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CCA findings – Flat glass sector

30 October 2017 – CEPS workshop

Flat glass: essential to an innovative, circular and low carbon economy

- **Energy efficient** glazing solutions for **buildings**
- Always **stronger and lighter** security glass for **cars**
- Extra clear glass to capture more **solar energy**
- Innovative **IT integration** in flat glass for touch-screen, smart mirrors, solar-heat modulation, invisible sensors and radars for cars, acoustic glass, etc.
- **Recyclable** product with potential for enhanced collection

Glass for Europe and the flat glass sector

5 member companies

Produce **9 million tonnes** of float glass annually

Above 90% of the EU production

6 national partners

National associations representing **flat glass transformation and processing** in major producing countries

1 Corporate partner: automotive glass processor

Scope of the sutdy: primary float glass

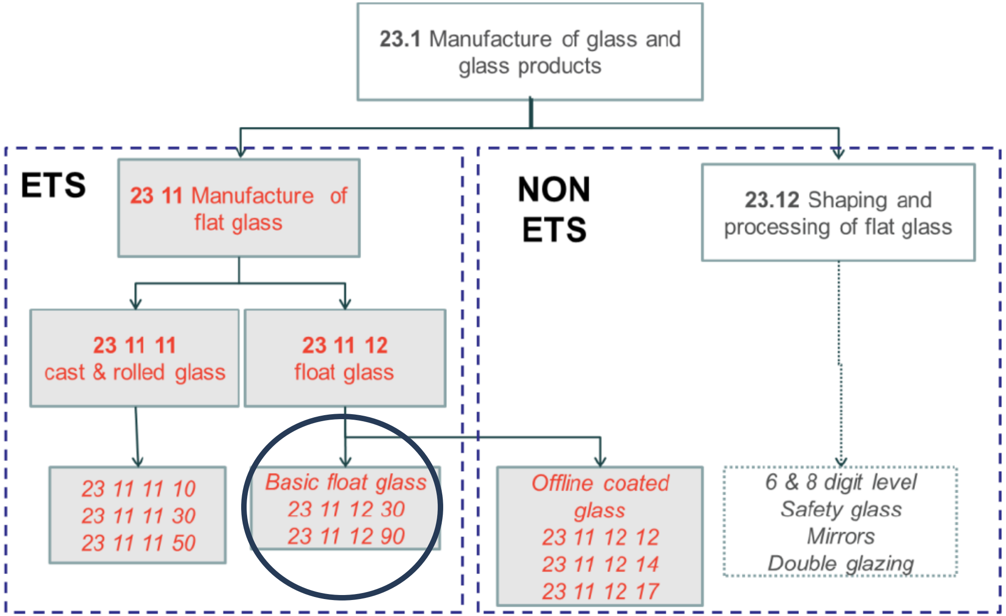

Figure 1. Structure of NACE & PRODCOM codes for flat glass.

Primary float glass ONLY

As manufactured in a float plant

Identifiable at PRODCOM8: 23.11.12.30 + 23.11.12.90

Homogenous product group

BUT no transformation, i.e. not an end product

De facto excludes / limits impact of legislations applicable to end-products: CPR, Automotive safety regulations, etc.

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Float glass melting in the European Union

15 to 18 years

Lifetime of a float line with continuous production 24 hours, 365 days a year

46 float glass installations

in the European Union (52 lines)

650 tonnes

Average daily melting capacity per site

6 float glass producers

Participation to the CCA:

***5** Glass for Europe companies*

***15** EU sites (**+3** Russian sites)*

***Above 30%** of production volume*

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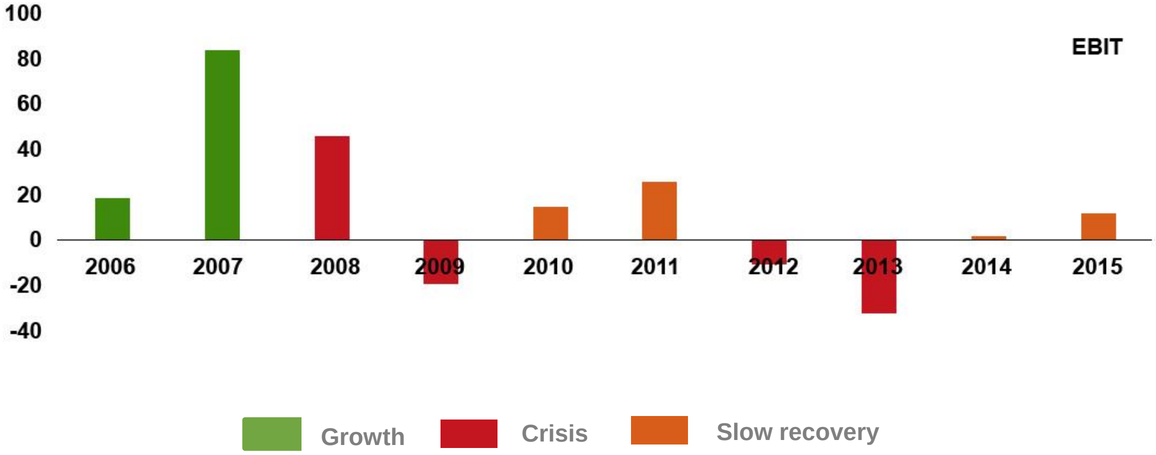
Conclusions from preliminary findings

