

JOINT LETTER OF EMILIA-ROMAGNA REGION AND GENERALITAT VALENCIANA REGARDING ETS

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Dear All,

Ceramic tile manufacturers in our territories represent an international excellence and are distinguished by their high levels of efficiency, technological innovation, and attention to sustainability.

Despite manufacturing costs that are higher than many competitors, these companies compete in global markets with cutting-edge products and are engaged in the process of decarbonisation, but it is clear that their competitiveness and ability to invest must be preserved in order to avoid the serious economic and social consequences of offshoring.

The relocation of ceramic production would also lead to the entry of products with a higher carbon content into Europe and thus to the failure of the Union's environmental policies. Ensuring the continuity of European ceramic exports is therefore an environmental measure.

We are therefore deeply concerned about the effects of Commission Communication 2020/C 317/04 containing the State ETS aid guidelines which did not include the ceramic tile sector (NACE 23.31) among the industrial sectors for which compensation for indirect ETS costs was assessed as being compatible.

In formulating its guidelines, the Commission adopted the criterion (non-binding, as it is not envisaged in the ETS Directive) of setting a minimum value for the two parameters that must be considered (whereas the Directive sets only the minimum value of their product). This has unfairly penalised the ceramic tile industry, which has a particularly high "trade intensity" (much higher than in other sectors included) but a lower "indirect cost intensity" due to the high added value (which depends on the nature of the product and the high incidence of labour costs typical of a sector composed mainly of SMEs). This indirectly affirms the principle that the sector could receive compensation if it had a lower labour cost (and therefore a lower Gross Value Added). This is an unacceptable assessment. In fact, the real challenge is to ensure that the ecological transition takes place while preserving jobs.

Moreover, the EU-28 assessment is not objectively representative of the reality of a sector that historically has had a very irregular distribution in Europe. Consequently, the economic and social effects of the possible relocation of European ceramics companies would primarily have repercussions on the nations where these companies are most active.

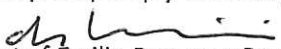
It is a "hard-to-abate" sector for which electrification will play a role within an extensive decarbonisation strategy. It is therefore paradoxical to push these companies towards an increase in their electricity consumption and at the same time deprive them of the necessary protection against associated extra costs.

We therefore consider it necessary to update the Guidelines by immediately initiating the process of adapting them to the real, current market conditions, already envisaged in § 68 of such Guidelines.

We also point out the need for the ETS mechanism to be assessed realistically and in relation to the current economic situation, in particular verifying the need for adjustment actions – at least temporary ones – that can control the effects of financial swings on CO2 prices, which have been particularly evident in recent weeks with EUA prices getting close to 50 €/tCO2.

Indeed, it seems paradoxical that Europe would entrust uncontrolled speculation with the mechanism that will play such a significant role in achieving its environmental objectives, with the result of draining economic resources from manufacturing sectors and thus making the necessary investments impossible.

Awaiting your prompt reply we send you our Best Regards.


The President of Emilia-Romagna Region
Stefano Bonaccini


The President of Generalitat Valenciana
Ximo Puig