



SPECIALTIES

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17 April 2024

AGENDA OF THE MEETING

1. **Anti-trust rules**
2. **Minutes of the previous meeting**
3. **Welcome of the new vice-chair**
4. **Trade tensions between China and the USA: where does the EU stand?**
 1. Semiconductors
 - US ban on exports to China: does it have an impact on the EU supply chain?
 - American ban on Chinese parts: how could EU producers be impacted?
 - Chips Act in the EU: what budgets and which subsidisation targets?
 2. EVs and green energy production
 - Chinese industrial policy: what can ECGA do?
 - Photovoltaic panels: will the EU instate trade defence measures?
5. **European industrial policies on green energy**
 1. Net-Zero Industry Act: who qualifies, how does it support wind, solar and nuclear?
 2. Follow-ups to the Renewable Energy Directive: what message should ECGA convey?
 - Wind Power Package
 - Innovative Solar Energy Deployment
6. **Sustainability**
 1. Due diligence
 - Update on the latest political compromise
 - Update on ECGA's guidance
 2. Ecodesign: timeline of upcoming sector-specific rules
 3. Car recycling: a late proposal and a tight schedule before the elections

4 TRADE TENSIONS

1. Semiconductors

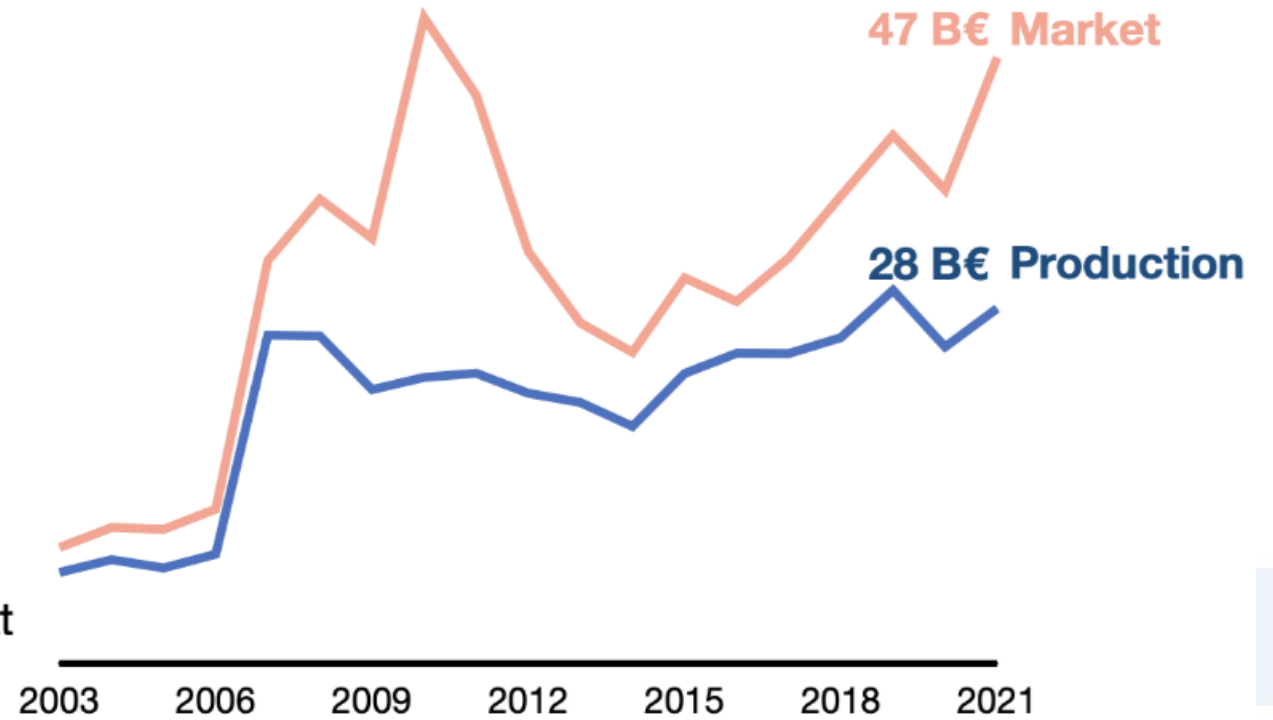
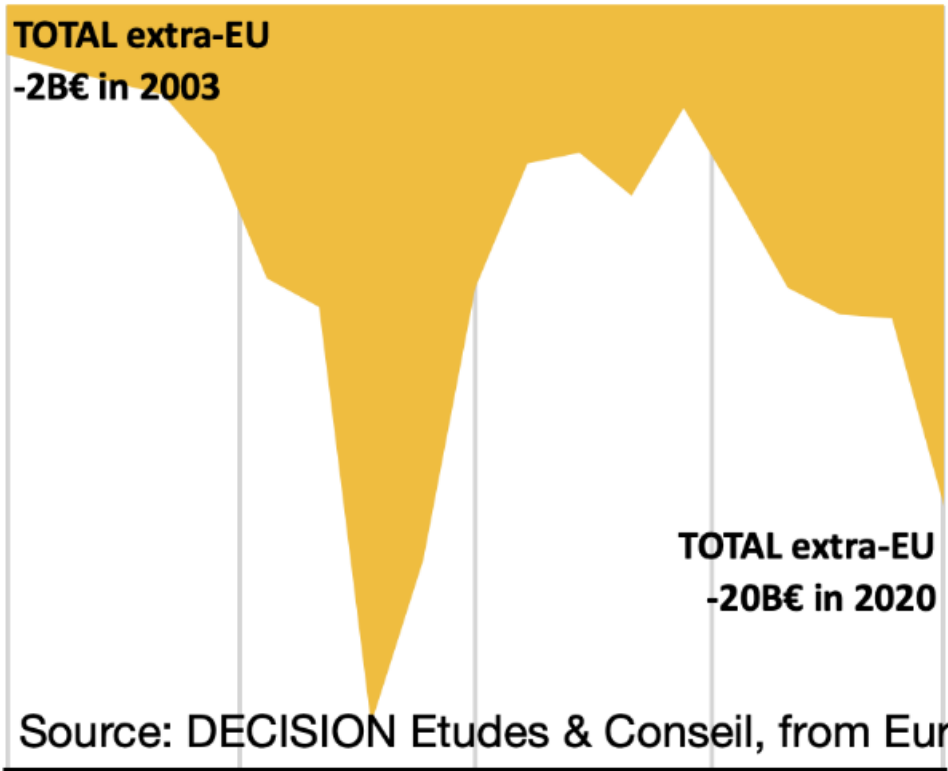
- US ban on exports to China: does it have an impact on the EU supply chain?
- Chips Act in the EU: what budgets and which subsidisation targets?

