CEPS Cumulative Cost Assessment of the EU Ceramics Industry - Final Workshop

General assessment of the CCA
Brussels, 30 October 2017

Cerame-Unie The European Ceramic Industry Association

1. Key facts about the ceramic industry and scope of the CCA
2. Analysis of the cumulative regulatory costs

1. The Ceramic Industry in Europe

80% SMEs
Local jobs

30 Member countries
Pan-European perspective

200,000 Direct jobs
Source of employment

150 years Average lifespan of a brick house
Durable products

up to 30% Production costs related to energy
Sensitive to energy prices

€4.4bn Positive trade balance
Export champion

€30bn Production value
Motor for growth

Ten sectors…

High-Tech & Innovation

Construction & Housing

Technical ceramics

Bricks & roof tiles

Expanded clay

Sanitaryware

Clay pipes

Wall & floor tiles

… numerous applications

Industrial applications

Refractories

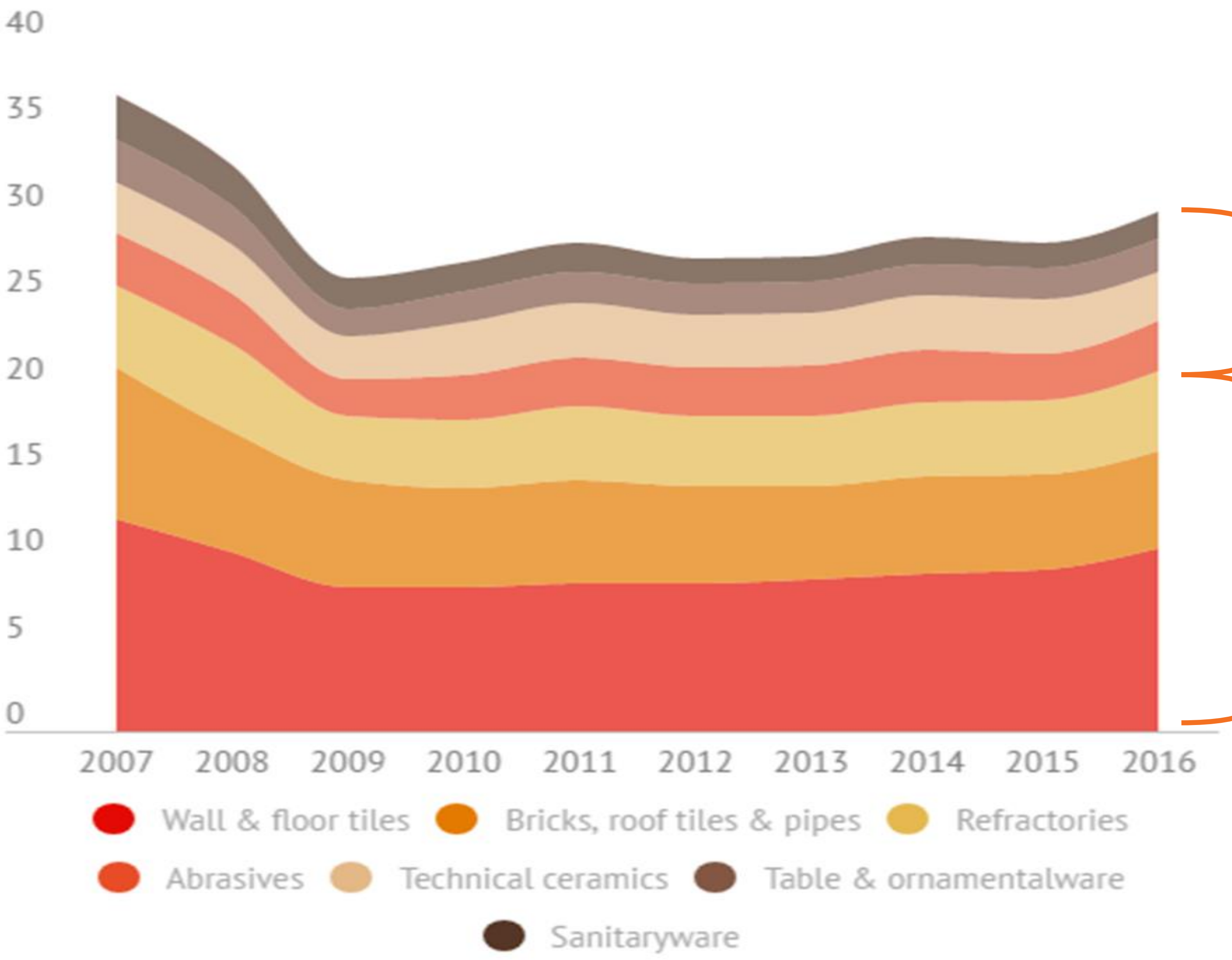
Abrasives

Porcelain enamel

Consumer goods

Table & ornamentalware

Production trends by ceramic sector



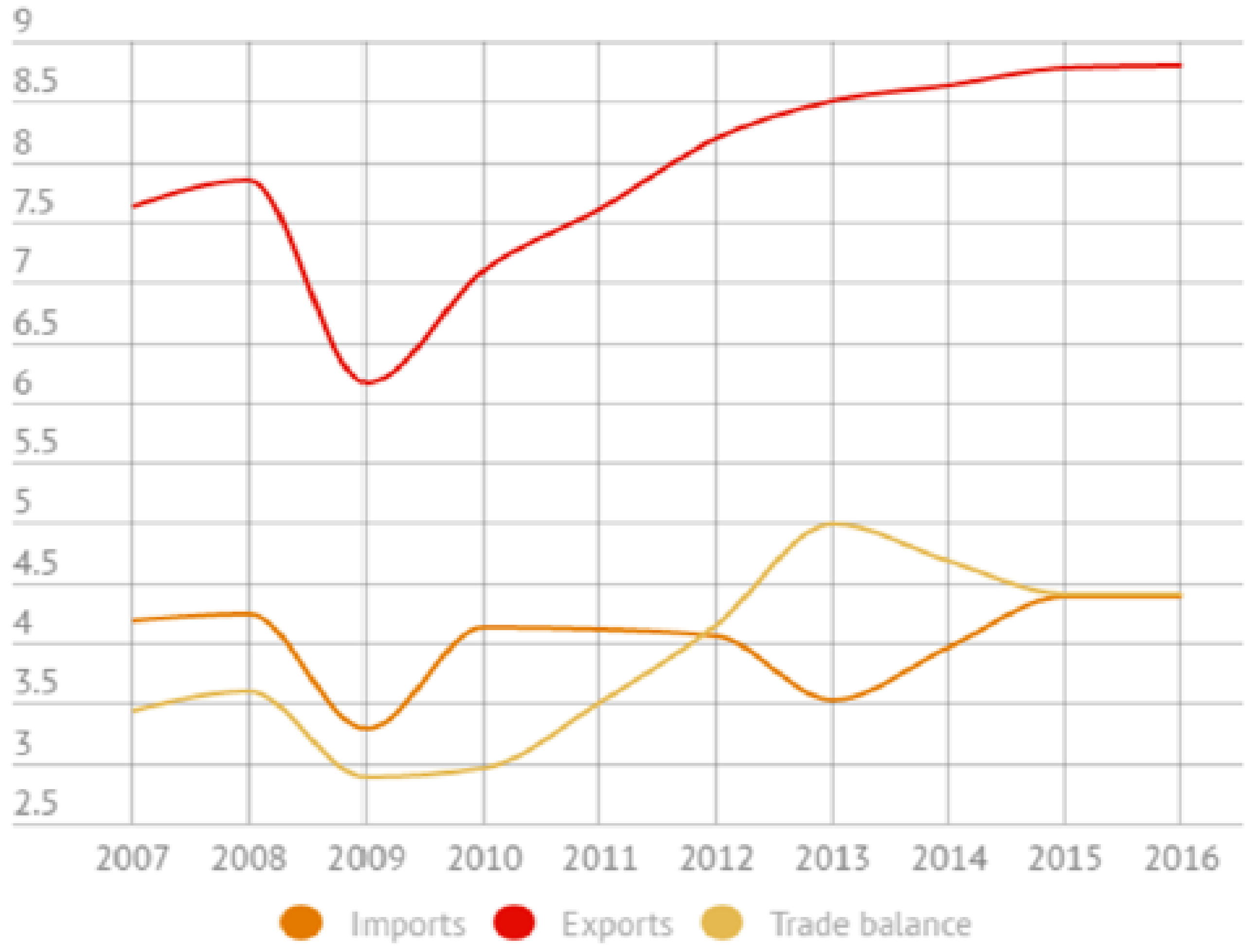
€30bn Production value
Motor for growth

Sectoral analysis for sectors not covered by quantitative assessments

Ceramic sectors covered by the quantitative assessment under the CCA

Scope of the CCA

Trade overview



Ceramic exports:

- **30%** of EU ceramic production
- **35%** of EU wall & floor tiles production
- **40%** of EU refractories production

2. Analysis of the cumulative regulatory costs


European Commission

Cumulative Cost Assessment (CCA) of the EU Ceramics Industry

Final Report

Written by:
CEPS, Economisti Associati and Ecorys
