

## EPCF dinner debate

### Empowering ceramic competitiveness

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17 September 2013

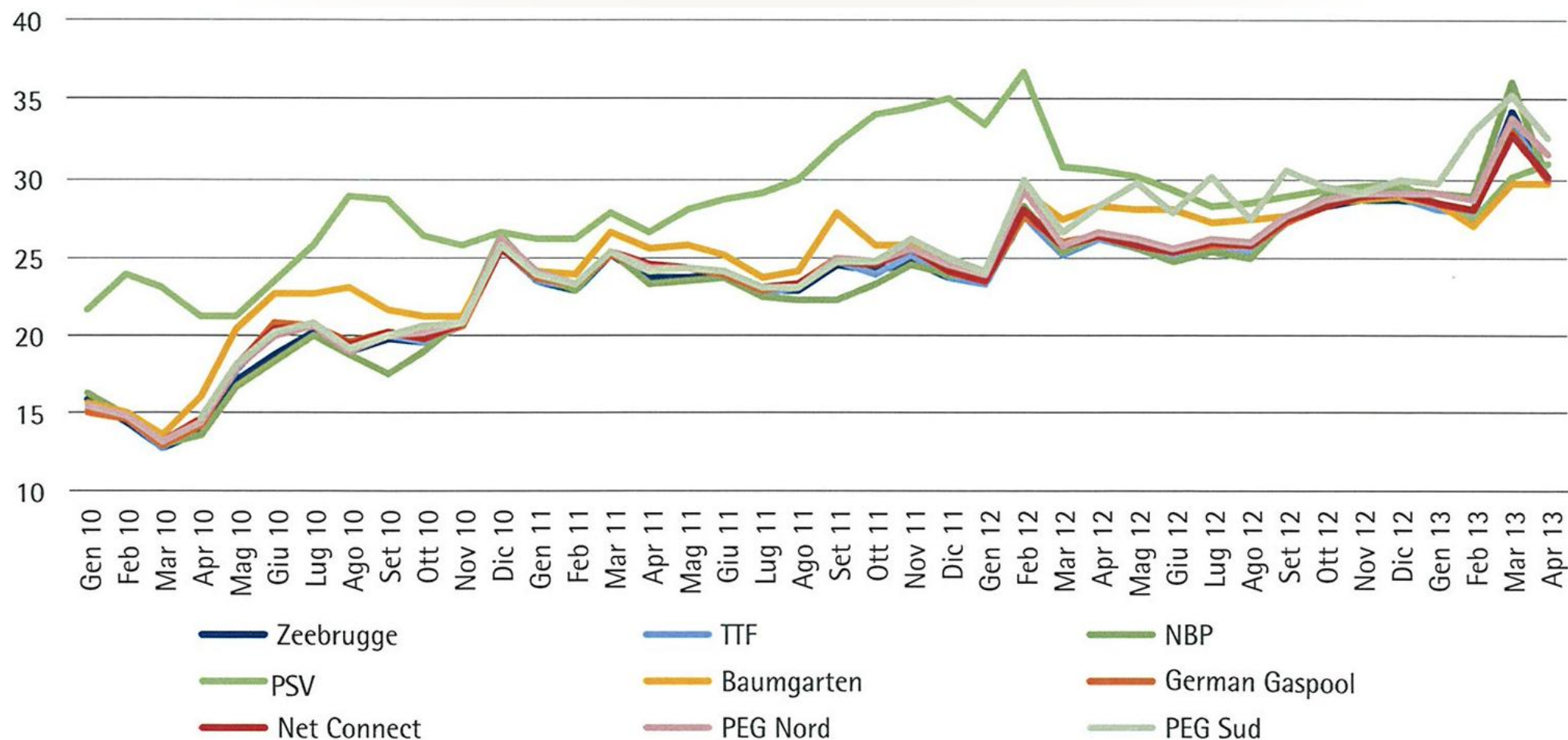
**Cerame-  
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# Ceramics: high energy intensive process

