

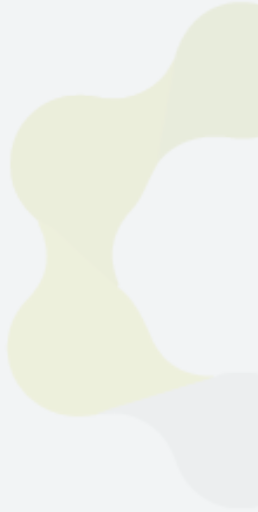
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The future of the European Chemical Industry

ECRN position paper



European Chemical Regions Network asbl
Rue de Trèves 59, B-1040 Bruxelles
ecrn@ecrn.net
+32 471 52 83 31
www.ecrn.net



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Introduction

This ECRN paper presents a **holistic strategy to enhance the competitiveness and sustainability of the chemical industry in Europe**. The chemical industry has a critical role in driving long-term economic growth and environmental protection. This paper highlights the need for strategic actions and regulatory updates to address the challenges the sector is currently facing.

As highlighted in the **Antwerp Declaration**, the European chemical sector requires a clear, strong, and ambitious industrial policy. Achieving the European Union's goals of climate neutrality by 2050 will necessitate investments six times greater than those made in the past decade. According to the **report on the future of European competitiveness presented by Mario Draghi**, this is occurring in a context where European producers face significant economic slowdowns, declining demand, and inflated production costs.

Thus, skyrocketing energy costs are strongly hindering the competitiveness of the EU. Concurrently, the United States benefits from the resources made available by the Inflation Reduction Act, and China's industrial surplus conditions and subsequent exports create additional pressures on European competitiveness. **Without clear industrial policy, Europe risks becoming increasingly dependent** on imports of essential chemicals for a wide range of strategic sectors necessary for the Green Deal, digitalization, and defense.

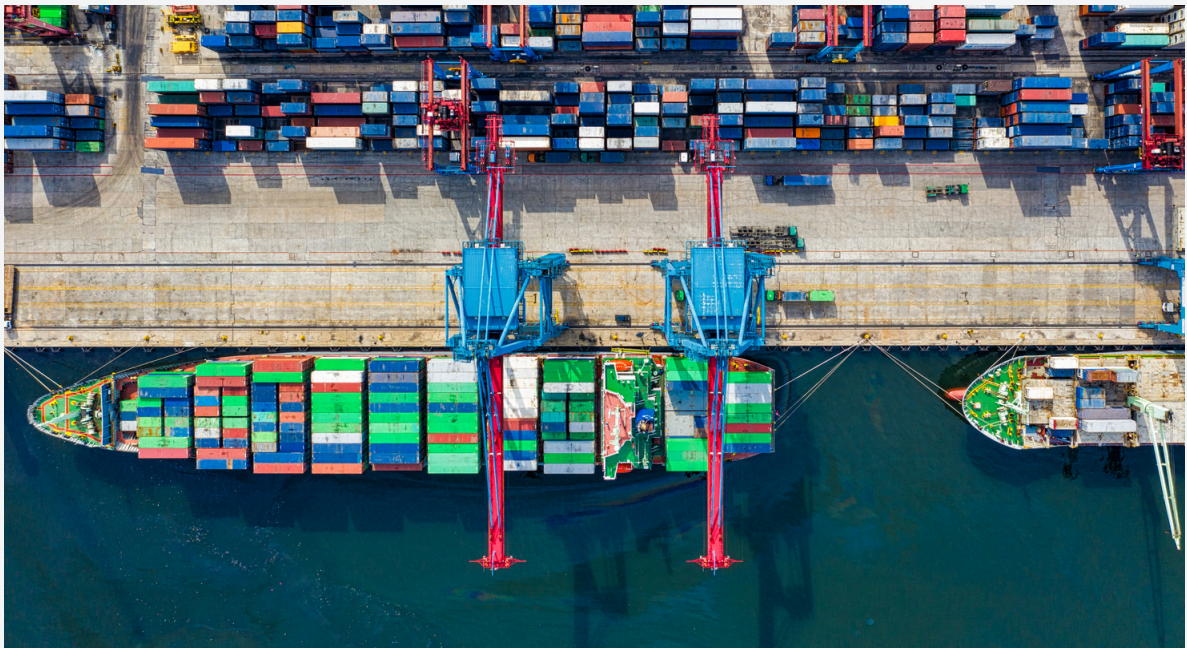
Moreover, the paper **acknowledges the crucial role of European regions in supporting the continent's industry, especially the chemical sector**. Regional policies, especially the Cohesion Policy, are essential for driving innovation, adopting new technologies, and offering tailored support to chemical companies. By using regional strengths and enhancing inter-regional cooperation, the EU can build a unified and robust industrial framework that aids the chemical industry and the broader economy.

In our action, we aim to remark the **importance of aligning safety and sustainability standards with technological advancements**, allowing the regional industries to innovate without facing unnecessary administrative burdens. Our key concerns and calls for action are listed below.



