energy (I)

- 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

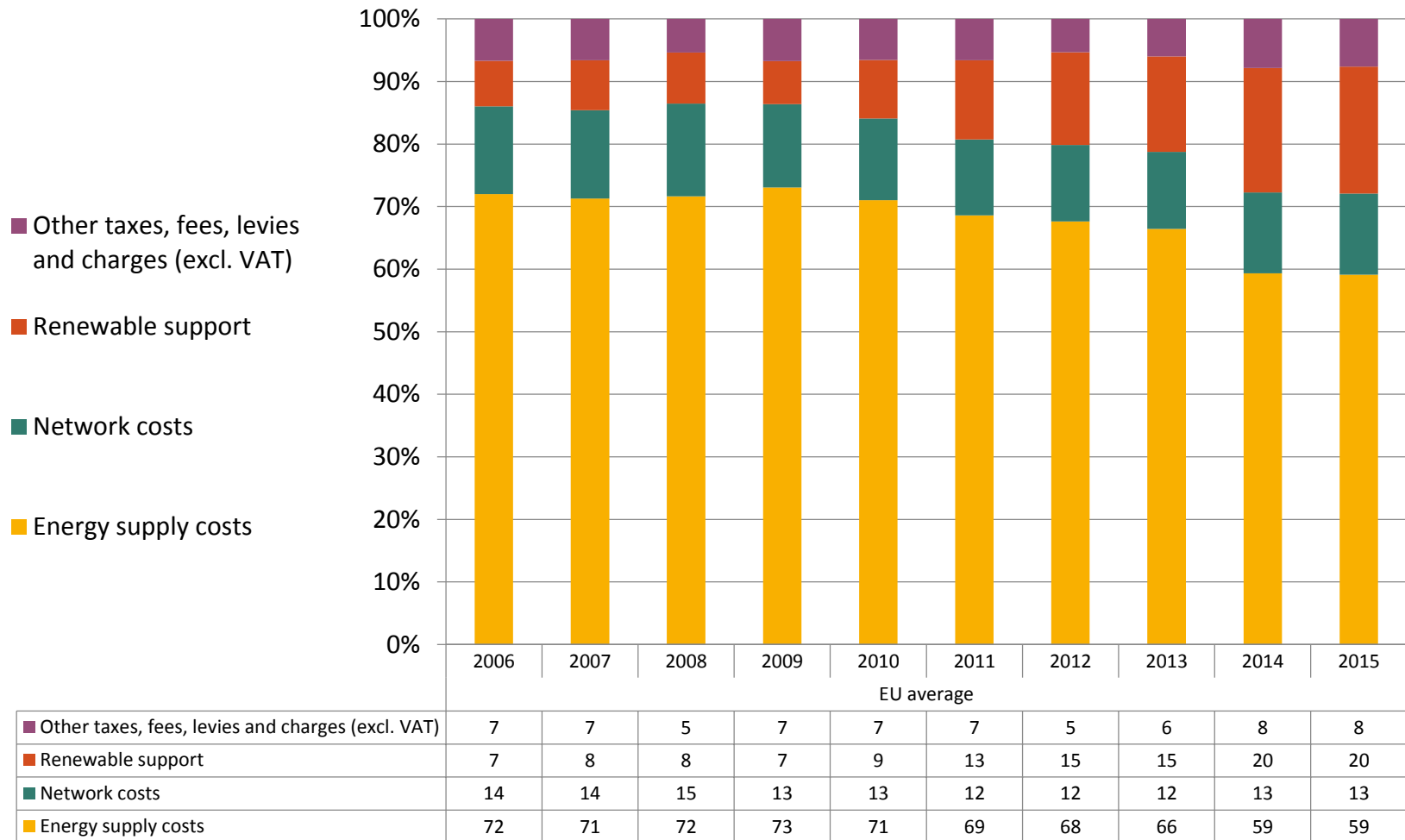
# Key methodological aspects – Energy (II)

