



JUST TRANSITION PLATFORM

WORKING GROUP
ON CHEMICALS

ECRN CONTRIBUTION



ECRN PRIORITIES

How resilient and effective are the political institutions at the regional level in steering the transformation process? Can the regions in general cope with these challenges on their own? Where is support needed?

- Due to the versatility of regions and different levels of their development, we can see the disparities in their resilience and effectiveness.
- **Regional authorities should be strongly supported because they deal with the challenges on the ground**, and they should have bigger influence on the undertaken decisions.
- The chemical industry can effectively respond to Europe's societal challenges with sustainable and innovative solutions if its economic growth is linked to territorial development.
- There is an urgent need for a coherent and integrated policy for the chemical industry: a constructive collaboration between a policy for research and innovation, economy, agriculture, environment, materials, raw materials, energy, education and taxation, and policy aligned as much as possible with European regulations and developments.
- **The EU should give extra support to those regions that are making the transition from the production of fossil fuels to alternative fuels. The EU should recognize the important role of regional and local authorities in the energy transition and allocate more resources to support innovative energy projects**, from large-scale interregional projects to small-scale initiatives at local level. Regions should have a greater role in the European energy governance to ensure that decisions are taken considering the impacts on the ground.
- Local and regional authorities should be taken into account when implementing the activities that LRAs are coordinating and where they have competences such as waste, water, infrastructure and buildings.
- **Local and regional best practices can help accelerate the shift towards the circular economy**, for instance on spatial planning and on sustainable construction.
- Local and regional authorities should have concrete targets on innovations in public procurement (**promote the use of Green Public Procurement to drive circular solutions** with a specific focus on durability, repair, remanufacturing and recycling).

What instruments at other policy levels (e.g. local, national, EU) are needed for a successful transformation?

- **Avoid the relocation of production to non-EU countries with lower regulatory and safety standards on hazardous chemicals that can harm the human health or the environment.**
- Support the multilevel governance in order to effectively link the goals and objectives of the EU Chemicals Strategy to the green recovery of the European economy.
- Develop and implement measures and instruments that can be adapted to local needs and complement national efforts, in line with the principle of subsidiarity.
- **Involve local and regional authorities in the definition and implementation of the plans and grant them direct access to EU funds.**

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- Limit the emergence of further legal gaps between the EU and other regions. In addition, grants and technical assistance will enable local and regional authorities to support investments related to the development, commercialisation, implementation and uptake of safe and sustainable substances, materials and products.

Is there sufficient civil society / trade unions / clusters / NGOs information and participation?

- Provide consumers (citizens, businesses, public authorities) with clear and up-to-date information so that they are convinced to contribute to a more sustainable pattern of consumption.
- Recognize the importance of multilevel governance in order to effectively link the goals and objectives of the EU Chemicals Strategy to the green recovery of the European economy.
- Stress the importance of the involvement of these authorities in carrying out an information campaign to raise awareness (including among SMEs and citizens) and to encourage specific sectors of the economy to substitute harmful chemicals with alternative substances and to use design to try to produce safe and sustainable chemicals and materials.
- **Recognise the importance of interregional cooperation** in the creation of a consistent policy for the promotion of safe chemicals and to increase the safety of their use and the promotion of circular production.

How are the recent regulatory changes impacting the chemicals sector (EU hydrogen strategy, Chemicals Strategy for Sustainability, Circular Economy Action Plan)?

- ECRN strongly welcomes and supports the steps leading to the implementation of the Chemicals Strategy, as chemicals are indispensable to most value chains and play a fundamental role in everyday life.
- The Strategies give the numerous solutions designed to protect human health and the environment.
- **The stability and effectiveness of the planned changes for the chemical sector will depend to a large extent on the compatibility with the solutions already in place, as well as the timeline and the resources available for their implementation.**

How are/should the networks (be) structured e.g. with regard to amount and type of actors, intensity and topics of exchange (within but also with wider reference to the sector)? Is/should there (be) a strong focus on one sector or are/should the networks (be) more cross-sectoral? How strongly are industrial networks developed in the region, how strong is the dependence on the energy-intensive sectors?

- Networks should act as intermediate bodies.
- Regional administrations should provide a contact point for networks, ideally 1-2 people that are really well-informed about the situation in the region.
- Regional networks are cross-sectoral by definition as regions cover plenty of different aspects of our daily life, including the energy-intensive industries.
- The influence of networks and the approach to them vary across different regions. The differences in the culture of cooperation can be observed.

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How strong are the global interdependencies (interdependencies in the production system) and/or in the area of multi-level governance?

- **One of our main goals is to work on making the EU chemical sector less dependent on the imported raw materials and to protect and shorten the value chains.**
- ECRN Planned Action: High-level conference - 'Reshoring basic chemicals industrial production – the role of regions in the 2021-2027 programming period' – second half of 2022.

Are there already strategies for reorganising the regional industrial networks (e.g. integrating new actors, strengthening ties with other policy levels, new exchange formats)?

- As the main European network representing chemical regions, ECRN is always open to new members, be they regions, industrial clusters, R&D institutions or universities.
- **The huge benefits of sharing best practices and replicating existing solutions are undisputable. It reduces the time and costs of implementing innovative solutions.**
- The EU should undertake major efforts that are needed in the field of research, development and scale up to develop the new technologies and to create the sphere for the multidisciplinary research and innovation that is supported across the entire value chain as innovation is the most important driver of societal prosperity and is indispensable for sustainable development and economic growth.
- **Digitalisation is key to the future competitiveness of the European processing industries such as the chemical industry.** Big data can improve manufacturing processes and reduce their overall environmental impact thanks to a more efficient management of resources, materials and energy.
- **Cross-border and interregional cooperation is ideal to share best practices and it helps reduce the costs of implementing new solutions.**

What new infrastructures are needed to manage the sector transformation (for example, H2 pipelines, CCS transport and storage facilities)?

