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

Analysis of the findings related to Climate & Energy Policy

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Cerame-Unie The European Ceramic Industry Association

Analysis of the findings related to Climate & Energy Policy

- ❑ Main characteristics of ceramics as energy-intensive industry
- ❑ Types of regulatory costs identified by the CCA
- ❑ Key findings from the CCA on climate & energy
- ❑ Impacts on the ceramic industry analyzed in the CCA
- ❑ Cerame-Unie policy recommendations

Main characteristics of ceramics as energy-intensive industry

- For clay construction products energy costs constitute on average **35%** of production costs in the EU;
- Main fuel: **natural gas (80%);**
- Around **1200** ceramic plants in the EU ETS in phase 3, mainly from the sectors: bricks and roof tiles and clay pipes, wall and floor tiles, refractories, sanitaryware, expanded clay;
- Most installations belong to the “small emitters”, as over **80%** of ceramic installations emits less than 25kt CO_2 per year;

1,200
ceramic installations in EU ETS

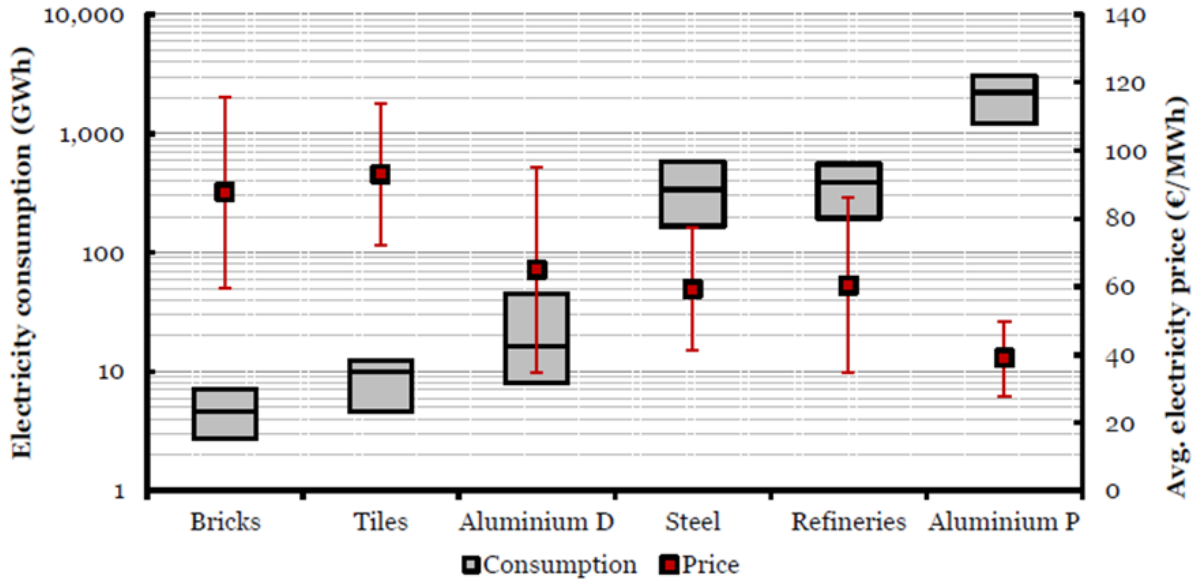
representing 10%
of all installations covered by ETS

but less than 1%
of total industrial emissions

Main characteristics of ceramics as energy-intensive industry

- Ceramic industry is highly sensitive to the **natural gas prices** (as gas is the main fuel used by the industry) and even more so to the **electricity prices** – the most expensive energy carrier;
- Average electricity price paid by the ceramic bricks and tiles sectors in the EU is higher when comparing with other energy intensive industries, which can be explained with a large number of SMEs;

Graph: *Electricity consumption and price variations grouped by sector weighted average, 2008-15*



Source: *2016 EC Report on the Energy prices and costs in Europe, SWD p. 214.*

Types of regulatory costs identified

Direct charges of energy legislation (due to the Energy Taxation and the Energy Efficiency Directives)

Indirect costs related to implementation of the EU internal market in gas and electricity and the Renewable Energy Directive

Direct costs of climate legislation such as **substantive compliance costs** linked to the surrender of EUAs

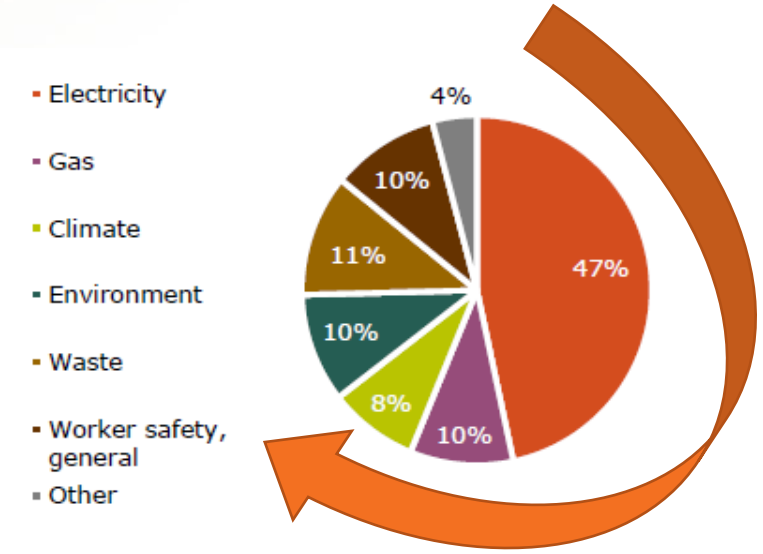
Indirect costs of climate legislation i.e. **indirect carbon costs** passed on in the electricity bills