- Energy represents **around 30% of production costs** (up to 50% in some cases)
  - Ex.: brick and roof tile companies in Bulgaria, Hungary and Czech Republic: 47%
  - Ex.: wall and floor tile company in Central-Eastern Europe: 35%
- Energy supply must be:
  - Secure
  - Uninterrupted
  - Affordable
- Even a short interruption of supply would damage the quality of the final product and the machinery

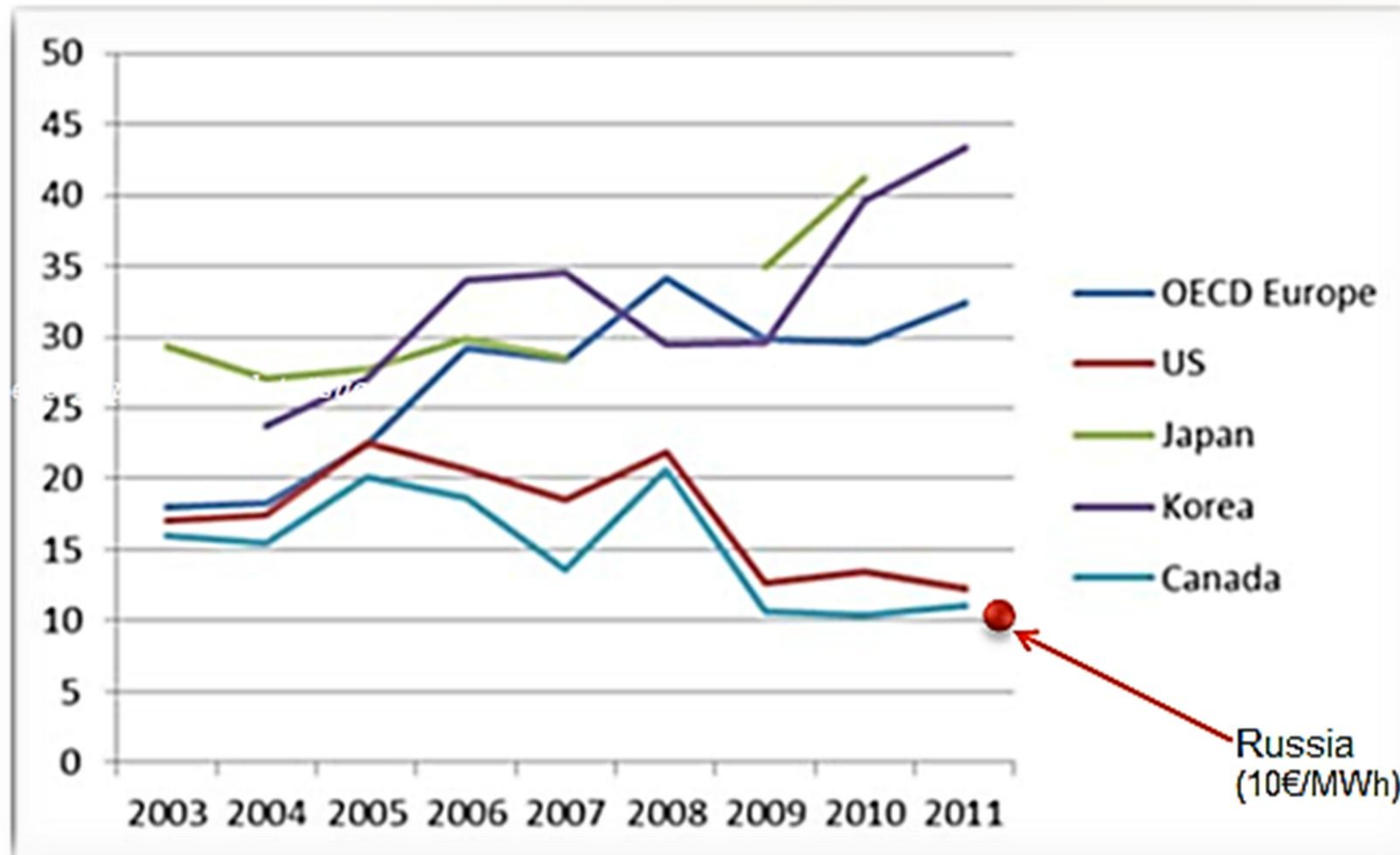
# Increasing European energy prices: gas



Fonte: Platts.