2. EVs and green energy production

- Chinese industrial policy: what can ECGA do?
- American ban on Chinese parts: how could EU producers be impacted?
- Photovoltaic panels: will the EU instate trade defence measures?

4.1.1 SEMI-CONDUCTORS: EU EFFORTS TO KEEP UP

EU27 trade balance from 2003 to 2021



4.1.1 SEMI-CONDUCTORS: LESSONS FROM THE US-CHINA TRADE WAR

- **Lessons from China's efforts to develop its domestic industry**
 - easier to build a semi-conductor supply-chain in a top-down fashion, starting from chips design and then building factories
 - \$150B investment since 2015, yet limited success in high-end chips
 - US export ban contributed to this failure
 - Now the US is moving to larger chips: 28 nm or larger
- **Is the EU on the right track?**
 - €43B by 2030 invested through public and private partnerships
 - €3.3 billion of public money, including €1.65 billion via the Horizon Europe programme and €1.65 billion via the Digital Europe programme.
 - Leverage effect with up to €43B raised in total
 - Already part of the know-how in Europe, but understaffing issues
 - Graphite not on the radar of policy-makers in that field
 - New institutions
 - Observatory of critical technologies
 - European Semi-Conductor Board
- **Chips Act in the EU**
 - Only the third pillar (mapping and monitoring) is directly relevant for EU graphite producer
 - Second pillar (financing open-foundries) might be relevant if subsidies are trickling up
- **Question : How dependent is poly-silicon on EU specialties producers?**

4.1.2 SEMI-CONDUCTORS: US CHIPS ACT AND FOEC

- **Foreign entity of concern in the Chips Act**
 - Same countries as in the battery sector (CH, RU, NK, IR)
 - Same thresholds: nationally, or 25% control
 - Different application
- **Guardrails Rule**
 - Prohibits CHIPS funds recipients from expanding material semiconductor manufacturing capacity in foreign countries of concern for ten years;
 - Restricts recipients from certain joint research or technology licensing efforts with foreign entities of concern
- **Takeaway**
 - Manufacturers of wafers and silicon dies will get funding from the Chips Act
 - Suppliers are already being screened
 - When engaging with them, stay clear of CH, RU, NK, IR

