

**Opinion of the European Economic and Social Committee on an industrial policy for the European glass sector**

(2015/C 291/06)

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On 10 July 2014, the European Economic and Social Committee, acting under Rule 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on

*An industrial policy for the European glass sector.*

The Consultative Commission on Industrial Change (CCMI), which was responsible for preparing the Committee's work on the subject, adopted its opinion on 24 March 2015.

At its 507th plenary session, held on 22 and 23 April 2015 (meeting of 22 April), the European Economic and Social Committee adopted the following opinion by 144 votes to 3 with 6 abstentions.

## **1. Conclusions and recommendations**

1.1. The economic downturn has had a serious impact on the glass industry and resulted in the reduction of capacity and production and significant job losses. In order to safeguard jobs and establish a proper investment climate for Europe's glass industry to stay at the forefront of innovation, it is essential to address these major challenges through a European industrial policy for the glass industry. This policy must seek balance between the three pillars of sustainability: the economic, the social and the environmental.

1.2. The EU must use all the tools at its disposal to revitalise demand and tap into the potential of glass products for supporting the transition to a low-carbon, energy-efficient and circular economy, thus generating substantial business and employment opportunities. Targeted initiatives — such as targets and robust measures to reduce energy consumption in buildings as well as the rapid development of an EU energy window labelling, support to R & D, improved glass collection and recycling, and a policy-based return to economic growth in key sectors (e.g. building, automotive and renewables) — must take place.

1.3. An industrial policy for the European glass sector must reinforce the competitiveness of the European based manufacturers: by ensuring a level playing field with competitors from outside Europe with regards to the cumulative costs generated by implementing Europe's environmental legislation; by providing better regulation and a predictable regulatory environment; by addressing the high cost of energy in the upcoming Energy Union. In this respect, impacts on SMEs require particular attention and adequate support must be provided when necessary. The upcoming assessment of cumulative cost impact on the sector, which will be undertaken by the European Commission, should serve as a basis for implementing the 'better regulation' agenda advocated by the EC President, Jean-Claude Juncker.

1.4. Some sectors of Europe's glass industries suffer from unfair trade practices and must be protected against them. It is imperative for the EU to act more rapidly with effective trade measures when fair competition is endangered. In addition, careful assessment of the effects of new or future trade agreements on EU-based glass industries should be carried out.

1.5. A policy is needed to articulate education and training systems better with labour market requirements. Vocational training may help during the transition but the European glass industry also needs to attract new talents and stay at the forefront of innovation.

1.6. Coordination and harmonisation of European policies are essential (energy, climate, research, trade, environment, competition, employment, etc.). The involvement of social partners in general and the setting up of a European sectoral social dialogue, in particular, could form an industrial policy for the glass industry.

1.7. The revision of the EU ETS post 2020 must be based on robust evidence and take into account the sector's limited room for further reduction of its GHG emissions. Therefore, the glass industry needs to be fully protected against risks of carbon leakage beyond 2020 and until comparable GHG reduction efforts are undertaken in competitors' countries. The EU ETS must guarantee that glass installations receive the full amount of free allowances they need according to the benchmark and real production levels. Additionally, the reduction of allowances should not exceed the estimated potential for GHG reduction in the sector.

1.8. Although, a successful circular economy model has been operating for the last 40 years in the glass packaging sector, a proactive policy is needed to recognise and sustain its efforts and generate success stories in other subsectors. Recycling in the building glass sector, in particular, needs to be incentivised to enable local glass collection schemes to develop.

1.9. All in all, the glass industry has made remarkable progress mobilising internal resources while the level playing field issues still remain to a large extent to be addressed and must be considered for setting up an effective industrial policy for the glass industry. Recognising the importance of the glass industry in the value chains this policy should stimulate the research and the demand of 'smart' glass and products with new characteristics.

## 2. Introduction

2.1. Glass is an inert material made from a range of abundant natural resources and recycled glass. It is a wholly recyclable product greatly appreciated for its principal characteristics (i.e. the advantages in terms of health and comfort, food preservation, natural lighting in buildings, etc.). It is also used in numerous applications that save energy or generate renewable electricity and in many high-tech applications. Moreover, its characteristics make it an inspirational material for many creators, architects, etc., thereby contributing to Europe's cultural reputation and brand value throughout the world.

2.2. The total glass production in the EU stood at more than 33 million tonnes in 2012, making the EU the world's largest glass producer. The value of production in 2012 was around EUR 35 billion. The breakdown of the glass sector in 2013 was as follows: container glass 20 278 000 tonnes (Europe is the largest producer of container glass worldwide), flat glass 8 095 000 tonnes, reinforcing fibre glass 664 000 tonnes, domestic glass 1 108 000 tonnes, special glass 670 000 tonnes and other types of products.

2.3. It employs directly around 200 000 people in 200 companies across Europe, ranging from SMEs to multinationals. It is estimated to be responsible for more than 500 000 jobs indirectly. The industry is concentrated in nine countries (Germany, Poland, France, Czech Republic, Italy, Spain, the United Kingdom, Belgium and Austria). The glass industry in the EU is often located in areas with historical roots and family traditions in glass-making.