1

High volatility in economic performance

Primary float glass is a **commodity product**: competition on prices, limited margins, swift reaction to downturn

Capacity adjustment limited: high volume continuous production



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Conclusions from preliminary findings

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2

Growing regulatory costs impactful at times of crisis

From 5,6 (2006) to 10,3 EUR / tonne (2014) = **almost x 2 in 10 years**

Up to 78% of EBIT in 2015 – 50% of EBIDTA in 2014

EU costs higher than EBIT during four years: 2009, 2012, 2013 & 2014

Conclusions from preliminary findings

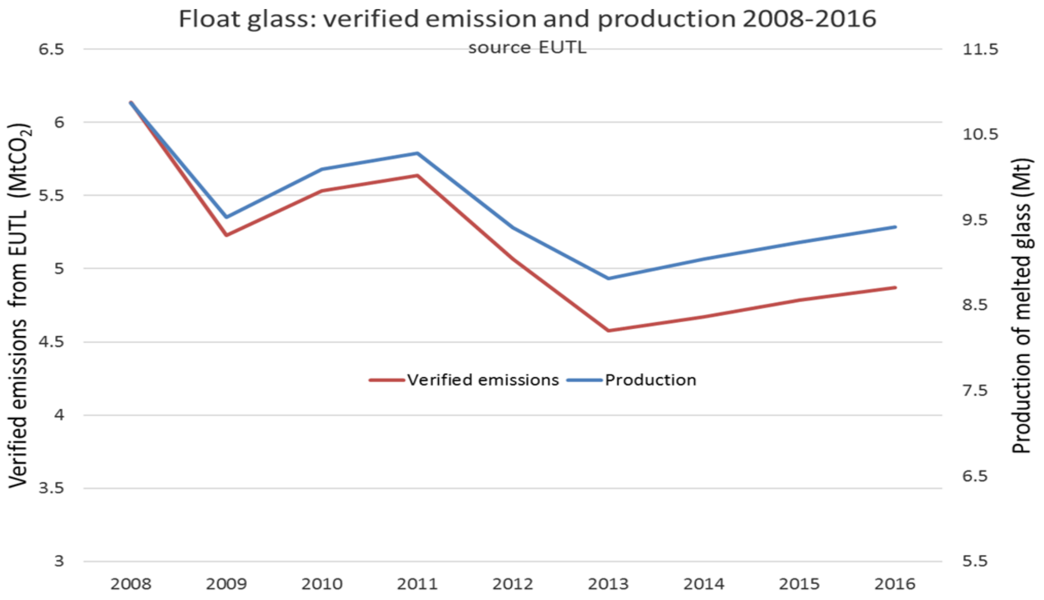
3

Rising cost of climate policy & EU ETS

Regulatory costs from climate policy doubled between 2013 & 2015: joint effects of ETS phase III & production recovery

ETS over-allocation due to the sector's crisis ended in 2013.

Source of cost expected to continue growing: ETS reforms.



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4

High regulatory costs linked to electricity consumption

Nearly 40% of regulatory costs linked to electricity production vs. +/- 20% for gas while primary energy source is natural gas

An economic disincentive to further electrification?

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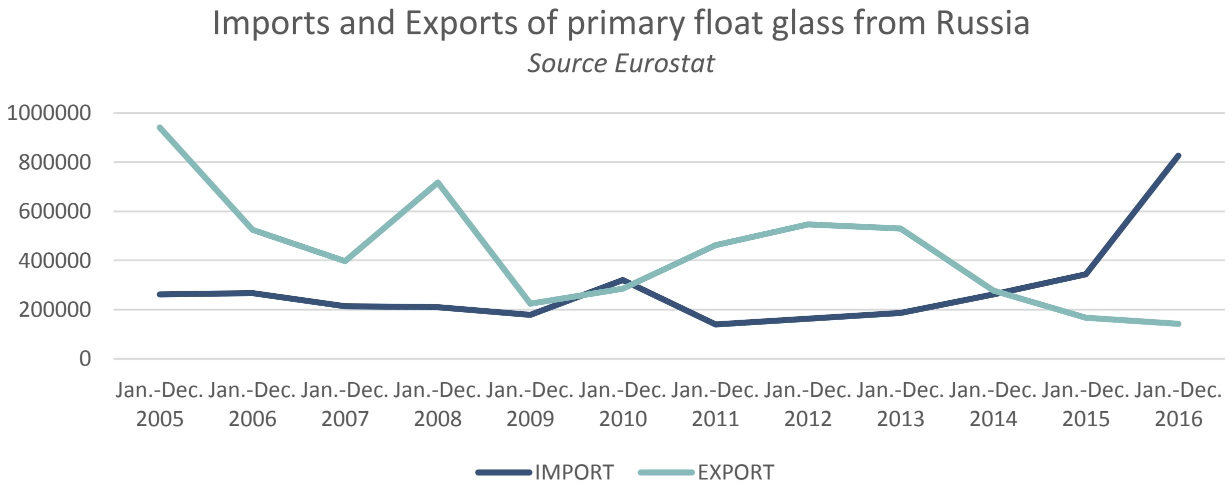
International comparison: Russia

