

## Boosting recovery in Europe's flat glass sector post COVID-19 pandemic

### Safeguarding an essential value-chain for Europe's decarbonisation

Throughout Spring 2020, Europe has been severely hit by the COVID19 pandemic. Europe's flat glass sector reacted promptly **to ensure health and safety in all their operations and to take part to the fight against the pandemic** including with support actions and novel glass products<sup>1</sup>. While the health situation improves in Europe, the pandemic continues growing globally and all precautions are taken within the flat glass sector to halt the spread of the virus.

With this health crisis and subsequent lockdown measures in Europe, come huge economic impacts dangerously weakening Europe's economy and many of its industrial sectors. The sudden **reduction in demand and production in the flat glass sector** for instance is likely to have long-lasting impacts with high risks of many companies going bankrupt (*See next page for impacts in the flat glass sector*). The flat glass value chain is at serious risk of being profoundly disrupted which would severely impair Europe's chance of success in its decarbonisation journey.

The flat glass sector manufactures the high-performance Insulating Glazing Units (IGUs), automotive glazing and other products, such as solar-energy glass, which are **non-substitutable materials indispensable for Europe to meet its ambition of climate-neutrality**. Recovery in this sector is therefore essential if Europe wishes to succeed in a massive renovation of its ageing buildings, in its planned shift toward clean mobility and in the widespread deployment of solar energy.

**Against this background, Glass for Europe calls for recovery programmes at EU and national levels that comprise concrete measures to boost recovery in the flat glass sector in order to maximise economic benefits and to support the transition towards a climate-neutral and circular Europe.**

*Glass for Europe is the trade association for Europe's flat glass sector. Flat glass is the material that goes into a variety of end products, primarily in windows and facades for buildings, windscreens and windows for automotive and transport as well as solar energy equipment, furniture and appliances. Glass for Europe brings together multinational firms and thousands of SMEs across Europe, to represent the entire building glass value-chain. It is composed of flat glass manufacturers, AGC Glass Europe, Guardian, NSG-Group and Saint-Gobain Glass Industry, and works in association with national partners gathering thousands of building glass processors and transformers all over Europe.*

<sup>1</sup> For example, anti-bacterial and virucide glass was used to make screens for hospitals, shops and offices.

## The scale of COVID-19 economic impacts on Europe's flat glass sector

The outbreak of COVID-19 and subsequent lockdown measures put in place throughout Europe has plunged Europe's flat glass sector in **a crisis of an unprecedented magnitude**. Sudden and tremendous reduction in demand and production were witnessed during the lockdown periods:

- The flat glass sector, whose production output goes primarily into buildings and transport<sup>2</sup>, witnessed demand volumes more than halved for almost three months when confinement measures were in place.
- Most of Europe's 48 flat glass melting installations had to cease production for several months, while being placed in costly 'hot-hold operations', whereby production is stopped but costs remain high. Industrial furnaces are kept 'hot' to ensure safety and security and to preserve the industrial equipment (click to see ad-hoc Glass for Europe's paper: "[Hot hold operations in the flat glass sector](#)").
- Nearly all of Europe's automotive glass processing plants came to a stop as car manufacturers closed their assembly plants during parts of March, April and May. In the building segment, a majority of Europe's thousands of SMEs active in glass transportation, transformation, processing and IGU assembly had to stop activity, as construction works either came to a halt or seriously slowed down.
- Tens of thousands of workers in the flat glass sector experienced temporary unemployment measures.

Impacts of the COVID-19 pandemic go well beyond the lockdown periods. While the economy is restarting in some sectors, **today's level of activity in flat glass remains low**, with major uncertainties for the months ahead:

- Due to the combined effects of low demand levels and stock volumes generated by the crisis, many flat glass manufacturing sites are still out of production nowadays despite some recent restarts.
- The automotive glass market closely follows evolutions in car assembly in Europe therefore sales gradually picked up from nearly zero early May to above a third of last year's volumes in late June. However, the average forecasts by automotive experts is a production of new vehicles down between minus 25% to minus 35% in 2020 compared to 2019, with spill-over effects on the glass sector<sup>3</sup>.
- In June, the building glass market at European level is estimated around two-thirds of a normal activity level. The rebound observed these last weeks is supported by renovation and construction works launched before the crisis. However, very few new construction projects are planned, as reflected in the number of permits in most European countries. The market for residential window / glazing replacement remains sluggish. Additionally, health concerns and low economic confidence from consumers could deter investments away from renovation works, whereas the residential replacement segment normally represents almost half of volumes.
- In the building glass segment, the risk is high that many SMEs in the glass and glazing logistics, transformation and processing industry will see their cash-flow completely drained once support measures are reduced. If Europe loses these essential links in the glazing and, more generally, construction value-chains, recovery in construction would be seriously hampered.
- It can be anticipated that 2020 flat glass production will shrink by 2 to 3 million tonnes depending on upcoming evolutions (at the very least minus 20%). This would generate unsustainable over-capacity of production with almost inevitable closures of industrial sites.

<sup>2</sup> Representing 80% and 15% of the flat glass production respectively.

<sup>3</sup> Data coming from different sources such as CLEPA, ACEA, LMC Automotive.



## A Green Recovery Plan fit for the flat glass sector

Glass for Europe applauds the efforts of Member States to avoid the collapse of Europe's economies at the heart of the crisis. Although the economy is gradually restarting, recovery plans are needed to boost activity in sectors most affected by the crisis and to support Europe's climate-neutrality agenda.

In this respect, Glass for Europe welcomes the substantial financial effort proposed by the European Commission in its proposed recovery plan<sup>4</sup>. It notes that the use of available funds will be primarily decided by Member States when they design their own plans. Considering the crisis' impacts on the flat glass sector and its strategic importance for the transition towards climate neutrality, **Glass for Europe calls for specific support measures targeting the flat glass sector** to be designed rapidly.

Next to the injection of liquidities to safeguard the millions of SMEs heavily affected in the flat glass industry, **demand-side measures on building renovation and window retrofitting are indispensable** to the success of such plans in the short / medium term. Longer-term measures can also be designed in a way to support the sector's decarbonisation efforts.

### ✓ Financing building renovation

Glass for Europe deplores that while building renovation is often stated as an essential pillar of recovery plans, the European Commission's proposal does not incorporate the creation of a specific fund for 'building renovation'. Glass for Europe calls for dedicated building renovation funds to be created rapidly at both EU and national levels to give core to this strategic priority. Financing needs to be commensurate with building renovation needs, which de facto means going way beyond a mere share of Europe's 'Invest EU' programme.

### ✓ Dedicated 'window retrofit plans'

The viability of thousands of SMEs in insulating glass fabrication, glaziers and installers is at risk without a recovery of the residential window / glazing replacement market, which represents alone 50% of building glass volumes. To overcome low consumer confidence, dedicated window retrofit plans should be developed rapidly. These plans can integrate several measures to phase out single-glazing and poorly efficient double-glazing as well as fiscal incentives or obligations.

The glass industry across Europe is available to discuss the design of measures which would be consistent with National Energy and Climate Plans in terms of energy and CO<sub>2</sub> savings (click to read more on the ["Potential impact of high-performance glazing on energy and CO2 savings in Europe"](#)).

### ✓ Preparing the longer-term transformation of Europe's flat glass sector

It is thanks to a robust demand for carbon-avoiding glazing products, a return to profitability and new opportunities, that the flat glass industry will be able to scale up its investments in novel manufacturing technologies. As presented in Glass for Europe's publication '*2050 Flat glass in a climate-neutral Europe*', decisions made today can support the industry in its decarbonisation journey.

- The development of climate friendly infrastructures, such as waste management facilities, supply and distribution of low-carbon energy sources, carbon and capture facilities.
- R&D projects in the decarbonisation and electrification of large-scale high-temperature process industries, among which the flat glass sector, whose complete electrification is not yet feasible. Click for more information on ["Flat glass in climate-neutral Europe"](#)

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<sup>4</sup> COM (2020)456 final - Europe's moment: Repair and Prepare for the Next Generation – 27 May 2020.