■ Strengthening EU trade regulations and secure material supplies

As an export-oriented sector with a significant trade surplus, the European chemical industry needs a **well-calibrated trade policy to benefit from global growth markets and as a mean to level the playing field**. We ask that the EU should continue to promote free, fair and sustainable trade to improve access to third markets. We call to rapidly conclude deep and comprehensive trade agreements with i.e. Mercosur, India, ASEAN members and Australia to allow European Chemical companies to benefit from enhanced market access and supply security for critical raw materials.



We stress the importance of **safeguarding the EU chemical industry against price dumping** by non-European producers, who often sell their products at unfairly low prices, undermining the competitiveness of European companies. To address this, we call for the **revision and extension of anti-dumping regulations** to cover a broader range of products, enhance monitoring, and strengthen enforcement mechanisms. Additionally, we advocate for expanding the scope of sanctions to include a wider array of unfair trade practices and developing robust systems for monitoring compliance and imposing penalties on violators.

In this context, there is the **need to extend sanctions on Russia and Belarus**, specifically targeting the indirect import of Russian gas embedded in products like fertilizers. Such imports distort the market, threaten the viability of European factories, and risk creating dependency on hostile regimes, trying to thereby compromise Europe's food security and economic stability.

Customs play a vital role for the European Union. They are the first line of defence to ensure a level playing field. The current customs system requires a reform to ensure it is fit for purpose in the 21st century. We therefore call to complete the ongoing customs reform to achieve this goal. **Strengthening customs supervision** is also deemed essential to ensure that imported products comply with EU regulations, thereby preventing the entry of substandard or illegally traded goods. Enhanced control over compliance with quality and safety standards for imported raw materials and products is crucial to protect consumers and local industries.

Additionally, we highlight the **need to ensure raw material security** by expanding storage and transmission infrastructure, establishing strategic reserves, and implementing advanced supply chain management practices to secure a steady flow of essential materials. This aligns with the objectives of the **Critical Raw Materials Act**, which aims to reduce Europe's dependency on imports for vital raw materials. Without such policies, Europe risks becoming increasingly dependent on imports of essential chemicals for a wide range of strategic sectors necessary for the Green Deal, digitalization, and defence. We also propose the inclusion of additional measures to safeguard the long-term stability of raw material supplies through partnerships with third countries, diversification of supply chains, and investment in sustainable extraction technologies.



■ Modernizing Europe's energy infrastructure and promoting low carbon energies and renewables

First of all, there is an **urgent need to address the high energy prices** in the European Union. We suggest further integration of the energy strategy with industrial needs, ensuring that industrial competitiveness is maintained through secure access to affordable low-emission energy sources. The high price issue is particularly acute for energy-intensive sectors, such as the chemical industry, which rely heavily on affordable and stable energy supplies to maintain their operations. The elevated energy costs not only increase production expenses but also place European companies at a disadvantage in the global market, where competitors benefit from lower energy prices. Addressing this disparity is crucial to ensure the sustainability and growth of the EU's industrial base.

We stress the **essential role of the energy transformation** that underscores the necessity of modernizing the power infrastructure to handle the increasing demand for energy and integrate renewable energy sources. We call for **significant public funding to modernize the power grid**, enhance capacity, and improve resilience against disruptions. Implementing smart grid technologies is crucial to optimize energy distribution and manage demand efficiently.



To facilitate the deployment of renewable energy projects, we advocate for **optimisation of administrative procedures and ensuring equal access to knowledge for entrepreneurs and administration bodies**, which will contribute to improving the quality of these projects and speeding up their implementation. Specifically, key issues such as the recognition of Urea/Methanol as Bound CO₂ in the production processes, which are not currently acknowledged under the EU's regulatory frameworks, need revising.

To create favourable conditions for zero- and low-emission projects, we recommend **establishing clear funding mechanisms**. Supporting the development and implementation of hydrogen technologies, as well as Carbon Capture and Storage (CCS) and Carbon Capture and Utilization (CCU) technologies, is vital for decarbonizing industrial processes, in addition to recycling technologies and eco-design.

We call for **dedicated support for the development and deployment of CCS/CCU technologies, as well as the expansion of biogas and biomethane infrastructure**, to provide stable and low-emission energy solutions essential for the decarbonization of the chemical industry.



The forthcoming **Carbon Border Adjustment Mechanism (CBAM)** poses significant feasibility and enforcement challenges. The current design ignores export competitiveness and value chain effects, threatening competitive distortions at the expense of European producers and it does not address how to safeguard export competitiveness. To support industries impacted by CBAM and the reduction of free emission allowances, we **suggest establishing dedicated mechanisms to facilitate decarbonization**, ensuring that companies can remain competitive while transitioning to lower-carbon processes. Against this background we propose to **allocate part of the ETS revenues to finance Companies' verifiable environmental projects**. To allow climate friendly production in Europe while remaining competitive in the global context, it is crucial that EU ETS will be amended: (i) to change the trajectory cap post-2030, (ii) to include negative emissions and (iii) to foresee adequate carbon leakage protection.