4.2.1 FIGHTING AGAINST FOREIGN SUBSIDIES

1. Foreign subsidy regulation

1. mergers where the acquired company, one of the merging parties or the joint venture generates an EU turnover of at least €500 million and the parties were granted foreign financial contributions of more than €50 million in the last three years;
 2. bids in public procurement procedures where the estimated contract value is at least €250 million and the bid involves a foreign financial contribution of at least €4 million per third country in the last three years;
- Firstly implemented against Chinese train manufacturer CRRC in Bulgaria

2. Anti-Coercion instrument (against economic blackmail)

1. A 'single point of contact' has been established by the Commission which allows businesses to (confidentially) submit information with respect to economic coercion they witness or are being subjected to.
2. The Commission will take input from stakeholders into account when assessing the appropriate response to identified instances of coercion on part of a third country, including in the proposed countermeasures.

4.2.1 RECENT ENFORCEMENT OF FSI AND ACI

- **Chinese train maker CRRC in Bulgaria**
- **Solar wafers**
 - Enevo Group and Longi Solar Technologie
 - owned by a German parent company
 - listed on HK stock exchange
 - Shanghai Electric UK Co. Ltd. and Shanghai Electric Hong Kong International Engineering Co. Ltd.
 - 100% owned and controlled by Shanghai Electric Group, a State-Owned Enterprise in China
- **Should ECGA support such action on FSI?**
 - ECGA supports the steel industry on the trade side
 - We could also support EU downstream sectors for specialties
 - How dependant are we on those clients?
- **Other observations on the topic?**

4.2.2 SOLAR PANELS AND TRADE DEFENSE

- **Opposition between**
 - Solar Power Europe
 - European Solar Manufacturing Council
- **Claims**
 - ESMC: prices plummeted from 30c/Wp to around 10c/Wp
 - ESMC: total oversupply would be around 75-80 GW
 - SPE: Cheap PVs are needed in large quantities for a swift uptake of solar energy
- **If the Commission wants to support ESMC, choice between**
 - Trade defence measures on solar panels
 - Direct subsidies within the EU
- **But**
 - Trade defence measures would slow down the current uptake in Germany in particular
 - Direct subsidies might be considered too expensive: €200M at least

5 EU INDUSTRIAL POLICY ON GREEN ENERGY

1. **Net-Zero Industry Act: who qualifies, how does it support wind, solar and nuclear?**
2. **Follow-ups to the Renewable Energy Directive: what message should ECGA convey?**
 1. Wind Power Package
 2. Innovative Solar Energy Deployment

5.1 NET-ZERO INDUSTRY ACT

- **Benchmarks and targets**
 - EU is targeting 36GW of new annual installations by 2030
 - Wind Power Europe is forecasting 50GW
- **Main obstacles**
 - Chinese imports: impact on price
 - NIMBY: impact on permitting
- **Goals of the NZIA**
 - Solve the issue for permitting
 - Streamline access to funding: €2B budgeted for 2023 calls

5.1 NET-ZERO INDUSTRY ACT: STRATEGIC MANUFACTURING PROJECTS

- **Includes the production of carbon fibres for wind blades**
- **Open-ended list of manufacturing projects that contribute to the production of "net-zero technologies"**
 - Either because they add capacity
 - Or because they are more sustainable than previous factories
 - Or because they create quality jobs (upskilling, revitalising disenfranchised regions)
- **Permitting deadlines shortened, procedures simplified**
 - 9 months for 1GW, 12 months above, 12 months if not measured in GW
 - Limited response times from administration (45 days for ack, 90 days for decision)

5.2 QUESTIONS ABOUT THE WIND POWER PACKAGE

- **Published in October 2023**
- **Reasserts the goals of the Renewable Energy Directive**
- **Proposes a series of measures to ensure targets are reached**
 - More than half of the measures have to be implemented by Member States
 - Other might be politically contentious, such as trade defense against Chinese imports
- **Focus on offshore wind**
- **No reply from the Council yet**
- **What could ECGA do in that domain?**
 - Support trade defense on wind blades
 - Start a case on carbon fibres
 - Request financial support for the production of carbon fibres through EU funding
 - **Others?**

5.2 QUESTIONS ABOUT SOLAR ENERGY DEPLOYMENT

- **European Solar Manufacturing Council**
 - Fight against imports
 - Need for standards: would it concern ECGA members?
- **Is solar heat a threat?**
- **German Association of Energy and Water Industries (BDEW)**
 - More subsidies
 - Allowing agrivoltaic areas to remain classified as agricultural land
- **Iberdrola**
 - Harmonize rules on self-production and consumption within the EU
 - Creation of KPIs to ensure MS follow up with the Renewable Energy Directive
- **ECGA members: what remarks, what options?**