# Increasing difference of energy prices between EU and its competitors (I)

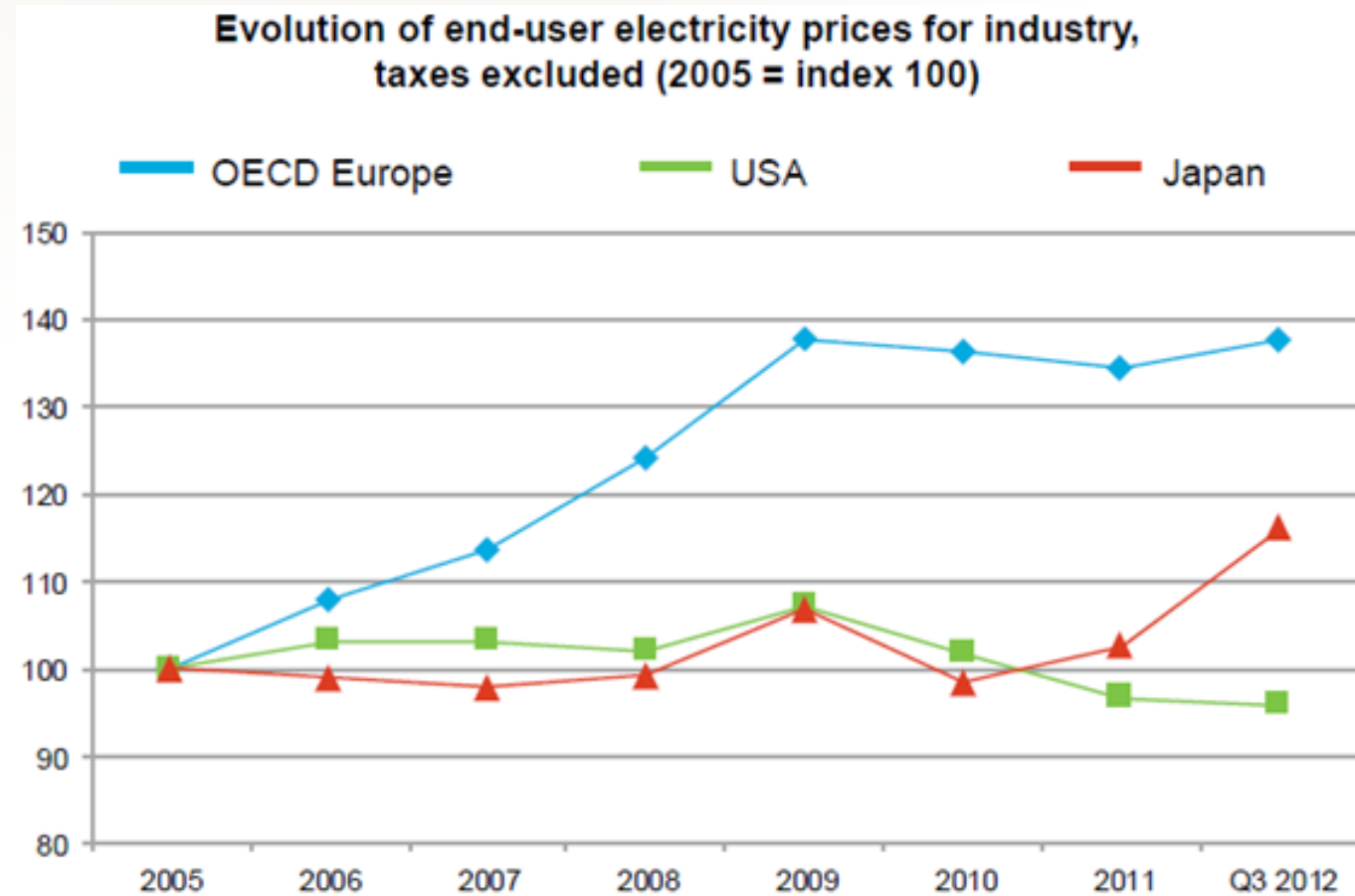
Natural gas price (€/MWh) for industrial consumers



