Name of the Director who has cleared the briefing: C. Pettinelli
BASIS request ID: 7831
Participants: [redacted]
Name of main contact person: [redacted]

<u>BACKGROUND</u>

<u>High Level Group on Energy Intensive Industries</u>

Renewal of the mandate and membership of the High Level Expert Group on Energy Intensive Industries (Co2020) 7929 final (18.11.2020)

Article 173 of the Treaty assigned the European Union and the Member States the task of ensuring that the conditions necessary for the competitiveness of the Union's industry exist.

With a view to listen more closely to citizens and stakeholders, as set out by the Better Regulation rules , and in accordance with the European Green Deal , the new industrial strategy for Europe and the new Circular Economy Action Plan , the Commission may need to call upon the expertise of specialists in an advisory body.

By decision C(2015) 6964 of 26 October 2015, the Commission set up the High Level Group on Energy Intensive Industries (hereafter “the group”). Article 7 provides for its expiry date on 31 December 2019. On 13 November 2019, the group’s mandate was extended by one year by amendment C(2019) 8041, in order to finalise and deliver ongoing actions. There is still a continuous need for an expert group focusing on matters of relevance to the energy-intensive industries, in particular to deliver industrial policy with an ecosystem approach that supports the green and digital transformation.

It is therefore necessary to continue the work of the group of experts in the field of energy-intensive industries and to define its tasks and its structure, in compliance with Commission Decision C(2016) 3301 establishing horizontal rules on the creation and operation of Commission expert groups (hereafter “the horizontal rules”).

The group should be composed of organisations representing energy intensive industries and other related industries like energy and digital providers and waste management, of organisations from the civil society, of Member States, and of other relevant public entities.

The group’s tasks shall be: (1) to advise and assist the Commission in the preparation of policy initiatives relating to or affecting energy-intensive industries by identifying challenges and strategic priorities of these industries, in particular the twin green and digital transitions and the need for greater resilience; (2) to provide input to the Industrial Forum9 on matters of relevance to the energy intensive industries; (3) to support the development and operation of industrial alliances of relevance to the energy-intensive industries.

The Commission may consult the group on any matter relating to energy-intensive industries.

The group shall be composed of up to 60 members. Members shall be : (a) organisations representing energy-intensive industries and other related industries, organisations of the civil society relevant to the activities of energy intensive industries, including trade unions and organisations in the field of research and innovation, climate and environment - these organisations have to be established in one of the Member States of the European Union, or in one of the acceding countries, or in one of the countries forming the European Economic Area; (b) Member States' authorities; (c) other public entities. Organisations, Member States' authorities and other public entities shall nominate their representatives and shall be responsible for ensuring that their representatives provide a high level of expertise.

Cefic is one of the 11 Energy Intensive Industries represented in the High Level Group

In February 2019, at its 4th meeting, the High Level Group on Energy Intensive Industries decided to produce an Industrial Transformation Master Plan to deepen analytical base and operationalise possible pathways for the transition of these industries towards climate-neutral and circular economy. The Masterplan was published on 28 November 2019.

The Masterplan presents an integrated policy framework with recommendations to ensure that these industries can contribute to Europe’s 2050 climate-neutrality ambitions. It outlines actions that could provide the right market signals to attract new investments in Europe, help companies implement cost-effective pathways towards climate-neutrality and seize new business opportunities in Europe and abroad. The Masterplan also focuses on the need to ensure a just transition and considers the need to equip workers with new skills and help communities dependent on these industries to manage the transition.

The Master Plan offers actions with three dimensions that were covered by 3 sub-groups. In each group the EIIs, Member States, NGOs, academia and relevant Commission services were represented.

1. Creation of markets for climate-neutral, circular economy products;

2. Developing climate-neutral solutions and financing their uptake;

3. Access to resources and deployment.

Low-carbon Industries Alliance

Contact: [redacted]

Objective: to bring together players in the energy-intensive industries’ ecosystem, committed to working towards climate-neutrality and circularity by 2050, in order to facilitate large projects to deploy breakthrough technologies in the EU, help remove barriers to innovation and improve policy coherence.

i) Stocktaking

The new industrial strategy announced a future industrial alliance on low-carbon industries. Low-carbon industries are resource- and energy-intensive. The Commission chairs a High-Level Expert Group (HLG) on Energy Intensive Industries where issues relevant to these 11 sectors[1] are discussed with Member States, financial institutions and civil society. The Commission has renewed the mandate of the HLG to support the low-carbon alliance and provide input to the new Industrial Forum from this ecosystem. The alliance would facilitate large projects to deploy breakthrough technologies in the EU, help remove barriers to innovation and improve policy coherence. The

[1] Cement; ceramics and refractories; chemicals; ferro-alloys and silicon; fertilisers; glass; lime; non-ferrous metals; pulp and paper; refining and steel.