June 2017

CEPS

ECORYS

ECONOMISTI ASSOCIATI

- → The cumulated regulatory impact is significant compared to profits and is continuously growing

- → Regulatory costs remain high in times of crisis and can exceed profits in some regions

- → For most ceramic sectors, regulatory costs related to climate & energy, and more particularly electricity represent the largest share and have been increasing steadily

- → Environment legislation represents the largest share of regulatory costs for fired refractories – industrial emissions legislation affects most ceramic sectors

- → Internal market legislation has a more limited cost clearly outweighed by the benefits of EU harmonisation although costs related to chemical legislation impact in particular the refractory sector

- → Trade policy (both market access and trade defence) has played an essential role in strengthening the competitiveness of the EU ceramic industry.

Bricks & roof tiles

<u>Bricks and roof tiles</u>:

<u>EBITDA</u>: regulatory costs represent on average **18%** of the key performance indicator (above 15 €/tonne for the period 2006-2015); 21.9 % in 2015.
<u>EBIT</u>: Regulatory costs are on average **42%** of this key performance indicator. In 2013 they were equal to **87% of EBIT**. RC represented **35.8 %** of EBIT in 2015.

Wall & floor tiles

<u>Wall floor and ceramics tiles</u>:

<u>EBITDA</u>: regulatory costs were in the region of **9%** of this key performance indicator (above 60 €/tonne); 10% in 2015.
<u>EBIT</u>: regulatory costs were on average **17% of EBIT; 16.2% in 2015.**

Refractories

<u>Fired refractories</u>:

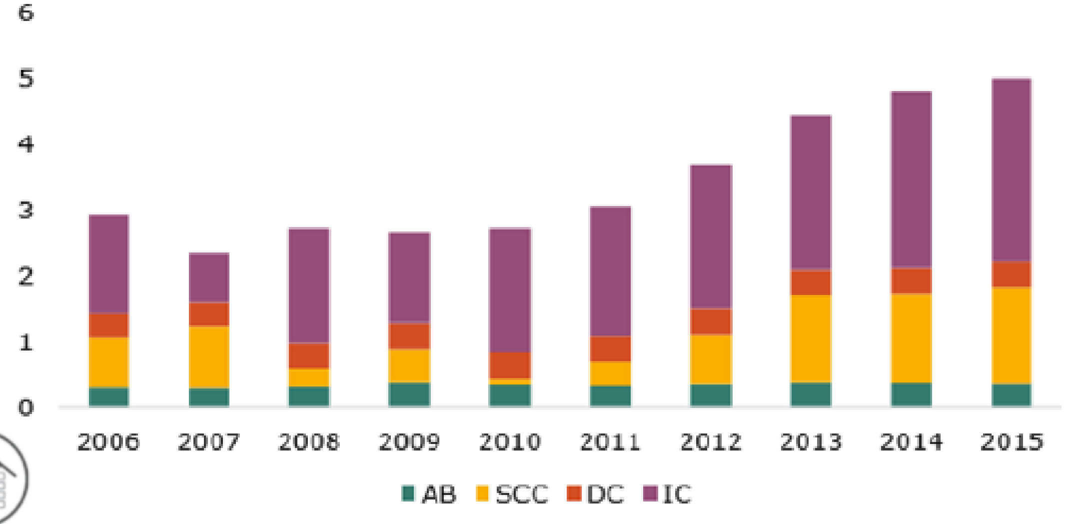
<u>EBITDA</u>: regulatory costs were in the region of **13%** of the key performance indicator, ranging from **9.3% in 2007 to 18.5% in 2015** (above 150 €/tonne over the period 2006-2015).
<u>EBIT</u>: on average **17%**, going up to **27.1 % in 2015**.

Refractories

<u>Unfired shaped refractories *</u>:

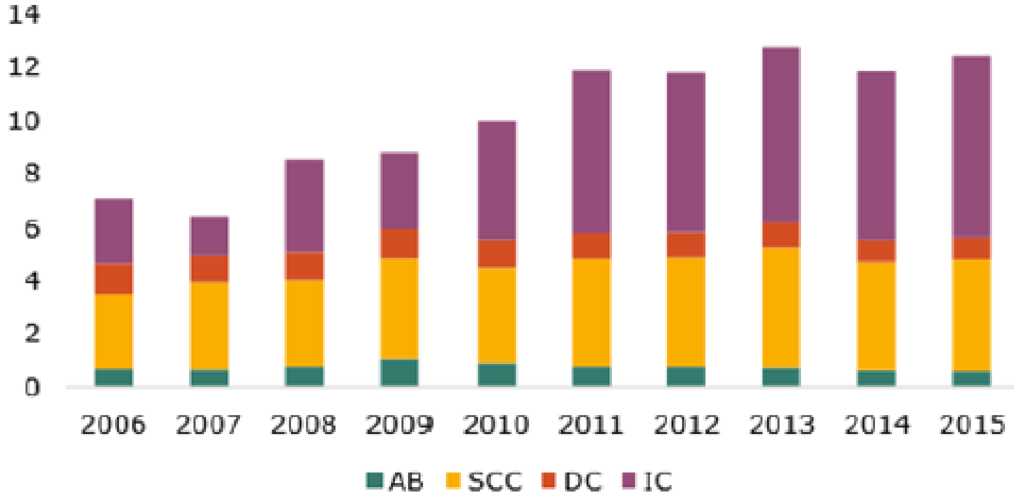
<u>EBITDA</u>: In 2015, the EBITDA fell to **34.7 €/tonne** while regulatory costs reached their peak at **14.77€/tonne**; accordingly, in **the last year under analysis, regulatory costs were 42.5% of EBITDA**.
Regulatory costs were higher than EBITDA in **2006** and **2009**.

Figure 5. Bricks and Tiles - Cumulative cost by category of regulatory costs (€/tonne)



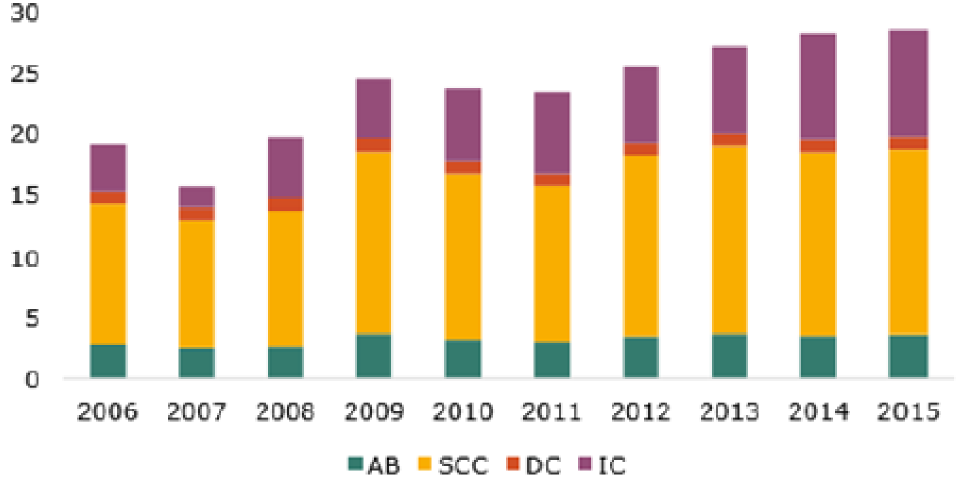
Bricks & roof tiles

Figure 9. Ceramic Tiles - Cumulative cost by category of regulatory costs (€/tonne)