Source: IEA energy prices and statistics

# Increasing difference of energy prices between EU and its competitors (II)

- Electricity



Source: International Energy Agency

# Natural gas: main challenges

- Security of supply
  - High dependence on few international partners
  - Insufficient cross-border connections
  - Inadequate storage and lack of supply obligation (in some Member States)
- Price developments
  - Impact of shale gas revolution on EU's international competitive position
  - Oil price indexation
  - Slow market liberalisation
  - Monopolistic position of the national suppliers
  - Unforeseen prices variations

# EU gas prices (€/MWh) in 1° half 2013

	Band I2 : 1 000 GJ < Consumption < 10 000 GJ		Band I3 : 10 000 GJ < Consumption < 100 000 GJ		Band I4 : 100 000 GJ < Consumption < 1 000 000 GJ		Band I5 : 1 000 000 GJ < Consumption < 4 000 000 GJ	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross
Austria	43,2	59,9	35,6	52,7	30,0	44,0	32,7	48,1
Belgium	37,0	45,7	33,7	41,9	28,1	35,2	27,6	34,4
Bulgaria	42,0	50,6	39,8	47,9	36,8	44,3	35,8	43,0
CZ	38,3	47,4	32,6	40,6	30,5	38,0	29,6	36,9
France	50,3	60,9	39,1	47,8	30,1	35,6	29,2	33,6
Germany	50,0	64,3	44,6	57,9	36,0	47,6	31,7	42,5
Greece	55,0	68,4	52,3	65,2	47,8	59,9	41,8	48,8
Hungary	56,4	73,1	50,2	65,2	47,5	61,7	43,8	57,0
Italy	45,6	61,8	37,3	44,1	34,3	37,9	34,7	37,7
Netherlands	39,0	63,6	31,1	44,0	29,2	36,9	26,2	32,1
Poland	42,5	52,3	37,5	46,1	33,6	41,4	31,5	38,7
Portugal	53,7	66,7	41,9	51,7	36,8	45,4	35,2	43,4
Romania	20,7	34,6	19,4	32,7	19,3	30,0	18,2	27,7
Spain	46,8	55,9	37,5	44,8	34,4	41,2	31,0	37,0
UK	34,6	43,0	31,9	40,0	29,1	36,1	27,3	33,3
<b>EU 27</b>	<b>44,1</b>	<b>57,6</b>	<b>37,6</b>	<b>48,3</b>	<b>32,4</b>	<b>41,1</b>	<b>30,3</b>	<b>37,9</b>

Source: Eurostat



# Gas price variations

- Gas price variations are due to several factors, including:
  - oil price indexation
  - lack of competition
  - increasing dependence on external suppliers
  - uncertainty over supply
  - Import ratio
- Ex. - Romania:
  - In February 2012 industrial consumers paid 33% more than in average 2012 due to higher share of imported gas
- Ex. - UK:
  - In March 2013 the gas price more than doubled due to uncertainties over gas supply. Ministers have since then refused to intervene to regulate for extra storage and a requirement for safety stocks

Romania	2012	
	Import %	Gas Price
January	42%	108%
February	67%	133%
March	50%	116%
April	30%	95%
May	21%	88%
June	18%	83%
July	25%	92%
August	29%	96%
September	24%	89%
October	34%	100%
November	30%	95%
December	35%	102%
Index-Average Price		100%



# Electricity: main challenges

## EU level

- Fragmentation of the Internal Energy Market and intra EU market distortions
- Lack of cross-border grid infrastructure and market connectivity
- Indirect impact of Emission Trading Scheme
- Uncoordinated national energy policies

## National level

- Slow market liberalisation
- Impact of RES support schemes and other climate-related taxes
- Capacity mechanisms
- Legislation on CHP