6 SUSTAINABILITY

1. Due diligence

1. Update on the latest political compromise
2. Update on ECGA's guidance

2. Ecodesign: timeline of upcoming sector-specific rules

3. Car recycling: a late proposal and a tight schedule before the elections

6.1.1 DUE DILIGENCE

UPDATE ON THE LATEST COMPROMISE

- **Unorthodox move from Germany**
 - Compromise was already accepted at the Council
 - Backtracked before sending the text to the Parliament
 - New trilogues rushed this Spring
- **Legal affaires committee from the Parliament renegotiated**
 - New compromise accepted, will pass in plenary
 - Adoption expected for the 24th of April

6.1.1 DUE DILIGENCE DIRECTIVE KEYPOINTS

- **Steps of due diligence (DD)**
 - If you already follow ECGA's guidance, you are almost ready, apart from remediation and climate change
- **Reporting**
 - Extractable data
 - Companies will have to submit part of their data coming from their DD reports in an extractable format to the "European Single Access Point".
 - Certification:
 - Third-party verification will be recommended
 - The Commission will set the standards that those third-parties will have to abide by.
- **Graphite-specific guidelines**
 - The Commission will issue sector-specific guidance.
 - DG Grow has already hired a consultant to devise new guidelines for minerals
 - ECGA is following that file.
- **Penalties**
 - Financial penalties, civil lawsuits, and bans on products.
 - Based on the turnover of the company or the total conglomerate if relevant

6.1.1 DUE DILIGENCE DIRECTIVE

MAIN CHANGES WITH FORMER COMPROMISE

- **Scope**
 - From 500 to 1000 employees and €150M turnover to €450M
 - Delete lower thresholds for high-impact sectors like graphite
 - For franchises: from €7.5M to €22.5M
 - Third-countries companies: from €150M to €450M
- **Trade secrets are better protected from unnecessary disclosure**
- **DD necessary on direct business partners only, not indirect ones**
- **MS set most of the penalties: expect largely diverging national rules**
- **Slightly longer transition period**
 - 3 years above 5000 employees
 - 4 years above 3000 employees
 - 5 years for the others

6.2 ECODESIGN: TIMELINE

- **Fans for electric motors : draft regulation should be adopted in May**
- **Digital Product Passport (ESPR + Batteries)**
 - New standard for Q4 2025
 - Developed by European Committee for Standardisation (CEN), the European Committee for Electrotechnical Standardisation (CENELEC) and the European Telecommunications Standards Institute (ETSI)
- **Drafts standards under Ecodesign or Ecolabel to be published this year**
 - Water pumps
 - PV
 - Power transformers
 - Heat pumps
 - Lubricants

6.2 ECODESIGN: SUBSTANCES OF CONCERN

- **Falls under REACH**
- **Falls under Ecolabel and fits within the following categories of Ecolabel**
 - carcinogenicity categories 1 and 2,
 - germ cell mutagenicity categories 1 and 2,
 - reproductive toxicity categories 1 and 2;
 - Endocrine disruption for human health categories 1 and 2;
 - Endocrine disruption for the environment categories 1 and 2;
 - Persistent, Mobile and Toxic or Very Persistent, Very Mobile properties;
 - Persistent, Bioaccumulative and Toxic or Very Persistent, Very Bioaccumulative properties;
 - respiratory sensitisation category 1,
 - skin sensitisation category 1,
 - chronic hazard to the aquatic environment categories 1 to 4,
 - hazardous to the ozone layer,
 - specific target organ toxicity – repeated exposure categories 1 and 2,
 - specific target organ toxicity – single exposure categories 1 and 2; or
 - substances regulated under Regulation (EU) No 2019/1021 of the European Parliament and of the Council*;
- **negatively affects the re-use and recycling of materials in the product in which it is present;**

6.3 END-OF-LIFE VEHICLES & 3R TYPE-APPROVAL

- Council experts are continuing with the examination of the proposal as the work on the file is expected to continue under the new legislature.
- The Rapporteur and Shadow Rapporteurs in the Parliament **will not be able to conclude their work under the current legislature.**
- **The file will lapse and re-start under the next legislature towards the end of 2024.**
- In light of the elections in June 2024 there may be changes to the Rapporteur and Shadow Rapporteurs.



ECGA

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THANK YOU!

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