

FIT FOR 55 PACKAGE

Take Fifty-Five

Gypsum industry's take on the EU "Fit for 55" package and single proposals

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The European Commission adopted on 14 July 2021 a major step towards reducing Europe's greenhouse gas emissions. The "Fit for 55" Package aims to introduce the necessary policy and legislation for Europe to cut its greenhouse gas emissions by at least 55% by 2030.

Eurogypsum, the European federation of national associations of gypsum product manufacturers, welcomes this announcement and strongly believes that low-carbon and lightweight construction solutions, such as gypsum-based products, are instrumental to achieving the green transition.

Our overall assessment

Our industry shares the ambitions of the European Union and believes the proposals in the "Fit for 55" package offer several opportunities - especially to virtuous and proactive industry sectors. We believe the holistic approach taken by the European Commission in the "Fit for 55" package is a successful strategy to tackle decarbonisation. However, we trust that a **clearer overview** of how individual proposals are interlinked and interact with each other would be of great help.

The plasterboard and plaster manufacturing sector is marked by constantly innovative solutions based on a long-established and eternally recyclable raw material. In the current policy context, characterised by the EU commitment to climate neutrality, we believe innovation will once again enable the industry to further increase its contribution to sustainability and keep providing the right solutions to societal challenges. For the European gypsum industry, sustainability means respecting the environment in which we operate, efficient and streamlined production processes to optimise the use of energy and resources, and the supply of flexible and adaptable solutions for a low-carbon built environment, adjusted to users' evolving needs.

While we are convinced of the necessity to adjust our business and societal models to the 2030 targets and the 2050 carbon neutrality objective, the level of **required investment** and the overall **transition costs** should not be underestimated. A detailed assessment of the cost impact for individual sectors and of the available levers seems indispensable to ensure a successful implementation of the package's proposals.

For instance, a clear commitment to the installation of the framework infrastructure needed to enable the transition is deemed necessary. Needless to say, but the **availability and affordable pricing of low-carbon energy** will be decisive to allow decarbonisation of the overall manufacturing sector. In the case of gypsum processing activities, the

amount of energy required in the production processes is lower when compared to other more carbon intensive construction materials. Nevertheless, the energy and carbon costs represent a significant share of the selling prices of our products. Therefore, price increases caused by regulatory changes may seriously impact on the competitiveness of our solutions and should therefore be considered carefully, to avoid undue distortions of competition.

Furthermore, companies in our sector will progressively have to invest into even lower carbon and energy intensive processes and equipment. A consistent approach should be maintained between all FF55 proposals, to ensure that companies are encouraged – but also still have the **necessary resources to invest** into such equipment by recycling costs paid by industry, back for the purposes of investment.

Additionally, our sector would appreciate clarifications about the scope, the extent and precise eligibility criteria and modalities for financial support to investment into decarbonisation.

We welcome the attention paid by the Commission to the reduction of greenhouse gas emissions, the increased ambition on energy efficiency and the new impulse given to renovating public buildings, but would encourage policy-makers to ensure that energy efficiency policies are designed in such a way as not to exacerbate fuel poverty, whilst also incentivising renovation that utilises lightweight and energy saving systems and solutions.

Revision of the EU Emission Trading System (ETS)

We welcome the **revision of the EU Emission Trading System (ETS)**, and we consider that the increased ambition is essential for putting us on the necessary path, consistent with our climate goals.

There are however a number of points that the gypsum industry would like clarified in the proposal, namely:

- the rationale for the proposed new threshold for the “drying or calcination of gypsum or production of plaster boards and other gypsum products” at 20 t/day;
- the exact timing of entry into force for the new threshold; and
- whether national derogations and opt-outs under Art. 27 will continue to exist in the new regime.

As an example, we anticipate that the envisaged changes to the ETS could result in a cost increase of at least € 1 to € 1.75 per tonne of processed gypsum for medium-sized gypsum factories. This, combined with rising energy costs, puts many of these factories in a difficult competitive situation.

Most importantly, Eurogypsum would like to understand where and how the auction revenues deriving from the EU Emissions Trading Scheme and the wider revenues would be **invested**. Avoiding the threat of “investment” leakage away from sectors in transition is an exceptionally high priority, not only to ensure the money is well spent but also to guarantee that ambitious industries are rightly encouraged and enabled to invest in lowering their carbon footprint.

Eurogypsum understands the logic of extending the EU ETS to the buildings sector, which accounts for a significant share of greenhouse gas emissions. However, further clarifications are needed as to how concretely energy efficiency measures can be supported by the scheme and how this move does not result in accentuating fuel poverty.

Amendment of the Energy Efficiency Directive (EED)

The Energy Efficiency Directive is an important element of the “Fit for 55” package and is closely interlinked with the EU ETS.

Eurogypsum supports the directive’s objectives, but further understanding of the interlinkages especially with the EU ETS and the Energy Taxation Directive (ETD) is needed, to avoid duplications and counterproductive effects

Indeed, duplication of the industry’s obligations is a matter of concern for our industry. In order to direct the investments to innovation, the EED should be designed in such a way that it clearly supports electrification, both at infrastructure level and financially, and is aligned with the ETD.

Revision of the Energy Tax Directive (ETD)

The ETD is one of the biggest enablers for the transition to a decarbonised economy, especially for the industry. It is a sensitive issue though, touching upon EU Member States’ competences in fiscal policies, and will have to be tackled diplomatically to ensure success.

Eurogypsum would like to raise the following issues in the current proposal to revise the ETD:

A clearer legal and technical definition of Energy Intensive Industries (EIIs) would be required to better understand the directive’s precise impact on industrial sectors.

While we support reaching a more harmonised approach at EU level for the directive to be instrumental for the EU Green Deal’s objectives, we believe that a general exemption for mineralogical processes should be considered in light of other measures tackling energy-related emissions from such processes (e.g. EU ETS). Clarifications about regulatory duplications in this field would be needed.

Decarbonisation not only requires an increasing amount of financial investment in research and process innovation, operating costs, but it also pushes for more electrification. To be explicitly excluded from the ETD, therefore, would help companies be competitive in the European market while investing in decarbonisation technologies.

Our industry is aware of the extent of the challenge to achieve carbon neutrality and is ready to contribute actively to this objective. However, attention should be paid to avoid excessively penalising the sector by additional tax payments and doubled electricity costs. Tax reliefs or other mechanisms to refund the CO₂ abatement costs would be useful to support the transition.

Conclusion

Eurogypsum would like to repeat its general support to the Fit for 55 package and the EU Green Deal’s long-term objectives. We are willing to contribute, with expertise and in a constructive manner, to the adoption and implementation of meaningful legislation to achieve these objectives, duly considering the feasibility of the measures and a fair sharing of efforts across societal actors. We believe low-carbon and lightweight construction solutions such as gypsum-based systems are instrumental to achieving the green transition and to ensure no one is left behind, as they offer flexible and affordable solutions in new build and renovation.

Eurogypsum, which is celebrating 60 years of existence this year, is fit for 55. From words to reality, now is the time to act!

Eurogypsum is a European federation of national associations of producers of gypsum products (i.e. plaster and plasterboard). It is one of the few fully integrated industries (from cradle to cradle) within the construction products field. The companies which mine gypsum also process it and manufacture the value-added products and systems used extensively in construction and other industries. With a turnover of EUR 7 billion, the European gypsum and anhydrite industry operates some 160 factories and 154 quarries and generates employment directly to 28,000 persons and indirectly for 300,000 persons. The Gypsum industry provides jobs to 1,100,000 plasterers and plasterboard installers. It trains around 25,000 persons per year across Europe.

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