

Green Deal: Opportunities and Challenges for the European Refractory Industry

PRE General Assembly

**Cerame-
unie** The European Ceramic
Industry Association

Video conference

04/06/2020

Overview

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1. Introduction: what is European Green Deal
2. Increase of regulatory pressure and obstacles
3. Carbon Border Adjustments
4. REACH / Circular economy

1. What is European Green Deal?

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A [roadmap with actions](#) to boost the efficient use of resources by moving to a clean, circular economy, restore biodiversity and cut pollution.

It outlines **investments** needed and financing tools available, and explains how to ensure a **just and inclusive transition**.

To be climate neutral Europe in 2050 EU proposed [European Climate Law](#) turning the political commitment into a legal obligation and a trigger for investment.



1. What is European Green Deal?

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Timeline of the European Green Deal

- ▶ **11 December 2019** Presentation of the [European Green Deal](#)
- ▶ **14 January 2020** Presentation of the [European Green Deal Investment Plan and the Just Transition Mechanism](#)
- ▶ **4 March 2020** Proposal for a [European climate law](#) to ensure a climate neutral European Union by 2050
Public consultation (open until 27 May 2020) on the [European Climate Pact](#)
- ▶ **10 March 2020** Adoption of the [European Industrial Strategy](#), a plan for a future-ready economy
- ▶ **11 March 2020** Proposal of a [Circular Economy Action Plan](#) focusing on sustainable resource use
- ▶ **20 May 2020** Presentation of the '[Farm to fork strategy](#)' to make food systems more sustainable
- ▶ **20 May 2020** Presentation of the [EU Biodiversity Strategy for 2030](#) to protect the fragile natural resources on our planet

1. What is European Green Deal?

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Timeline of the European Green Deal in the context of COVID-19

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Coronavirus pandemic March 2020 → ???

- | | |
|----------------------|---|
| 26 March 2020 | Joint statement on coordinated exit strategy, a comprehensive recovery plan and unprecedented investment |
| 15 April 2020 | Joint European Roadmap towards lifting Covid-19 containment measures |
| 21 April 2020 | Roadmap for recovery, towards a more resilient, sustainable and fair Europe |

- ▶ **20 May 2020** Presentation of the '[Farm to fork strategy](#)' to make food systems more sustainable
- ▶ **20 May 2020** Presentation of the [EU Biodiversity Strategy for 2030](#) to protect the fragile natural resources on our planet

New context: COVID-19 & recovery roadmap

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- ▶ Recovery Roadmap presented at the EP Plenary on **Wednesday 27 May 2020**.
- ▶ To be agreed politically at Council level by **July 2020**.
- ▶ **Funding pillars:** → **EU Budget 2021-2027**: revamped with € **1.1trillion**
→ **Next Generation EU** (the “Recovery Fund”): € **750bln**
- ▶ **14 ecosystems**, classified according to severity of the economic hit and capacity to bounce back:
 - I. Tourism, social economy and the creative and cultural sector
 - II. Textile, transport, **energy intensive industries** and the renewable energy sector
 - III. **Manufacturing*****, retail and health: are considered as “high-consumer” confident, hence likely to bounce back faster.
- ▶ **Refractories major concern** -> legal and policy uncertainty over the positioning as a key sub-sector within the general scheme of the investments.

EU Recovery Plan: The Policy Fundamentals

1. EU “Green Deal” in the Recovery Plan:

- ▶ **Renovation wave** for the building sector and boosts to the circular economy (emphasis on “high quality secondary raw materials”)
- ▶ Acceleration in the renewable and clean hydrogen economy
- ▶ **Mentions CBAs, extension of ETS to maritime and air transport, carbon leakage and State Aid reviews**, Clean transport and logistics
- ▶ Strengthening of the Just Transition Fund

2. Reinforcement of the Single Market through digital policies:

- ▶ Investments in higher 5G connectivity, stronger industrial and technological sectors (AI, cyber security et al), real data economy and cyber resilience

3. Socio-Economic Recovery:

- ▶ SURE Initiative for 100bn in support of workers and businesses
- ▶ Proposals for fair minimum wages, binding-pay-transparency, tax evasion

2. Increase of regulatory pressure & obstacles

2. Increase of regulatory pressure & obstacles

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- ▶ The European Commission published a draft **Regulation on the Climate Law**, which enshrines into law the climate neutrality by 2050 target.
 - ▶ Cerase-Unie responded to public consultation mentioning that the shares should be equally carried by the non-ETS sector and no additional burden must be falling on the ETS sectors and energy intensive industry;
- ▶ A public consultation has been published on the review of the **2030 target up to 50% - 55% of GHG reductions**.
 - ▶ Cerase – Unie replied to public consultations asking for more predictability and more stability in the legal framework;
- ▶ The European Commission is planning a forthcoming review of the Energy & Environmental Aid Guidelines as well!