2.4. Production in the sector has significantly slowed down, particularly in the flat glass sector (20 % reduction in production between 2007 and 2012). It entails a reduction in capacity and significant job losses.

2.5. The risk of the European glass industry being irreversibly weakened has become reality. Nevertheless, this is an important industry for Europe, not only because of its excellent global position, but also because of the key-enabling contributions it makes to other sectors and technologies (e.g. touch screen technologies, renewables, OLED lighting). For example, the container glass sector supplies leading European brands that add EUR 21 billion to Europe's positive trade balance. Glass plays a key role to achieve the transition to a competitive energy- and resource-efficient economy. It is therefore important for Europe to develop an industrial policy for the glass sector.

## 3. The European glass industry — general characteristics

3.1. The glass industry is extremely capital-intensive. This characteristic is more pronounced in the phases upstream from glass-making where the base products are manufactured. A strong upstream sector in Europe able to support innovation and vitality of the value chain must be promoted.

3.2. As a result of the economic crisis, a fall in demand from key sectors (i.e. the building and automotive sectors) and greater competition from producers outside the EU targeting the EU market, the following trends can be observed:

- In the flat glass sector, 12 out of 62 plants in the EU have stopped production. By contrast, nine new sites were built between 2008 and 2012 in neighbouring regions (cheaper labour, energy and raw materials, and carbon leakage) and 16 more are planned by 2016. Some sites are targeting the EU market (e.g. Algeria).
- No new container glass plants have been built in Europe, but 13 new production units have been announced outside Europe.
- The fibre glass sector has also been hit. Out of a total of nine producers in the EU, one has shut down and all the others have restructured with a 45 % reduction in the workforce since 2008.
- In the tableware sector, restructuring is also taking place, and the crystal industry has lost many SMEs and jobs (i.e. Bohemia and Murano).

3.3. The following investment trends currently prevail in some major glass sectors.

- In the building sector, flat glass sector groups have global investment strategies. Strategies have prioritised investments outside Europe in recent years, mainly because of the lack of demand in the EU. Additionally, the sector locates investments where potential growth and a business-friendly manufacturing environment can reasonably be expected.
- The main drivers for investment locations in the automotive glass sector are dictated by car manufacturers. The proximity of investments to car makers is a decisive factor for logistical reasons.
- In the container glass sector, on average, EUR 610 million are invested yearly. Because of the need for proximity, container glass is a local industry linked to the food and beverage, as well as pharmaceutical sectors (more than 50 % of glass bottles and jars are delivered to customers within a 300 km distance). However, there is strong pressure from competing materials for these markets.
- In the tableware and domestic glass sector, most investments take place outside Europe due to extreme pressure on costs. This is exacerbated by high imports from Asia and the Middle East.
- The reinforcing fibre sector is truly global and faces recurrent dumping practices (i.e. China); therefore, investments location decisions are highly cost sensitive.

3.4. Despite these alarming trends, Europe still enjoys a leading position. The historic nature of the industry in Europe has made it possible to build up experience, know-how and a skilled workforce. Its industries continue to invest in R & D both in advanced production techniques and more sophisticated products, services and networks.

## 4. Sustainability

4.1. Sustainability as a governing principle is an overarching concept and all policies implemented and all actions taken should be checked against this principle. An industrial policy for the glass industry must seek a balance between the three pillars of sustainability: the economic, social and environmental.

### THE ECONOMIC DIMENSION OF SUSTAINABILITY

4.2. Although 80 % of trade in the glass industry takes place within the EU, external competition is increasing in some sub-sectors. It is therefore important that an industrial policy for the European glass sector reinforces the competitiveness of European-based manufacturers.

4.3. This industrial policy must address the following concerns:

- The high cost of energy in Europe (e.g. 37 % of flat glass production costs) and the related impact of climate policy on this energy-intensive sector.
- The cumulative costs generated by the implementation of Europe's environmental legislation, without ensuring a level playing field with competitors outside Europe and without financial support for the necessary adaptations, in particular, for SMEs.
- Better regulation and a predictable regulatory environment which supports long-term decision-making is a necessity in glass industries characterised by long investment cycles.

4.4. Europe's glass industries should be protected against unfair trade practices. Both the continuous glass fibre sector, and the flat and specialty glass sector suffer from unfair trade practices from Chinese competitors, and the European Commission needs to remain vigilant as regards the circumvention of duties. Generally speaking, it is imperative for the EU to act more rapidly with effective trade measures when fair competition is endangered. In addition, careful assessments of the effects of new or future trade agreements on EU-based glass industries should be carried out.

4.5. The EU has not recovered from the initial financial crisis, and is experiencing a sustained investment gap. Investment in the EU has dropped by more than 430 billion from a 2007 peak. Investment levels in the EU are EUR 270 billion to 340 billion below historical sustainable norms. Weak investments hamper short term recovery and jeopardise long-term growth in the glass industry <sup>(1)</sup>. Given the added value of glass products, the EU should use all the tools at its disposal to tap into their potential for supporting the transition to a low-carbon, energy-efficient economy. Since the glass sector has the considerable potential for spill-over effects, research and development should be further encouraged. This involves introducing a policy based on a coordinated return to economic growth.