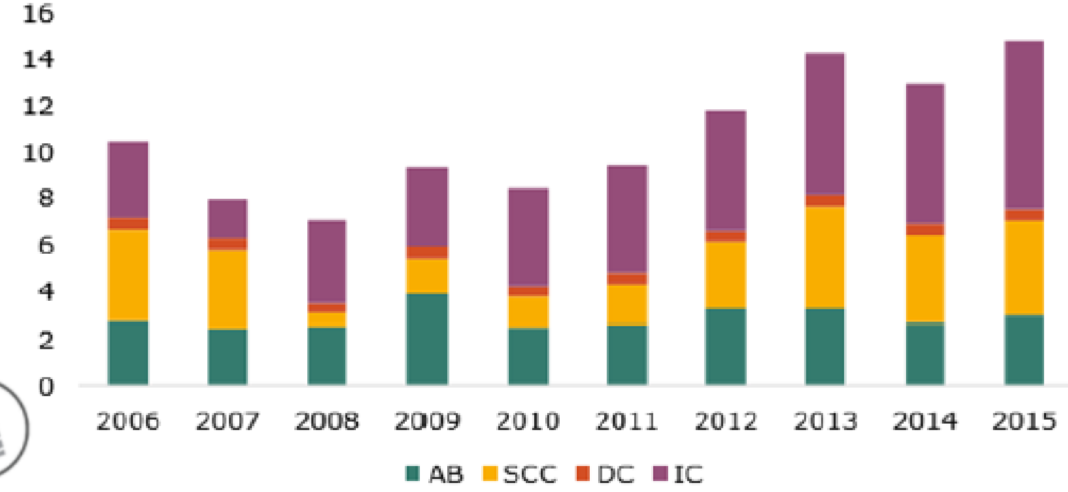
Wall & floor tiles

Figure 13. Fired Refractories - Cumulative cost by category of regulatory costs (€/tonne)



Refractories

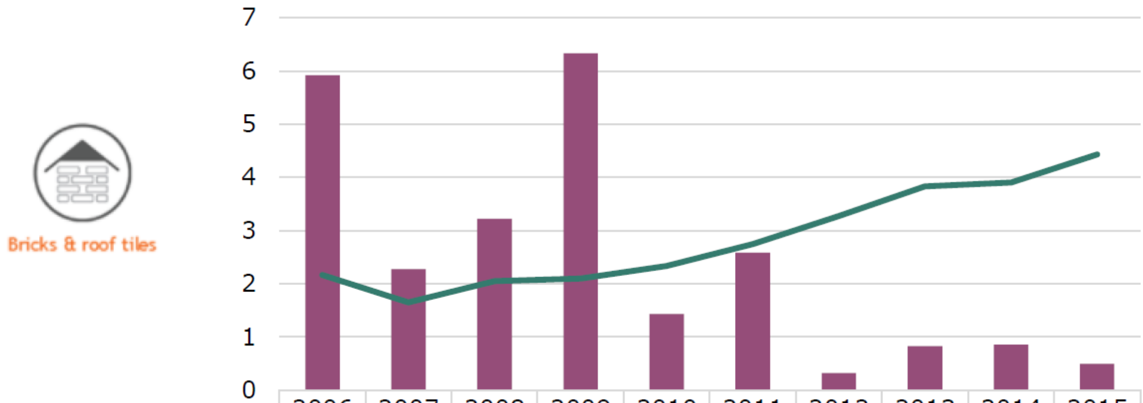
Figure 17. Unfired Shaped Refractories - Cumulative cost by category of regulatory costs (€/tonne)



Refractories

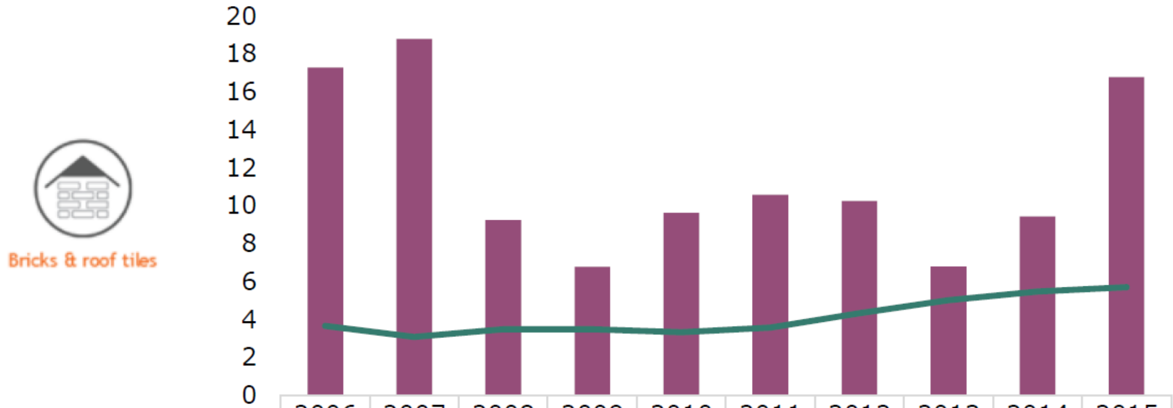
Note: AB=administrative burdens; SCC=substantive compliance costs; DC=direct charges; IC=indirect compliance costs.
Source: Author's own elaboration.