➤ Increasing pressure on sectors to decarbonize

Refractory customers and the Green Deal

04/06/2020

► Cement new 2050 Roadmap

- Carbon neutrality in cement achievable by 2050
- 42% of CO₂ reductions by CCS
- 15% through replacement of fossil fuel by non-recyclable and biomass waste
- Additional reduction in use thanks to low carbon cement on the market: 13% reduction of emissions in buildings
- Provided:
 - Level playing field on carbon
 - Regulatory certainty
 - Ambitious industrial transformation agenda

CEMBUREAU's carbon neutrality roadmap demonstrates that reaching net zero emissions along the cement and concrete value chain is achievable by 2050. To deliver this, the industry will need decisive political action in key areas:

Carbon Capture, Use and Storage (CCUS) will account for **42% of the CO₂ emissions reduction** in the sector. The EU should urgently look at developing a **pan-European CO₂ transportation and storage network**, provide continued **funding to demonstrators** and support the **business case** of the technology through State Aid.



The replacement of fossil fuels by non-recyclable and biomass waste, and the use of alternative raw materials, will deliver another **15% of the emissions reduction in the cement industry**. Policies should support this circular approach by **facilitating waste shipment** between EU countries, and **discouraging both landfill and exports** of waste outside of the EU.

Bringing low carbon-cements products to the market will deliver an additional **13% emissions reduction**. Upcoming policies should aim to reduce European building's CO₂ footprint, be based on a **life-cycle approach**, and **incentivise the market uptake** of low-carbon products.



A level playing field on carbon, regulatory certainty as well as an ambitious industrial transformation agenda, will be **pivotal to deliver the investments needed** to achieve carbon neutrality.

Refractory customers and the Green Deal

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- ▶ EUROFER press release of 11 Dec 2019:
 - ▶ “We welcome the aims of the European Green Deal” ...
 - ▶ “It is now of **utmost importance to develop a regulatory framework that creates markets for CO2-neutral products**: these have significantly **higher production costs**, for example because of the use of highly-priced hydrogen instead of coking coal in the steelmaking process” ...,
 - ▶ **The steel industry is already working on a range of low- and carbon-neutral solutions** that could lead to reductions in CO2 emissions from steelmaking by up to 95% in 2050 under an optimum regulatory framework”
 - ▶ “The European steel industry supports the overall aims, but **reminds policymakers that the investment and regulatory requirements will be massive** ...