- We stress the **role of hydrogen in improving energy efficiency and developing innovation.** Hydrogen technologies are a priority for achieving the European Green Deal and a key element in the transformation of the chemical industry, and their deployment requires the development of coherent and simplified legislation and financial support.
- Hydrogen has great potential as an energy carrier and for energy storage. It can fill the gap between supply and demand of renewable energy and cover the distance between production sites and demand centres. In combination with efficient generation, storage and use of renewable energy and heat, renewable hydrogen will definitely play a crucial role in the energy transition.
- A definition of "renewable hydrogen" and rules on its production and usage are needed for establishing a clear regulation with certification system and standards to further stimulate the hydrogen market in domains such as industry, mobility, energy storage and transport.

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- **The EU should ensure a level playing field for upscaling the infrastructure for alternative fuels in Europe, by integrating renewable hydrogen in the EU gas regulatory framework and by creating the possibility to convert national gas pipelines into hydrogen pipelines. Furthermore, we ask the EU to stimulate this process by making the adaptation of gas pipelines to hydrogen pipelines and the construction of new hydrogen pipelines eligible for support under the TEN-E scheme.**

What is the need for support for infrastructure development (e.g., to support circular economy, bioeconomy, shift from fossil-fuels to carbon-free energy sources, green hydrogen)?

- A clear and coherent policy is needed to ensure, at both local and regional and global levels, tools and resources to promote the circular industry, from designing solutions to implementing sustainable production, distribution, use, recycling, recovery and disposal of chemicals, while protecting the environment and the health of the population.
- Reuse and **chemical recycling contribute to the reduction of emissions, new chain collaborations, innovative manufacturing clusters, new type employment and economic opportunities.** In addition, the design phase, eco-design, new business models and smart manufacturing processes and applications support the entire chain in the transition to a circular economy. We want to strongly highlight the **concept of 'sustainable by design'** that can boost the investment and innovative capacity for production and use of chemicals that are safe and sustainable throughout their entire life cycle.
- Encourage companies, especially large and transnational companies, to adopt circular practices and to integrate such information into their reporting cycle.

How prepared are SMEs for infrastructural changes and what are the key barriers (e.g., risk of stranded assets, high dependence of materials manufactured from fossil feedstocks; need for creating incubators for start-ups)? Which support mechanisms are needed for the industry to ensure the EU competitiveness (e.g. financial instruments, financial incentives for companies to move "green technologies", third-party investments)?

- SMEs should be assisted in making the transition to Circular Economy by giving them: measuring methods for Circular Economy, developing material passports, helping in setting up a digital marketplace for trading (secondary) raw materials.
- Investing on the consolidation of innovative industrial value chains that transcend the boundaries between sectors, players, technologies, and countries. **Special attention should be given to the establishment of European competitiveness clusters with specific focus on Small and Medium Enterprises and on de-risking companies' investments in circular solutions.**
- An additional remark has to be placed by the time-consuming length of the procedure to allocate funds. Large companies/ multinationals have the 'power' to cope with this problem, but for SME's this is a large obstacle. Furthermore, the ECRN asks for **allocation of the EU funds to scaling processes to production scale (demo and flagship plants) and developing mechanisms to mitigate risk associated with first-of-a-kind production plants (financial guarantees).**

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What is the state of the regional labour market in which the sector transformation will take place (e.g. quantitative amount and quality of jobs, age structure, wage level)? What proportion of the workforce is employed (direct or indirect) in the energy-intensive sector?

- The chemical sector (including pharmaceuticals and rubber and plastics) is the second largest sector in Europe for number of direct jobs (3.4 million people). It contributes 11.9% of EU27 manufacturing employment. The sector generated an even greater number of indirect jobs – up to three times higher than through direct employment. More importantly, salaries are 45% higher and productivity is 67% higher compared to the average in the EU manufacturing sector. These figures clearly indicate that **the chemical sector offers a high number of well-remunerated jobs, but it also needs highly-trained and skilled workers to remain competitive globally.**

Are there concrete mechanisms and training tools to prepare the workforce for new types of production? Who is responsible for this?

- Up-Skilling and Re-Skilling the chemical industry operators is a strategic pre-condition for improving sectoral competitiveness towards world-wide competitors.
- The labour market must be versatile enough to adapt to the changes that the transition to sustainability will bring about. A clear picture will be needed of the skills and talents that will be vital in the chemical sector of the future to enable a proactive approach.
- The digitalisation of the EU chemical industry is crucial for its future competitiveness. Big data can improve manufacturing processes and lower the environmental impact of the sector through a more efficient management of resources, materials, and energy use.
- We want to draw attention to the need to **ensure continuity of staff in connection with the digital and green transitions, as well as with the transformation/redesign of the area. It is also important to provide the time for workers to be properly trained in chemical management.**
- We welcome the possibility of financial support from EU funds for the upskilling and reskilling of workers involved in the production and use of chemicals. These actions will create new economic opportunities while fostering social justice and resilience, especially in the most vulnerable regions.
- We want to **create a trustful platform for the cooperation between different stakeholders, mainly the education providers (higher education institutions, VET providers, and others), industry, policy and decision-makers on the regional and European level.** That kind of cooperation needs to be enhanced and supported across the EU and across the whole ecosystem. One of the ideas might be the creation of the inter-regional learning communities that combine innovating, working and learning to create a long-term impact and eliminate the differences that exist across Europe.

Is it possible that the transformation will require more highly skilled workers in the future and that wage levels will basically increase?

Generally, yes. The innovations are more and more detailed and sophisticated, so the well-qualified labour force will be required.