Open Letter

Supply of basic commodities in jeopardy

26 September 2022

Euromines welcomes that the European Commission embarks on one of the most contentious issues there is when it comes to merging decarbonization with industrial competitiveness. We appreciate the proactive engagement of the Commission but and we take into account the short-term nature of the measures to bridge the current crisis, but we deeply deplore that the proposal as it stands will not help the energy-intensive industry, that the issue of gas prices and the nexus to electricity prices is not considered – and even worse: the risk that the resilience Europe needs gets undermined. The reason for this: is the uncertainty of whether our industry will benefit from redistribution measures while still being exposed to the spot price.

The short-term proposal falls far too short to address the deficiencies of the market design and puts our industry in survival mode as the proposed measures are barely enough to survive. In absence of a re-design that drives prices down, ensure protection for energy-intensive industries such as mining that are key for the Green Deal and for which decarbonization means either direct or indirect electrification our industry requires from the proposed short-term measures to be effective:

- ⇒ Help our enterprises to not lose even more market share and capacities – losses that eventually will be covered by imports from third countries. With the measures of capping and redistribution in place, our industry remains exposed to spot market prices and continues to incur losses, curtailments or shutdowns.
- ⇒ Ensuring incentives and not imposing conditions for investments in electricity consumption for the industry – it is about survival, not investments.
- ⇒ Re-distributing proceeds from cap measures also in favour of energy-intensive industries as a condition for imposing these caps.
- ⇒ Caveats for energy savings obligations for energy-intensive industries that are in midst of transitioning from gas to electricity – it is not possible to save gas AND electricity at the same time when the transition to a carbon-neutral economy is based to large extent on electrification.
- ⇒ Avoid overambitious conditionalities for the industry to benefit from aid, especially as the conditions are nowhere clarified within the text.

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In addition, changes to the Temporary Crisis Framework are necessary including:

- ⇒ Eligibility: eligibility requirement to show a negative EBITDA should be removed as it does not reflect the financial reality -a company's EBITDA can be positive while making a net loss.
- ⇒ Eligible costs: should be calculated based on the difference between the current energy prices and the prices that existed before the price surge began – not based on a reference period where the price surge was already in full swing (i.e. anytime after October 2021).
- ⇒ Aid cap: the cap for energy-intensive undertakings (€50 million) does not reflect the staggering cost increases and the additional need for funding given the increased electrification of our industry.
- ⇒ Conditionalities: refrain from making any support to energy-intensive companies conditional to investments in renewables or energy efficiency.
- ⇒ Demand response remuneration: savings from companies require remuneration in order to compensate for the loss due to skyrocketing energy costs.

Our industry is not in the position to transform and invest right now, several mines are on the brink of shutting down. Conditionalities, overzealous savings obligations and requirements for example those spelt out in the Temporary Crisis Framework hamper the effectiveness of aid and put our survival into jeopardy.

Euromines urges energy ministers to amend the proposal as otherwise, our industry will continue to be under pressure, exposure to spot market prices remains, and investments will get delayed increasing the exposure to carbon prices and climate change impacts. EU mining is at the beginning of the many value chains, and without structural and predictable changes to bring ***the current price level down, puts the supply of basic commodities in jeopardy –*** be it salts, mineral fertilizers, metals or refractory materials ***leading to unpredictable ripple effects across the EU economy.*** The impact endangers the secure supply of medical and food products, industrial goods or basic infrastructure.

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