**Cooperation on Research & Innovation
under SPIRE PPP:
(to become Process4Planet)**

***SPIRE 2050
Towards Horizon Europe***

The next generation of EU Process Industry

Brussels, 2019

SPIRE ADDED VALUE: The European Process Industry at the forefront of innovation

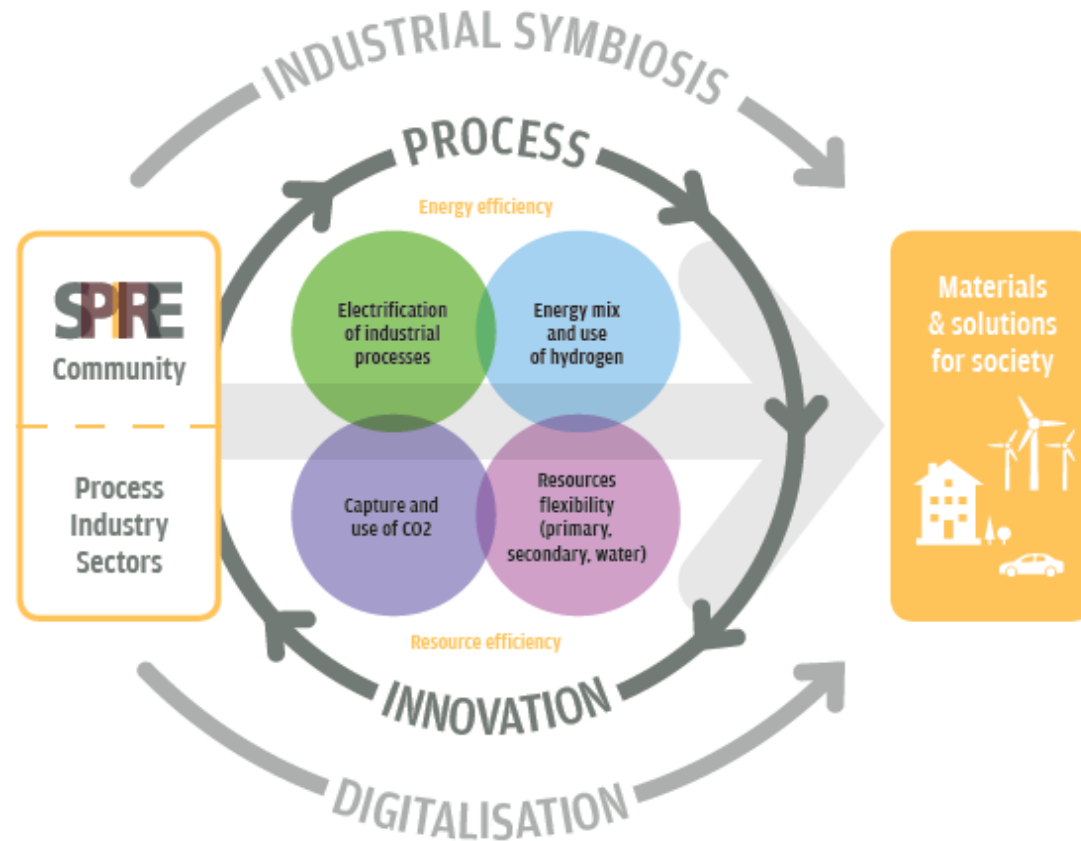


4 technological drivers

Electrification
Energy mix and H₂
Capture and Use of CO/CO₂
Resources flexibility

2 transversal topics

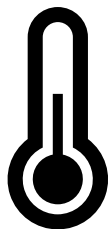
Digitalisation
Industrial symbiosis



SPRE VISION 2050

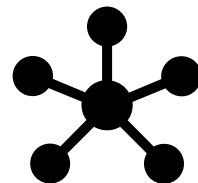
An integrated and digital European process industry
fostering a well below 2 degrees planet
and a fully circular economy

Our ambitions



Closing the climate technological gap

Development of the required solutions to fully contribute to the EU Climate Neutrality scenarios



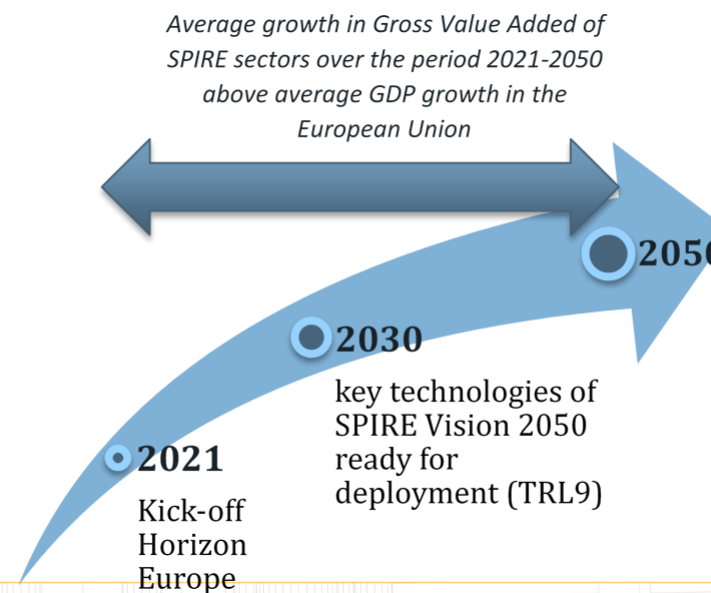
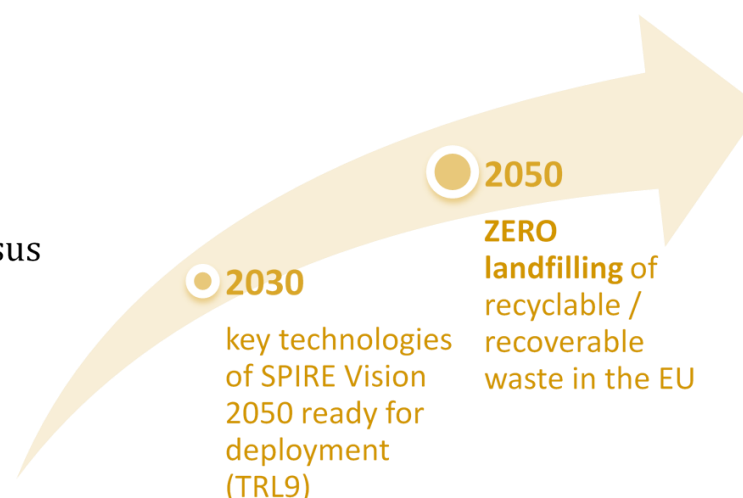
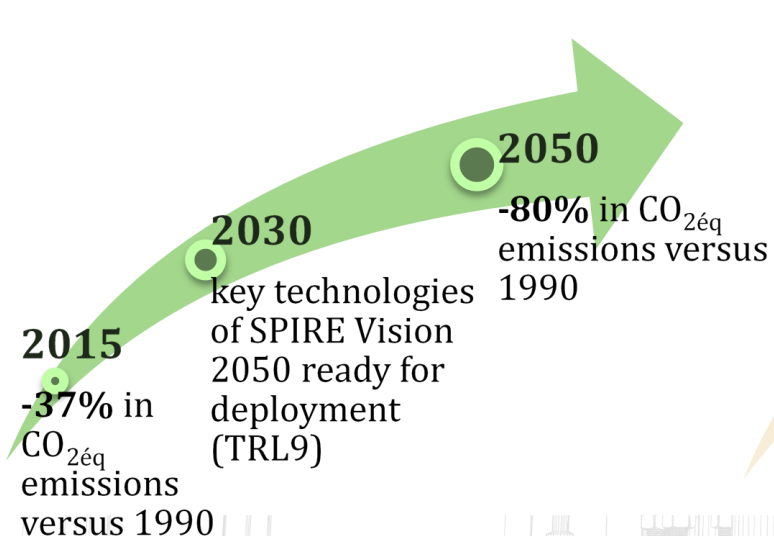
Process industries as Hubs for circularity