- 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

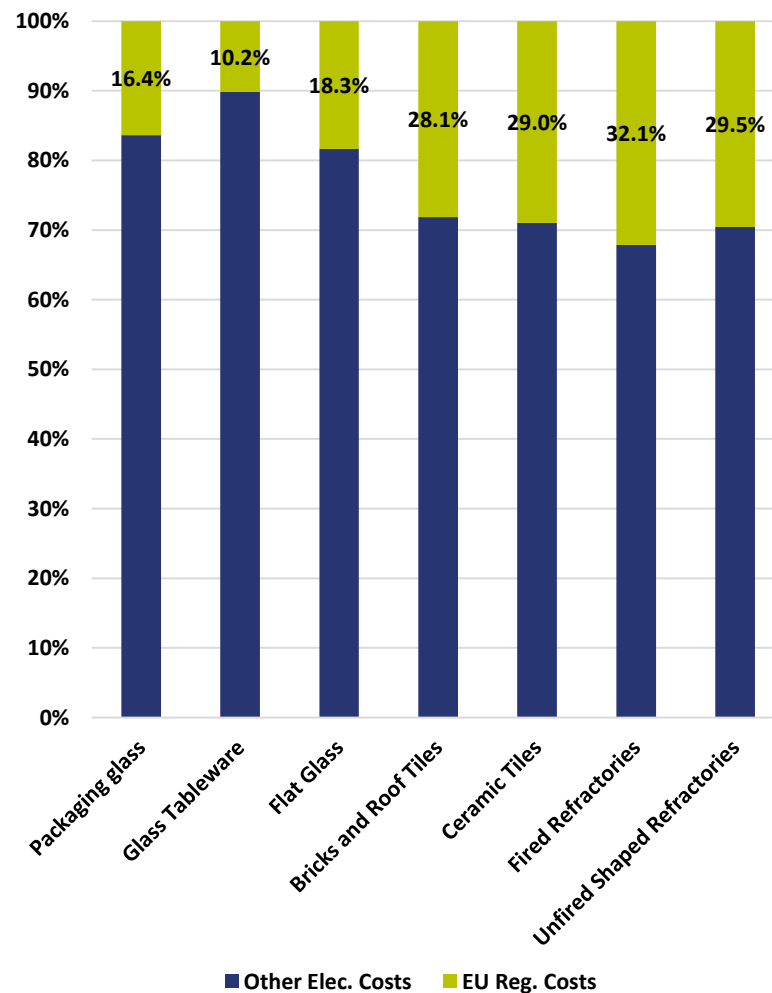
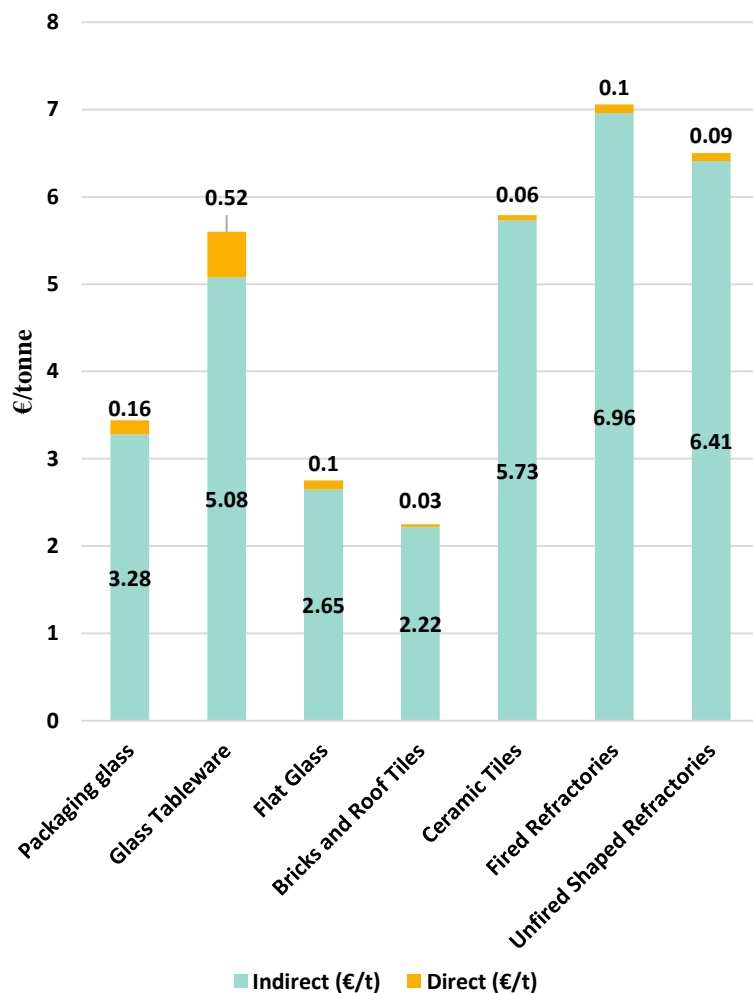