4.6. Further potential could be released in the flat glass sector through targets and robust measures to reduce energy consumption in buildings as well as the rapid development of an EU window energy label. Replacing inefficient windows with high-performance glazing could save up to 100 million tonnes of CO<sub>2</sub> a year, while supporting the creation of local jobs. Similarly, since reinforcement glass fibres render possible light-weight composite materials, they contribute to EU efforts to decarbonise its transport sector.

4.7. In a 2008 study for the European Commission on the Competitiveness of the Glass Sector <sup>(2)</sup>, strengths and weaknesses of, and opportunities and threats for the industry were correctly identified. The industry has made remarkable progress while the level playing field issues still remain to a large extent to be addressed and must be considered for setting up an effective industrial policy for the glass industry.

#### THE SOCIAL DIMENSION OF SUSTAINABILITY

4.8. The global economic downturn and industrial trends described above have resulted in job losses in the glass industry. Glass industrial strongholds have been most particularly affected due to closures of glass melting plants and subsequent indirect job losses. Throughout Europe, jobs were also lost in processing activities down the value-chain, for instance, in SMEs.

4.9. An effective industrial policy for the EU needs to look into sector specificities. For the glass sector, it must mobilise mechanisms of coordination and cooperation in order to accompany restructuring. National and regional authorities have an important role to play, together with social partners, to address the social dimension of the economic transition.

4.10. The development of the glass industry also depends on its ability to retain and additionally develop the skills and competence of its workforce. It is therefore, essential to nurture this European know-how further. A policy is needed to provide the appropriate education, training and employment, and to articulate education and training systems with labour market requirements better.

<sup>(1)</sup> President Juncker's investment plan 'An Investment Plan for Europe' COM(2014) 903 final — fact sheet 1.

<sup>(2)</sup> ECORYS et al. — FWC Sector Competitiveness Studies for the European Commission — Competitiveness of the Glass Sector — 2008.

4.11. In an open and dynamic labour market, the European glass industry needs to become more attractive, in particular, for young people. Energy-efficiency investments in the building sector, improved glass collection and recycling, and R & D and innovation in the glass industry will generate substantial employment opportunities.

4.12. An industrial policy for the glass industry should be informed by a sectoral social dialogue allowing social partners to exchange information on all relevant aspects of common interest to the future of this industry in Europe.

#### THE ENVIRONMENTAL DIMENSION OF SUSTAINABILITY

4.13. The glass industry is energy intensive; consequently, reducing energy consumption is both an economic imperative and an ongoing target. The glass industry has been able to reduce its energy consumption per item over the last few decades to meet Europe's demand (55 % reduction for flat glass industry between 1970 and 2000 whilst doubling production). However, as stated in the EESC 1205/2009 opinion, the glass industry has already reached the existing physical limits of knowledge as it stands at present, and the best glass production techniques available were already being widely applied. Therefore, the scope for reducing further energy use in glass making is very limited.

4.14. The glass industry falls under the ETS and all its sectors are considered to be exposed to risk of carbon leakage. The 2014 quantitative assessment carried out by the European Commission shows a 20 % increase in the risk of carbon leakage in the flat glass sector, compared to the 2009 assessment. The ETS system generates a fast reduction of free CO<sub>2</sub> allowances allocated to sectors exposed to risk of carbon leakage. This weakens the competitiveness of European-based glass industry sectors vis-à-vis third countries. The glass industry needs to be fully protected against risks of carbon leakage until comparable GHG reduction efforts are undertaken in competitors' countries. This effective protection against carbon leakage must guarantee that best GHG performing installations receive the full amount of free allowances. They need to meet real production levels. The quantity of free allowances should not reduce faster than the estimated potential for GHG reduction of the sector. More generally, the new climate package goes clearly over mitigation capacity of the sector. Decarbonisation could be better achieved in non ETS sectors such as buildings.

4.15. A successful circular economy model has been operating for the last 40 years in the glass packaging sector (i.e. 71 % of glass bottles recycled in the EU). In order to recognise and sustain the industry's efforts, the EU should consider prioritising permanent materials, which can be recycled indefinitely without ever losing quality, in its packaging and waste policies.

4.16. Recycling in the building glass sector needs to be incentivised. Several policy instruments should be considered to enable local initiatives on building glass collection and recycling to develop. At European level, individual targets for specific types of construction and demolition waste should be set and audits before the demolition or renovation of tertiary buildings could be made compulsory. This will increase the dismantling, sorting and collection of glazing for recycling purposes.

4.17. Recycling is critical for the glass industry since the use of glass waste helps reducing the energy required to melt glass and decreasing CO<sub>2</sub> emissions. It has the potential to generate employment in the sector and to contribute to the circular economy objective of the EU.

Brussels, 22 April 2015.

*The President*  
*of the European Economic and Social Committee*  
Henri MALOSSE

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