

2 November 2021

EuLA Position on the European Commission (EC) Proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity ([COM\(2021\) 563 final](#))

The European Lime Association (EuLA) is concerned about the current orientation of energy taxation at European level. EuLA recognises the convenience of an up-to-date Energy Taxation Directive (ETD) as a pillar of the new legislative setting the European Climate & Energy Policy. Nonetheless, **the proposed removal of the “mineralogical processes” exemption by the EC raises major concerns for the competitiveness of the lime industry, especially given that we are facing additional costs from several other EU Fit for 55 regulations as well and in light of the soaring energy prices.** Furthermore, the justification for the proposal to remove the current exemption is not at all clear.

“**Mineralogical processes**”¹, covering the manufacture of glass and glass products (26.1), of non-refractory ceramic goods other than for construction purposes and of refractory ceramic products (26.2), of ceramic tiles and flags (26.3) of bricks, tiles and construction products, in baked clay (26.4), of **cement, lime and plaster (26.5)**, of articles of concrete, cement or plaster (26.6), cutting, shaping and finishing of stone (26.7), and of manufacture of other non-metallic mineral products (26.8) ; are **currently exempted from the ETD**, among others, for the following reasons:

- *“The overall economic effects, and in particular those on the labour market, of a sharp tax-induced rise in the cost of energy could cancel out any revenue gains”.*
- *“Employment in certain industries might fall, leading to **higher unemployment and increased public expenditure**”² (European Parliament, 2003).*
- *“The **impact of national effective rates on international competitiveness** (...), in particular in the case of **energy intensive industries**”.*
- *“The ETD can play a role in mitigating (...) EU price premiums through the **exemptions and reductions** it provides for”³ (European Commission, 2019).*

However, we have noted with concern that the draft ETD no longer exempts mineralogical processes from the scope of the ETD as laid out from Article 2 (4) whereas metallurgical processes are still listed in Article 3 (b). Equally to metallurgical processes, the direct input of process energy is a physical necessity in mineralogical processes. The sintering process needs a defined energy input, which leads to the product characteristics.

¹ ‘Mineralogical processes’ shall mean the processes classified in the NACE nomenclature under code DI 26 ‘manufacture of other non-metallic mineral products’ in Council Regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community. OJ L 293, 24.10.1990, p. 1. Regulation as last amended by Commission Regulation (EC) No 29/2002 (OJ L 6, 10.1.2002, p. 3).

² European Parliament (2003): “*The Taxation of Energy*”. Briefing ECON 531 EN. February 2003. (pp7) Accessible at: [https://www.europarl.europa.eu/RegData/etudes/note/join/2003/328645/DG-4-ECON_NT\(2003\)328645_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/note/join/2003/328645/DG-4-ECON_NT(2003)328645_EN.pdf)

³ European Commission (2019): “*Restructuring the Community framework for the taxation of energy products and electricity*”. (p. 29). SWD (2019) 329 final. Accessible at: https://ec.europa.eu/info/sites/default/files/swd_2019_0329_en.pdf

1. Removing the mineralogical process exemption will increase EU energy cost and carbon leakage.

Considering the high energy and trade intensity faced by the European mineralogical industry, the existence of relevant energy tax exemptions is essential to ensure its international competitiveness:

- **High energy prices** affect **global and European supply chains** with repercussions on production, employment and prices for EU manufacturers. Energy-intensive industries are hit hard;
- Global **high energy prices** can also lead to **lower raw materials and component supplies** if production has to be reduced. This in turn affects various EU manufacturers who depend on those components and materials⁴.

In addition, removing the exemption for mineralogical processes will further increase **electricity and energy prices** for industry whereas a strong deficit of price competitiveness between EU27 and G20 members already exists. Some examples can be taken from the EC *“Study on energy prices, costs and their impact on industry and households”*⁵ where **EU27 average industrial prices:**

- **Double US levels**, while EU prices remain higher than most other G20 countries. Relatively high non-recoverable taxes in the EU and price regulation/subsidies in the G20 play an important role in this difference⁶.
- **EU energy prices are also higher than most other G20 countries**, including the US. Prices have declined since 2008 in the EU, but apart from East Asia and Mexico prices have declined faster elsewhere in the G20. As before, non-recoverable taxes in the EU and price regulation/subsidies in the G20 play a role in the difference⁷;
- Have risen significantly over the last year at EU level. Indeed, EU institutions have recently recognised that in 2021 not only has **the wholesale electricity prices increased by 200%**, but also the European **carbon price increased** to the current level of around **EUR 60 tonne of CO₂**. So far in 2021, prices tripled in EU and doubled in Asia and in the US⁸. Under this conditions and facing a significant increase in electricity needs in the near future, the cost gap between the EU and its competitors will expand rapidly.