Spread the Hubs for Circularity across Europe to develop the required solutions to **move towards zero-waste-to-landfill**.



Global competitiveness

Development of technologies which create new investment opportunities for globally competitive EU Process Industries



3. Carbon Border Adjustments

Carbon border adjustment mechanism

03/06/2020

► Political Guidelines of President Von der Leyen of 16 July 2019:

*‘To complement this work, and to ensure our companies can compete on a level playing field, I will introduce a **Carbon Border Tax** to avoid carbon leakage. This should be **fully compliant** with World Trade Organization rules. It will start with a number of **selected sectors** and be **gradually extended**.’*



Carbon border adjustment mechanism

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Mission Letter to **Paolo Gentiloni**, incoming Commissioner for the Economy, 10 September 2019:

*'You should **lead** on the proposal of a **Carbon Border Tax**, working closely with the Executive Vice-President for the European Green Deal. This is a **key tool** to avoid carbon **leakage** and ensure that EU companies can compete on a level playing field. The Carbon Border Tax should be fully compliant with **WTO rules**.'*

- Also mentioned in the Letters to **Frans Timmermans** (Executive Vice President), **Phil Hogan** (Trade) and **Kadri Simson** (Energy)

Carbon border adjustment mechanism

03/06/2020

- ▶ The European Commission, DG Clima, published a public consultation on the **Inception Impact Assessment** on the Carbon Border Adjustment Mechanism (CBAM) in March 2020
 - ▶ Cerame-Unie responded with a position paper stating that:
 - ▶ It is essential that CBAs complete existing carbon leakage measures and strengthen carbon leakage protection
 - ▶ CBAs do not work for all sectors (notably sectors with heterogeneous products or exposed to competition on export markets)
- ▶ The European Commission, DG Clima is currently planning an Impact Assessment on the topic and foresee an adoption by the EC in second quarter of 2021.

Cerame-Unie position on CBAM

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- ▶ Carbon Border Adjustment basic principles:
 - ▶ CBAs should primarily be targeted at sectors that are import intensive
 - ▶ The mechanism should be complementary to the ETS carbon leakage protection and shall not have any impact on carbon leakage measures foreseen under the ETS Directive for Phase IV (2021-2030).
 - ▶ By no means should the Carbon Border Mechanism foresee the possibility to grant exemption to the benefit of imports from least-developed or developing countries.
 - ▶ The competitiveness of European producers on export markets needs to be preserved. The EU institutions should explore all possible legal basis to secure a level playing field for EU exports, including Art. XVI of GATT on subsidies.