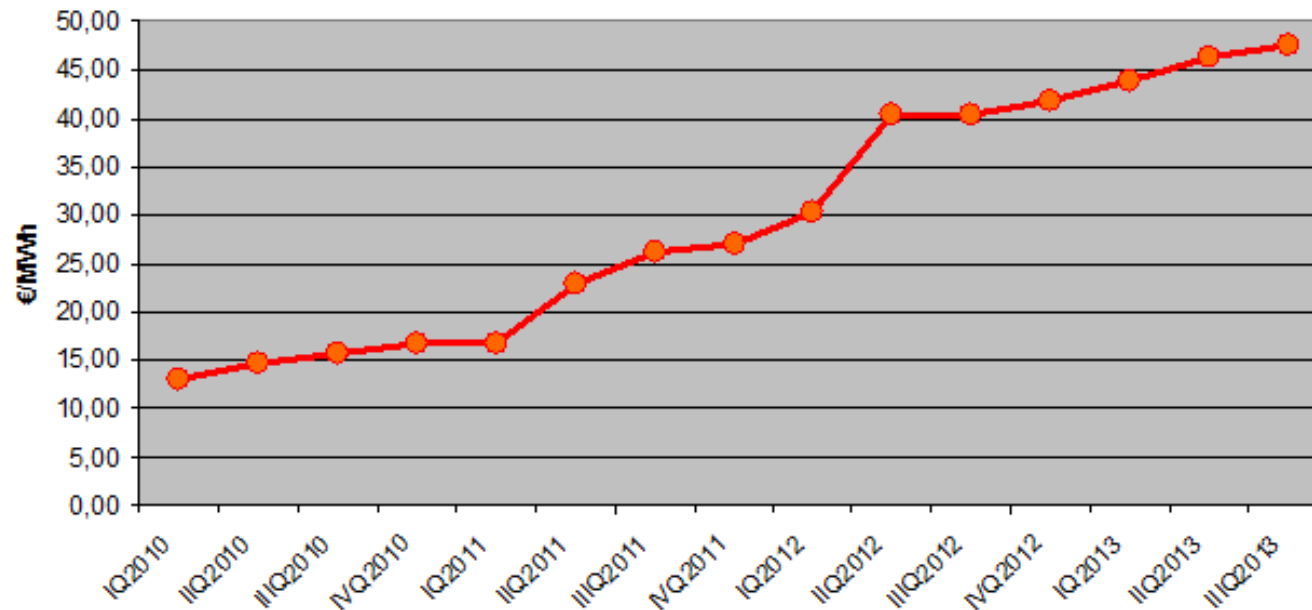
# EU electricity prices (€/MWh) in 2nd half 2012

	Band ID : 2 000 MWh < Consumption < 20 000 MWh		Band IE : 20 000 MWh < Consumption < 70 000 MWh	
	net	gross	net	gross
Austria	79	118	71	106
Belgium	84	117	71	98
Bulgaria	69	84	61	75
CZ	96	117	92	112
France	57	83	57	80
Germany	77	157	71	143
Greece	88	120	77	106
Hungary	98	130	97	129
Italy	169	255	101	165
Netherlands	77	103	71	89
Poland	80	104	76	99
Portugal	90	128	80	113
Romania	73	92	67	84
Spain	95	121	84	106
UK	105	131	99	123
<b>EU 27</b>	<b>91</b>	<b>137</b>	<b>77</b>	<b>117</b>

