

COMMENTS ON THE

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE EUROPEAN COUNCIL, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

6 February 2023

A Green Deal Industrial Plan for the Net-Zero Age

The Green Deal Industrial Plan, published on 1 February by the European Commission, promotes the creation of a more supportive environment for deploying the clean tech manufacturing capacity required to meet Europe's ambitious green targets.

ECGA welcomes the objectives set by the Commission and is ready to continue delivering the key materials the European Union needs for its transition to a climate neutral economy.

The starting point for the Plan is the need to massively increase the technological development, manufacturing production and installation of net-zero products and energy supply in the next decade, and the value added of an EU-wide approach to meet this challenge together.

The Green Deal Industrial Plan is based on four pillars:

1. a predictable and simplified regulatory environment;
2. faster access to sufficient funding;
3. skills; and
4. open trade for resilient supply chains,

which we would like to comment on hereafter.

1. A predictable and simplified regulatory environment

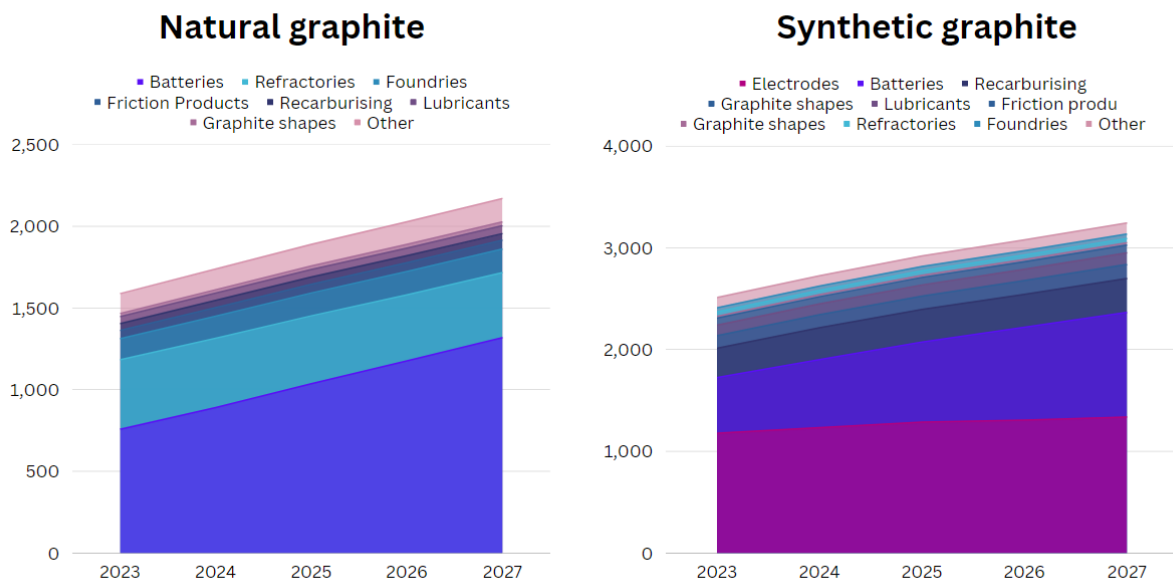
*As part of the Green Deal Industrial Plan, the Commission proposes to put forward a Net-Zero Industry Act to underpin industrial manufacturing of key technologies in the EU. The act would provide a simplified regulatory framework for production capacity of products that are key to meet our climate neutrality goals, such as **batteries, windmills, heat pumps, solar, electrolyzers, carbon capture and storage technologies**. The Net-Zero Industry Act would in particular:*

1.1 Setting the goal for increasing Europe's resilience of the graphite supply chain for batteries, windmills, solar energy, electrolyzers as well as steel recycling.

- Europe has a functioning carbon and graphite industry that can supply a larger share of the expected demand growth for graphite from natural and synthetic graphite production. Natural graphite and synthetic graphite can be substitutes for each other in a number, but not all

applications. The industry's own forecast is that by 2030 about 5-7 % of the natural graphite demand could be supplied if all current projects would be permitted and could start production. 40% of the demand could be supplied from existing and extended capacities of synthetic graphite production if the regulatory and investment climate is right.

Graphite demand by application (kt)



source: Wood MacKenzie

- If the capacities are not built there could be a serious supply risk for the battery production since the demand growth for the lithium-ion battery is going to be extraordinary, followed by the fuel cell technology.
- Reduce the length and enhance the predictability of permitting processes by defining specific time limits for different stages of permitting, and significantly reinforce Member States' administrative capacity, e.g. by introducing a 'one-stop-shop' - a sole point of contact for investors and industrial stakeholders during the entire administrative process.

1.2. Providing security of supply of graphite

With the EU's Critical Raw Materials Act the Commission should recognise that in order to access the necessary raw materials

- the Member States need to invest more in exploration for graphite
- the Member States need to speed up the permitting of natural graphite and its processing,

However, the EU Commission and the Member States, having concentrated on natural substances in their criticality assessment only, should not turn a blind eye to the obvious substitute for many applications and therefore

- the Member States need to permit the extension of existing synthetic graphite production as well as possibly permit new installations,
- the EU and Member States need to ensure the access to needle coke, which is currently mostly imported from the USA, hindering the use of fossil based resources for manufacturing purposes is not compatible with the EU's strategic objectives of the Green Deal,
- the EU and Member States need to ensure the access to HT Coal tar pitch which is a vital ingredient and its use is currently being threatened by the ongoing REACH revision and the incompatibility of the chemicals possibly with the strategic policies of the EU Commission; the continuous discussions on "industrial intermediate" or "essential" uses is counterproductive to a regulatory predictability and coherence in the various policy areas.