Figure 111. Bricks and tiles: Cumulative cost versus EBIT (€/tonne, Southern Europe)



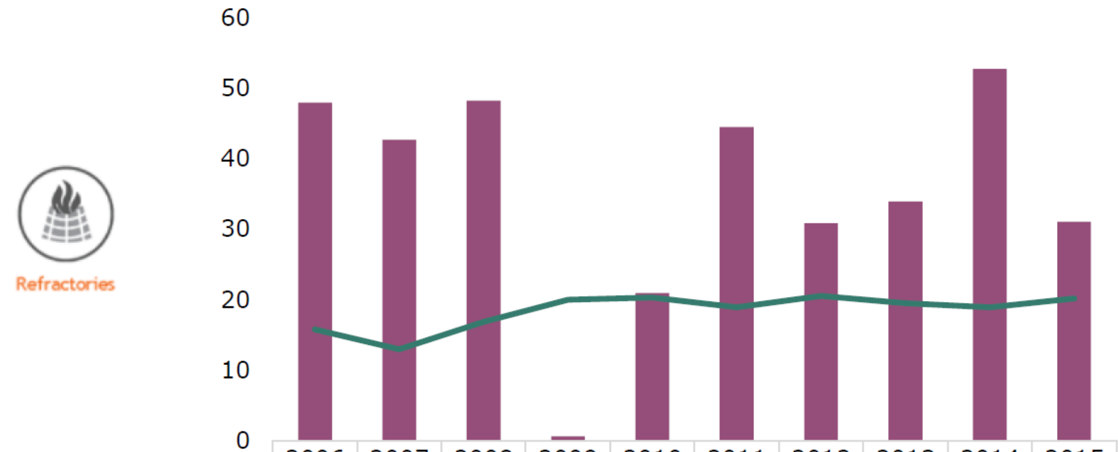
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EBIT	5.9	2.3	3.2	6.3	1.4	2.6	0.3	0.8	0.9	0.5
Regulatory costs	2.2	1.6	2.0	2.1	2.3	2.7	3.3	3.8	3.9	4.4

Figure 116. Cumulative cost versus EBIT (€/tonne, Northern-Western)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EBIT	17.3	18.8	9.2	6.8	9.6	10.6	10.2	6.8	9.4	16.8
Regulatory costs	3.7	3.1	3.5	3.5	3.3	3.6	4.3	5.0	5.5	5.7

Figure 141. Fired refractories: Cumulative cost versus EBIT (€/tonne, Southern Europe)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EBIT	48.0	42.7	48.2	0.6	20.9	44.5	30.8	33.9	52.7	31.1
Regulatory costs	15.8	12.9	16.9	20.0	20.3	18.9	20.5	19.5	18.9	20.2

➔ *Regulatory costs remain high in times of crisis and can exceed profits in some regions*

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Figure 103. Bricks and tiles: Cumulative cost by area of legislation (%, EU)

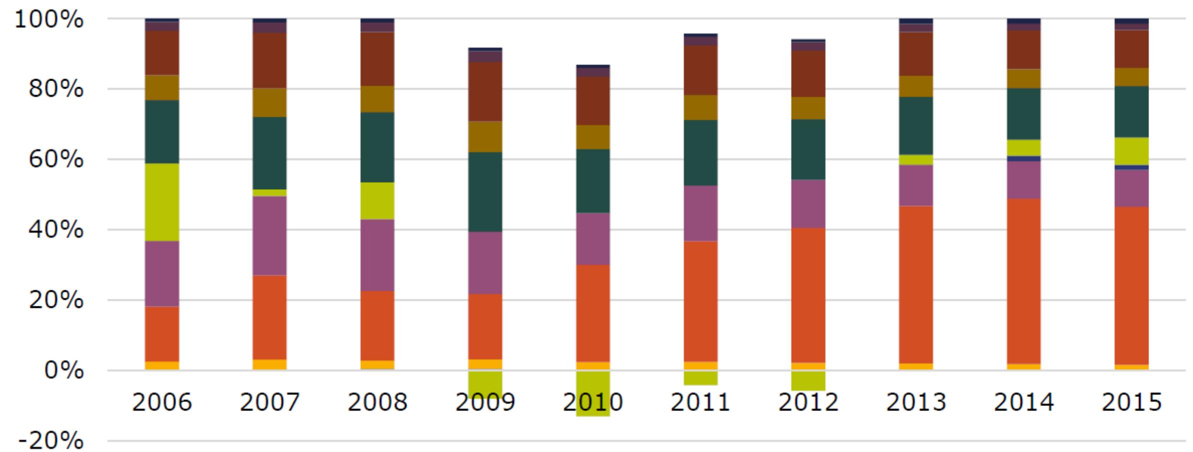
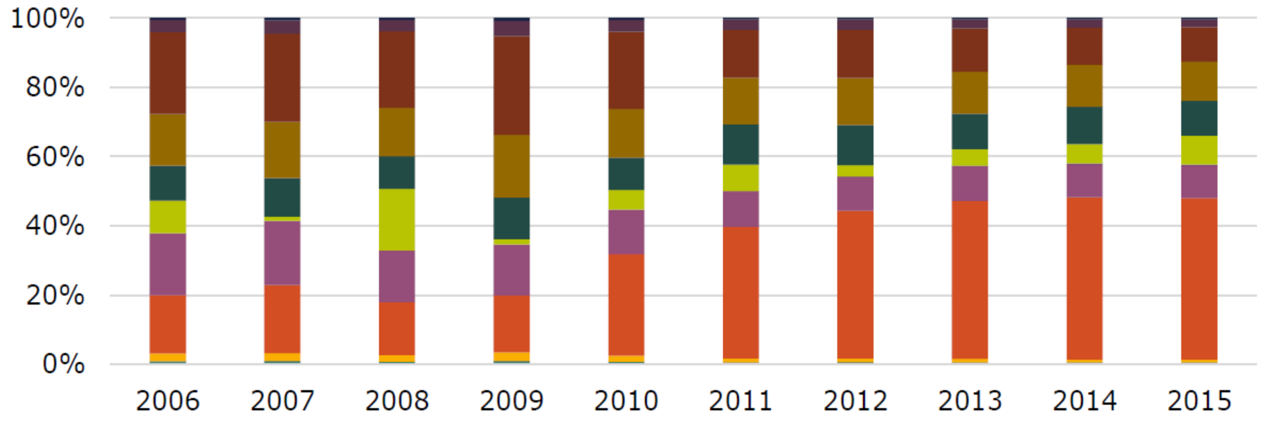


