Europäische Metall-Union
European Metal Union
Union Européenne du Metal

EMU INFO - The Green Issue 2021

First EMU Green Manufacturing Working Group meeting

The EMU Green Manufacturing Group held an online meeting on 23rd June. As guests speakers were Alexander Klatte and Gerard Wyfker. Klatte Alexander presented about hydrogen steel. He highlighted that the carbon dioxide (CO_2) intensity of German steel production is high and the solution to reducing its emissions is a gradual transition from carbon to hydrogen (H_2). However, hydrogen production requires a lot of renewable electricity.

Gerard Wyfker presented the current situation in the Netherlands and he focused on two main topics concerning the climate and circular economy. He highlighted that SME's in the metal industry are relatively small energy users, but all SME's pay 80% of the national energy transition bill and get only 20% of the funds. However, Metaalunie is making efforts to change that. The bottom line is that energy must be available, reliable and affordable for their members. Concerning the circular economy, Gerard highlighted that the circular manufacturing industry has a high CO_2 reducing potential, maybe higher even than saving energy or using renewable energy.

Green Manufacturing: what role for the steel manufacturing industry?

The need for transformational change to achieve carbon neutrality by 2050 is expected to require collective action by all types of companies to achieve greater sustainability. Industries will need to develop new breakthrough technologies and processes if they are to reach net-zero by 2050.

It is expected that rapid transformational change will require industry to move collectively towards more sustainable business models (individual action is not always likely to sufficient or effective). This will be achieved, for example, by working together to develop new cleaner technologies, sharing test results and other sensitive data to allow environmentally-friendly alternatives to be introduced more quickly, collaborating to reduce waste, improve recycling and lower the carbon footprint of the supply chain or setting new products standards that commit to higher environmental goals.

The steel manufacturing industry may take lessons from the steel industry itself. Replacing carbon dioxide with hydrogen as reducing agent from iron oxide to iron eliminates more than 98% of the carbon dioxide normally released. This is leading to the development of a new industry together with new territories.

The necessary amount of renewable energy and zero/low carbon gases need to be made available to business in order to switch their manufacturing process. This must happen when and where necessary and at affordable prices and hand in hand with demand-based infrastructure planning that is both resilient and flexible and can meet required future demands.

…and for SMEs?

Many questions marks remain open: what about the timeframe: for SMEs, a 2050 horizon is a long way ahead, what about the patenting and protection of manufacturing secrecy? In many sectors, the European Commission is proposing a radical solution – sandbox (a safe space where unregulated companies can experience with innovative products and services) allowing the manufacturing industry to experiment with new products that aim to quickly achieve sustainable goals, and which involve cooperation between competing undertakings or even more permanent change in market structure.

Besides the manufacturing site, SMEs can also contribute to the greening of Europe by implementing initiative in their offices: use energy efficient appliances and lighting, plan preventive machine maintenance to keep machines in working order for longer and if possible consider carrying out an environmental audit for your business.

Financing the green transition: a shared responsibility ?

Scientists and activists have worried about climate change for decades and there has been a dramatic shift in the attitude of business.

However, and despite rising interest in green investment, serious attempts to meet the Paris goals will require a further surge in finance for green energy and electrification. The European Union has been working throughout the pandemic on the sustainable finance legislative package, aiming at categorizing the environmental impact of investments and distributing rewards accordingly. So far the process has received more negative criticism than compliments, leaving the problem unsolved.

For many technologies and places, new projects may still depend less on resource abundance than on concern about local impacts and the political heft or legal budgets of those who live nearby.

The priority must be to catalyse a bigger surge in private investment, in two ways: by easing planning (for example for hydrogen steel) and by helping companies to deal with risk. The most important catalyst to broader green investment could be pricing to account for the environmental and social costs of carbon. The introduction of carbon prices will give entrepreneurs and investors more visibility over a long-term horizon. Green bottlenecks are a sign that decarbonisation is at last shifting from being a theoretical idea to a reality.

Although the weight of the renewable-energy industry in consumer-price indices is still small, some financiers fear that supply shortages over years could eventually fuel higher inflation. A powerful push is now needed to help make the revolution happen both in a smoother and faster way.

EU Green Deal for the Manufacturing Industry: what about Competition law?

Competition authorities throughout Europe are realising that whilst competition law may not be the optimal instrument to address climate change (environmental laws, green investment measures, tax rules and even state aid are better mechanisms), it should not act as a break on cooperation that will enhance sustainability. Hence, there has been a number of initiatives to start resetting the status quo.

The European Commission carried out a consultation on “Competition policy and the Green Deal” in autumn 2020 as a precursor to conference on the same topic in February this year. Many European trade associations were closely involved in the debate and highlighted the difficulty of engaging in collective sustainability initiatives due to antitrust concerns. For example, CEFIC (representing the European chemical industry) highlighted, amongst other things, an urgent need for EU and national competition authorities to adopt clear and detailed sustainability-specific guidelines, including examples to assist business to self-assess legitimate industry cooperation. CEPI (representing the European paper industry) called for an exemption to be introduced for cooperation that is necessary for the relevant industry to achieve the goals in the European Green Deal where less stringent measures could not achieve the goals as effectively.

The European Commission is currently in the process of revising its antitrust guidelines that address cooperation between competitors and it is expected that the new guidelines will specifically address sustainability agreements and take a more flexible approach. However, as EU Commissioner for competition, Margrethe Vestager stated “what we can’t do – not even in the name of sustainability – is to turn a blind eye to agreements that hurt competition and consumers”. The antitrust rules will continue to be highly relevant, especially as they are ideally placed to keep markets open and competitive and ensure that consumers benefit. However, a new approach will allow antitrust compliance to be better calibrated to the competition risk.

EMU

Boulevard Anspach 111 B13
B-1000 Brussels
Tel: + 32 (0)2 274.22.07
Fax: +32 (0)2 400 71 26

Email: office@emu-sme.eu
Website: www.emu-sme.eu