1.3 Establishing a priority list of strategic raw materials

- The Commission's ambition to identify priority projects, accelerate permitting procedures and unlock new finance is a very welcome step to improve the speed and viability of new projects. It is just as important that the Commission takes action to ensure competitive operating conditions and a level playing field (i.e. energy costs, trade defence, joined-up environmental policies) with non-EU producers.

1.4 Improving permitting and financing for new and existing production

- The industry strongly welcomes the planned Critical Raw Materials Act for improving permitting and financing for new mining, processing, and recycling facilities. The success of the new act will very much depend on
 - the sound definition of critical and strategic materials and their selection process,
 - safeguarding their availability in the EU by domestic production whenever possible.

1.5. Energy:

The competitiveness of graphite companies have also been severely weakened by high energy prices and the disruptions in some of its supply chains. Given its electricity consumption the synthetic graphite industry belongs to the energy-intensive industries.

- **Circular economy:**
Without steel recycling a major part of Europe's circular economy would not function and steel recycling does not function without synthetic graphite electrodes. The production of electrodes for the electric arc furnaces therefore has to be supported since the high energy prices are already leading to some closures of existing facilities which instead should have been extended to satisfy expected demands.

- **Batteries:**

The new EU regulatory framework for batteries is a crucial element in the EU's transition to a climate neutral economy, by securing competitive and resilient value chains for battery production, reuse and recycling in the EU.

The industry needs

- support for sustainable design for dismantling and recycling and research into the recycling of graphite from batteries,
- recognition of the fact that lignin is only an option for a small section of the battery market and not for the lithium-ion battery that is the core of Europe's mobility concept.

- **Fuel cells**

Fuel cells are equally important for mobility and energy storage and will be the next generation of technology with an expected demand increase. Synthetic graphite is an integral part of fuel cells and therefore should be supported.

- **Solar panel**

No production of solar panels will be possible without the production of silicon which in turn requires isostatic graphite produced from synthetic graphite. No graphite – no solar panels. The production of isostatic graphite is energy intensive.

- **Windmills**

Particularly large and energy efficient windmills require carbon fibre reinforced blades. There is a limited number of installations on the EU that can produce these carbon fibres. These production sites should be supported with regard to their electricity consumption since the original consumption will be offset by the green energy production.

- **Electrolysers for green hydrogen production**

Essential raw materials part of the electrolyser, graphite has been found to be a good choice for the production of maximum hydrogen compared to various other electrodes.

- **Semiconductors**

And for many of these sectors semiconductors are required for which in turn you need graphite again.

2. Faster access to sufficient funding

- **Simpler and more flexible state aid rules**

Such rules can have an important role to play in facilitating new investment. But they should not be delivered at the expense of a durable strategy for rebalancing the European industrial landscape, nor Single Market principles.

- **GBER**

In the context of the Green Deal Industry Plan, the Commission has announced the intention of revising the General Block Exemption Regulation (“GBER”), which enables Member States to directly implement aid measures, without having to notify them ex-ante to the Commission for approval. The revised GBER will be adopted in the coming weeks and will give Member States more flexibility to support measures in key sectors for the transition to a net-zero economy, such as hydrogen, carbon capture and storage, zero-emission vehicles and energy performance of buildings.

The graphite industry should be recognised for what it is: although a smaller industry in Europe a major enabler of the green transition since it supplies crucial material to a number of industries recognised a “green” and a sector with considerable growth potential providing taxes and employment. It belongs to their supply chain and their ecosystems.

- **IPCEIs**

Among others, the revision of the GBER will contribute to further streamline and simplify the roll-out Important Projects of Common European Interests (IPCEI), specifically in relation to the implementation of smaller, IPCEI-related, innovative projects. Graphite projects should be considered as viable candidates for the IPCEIs.

3. Skills

Like in many other sectors the need for skilled workforce can be felt in the graphite industry as well. The sector would certainly benefit from a general and specific programme for upskilling of existing workforce and attracting new capacities.

4. Open trade for resilient supply chains

Maintaining the level-playing field

Europe will remain reliant on imports for a range of strategic materials to supply its medium term growth in the next 15 years, even with a successful domestic investment strategy to create a level of strategic autonomy. The proposed policies must include a global strategy for securing responsible and diversified imports, avoiding an overdependence on unsustainable single suppliers while safeguarding the EU industrial base.

Accelerating EU trade defence measures within the existing system, to safeguard new investments into nascent industries and address global market distortions. The European natural graphite producers are threatened by substantial subsidy regimes in China. The synthetic graphite producers have been long been threatened by unfair trade practices and subsidy schemes from India and China and have had years of anti-dumping decisions in place.