Figure 118. Ceramic tiles: Cumulative cost by area of legislation (%, EU)



Bricks & roof tiles

Refractories

- Internal market chemicals
- Consumers and health
- Electricity
- Gas
- Energy efficiency
- Climate
- Environment
- Waste
- Worker safety, general
- Worker safety, special
- CPR

Wall & floor tiles

Refractories

Figure 133. Fired refractories: Cumulative cost per area of legislation (%, EU)

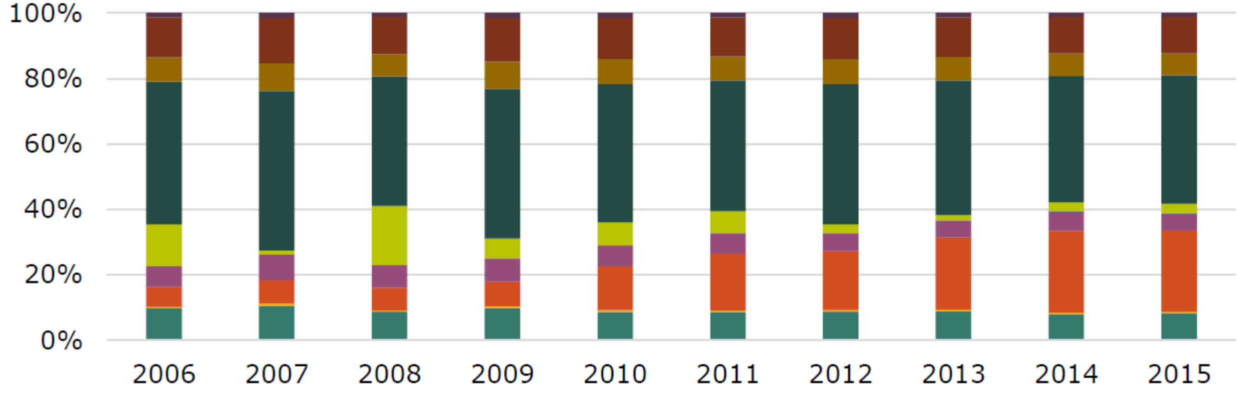
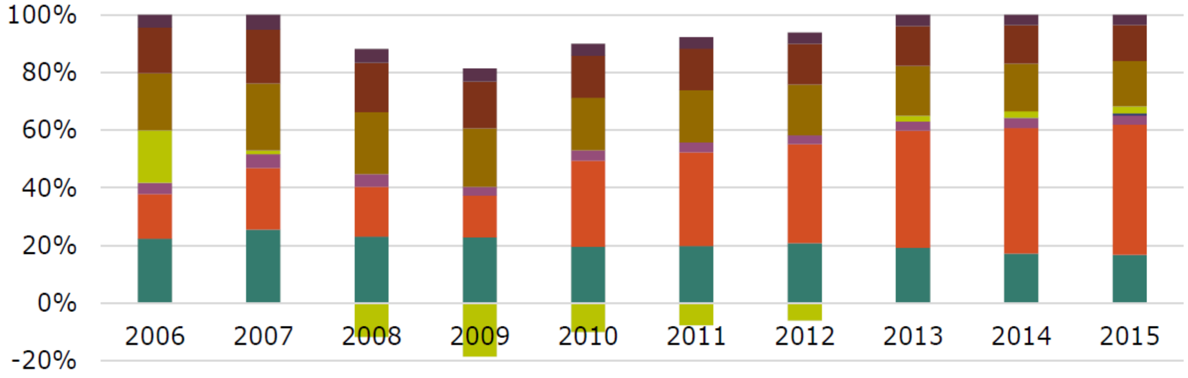


Figure 143. Unfired shaped refractories: Cumulative cost by area of legislation (%, EU)



