

Environment Directorate-General
European Commission
F.a.o.: Stefan Moser
B-1049 Brussels

Brussels, 29 June 2007

Re: EU Emissions Trading Scheme - Harmonisation of the treatment of Mineral Wool

Dear Mr Moser,

Thank you for your reply to my note of 2 May concerning the definition of mineral wool. Eurima welcomes the opportunity to comment upon the harmonisation of the treatment of insulation materials under Emissions Trading, particularly since there were important differences in the treatment of glass wool and stone wool in NAP 1 which has resulted in the inclusion of glass wool in the NAPs of all Member States but with stonewool only being included in some, leading to the possible of distortion of the market. For your background information this issue was raised by Eurima with Mr Peter Vis, Acting Head of Unit, DG Environment, in March 2005 who, in his reply of April 2005 said that the matter would be addressed in the revision of the Directive. He also promised that the Commission would “raise the matter with Member States and endeavour to ensure a more consistent treatment” for Phase 2 NAPs. Therefore, we would be grateful for your consideration of the information provided on this subject and, if you will allow, the opportunity will also be taken to provide comments upon aspects of the sectoral status of mineral wool and the allocation of allowances.

Mineral Wool - Definition

EN 13162 - 2001 “Thermal Insulation Products for Buildings - Factory Made Mineral Wool (MW) Products - Specification” defines Mineral Wool as “insulation having a woolly consistency manufactured from molten rock, slag or glass”. (For clarity, there is very little slag wool manufactured in the Member States these days)

The term “stone” may be used interchangeably with “rock” and Section 3.8 “Mineral Wool” of the IPPC “Reference Document on Best Available Techniques in the Glass Manufacturing Industry - December 2001” deals with composition of mineral wool and treats glass, stone and slag wools under the same “Mineral Wool” heading.

The origin of the difference in treatment of stone and glass wools seems to arise in Annex 1 of Council Directive 96/61/EC (the “IPPC” Directive) where the criteria under point 3.3 refers to the production of glass fibres and under point 3.4 refers to the production of mineral fibres. This conflicts with the accepted product definition since glass fibre is a mineral fibre.

The further and more serious complication occurs in Annex 1 of Directive 2003/87/EC (the “Emissions Trading” Directive) which relates to annex 1 of Directive 96/61/EC. Under point 2 “Mineral industry” the explicit reference to “Installations for melting mineral substances including the production of mineral fibres.....” has not been reproduced. Due to this change the mineral wool installations in a number of Member States are not included in their NAPs.

It should be noted that there are very few mineral wool installations which would qualify under “Energy Activities” as combustion plant with a rated thermal input exceeding 20MW since most single line operations operate at about half this power.

Based upon the interpretation of the applicable European Union texts, stone wool insulation producers should be covered by NAPs:

- The European Council Directive 96/61/EC (“the IPPC Directive”) includes both glass wool and stone wool fibres in its definition of the Mineral Industry and therefore covers the production of all mineral wool insulation production.
- The IPPC “Reference Document on Best Available Techniques in the Glass Manufacturing Industry - December 2001” was drafted for glass and stone mineral wool, as well as for glass and other unrelated industrial sectors as required by the IPPC Directive. The BREF Document was prepared by a Technical Working Group including representatives from all Member States, DG Environment and the European Commission. As a result, each Member State is aware that the mineral wool insulation producers have been treated equally in the context of the IPPC Directive. Given that the Emissions Trading Directive specifically does not supplant the IPPC Directive, any difference in treatment of glass and stone wool upon the transposition of the Emissions Trading Directive into national law is not reasonable.
- The introduction to Directive 2003/87/EC (The “Emissions Trading” Directive) makes reference at point (7) the fact that “Community provisions relating to the allocation of allowances by the Member States are necessary to contribute to preserving the integrity of the internal market and to avoid distortions of competition.” Mineral wool insulation manufacturers, whether glass or stone wool, use similar raw materials, similar processes for production and sell their products in the same or similar markets by the same distribution channels in all Member States. Therefore, dissimilar treatment may create competitive advantage for one product over another.

In conclusion, this difference in treatment between similar industries using similar raw materials, similar processes, and producing competitive products has no technical basis, no basis in the applicable EU texts, and may unfairly bias competition in the market for insulation products in the European Union. Therefore, Eurima would like to propose that the appropriate definition for Mineral Wool should be related to that proposed in the slide from your ECCP presentation pertaining to stone wool (Annex 6):

Installations for the manufacture of mineral wool products from glass, stone (rock) or slag, with a melting capacity exceeding 20 tonnes per day.

Sectoral Status of Mineral Wool and the Allocation of Allowances

Mineral wool insulation is a major contributor to the EU Strategy for the reduction of carbon dioxide emissions and the industry has made major investments in several Member States over recent years in order to meet increased demand for its products. The manufacture of mineral wool is characterised by a high entry cost for manufacturing plant, large plant capacities running at full output for high efficiencies, long capital investment cycles and high transport costs requiring, as far as possible, that plants are built close to the markets they serve.

The future growth and investment pattern cannot be accurately predicted at this point, but it is clear that the success of EU initiatives, such as the Energy Services Directive¹, the Energy Performance of Buildings Directive² and the EU Emissions Trading Scheme³ itself will be heavily dependent on a continued willingness by certain strategic sectors, such as Mineral Wool insulation, to make capital and research investments within the EU.

In the case of the Energy Services Directive, experience from the UK suggests that over 80% of savings attributable to the Energy Efficiency Commitment are directly attributable to the installation of insulation in existing buildings. Similarly, successive improvements in the standards of insulation demanded by Member States for new buildings will result in an increase in demand. Combined, these factors will stimulate a massive requirement for Mineral Wool Insulation and the building of associated plants.

Additionally, as the opportunities for abatement of emissions from buildings evolve, then new products and processes will need to be developed to deliver cost effective energy saving opportunities, and these may involve more engineered, but higher energy products and materials.

¹ Directive 2006/32/EC Energy end use and energy services Directive.

² Directive 2002/91/EC of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings

³ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC

Clearly, even though the sector has made significant progress in improving energy efficiency, and each tonne of CO₂ emitted during manufacture is saved many times over (hundreds) in end use, for these reasons emissions from the sector will inevitably increase.

This leads to specific concerns regarding the accommodation of growth and new entrants, avoiding the leakage of investment overseas and minimising the possibility that the introduction of additional investment risks associated with operation of new plant becomes constrained due to the price of allowances.

We therefore believe that it is essential that Mineral Wool is either considered to be a sector in its own right or is placed in a sector with arrangements such that it can confidently engage and proactively work with National and European authorities to ensure that climate change policy measures can be effectively delivered by dealing with these important issues whilst undertaking the significant long range capital investments required.

In summary the Mineral Wool industry is characterised by a unique combination of factors that traditional considerations in differentiating a sector from wider industry, such as exposure to international competition, do not adequately address:

- A strategic contribution to the delivery of Climate Change policy.
- High levels of growth and associated requirement for continued investments.
- The scope to participate in internal projects.

We note that within the context of the ECCP discussions there have been suggestions that larger sectors are desirable. However, we hope that the foregoing adequately demonstrates that there is a real danger that Mineral Wool producers, who have a disproportionately high impact upon climate change for such a small sector, may be severely disadvantaged if such consolidation occurs.

Jan te Bos

Director General