

## Ceramic Industry Position on the Energy Taxation Directive Review

Cerame-Unie would like to thank the European Commission for the opportunity to submit its reply to the public consultations on the **Proposal for the Revision of the Energy Taxation Directive (ETD)**<sup>1</sup> presented within the broader package called “Fit for 55”. The main aim of this package is to set the EU on a path to reach its climate targets by 2030 in a fair, cost effective and competitive way.

As stated in the proposal: “In the European Green Deal the Commission committed to review the ETD focusing on environmental issues and in order to ensure that energy taxation is aligned with climate objectives. Taxation plays a direct role in supporting the green transition by sending the right price signals and providing the right incentives for sustainable consumption and production”<sup>2</sup>.

Ceramic industry is currently **out of the scope of the Energy Taxation Directive** through an exclusion applying to mineralogical processes in Article 3.1 (b). The current scope exclusion, however, is proposed to be removed in the new proposal for the ETD revision, which raises concern of our industry.

First of all, we would like to underline that we support the fact that the Member States must agree with **unanimity on the review of the Energy Taxation Directive** and we believe that this unanimity principle must certainly be kept. The issues decided by the Directive are of key importance to the competitiveness of the industry and the economy and thus they must follow the unanimity principle as foreseen by the Treaties. It would seem unreasonable to treat the matter as if it was purely of environmental nature.

Secondly, we would like to underline that the **scope exclusion of the mineralogical processes must be maintained**.

Lastly, we would also like to express our concern regarding a measure that will particularly affect energy-intensive industries, damaging their competitiveness. We refer to **the removal of the differentiation of minimum tax rate between business-use and non-business use**.

The following reasons highlight our request:

- Energy used for **non-heating purposes** should remain exempted from the Directive. In fact, the energy used in the ceramic process is an essential part of the production process and that is why it can be called “**dual use**”. In this sense the fuel in the ceramic plant is used as a raw material which makes the mineralogical process possible and thus, is indispensable for the ceramic process to happen. The ceramic industry uses energy for the mineralogical transformation and not just for the heating purpose. We believe that the treatment given to mineralogical processes must be the same as for the metallurgical processes, as the two processes are not that different. For example, the heat is used directly in the kilns to produce ceramics, where the flame touches the ware. (The mixture of raw materials has to be prepared for forming and a component has to be formed. This

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<sup>1</sup> Available here: <https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52021PC0563>

<sup>2</sup> Proposal for a revision of the ETD, Explanatory Memorandum, page 2, [https://eur-lex.europa.eu/resource.html?uri=cellar:1b01af2a-e558-11eb-a1a5-01aa75ed71a1.0001.02/DOC\\_1&format=PDF](https://eur-lex.europa.eu/resource.html?uri=cellar:1b01af2a-e558-11eb-a1a5-01aa75ed71a1.0001.02/DOC_1&format=PDF)

formed part out of mixture has to run through a thermal treatment which is called e.g. sintering. The material itself – ceramics – is generated by this process.)

- Moreover, the European Commission creates an overlap with other existing and well-functioning EU measures of climate nature, such as the **EU ETS system**. The ceramic industry is directly impacted by the EU ETS scheme with around 1,200 installations in the system. Ceramic plants constitute about 10% of all industrial installations in the EU ETS while emitting only 1% of industrial emissions. This concerns particularly the sectors of: bricks and roof tiles, refractories, wall and floor tiles, sanitary ware and expanded clay. These sectors are also at high risk of carbon leakage and are listed on the newest carbon leakage list (valid until 2030). This means that as long as there are no comparable GHG reduction measures taken internationally, these sectors need to be protected of the risk of relocation abroad. There is not only a risk of carbon leakage, but also job and investment leakage.

- By enlarging the ETD scope to the industries performing mineralogical processes, the European Commission *de facto* proposes a **distortion of the level playing field** on the single market and internationally. As other sectors remain exempted (for example: chemical, electrolytic and metallurgical processes) the imbalance is created on the EU market through the different treatment of these energy-intensive sectors. It is not only that these industries are in direct competition with each other but most of them also face a strong international pressure. In this way the burden is disproportionately put on the EU producers. For example, the ceramic industry belongs to export-intensive industries, with over 30% of its production being exported abroad.

- The immense impact on the **competitiveness of the ceramic industry** by potentially increasing its energy tax costs has not even been assessed by the European Commission. In fact, contrary results to the ones expected by the European Commission, may be reached, especially when the investments are needed for low carbon technologies as well as to fulfill the targets for the pathway to climate neutrality. In particular it may impede the capital-intensive investments, which are expected to launch the new and breakthrough technologies in the industry. If industry is to move towards decarbonisation, a **stable legal framework** is needed. The changes to the energy taxation regimes are counterproductive, taking into account the fact that the industry requires incentives, not punishments, to move to carbon neutral processes. For example, electrification, so badly needed for the future low-carbon pathway, is currently not promoted, as the ceramic industry is not compensated for the indirect carbon costs associated with electricity (through the ETS State Aid Guidelines).

- It is essential that the ETD protects the competitiveness of energy-intensive industries. It is worth remembering that businesses will not only face an increase in tax levels following the entry into force of the new ETD, but there are a number of other measures that will affect the competitiveness of businesses such as: a reduction in energy exemptions due to the new Climate, Energy and Environment Aid Guidelines (CEEAG), increase of the CO<sub>2</sub> cost due to the revision of the EU ETS, an increase in transport fuel prices due to the extension of the EU ETS, an increase in electricity prices, etc. On the other hand we find that some of the rate increases proposed in the ETD are particularly strong and its effects may be underestimated. In those Member States where the tax rate of natural gas is close or equal to the current minimum in the ETD (€0.15/GJ), the proposed increase to €0.6/GJ may jeopardize the competitiveness of energy intensive industries. It is vital that **the differentiation for business and non-business use is maintained as in the ETD**, and that the minimum tax rate for business is not increased excessively, especially for natural gas, to avoid investment leakage in Europe.

***Against this background, we would like to make the following requests:***

- keep the mineralogical processes out of the scope of the Energy Taxation Directive (Art. 3.1 (b));***
- maintain the unanimity principle for the review of the Energy Taxation Directive as agreed in the Treaties;***
- maintain the differentiation of minimum tax rate between business-use and non-business use, and avoid increasing excessively tax rate for natural gas.***

***About Cerame-Unie***

*Cerame-Unie is the European Ceramic Industry Association, representing interests of all major European ceramic producers. The EU Ceramic Industry is a world leader in producing value added, uniquely designed, high quality ceramic products manufactured by flexible and innovative companies, the majority of which are SMEs. The ceramics industry represents an annual production value of around €30 billion, accounting for approximately 25% of the global production, and over 200,000 direct jobs throughout the EU.*

*The major producing countries in the EU are Italy, Germany, Spain, France, the UK, Portugal and Austria. Production is also strong in the Czech Republic, Poland, and Hungary, all of which have growing and dynamic ceramic sectors that traditionally export to other EU countries.*

*The EU Ceramic Industry is export-oriented with 30% of its production sold outside the EU market. It is competitive, both domestically and internationally.*