European industry associations have prepared a scoping paper and are reaching out to company CEOs.

ii) Actors

The alliance would bring together energy-intensive industries committed to working towards climate-neutrality and circularity by 2050. Planning of this alliance has started with steel, chemicals and cement, as already identified in the work of the Strategic Forum on low-CO2 industries' strategic value chain. These sectors already have sectoral roadmaps, potential breakthrough technologies, close sectoral integration, a relatively small number of production sites (<30 for steel, around 40 crackers for chemicals and just over 200 for cement), and their products play a role in most industrial ecosystems. The alliance would be open for other players in the ecosystem to join (including civil society, trade unions, regions), based on their expression of interest to foster the alliance's objectives. The steel, chemicals and cement sectors see a need for IPCEIs and will involve Member States closely. AT has shown interest to promote an IPCEI on low-carbon industries, the discussions are still preliminary.

iii) Governance

The industry is suggesting that working level arrangements for the Alliance would be managed by them and the Commission would involve other stakeholders through the High Level Group on Energy Intensive Industries. The lead industries would create or nominate a legal entity and hire a manager to lead the work. Political leadership from the Commissioner will be essential, possibly through regular steering board meetings with a core group of CEOs. We understand that Commissioner Gabriel is interested in being involved in this alliance, given the close link to the Horizon Europe partnerships on clean steel and on climate-neutral and circular industry.

iv) Timing

The industry associations presented their ideas on the Alliance at the HLG Sherpas' meeting on 3 July to Member States and other stakeholders. The aim has been to finalise the development work by the end of 2020. However, GROW has signalled to the three industrial associations leading the development work, that the process is lacking inclusion of other stakeholders, is too much focused on IPCEI and further clarity is needed to the governance of the alliance. On 19.11.2020, the three industry associations presented an updated plan, but the issues with inclusiveness remain. In practice, resetting the development work is necessary.

Chemical recycling – plastic recycling

Contact: [redacted]

A) Work programme and deliverables of the CPA

2-minute summary at: https://www.youtube.com/watch?v=1b98OKwmsjg

- **Design for recycling: work plan adopted**
  - **19 priority product categories** that the CPA commits to make recyclable. A few more will be added in early 2021.
  - Product teams (operational, industry experts) for each priority product. 8 product teams in the packaging sector.
- **Standardisation request**
  - DG GROW plans a standardisation request on **"recycled plastics and plastics recycling"**. Active support by CEN-CENELEC and the CPA. Will cover design-for-recycling but also other aspects of circularity (e.g. quality of sorted plastic waste, quality of recycled plastics, integration of recycled content).
- **Monitoring system and modelling of the plastics materials flows in Europe**
  - The CPA is about to establish a reliable **monitoring system to track plastic materials flows in Europe**, in line with the requirements in its declaration (audit, transparency, reliability).
  - Data from the monitoring system will feed into the "**Mass Flow Model"** developed by the JRC to model the flows of recycled plastics in Europe. The JRC will further develop the model, notably to capture national markets.
  - The ultimate objective is to use the CPA data as a reliable and recognised source for the plastics value chains and the public authorities across Europe (EU27+UK).
- While the achievement of the 10 million tonnes target can only be "proven" in 2025, there are **essential milestones towards the 10 million tonnes** in 2021
  - 1) **The quantification of the untapped potential** in recycling, collection & sorting of plastic waste (report to publish in early 2021): this is the CPA "roadmap towards the 10 million tonnes"
  - 2) **The mapping of the investment needs**, also due in early 2021
  - 3) **The update of the pledges / voluntary commitments** to use more recycled plastics – DG GROW intends to assess the progress made in spring 2021
- A **competition compliance programme has been established** so that the CPA is in full compliance with EU and national rules on competition (approved by DG COMP).
- **R&D agenda**
  - This agenda describes the R&D priority needs for circular plastics.
  - The concrete follow-up needs to be clarified (e.g. common R&D projects?)

