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Mineral Wool Insulation Industry: One Sector one Assessment in EU ETS Carbon Leakage

1. Who is Eurima and what is our interest in EU ETS?

Eurima welcomes the reform of the EU ETS post 2020 proposal published by the Commission on 15 July 2015 and the goal of accelerating the shift towards a low energy low carbon economy by 2030. However, we consider that the Commission's current proposal fails to ensure a level playing field between sectors at genuine risk of carbon leakage.

EURIMA (European Insulation Manufacturers Association) represents the interests of all major mineral wool producers throughout Europe. Eurima members manufacture a wide range of mineral wool products (glass wool and stone wool) for the thermal, acoustic insulation and fire protection of domestic and commercial buildings and industrial facilities.

The production processes in our industry are energy intensive, while the downstream benefits of our products (insulation materials) have a largely positive carbon footprint over their lifetime due to the huge amount of energy saved through the use phase. As a result, a typical mineral wool product can save over its lifetime 300 times the energy needed in its manufacture, transportation and disposal, and proper insulation can reduce up to 70% of heating needs. Hence, the European insulation sector is vital for our overall energy and climate objectives because of its contribution to energy saving in buildings and industry.

The different types of products (glass and stone wool) that compose the mineral wool insulation sector share the same range of properties combining high thermal resistance with long-term stability. They are very similar products destined for the same use in the same market. Additionally, the production processes are largely the same: melting of mineral raw materials, fiberizing, curing of the binder, products mainly made in the form of rolls or boards. The only difference between glass and stone wool can be found in the sourcing of the raw material.

Due to the unique characteristics of our sector including the competitiveness, it is essential that the EU ETS ensures similar conditions, and enables a level playing field for all manufacturers within the mineral wool sector.

2. Art 10b4: One Industry One Assessment

The mineral wool insulation sector is considered as "one single sector". This one sector has been long recognised by an array of actors and institutions, including the European Commission, in a wide range of regulatory instruments including: Best available techniques Reference document (BREF), European standardisation, the Industrial Emissions Directive (IED), and not least the EU ETS itself, where there is one benchmark for the mineral wool sector¹.

Eurima's main goal is to ensure a holistic assessment of the mineral wool sector. Under the current proposal, which only refers to NACE4 level evaluation in Art 10b4 and due to the very nature of the statistical grouping of our sector, the mineral wool sector will be assessed unequally. Glass and stone wool despite belonging to the same mineral wool sector are today categorised under different NACE4 codes which are heterogeneous². As a result, glass and stone wool would not be evaluated on equal terms therefore an evaluation by prodcom level must be preserved.

¹ ETS: Annex 1 of Directive 2009/29/EC considers the Mineral Wool industry as one industrial activity => A single benchmark has been calculated for the Mineral Wool sector; Industrial Emissions: The Mineral Wool industry is regarded by the European Commission and by the Joint Research Center (JRC) in Seville as one sector for all obligations under the Industrial Emissions Directive; BREF and EU Standardisation where Mineral Wool is handled as one single category under the European standardisation process. There is one single CEN norm for Mineral Wool (EN 13162).

² The ISIC/NACE4 for Stonewool is: 23.99 and Procom Stone wool 23.99.19.10. The ISIC/NACE4 for glass wool is: 23.14 and prodcom glass wool 23.14.12

The NACE4 code is a statistical tool aimed to facilitate the examination and the comparison of data, used for practical reasons within the EU ETS. However, the NACE4 categorisation does not always fit with market reality, due to the codes being heterogeneous as is the problem in our case. The lack of reference to sub sectors in Art 10 b4 would prevent the possibility for our sector to be evaluated as one sector, and will lead to various negative outcomes in the assessment: those generating artificial distortions of competition and damaging the level playing-field across the mineral wool insulation sector.

We therefore consider that due to the unique and specific nature of our sector the reform must preserve the possibility for evaluation at disaggregated level (PRODCOM level) by making this explicit in the EU-ETS proposal Art 10b4. Doing so is the prerequisite for enabling the treatment of all mineral wool insulation actors in a given market on equal terms, as one single sector, and preventing unintended consequences.

3. Art 10b3: Tiered approach to consider full impact on sectors and subsectors

Eurima considers that the current Art 10b3 is the most suitable solution for carbon leakage protection and that the impact on sectors and subsectors of a tiered approach would first have to be fully assessed before legislation could be proposed.

In addition and, perhaps more concerning, is that taking an arbitrary tiered approach on free allowances could make the carbon leakage protection system palliative rather than preventive, by which damage from competition distortion on sectors could already have happened and retroactive measures will not reverse or resolve the problem.

4. The overarching EU ETS post 2020 challenge

Eurima believes that beyond art 10b, the core challenge remains the integration of energy and climate policy instruments in a coherent, consistent system which promotes the coexistence and mutual reinforcement of EU-ETS and ambitious energy efficiency policies and measures, (including those favouring deep and nZEB³ renovations).

The EU ETS covers around 45% of greenhouse gas emissions, while other legislation and instruments, such as the EED and EPBD, deal with the remaining 55% of greenhouse gas emissions in the sectors covered by the effort sharing decision (ESD); therefore, actions taken in the non-ETS sector, such as enhancing energy efficiency in buildings, are complementary to the ETS. As such,

1. The ETS should focus mainly on those sectors where price of allowances will be a real incentive for investments in low-carbon technology (primarily, the energy generation sectors and energy-intensive industries), allowing and encouraging energy efficiency policies and measures to reap the emissions reductions potentials in those sectors where EU-ETS has little impact.
2. Less-energy intensive industries should be allowed to opt out from EU-ETS or receive allowances if they undertake verifiable and quantifiable emission reduction measures (particularly energy efficiency investments, including deep or NZEB renovations)
3. Member States should be obliged to spend EU-ETS auctioning revenues on energy efficiency (as is the case in the Czech Republic), or at least a share that is proportionate to the carbon emission reduction potential. Such an approach is also in line with the International Energy Agency's projections to meet the EU's COP21 goals, by means of energy efficiency.

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³ Nearly Zero Energy Buildings as defined in Art 9 of the Energy Performance in Buildings Directive (EPBD)
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