Source: Eurostat

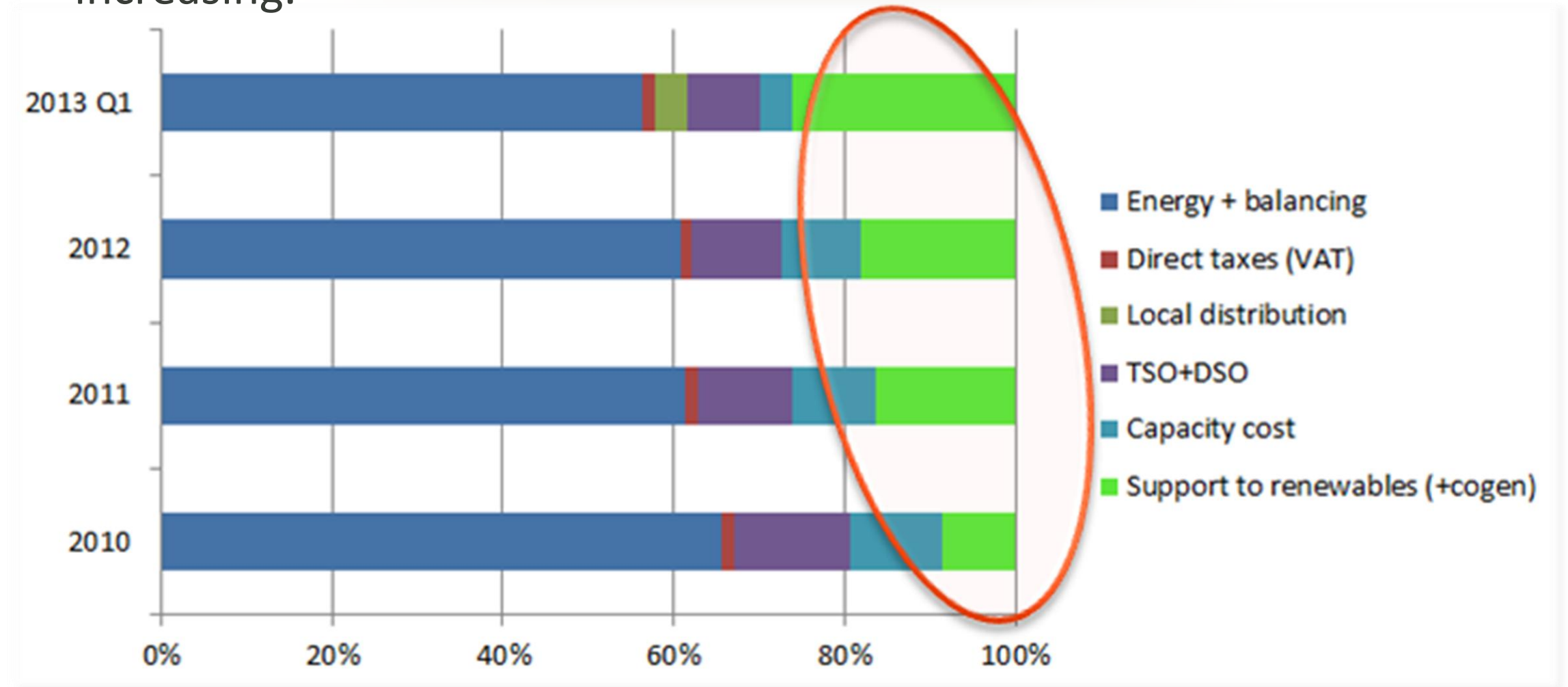
# Impact of renewables (I)

- RES charge in Germany:
  - € 53 /MWh in 2013
  - More than € 60 /MWh expected for 2014
  - Reduction for the industry if: consumption > 1GWh *and* electricity costs/GVA > 14%
- RES in Italy