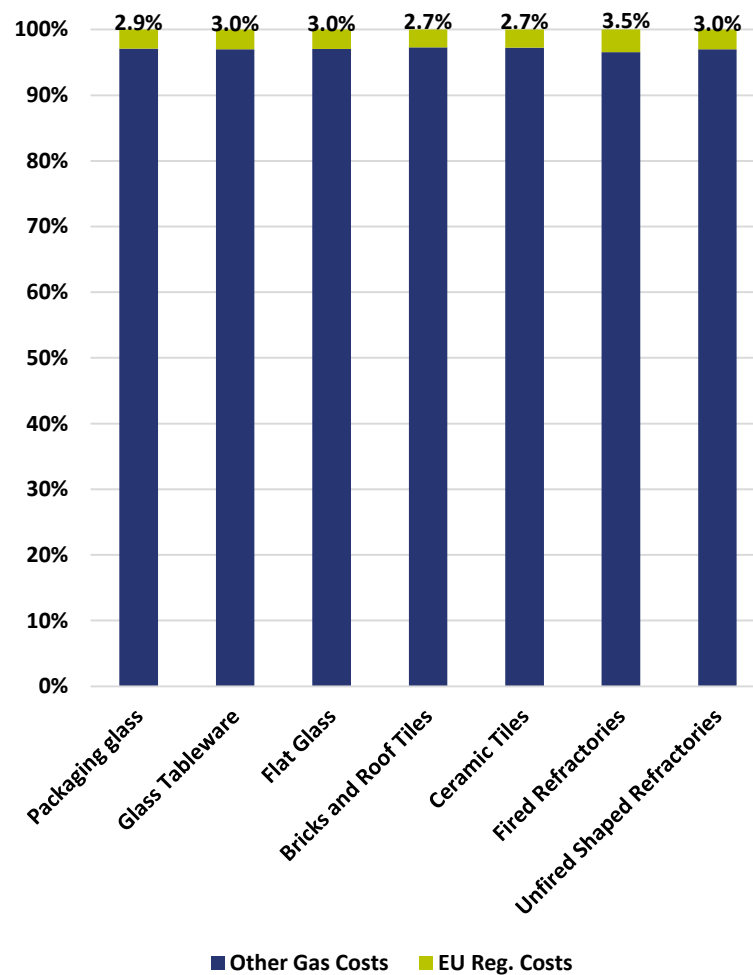
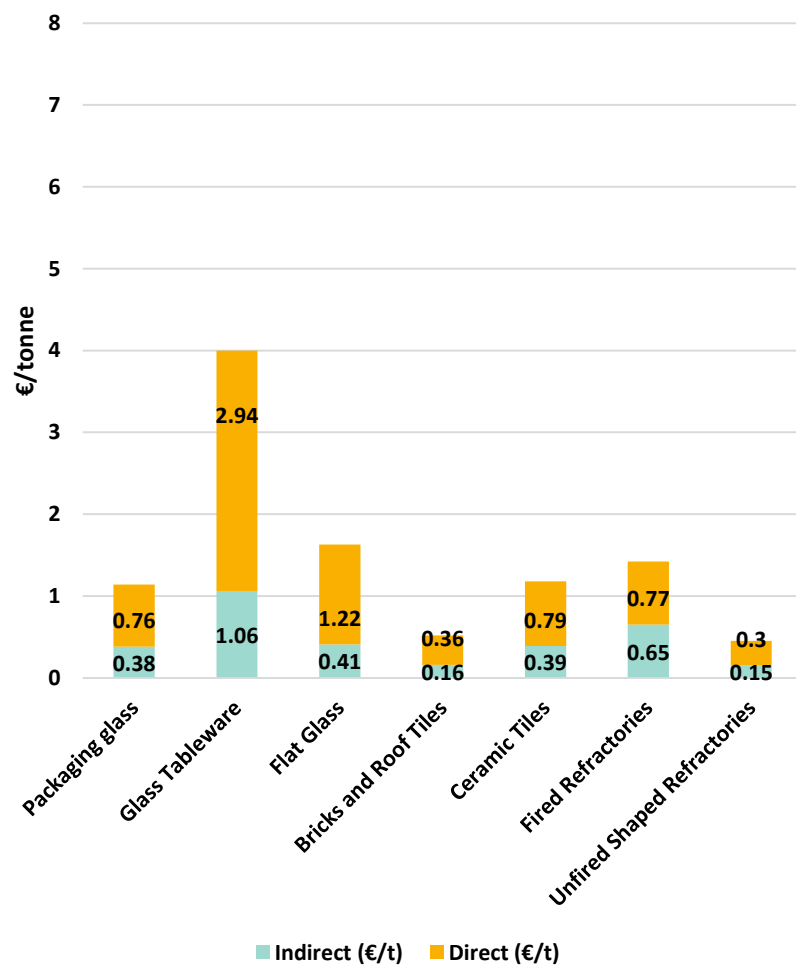
# Components of the gas bill – Packaging Glass



# 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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