B) <u>Chemical recycling in the context of the CPA</u>

- The consensus in the Circular Plastics Alliance is that **chemical recycling complements mechanical recycling** (e.g. focus on waste that is <u>not suitable</u> for mechanical recycling).
- CEFIC leads this part of the work of the CPA.
- Chemical recycling includes many technologies (70+ different technologies), with 3 main categories:
  - **Dissolution** (back to the original polymer)
  - **Depolymerisation** (back to the original monomer)
  - **Pyrolysis and gasification** (back to a feedstock for the chemicals plant, also called "feedstock recycling")

- ➔ **Not all technologies will work for all polymers or packaging product. Each polymer will have its own circular economy model**, with a different mix of mechanical/ chemical recycling**.**
- ➔ **Chemical recycling will require efforts by the value chains as much as mechanical recycling.** This is about re-designing the value chains, from product design to collection and sorting of waste, to integration of the secondary raw materials back into new products (and finding customers). This is where the Circular Plastics Alliance plays a strategic role.
- ➔ **Our objective is to provide a clear framework** to allow a business case
- **The position of DG GROW on chemical recycling is not established, but a few views could be:**
  - There is no intention, to our knowledge, to modify the current definitions in EU regulation of "recycling". To be recognised as recycling, chemical recycling needs to demonstrate that it is "true" recycling (and not energy recovery). This means that the input shall be plastic waste and the output shall be a plastic product (and not a fuel). The "mass balance" calculation on this has triggered some controversy.
  - We are favourable to chemical recycling e.g. to allow recycle contaminated, mixed waste and/or to allow recycled content in food contact applications.
  - One open question is around environmental impacts and in particular energy consumption of chemical recycling. DG GROW D.2 is running a study **with the JRC** to investigate the environmental benefits of chemical recycling in comparison with mechanical recycling, incineration and landfilling (and establish a clear methodological framework for such comparisons).

Recovery plans

Contact person: [redacted]

- Given the enabling role of chemicals, the importance of the industry as well as its challenges, companies and national associations should reach out to public authorities.
- Drafting national recovery plans is in the hands of Member States.
- The Commission will assess these plans to ensure that while addressing country specific challenges identified in the context of the European Semester, they contribute to the six pillars of the RFF, the digital and green transition, growth, jobs, and economic, social and institutional resilience of the Member State.
- While Member States will need to implement their plans by August 2026, the reforms and supported investments are expected to have a lasting impact. When reaching out to public authorities, companies and associations could also stress the transformative nature of the planned investments.

On 17 December, the European Parliament and the Council reached a political agreement on the Regulation of the Recovery and Resilience Facility (RRF). The text was submitted to the ECOFIN on 21 December ahead of the December European Council. The jointly-agreed text confirms the sum of EUR 672.5 billion in loans and grants for the Facility to support reforms and investments undertaken by Member States. The new text of the Regulation will now have to be finalised at technical level. The European Parliament and the Council must then formally approve the text so that the Regulation can enter into force as soon as possible. Once the Regulation is in force, Member States will be able to submit their recovery and resilience plans, setting out a coherent package of reforms and investment projects.

RRF has six pillars, namely:

(1) green transition;

(2) digital transformation;

(3) smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning single market with strong small and medium enterprises (SMEs);

(4) social and territorial cohesion;

(5) health, and economic, social and institutional resilience, including with a view of increasing crisis reaction capacity and crisis preparedness;

(6) and policies for the next generation, children and youth, including education and skills.

Member States should officially submit national recovery and resilience plans (NRRPs) as a rule by 30 April 2021.

The European Semester is confirmed as the framework to identify national reform priorities and monitor their implementation and to carry out the monitoring or progress in the NRRPs. These will have to be consistent with the relevant country-specific challenges identified in the context of the European Semester.

The Commission will assess the relevance, effectiveness, efficiency and coherence of NRRPs considering, among other factors, whether they:

- contribute appropriately to all six pillars covered by the scope of the Regulation;
- contribute to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendation (CSRs);
- contribute to strengthen the growth potential, job creation and economic, social and institutional resilience of the Member State;
- ensure that no measures make any significant harm to the environmental objectives in the sense on the "Taxonomy regulation";
- contribute to the climate and digital transition (plans should include a minimum of 37% of expenditure on investments and reforms to support climate objectives and a minimum of 20% for the digital transition);
- ensure effective monitoring and implementation of the recovery and resilience plan, including milestones, targets and an indicative timetable for the implementation of the reforms and investments to be completed by the end of August 2026 at the latest.

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In a letter sent on 6 January 2021 to K. Jorna, Cefic listed a number of obstacles companies have encountered with regards to the possibility of using recovery funding. These can be summarised as follows: 1) timelines do not match investments cycles and are not aligned between different funding instruments; 2) MS plans and industry's projects do not match, also because the scope of the funding instruments is too narrow. For the purpose of this meeting, Cefic wishes to share the feedback it received from its members and ask for further advice.

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CVs of Cefic participants

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