POSITION PAPER

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GLASS FIBRE DEMAND FOR WIND ENERGY

The impact of the NZIA annual manufacturing target on wind energy for glass fibre supply and demand

On 16 March 2023, the European Commission published the Net Zero Industry Act (NZIA) and proposed to set a 40% target for the production of strategic net-zero technologies in Europe by 2030. To achieve this objective, specific targets are set for the manufacturers of these technologies. For the wind industry, it translates into an annual manufacturing target of 36GW, while the new wind industry installations in Europe amounted to 19.1GW[1] in 2022 (16GW in the EU).

To meet its NZIA target, the wind industry will need to increase its production by at least 20GW, which in turn will increase the wind energy demand for glass fibre (used in the construction of the blades, nacelle and hub covers) **by 0.160[2] million MT.** In fact, the origin of this additional glass fibre supply will be key to Europe's resilience. **EU glass fibre producers are willing to ramp up production and call for measures to be put in place to safeguard the profitability of European investments and boost local production.**

Is there enough glass fibre production capacities to meet the increase in wind energy demand?

The global glass fibre reinforcement market is in overcapacity and Chinese producers continue building up excess capacities with governmental support and subsidisation in and outside China, and this despite the flat demand in Asia due to COVID-related government restrictions. In 2020-2021, the global overcapacities were approximately 0.8 million MT[3] and an additional 1.5 million MT in capacities were (prepared to be) added, primarily by Chinese glass fibre reinforcement producers in China, Egypt and Bahrain. This means that less than 7% of the global overcapacities can meet the increase in glass fibre demand for wind energy in Europe. This notwithstanding, the overcapacities worldwide are primarily located in Asia and Europe needs to increase its own production (see next page) to avoid new dependencies on Chinese state-owned operators.

It is sometimes claimed that the trade defence measures in place for glass fibre originating from China prevent access to glass fibre reinforcement in Europe and generate shortages. This argument is factually wrong. According to the European Commission's recent findings, the European Union remains the most attractive export destination for Chinese glass fibre producers[4], which is confirmed by the recent investments made in China, Egypt and Bahrain to target specifically the European market. A glimpse at the statistics (EUROSTAT) of glass fibre reinforcement imports shows that imports in Europe have increased significantly since the first trade defence measures were put in place in 2011[5].

Based on these facts, it is the level playing field for glass fibre reinforcements and not the security of supply that should be the legislator's first concern.

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[1] WindEurope website, "Wind energy in Europe: 2022 Statistics and the outlook for 2023-2027", consulted on 05 April 2023.
[2] This estimate is based on the JRC study on "Raw materials demand for wind and solar PV technologies in the transition towards a decarbonised energy system", p.21, where each MW of wind energy requires 8 tonnes of glass.
[3] In 2020-2021, global GFR demand is estimated between 6.2 to 6.7 million MT and global capacities were approximately 7.0 to 7.5 million MT.
[4] See Regulation 2021/328, recitals 218-219.
[5] Based on Eurostat data, imports to the European Union have increased by over 60% in volume and 113% in value between 2012 and 2022, consulted on 07 April 2023.

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Did the trade defence measures in place for glass fibre reinforcement increase the production costs of downstream industries?

In its investigations, the European Commission concluded that the antidumping (AD) and anti-subsidy (AS) measures on glass fibre reinforcements originating from China have a limited impact on the costs of downstream industries[6], and that the cost impact of the measures decreases exponentially with each step of the value chain. Regulation 2017/724 found that the combined impact of the AD and AS measures on the costs of the users that had cooperated in the AD expiry review was merely 0.5% of turnover[7].

It is clear that the increase in energy prices and material costs resulting from the Russian invasion of Ukraine are challenging the European industries' competitiveness. All European manufacturers have seen their production costs increase and have difficulties in remaining profitable. Coupled with the continuous pressure on the European markets from subsidised imports, there is an existential threat to the European industry which needs to be addressed with exceptional measures (see below).

Can the expected increase in demand benefit the European glass fibre value-chain?

Glass Fibre Europe believes that the Green Deal, REPowerEU and the Net-Zero Industry Act should imperatively foster the local production of net zero technologies at each stage of the European strategic value chains. Europe benefits from a large base of glass fibre manufacturers operating state-of-the-art facilities, and the mineral raw materials required to meet an increase in demand are abundantly available locally (silica sand, kaolin clay, limestone and dolomite). Europe produces approximately 1 million MT of melted glass for glass fibre production annually from 12 installations operating in 9 countries. The industry directly employs over 5,000 workers in its melting plants and supports hundreds of thousands of indirect jobs down the industry value-chains, including in the wind industry.

The European glass fibre producers are willing to ramp up production to continue supplying the wind industry and enabling Europe's energy transition. To ensure the continued reliable availability of glass fibre products in Europe and avoid dependencies on State-owned and subsidised Chinese operators, it is paramount that the European Union put in place a European economic and policy framework ensuring fair competition and a level playing field with non-European actors.

To make this a reality, the European Commission needs to complement the NZIA with measures that will provide economic predictability to the investors.

The European glass fibre industry calls on the European authorities to consider the following **measures**:

- To introduce trade defence measures on subsidised and dumped imports at each step of the wind energy value-chain.
- To make use of trade instruments meant to address unprecedented trade flows that threaten the viability of European production of strategic products such as glass fibre.
- Adopt policies that favour local content to encourage the growth for demand for EU production and bolster EU supply chain resilience.
- Take decisive actions to curb the price of energy to provide relief for the glass fibre industry and its value chains as well as predictability.

About Glass Fibre Europe – EU Transparency Register n°635608817518-09.
Glass Fibre Europe, founded in 1987, is the voice of the European continuous filament glass fibre industry. It is composed of 7 companies: 3B the fibreglass company, Envalior, FYSOL SAS, Johns Manville, Nippon Electric Glass, Owens Corning and Saint-Gobain Vetrotex. Glass Fibre Europe represents over 90% of the continuous filament glass fibre production in Europe. The continuous filament glass fibre industry is the cornerstone of the glass-based composite materials and technical textiles value-chains. Glass fibre's unique properties enable the production of wind energy, electric and electronic devices, and the development of sustainable solutions in a wide range of applications, such as transport and construction.

[6] See Regulation 2017/724, recitals 146 and 147; Regulation 1379/2014, recitals 398, 399 and 405; Regulation 2020/379, recitals 189 and 207 and Regulation 2020/870, recital 357. The Commission found that for most user industries the cost impact of the imposition of AD and AS duties is very limited.
[7] Regulation 2017/724, recitals 147 and Regulation 2021/328 recital 311.