WTO compatibility – CU position

04/06/2020

▶ CBAs should be built upon the key WTO principles:

- ▶ non-discrimination
- ▶ differentiation and
- ▶ “likeness”

The possibility to derive from these principles shall be assessed under the exception allowed under article XX (g) of the GATT, for environmental and climate objectives.



▶ **The measure must be justified by the objective to reduce consumed carbon.**



▶ **By no means should the Carbon Border Mechanism foresee the possibility to grant exemption to the benefit of imports from least-developed or developing countries**

Other measures to promote level-playing field

04/06/2020

- ▶ A VAT type taxation applied to domestic products and imports reflecting their carbon footprint;
- ▶ The strengthening of EU Trade Defence Instruments, notably through a better consideration of **environmental costs** in the calculation of the dumping and injury margins;
- ▶ Improving **traceability** and enforcement of rules of origin;
- ▶ Other trade instruments:
 - ▶ **Multilateral** trade instruments:
 - ▶ Industrial subsidies and overcapacities (strengthening of WTO rules, use of EU anti-subsidy rules to tackle the absence of environmental costs as illegal subsidies)
 - ▶ Tax measures on transport
 - ▶ Further negotiations under Art. 6 of the UNFCCC on emissions trading and carbon markets
 - ▶ **Bilateral** – Free Trade Agreements
 - ▶ **Unilateral**:
 - ▶ Public Procurement
 - ▶ General System of Preferences (GSP)

3. REACH / Circular economy

REACH

Circular Economy

A zero pollution ambition for a toxic-free environment 04/06/2020

The Commission will adopt in 2021 a zero pollution action plan for air, water and soil.

To ensure a toxic-free environment, the Commission will present a chemicals strategy for sustainability.

The Commission will review how to use better the EU's agencies and scientific bodies to move towards a process of 'one substance – one assessment' and to provide greater transparency when prioritising action to deal with chemicals.

In parallel, the regulatory framework will need to rapidly reflect scientific evidence on the risk posed by endocrine disruptors, hazardous chemicals in products including imports, combination effects of different chemicals and very persistent chemicals.

Hazardous chemicals legislation, a threat to the European refractory industry?

04/06/2020

The Council Conclusions of its 10th December 2019 meeting states that “the EU’s OSH and chemical legislation sometimes generate overlaps or even contradictory requirements, which risk causing confusion, administrative burden and legal uncertainty” and further suggesting that the Commission should “clarify the interface between the OSH, REACH and CLP legislations and improve coordination by developing transparent procedures and criteria to be used when selecting the most appropriate substance specific regulatory options.” Intermediates are a clear example of this issue. The Reach Regulation clearly states that “intermediate: means a substance that is manufactured for and consumed in or used for chemical processing in order to be transformed into another substance”.

Due to the cost incurred to implement the current regulatory framework, several manufacturing companies have already decided to stop offering some specialty products. Such decisions result in forcing the European users to import equivalent products and/or to decrease their own product performance and hence their competitiveness.

Taking as example the current discussions on the intermediate guidance, some industries that are threatened by a too restrictive new proposed criteria. These same industries play a key role in allowing the European industry to move toward our “Climate Neutrality” goal. Stopping these productions will result in additional emissions or in imports which can’t be regulated by any Border Adjustment Mechanism since the intermediate substance has disappeared from the imported product. Finally, the substances that are used as intermediates are often by-products which are best eliminated through their current usage, allowing us to move closer to a clean and healthy environment as well as to a real Circular Economy.

The EU Circular Economy Action Plan

04/06/2020

- ▶ Major element of the EU Green Deal
- ▶ Adopted on 11 March 2020 by the European Commission
- ▶ Set of key actions with main focus on:
 - **sustainable products policy (2021)**
 - **production processes**
 - **high-quality secondary raw materials**
 - **chemicals policy**
 - **waste**
 - **research & innovation**
 - **requirements for specific sectors**
- ▶ Boost to circular economy highlighted in the Recovery Plan



An opportunity for the refractory industry?

04/06/2020

- ▶ The refractory industry is developing **solutions to contribute to circular economy and a sustainable use of resources**
- Monolithic refractories and refractories bricks can contain between 20 and 80% of recycled material
- Virgin materials can be substituted by recycled materials coming from various industries (e.g. steel, iron, cement...).
- These products are tailored to the installation method as well as the application conditions of customers
- Local hubs of recycling are being developed to increase recycling rates
- ▶ But **regulatory obstacles** still remain and create a **complex and non-harmonised legal situation** in Europe
- ▶ Which opportunity for the industry?



Thank you for your attention