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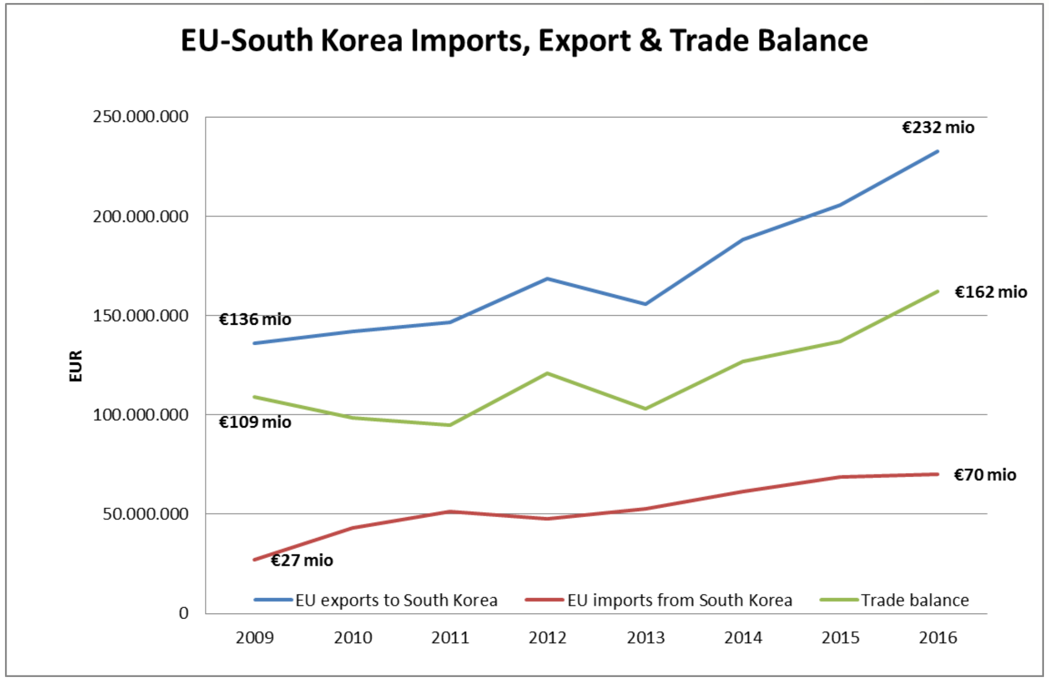
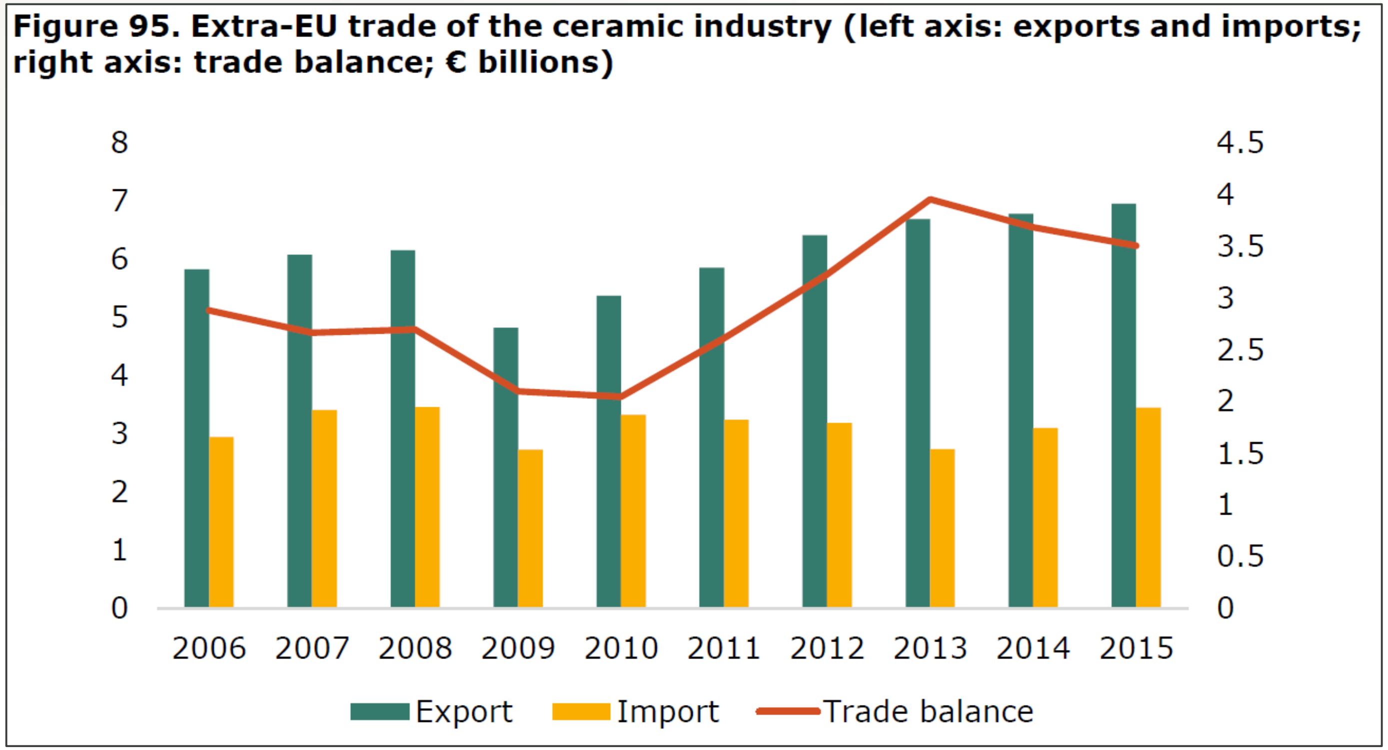
Market access instruments have played an essential role to promote ceramic exports