Administrative costs of climate legislation related to registration, monitoring, verification and reporting obligations

Key findings from the CCA on climate & energy

- **Energy and climate regulatory costs** constitute the **major share** of the EU regulatory costs for most ceramic sectors investigated; ca. **65% in 2015** for bricks and roof tiles and ceramic tiles sectors;
- **Indirect costs** of climate and energy legislation are in most cases the most increasing regulatory costs throughout the whole period (in particular the electricity network costs, RES costs and indirect carbon costs in the EU ETS);
- **Climate regulatory costs** are growing since 2009 and for all sectors investigated create a net burden since the start of the EU ETS phase 3 in 2013;

Graph: *Regulatory costs generated by EU legislation in 2015: Breakdown by area of legislation for ceramic tiles*

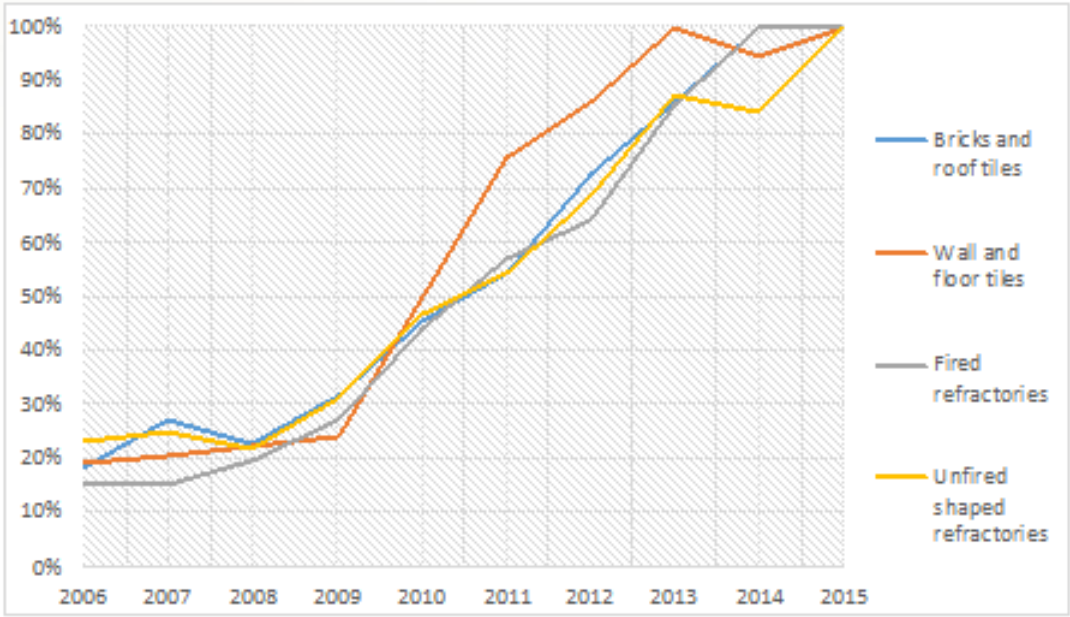


Source: *2017 EC, CCA of the EU ceramics industry, Key findings, p. 3*

Impact on the ceramic industry - energy

- The average **EU electricity regulatory costs** constitute the highest share in the total regulatory costs (in 2015: 45% for bricks, 47% for tiles, 44% for unfired shaped refractories).
- The increase in the **cumulative regulatory costs of EU electricity** legislation was sharp over the period investigated (see graph).
- The absolute record is the increase in the **indirect costs of electricity legislation**, which have multiplied over the period: 4-times for bricks and roof tiles, 5-times for wall and floor tiles, 6-times for refractories.

Graph: *Increase in the cumulative regulatory costs of electricity legislation over the period 2006-2015, EU averages, based on the CCA Final Report, p. 100-135.*



Impact on the ceramic industry - climate

- **Climate regulatory costs** are calculated as net cost between the direct (compliance and administrative) and indirect costs minus the EUAs received for free and are described as relevant for most sectors under study (ca. 8% of total regulatory costs);
- Climate regulatory cost are on the growing trend and constitute a net burden since ETS phase 3 (2013);
- For example the **indirect climate regulatory costs** for wall and floor tiles in 2015: 2/3 of total climate regulatory costs; for all sectors the indirect climate regulatory costs are higher than the direct;

- In general, the role of total **indirect costs** is substantial within the energy and climate regulatory fields. These are the costs stemming from the electricity network costs, RES as well as the EU ETS indirect costs.

Key Cerame-Unie policy recommendations

Industry level playing field

- It must be ensured that the **European energy-intensive industries**, such as ceramics, highly sensitive to the energy and carbon prices, are provided with **an equal level playing field and not at disadvantage** when comparing with their global competitors.

Energy policy & markets

- The EU must strive towards an internal energy market that would benefit all consumers, including industrial consumers and SMEs. The **electricity market integration** shall be **achieved at a minimum cost** while keeping competitiveness and security of supply as its main aims.

Climate legislation impact

- It is necessary to take into account the constantly growing costs faced by the European manufacturers. As the EU ETS is under reform and higher carbon costs are expected after 2020, it must be ensured that **full carbon leakage mitigation** is guaranteed to all ceramic sectors and in particular **further simplifications shall be assured for small emitters**. The **indirect carbon costs** must be compensated, what shall be made possible through the EU ETS State Aid Guidelines.

Thank you for your attention!

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