Comparison with Russia made possible

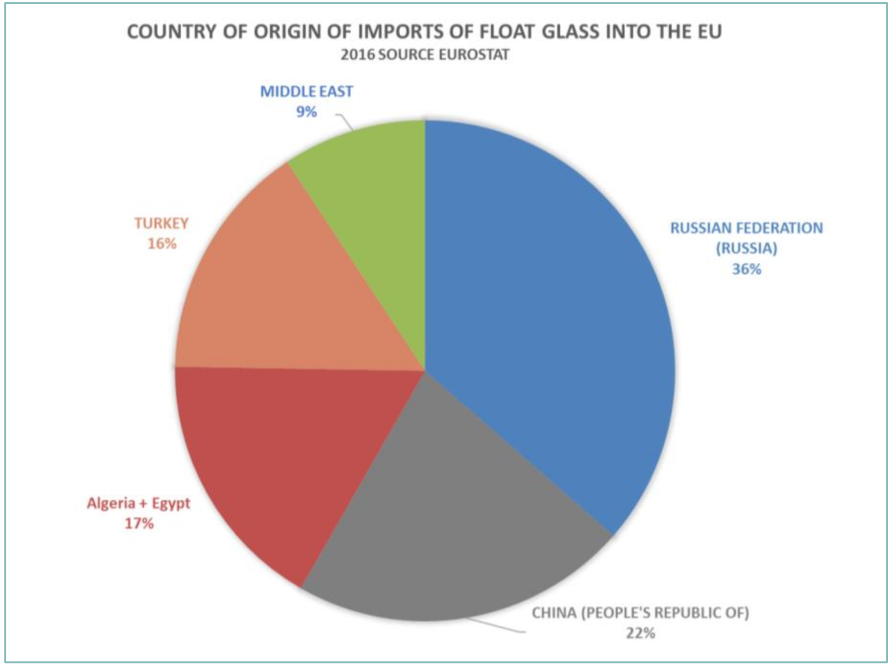
Twice lower production costs: EUR 150/t versus 300/t

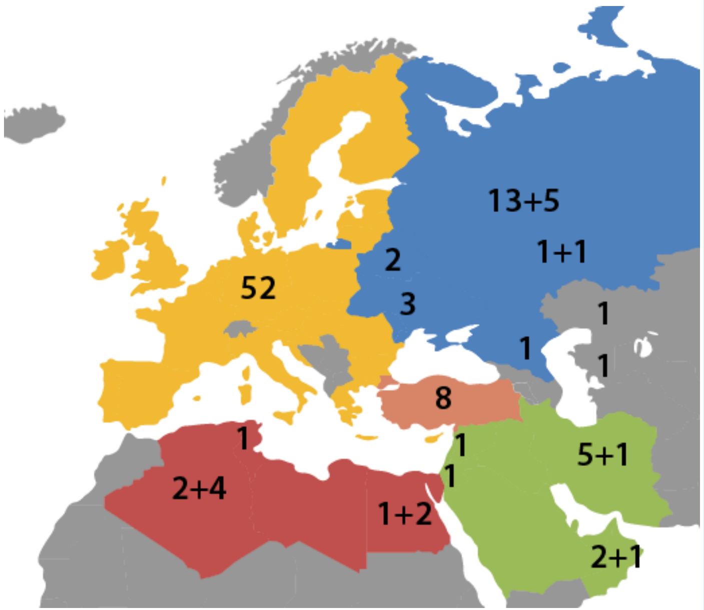
Higher profitability: both EBIT & EBIDTA significantly higher than in the EU

Russia is a major float glass trade partner



Increased competition from outside EU





Evolution in float glass lines in & around Europe

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→ 15 new float glass line projects in countries surrounding the EU with an estimated extra capacity increase of 35%

→ Main objectives of the new projects are to target the European market

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THANK YOU

Bertrand Cazes – Secretary General