2. Removing the mineralogical process exemption will also increase lime operation cost.

Taxes and levies on electricity and gas account for **30-34% of industry electricity prices** and 13-16% of industry gas prices in the EU⁹. The **current ETD allows Member States to exempt or to apply a reduced rate on electricity, natural gas, coal and solid fuels, exemptions** that if removed, will notably increase these already high percentages. **In the case of the lime sector, the resulting increase of energy cost would be 10-20%** (depending on the fuel type).

⁴ COM (2021) 660 final (pp. 5).

⁵ European Commission (2020): *“Study on energy prices, costs and their impact on industry and households”*. Available at: <https://op.europa.eu/en/publication-detail/-/publication/16e7f212-0dc5-11eb-bc07-01aa75ed71a1> (Accessed on 7 September 2021).

⁶ European Commission (2020), pp. 12.

⁷ European Commission (2020), pp. 13.

⁸ COM (2021) 660 final: *“Tackling rising energy prices: a toolbox for action and support”*. (pp.2-3). 13 October 2021.

Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0660&from=ES> (Accessed on 15 October 2021).

⁹ COM (2021) 660 final. (pp. 9).

3. Removing the mineralogical process exemption will reduce our investment capacity.

The ETS regulation already constitutes a significant burden for our sector via the cost of emissions allowances in combination with a reduction of free allowances. The mineralogical exemption is an efficient way to avoid a double burden. Moreover, the currently soaring energy prices generate considerable additional cost for our industry. The fact that our sector is confronted with unavoidable process emissions means we will need to invest in disruptive solutions, such as CCU/S which will drastically increase our power consumption. Making the need for an exemption on energy taxation even more relevant.

The annex I of the ETD's introduces minimum levels of taxation applicable to fuels and electricity. This rank of energy carriers, providing different tax percentages depending on the fuel type, looks to be based on CO₂ intensity (even if the link is not explicit). Since ETS actors are also subject to a CO₂ price, we consider this as a double charge, and such an approach undermines the ETS as the main financial instrument to reduce CO₂, while the ETD should focus on energy products. **The competitiveness of the EU industry must remain strong if major investments are required for developing an industry "fit for 55", while the current approach will trigger an extra cost leading to less investment capacity. The increase in the cost of building materials will reduce the investment capacity expected from this sector in the renovation of buildings, especially when social impact is significant.**

4. Removing the mineralogical process exemption will negatively impact our society.

About 200 million tonnes of minerals are produced and used every year in the EU to contribute to a modern and well-being society. Minerals unique properties provide specific functions in a myriad of products and processes: the magazines we read, the water we drink, (green) steel we need to build wind power plants, the plastics in our cars and houses, the paints we use and the floor tiles we walk on are just some of the products that minerals bring to life. **The removal of mineralogical process from the current ETD framework would undoubtedly increase the cost of manufacturing of all these products, thus creating a negative impact on society and households.**

An **EU-based and mandatory mineralogical process exemption as it exists today and across the EU contributes to avoid an additional drastic cost increase of energy for our sector.**

We therefore ask the EU-commission to explicitly exclude 'mineralogical processes' from the scope of the Directive by keeping them into Article 3 (b) of the 'Revision of the Energy Taxation Directive'.

About EuLA

EuLA, the European Lime Association, represents about 95% of the European non-captive lime production through its 23 covered Member States (companies & national associations). The European lime sector operates around more than 160 sub-installations (plants) in the EU, producing a total of more than 22 million tons of lime and dolime (2019). Lime is an essential but often unseen ingredient, which possesses many applications for downstream industries. As a strong "enabler", lime is used from steel to water treatment and pharmaceuticals, environmental protection, glass and paper industrial processes, in the construction and civil engineering and in agriculture.