Positive impact of EU-South Korea FTA



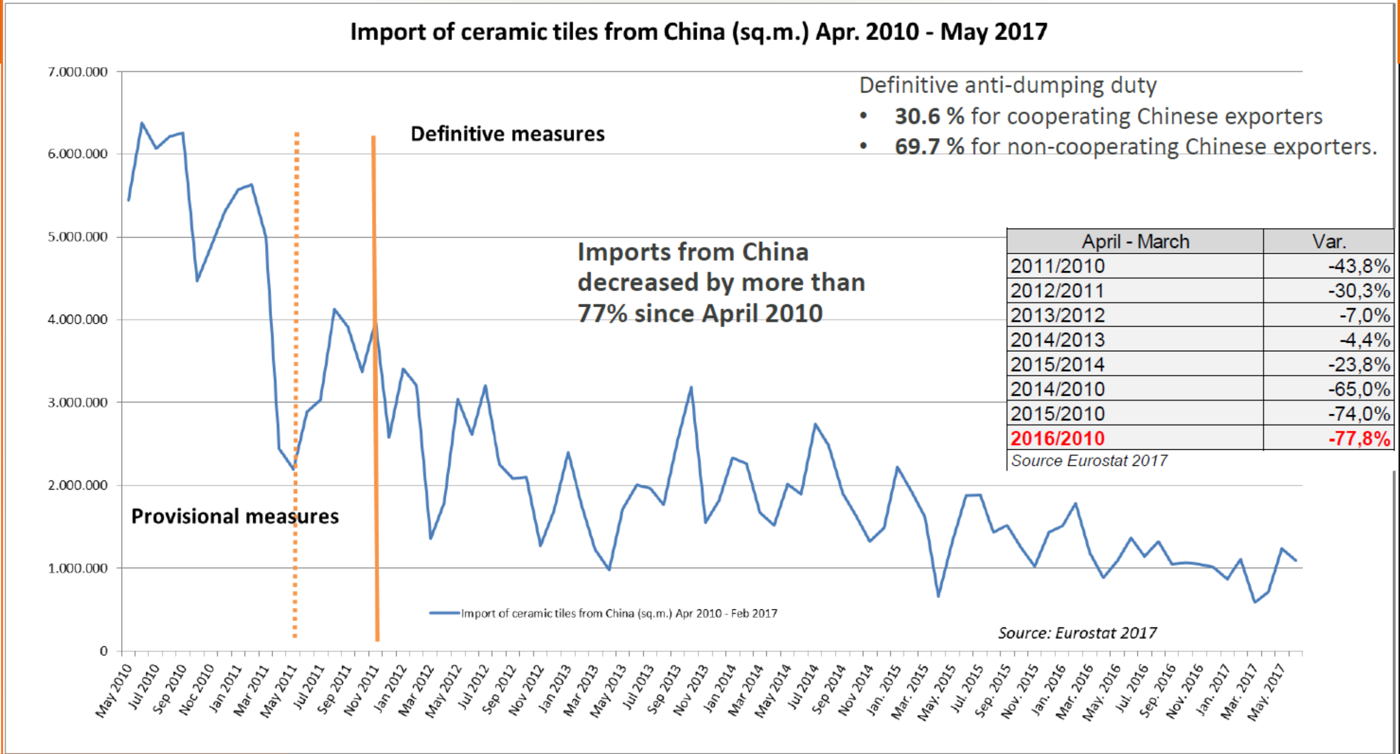
Source: Eurostat

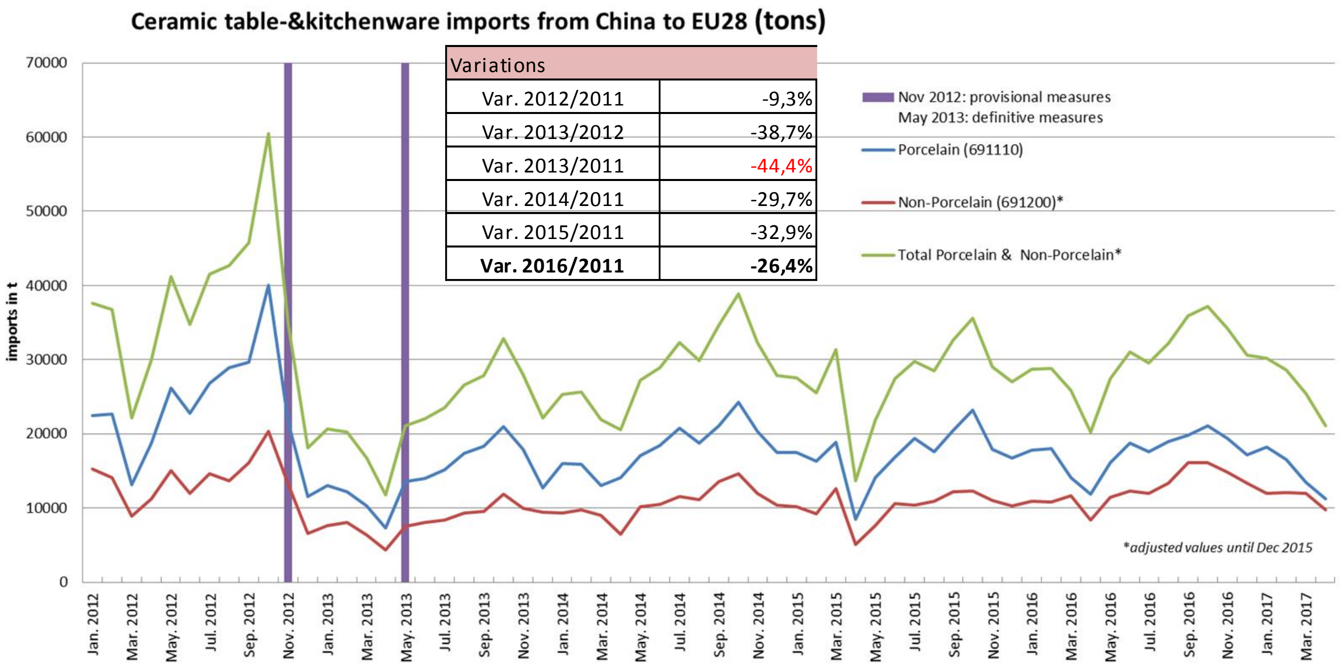


➔ *Trade defence mechanisms difficult to access for SME sectors*

➔ *CCA reports that according to DG Trade, costs related to TDI complaint are between 10.000 and 60.000 € + legal fees and/or consultants*

➔ *Positive impact of Anti-Dumping measures imposed on ceramic tiles in 2011 and tableware in 2013 to restore a level playing field and foster investments in these sector:*





Source: Eurostat/Cerame-Unie

- Definitive anti-dumping duties on tableware & kitchenware
- Imposed on **15 May 2013** for 5 years until 15 May 2018
- **Average duty** for <u>cooperating</u> Chinese exporters **17.9%**

➔ **A rate of about 30% is a minimum to ensure a long-term impact.**

Policy recommendations on trade policy:

➔Foster market access for European companies in third countries

➔Ensure fair competition at international level

➔Keep a robust trade defence instrument accessible for SMEs

➔Ensure a faster imposition of trade defence measures

Thank you for your attention!

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