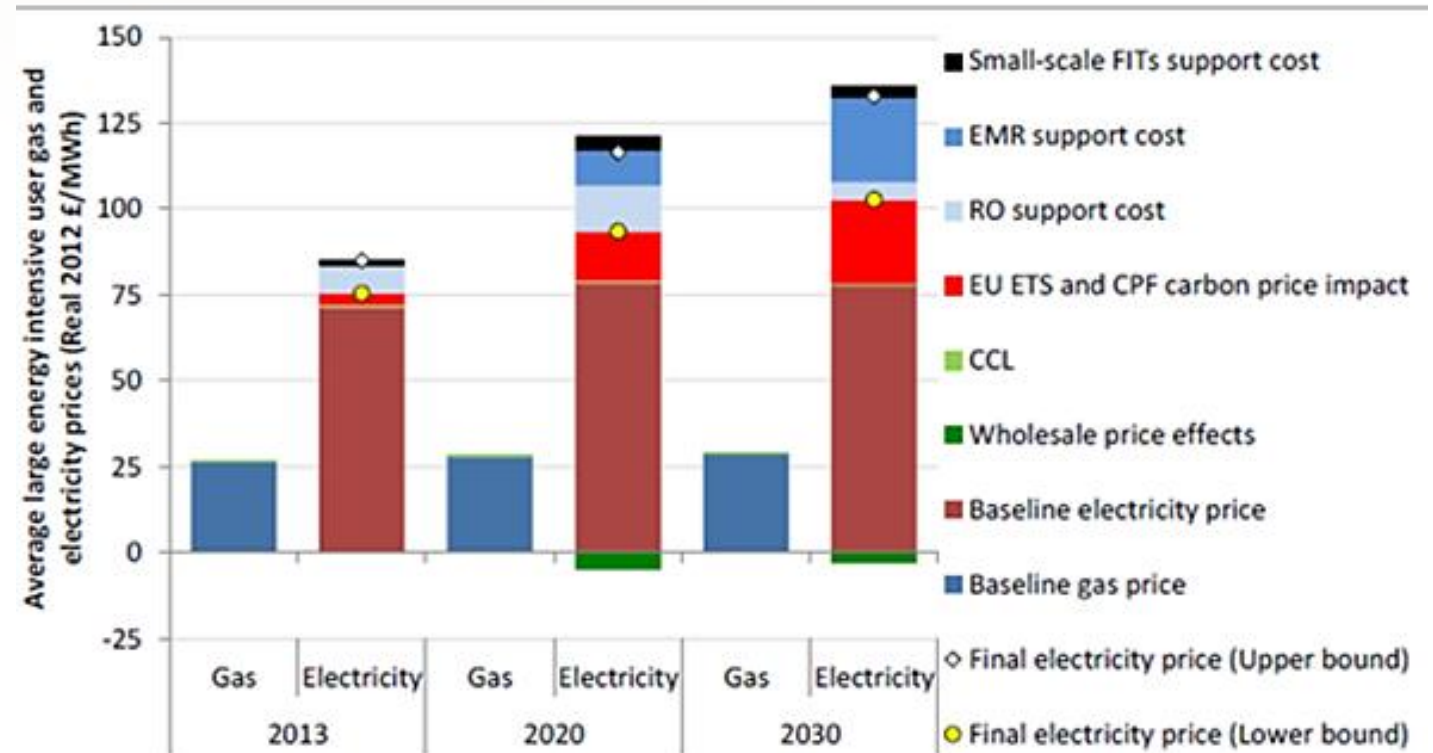
# Impact of renewables (II)

- **Czech Republic:** the RES component of energy price is costantly increasing.



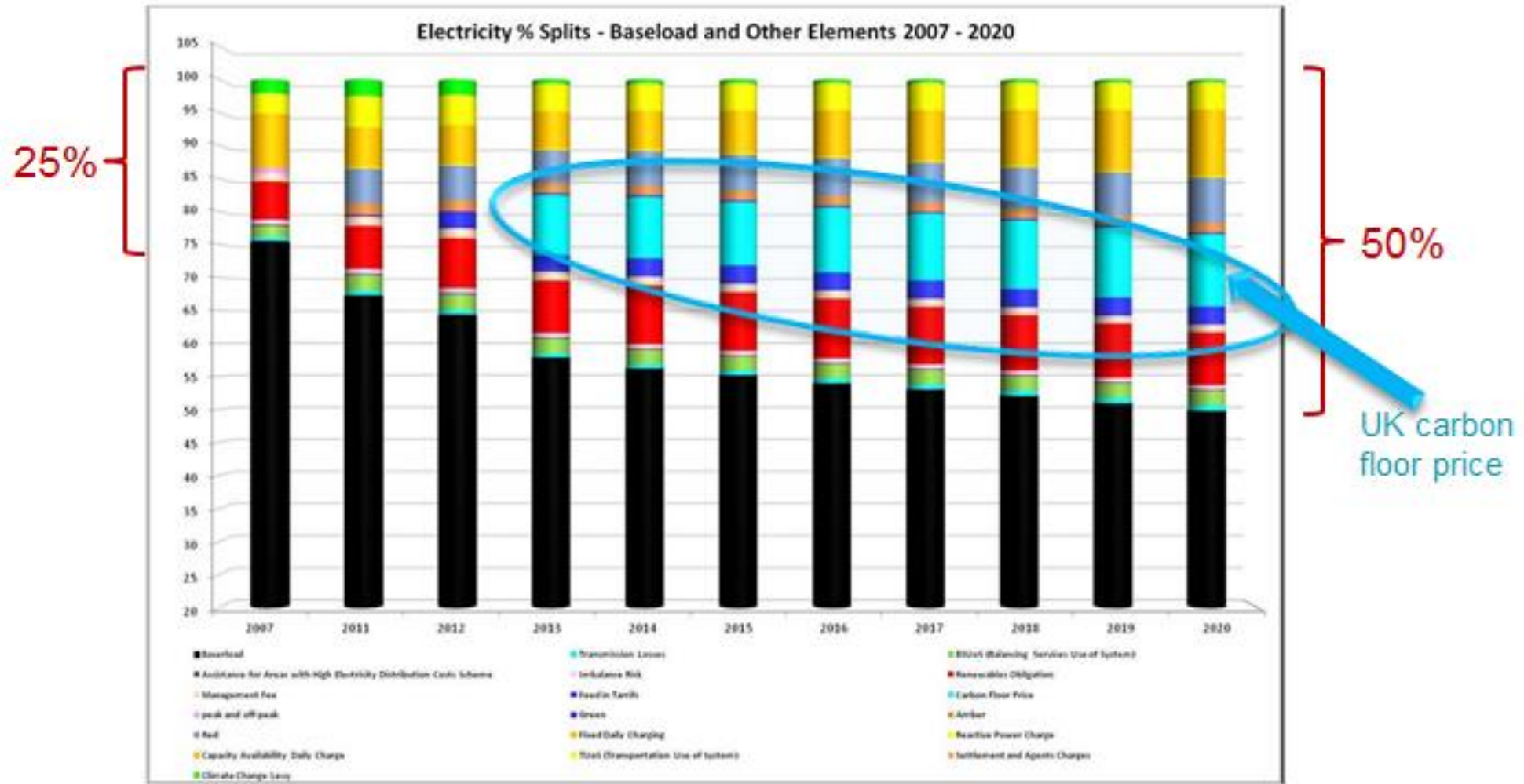
# Impact of climate-related national policies: UK (I)

- UK climate-related policies add:
  - € 50.5 / MWh by 2020 onto Energy Intensive industries' electricity bills
  - € 68 / MWh in 2030



Source: DECC 2013.

# Impact of climate-related national policies: UK (II)



# Legislation on CHP

- Uncertainty on future level of support schemes for CHP
- Indirect impact of ETS (auctioning of allowances for electricity generation from CHP)
- Uncertain legal framework
  - Ex: Spain:
    - Taxation on gas used for cogeneration (€ 0.65 / GJ) higher than natural gas for industrial use (0.15 € / GJ)
    - Taxation on electricity generation (6%)
  - Ex: Italy:
    - Debate on the possible extension of RES charge to CHP
  - Ex: UK
    - Carbon Price Floor tax applies on gas used in CHP for electricity generation from April 2013



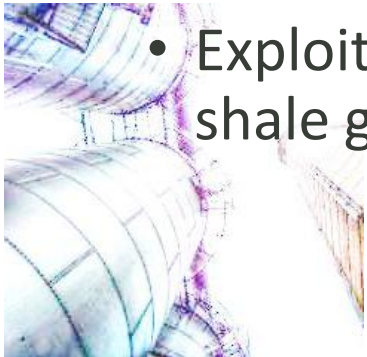
# Policy recommendations (I)

- Implement a coherent EU energy policy and better coordinate national policies
  - Set a consistent 2030 Energy and Climate Framework
  - Complete the Internal Energy Market by 2014
  - Implement fully the third energy package
  - Reduce the level of taxation on energy prices

# Policy recommendations (II)

- In the field of gas

- Decouple gas prices from oil prices also in long term contracts
- Diversify external gas supply and remove bottlenecks (ex. LNG terminals and new pipelines)
- Ensure sufficient gas storage facilities and cross-border interconnections
- Exploit indigenous resources (e. g. shale gas)



- In the field of electricity

- Harmonise renewable energy supporting schemes
- Reviewing the financial support scheme for indirect ETS costs including the ceramic sector in the eligible sectors and processes
- Minimise the impact of capacity mechanisms on electricity prices
- Ensure a stable legal framework supporting CHP



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**Thank you for your attention!**