A **revision of the EU Energy Tax Directive is crucial but requires careful consideration**, especially considering the proposed increases in taxes on the use of natural gas for energy which could adversely impact global competitiveness. We further recommend strengthening the development of low-emission energy generation technologies, including nuclear energy, and facilitating the development of biogas plants and a national biomass market to provide renewable, low-emission energy solutions.

■ Coherence of chemical regulations with the European Green Deal for sustainable industry transformation

In the realm of sustainable chemistry, we stress the importance of **applying a holistic approach to regulatory actions, ensuring they align with the objectives of the European Green Deal and climate neutrality**. This involves developing regulatory frameworks that assess the environmental impact of substances throughout their lifecycle, from production to disposal, and encouraging cross-sector collaboration to ensure regulatory actions support overall climate goals.

We welcome President Ursula von der Leyen's announcement of the intention to present a new chemical package, emphasizing the **importance of simplifying REACH and providing clarity on PFAS**, as part of her broader initiative known as the Clean Industrial Deal. Considering socio-economic factors in regulatory processes, particularly under the REACH framework, is essential to balance environmental benefits with economic viability. We propose increasing demand for sustainable products through innovation grants, tax incentives, and strengthened supervision of imported chemicals.



Promoting green public procurement is also crucial, with the recommendation to develop and implement procurement policies that mandate the use of sustainable products. The assessment of the eco-sustainability of a product or process must be based on scientific criteria that consider the impact throughout its entire life cycle. Introducing uniform requirements for the use of articles produced within the EU or imported finished products is necessary to ensure consistent environmental and safety standards. Enhancing public involvement in the development and adoption of green technologies and sustainable chemicals through rigorous and standardised product labelling, engagement campaigns, citizen science projects, and feedback mechanisms is vital for driving innovation and regulatory coherence and **change the image of the chemical industry as a provider of the green and sustainable solutions**.

Furthermore, in order to foster financial investments in the chemical sector by a wider range of stakeholder, we underline the opportunities represented by the Taxonomy Regulation (2020/852/EU) and by Corporate Sustainability Reporting Directive - CSRD (2022/2464/EU).

We emphasise the need to **support chemical industries with their circular transitions**. In particular with the **development of chemical recycling**, converting polymeric waste back into secondary raw materials or recycled feedstocks, thereby reducing reliance on virgin resources and minimizing waste. This paper calls for creating clear regulatory frameworks, including the **recognition of mass-balance fuel use exempt approach and allocation**, implementing measures, streamlining definitions and administrative procedures, and providing innovation incentives for research and development in novel recycling technologies. Efficient collection and segregation of plastic waste are critical for successful recycling programs, necessitating standardized systems, public education campaigns, and infrastructure investment.

Promoting circular economy enabling practices (like for example harmonizing end-of waste regulation) or extended producer responsibility schemes require collaboration platforms among industries, governments, and NGOs. Local and regional authorities have a prominent role in this area. As a result, **reforming regulations to EU legislation to create a Single Market for Waste and recycling and thereby increase the efficiency of the waste management market** and introducing dedicated financing and incentive systems to encourage the adoption of circular technologies are supported. We encourage measures to reduce virgin material use, such recycling technologies, as expanding Eco-design regulations; encourage standardizing criteria for packaging types; facilitating larger scale logistic systems for reusable packaging, and reuse of products in the value chain.

We encourage measures that favour alternatives over fossil feedstock, such as setting standards and obligations for the use of recycled materials in products or stimulating a tax shift from labour to green taxes.



Thus, we favor provisions that support the development of green chemistry, a sector that could represent an advantage towards the sustainable innovation of the chemical sector, as a part of a wider bioeconomic transition. At this aim the **“Safe and sustainable by Design (SSbD) chemicals and materials”** voluntary approach promoted by the European Commission could be an advantage to steer the innovation process towards the green and sustainable industrial transition.



To foster favourable regulations, we emphasize the need to **adapt new obligations and standards that reflect real technological possibilities** and potential environmental benefits, and to adopt a technology-neutral approach that allows for flexibility and innovation. This involves conducting technological feasibility studies, performing cost-benefit analyses, and introducing phased implementation of new standards. Including industry and regional voices early in the regulatory process through stakeholder consultations, advisory committees, and feedback mechanisms ensures well-informed and workable regulations.

Providing appropriate transition periods for businesses to adapt to new regulations is crucial for smooth transitions and avoiding disruptions. Streamlining the process of issuing administrative decisions (including permitting) by improving processes, providing clear guidelines, deploying digital support and establishing one-stop shops can reduce bureaucratic delays. Unifying regulations and harmonising guidelines across EU member states ensures consistency, reduces complexity, and makes compliance easier for businesses operating in different jurisdictions.

■ Reforming education to drive innovation in the European chemical industry

To ensure the further development of the European chemical industry we outline the need to **reform the education system** to align with industry needs. This includes **updating curricula** in chemical engineering, materials science, and related fields to incorporate the latest industry trends and technologies.

We advocate for **fostering partnerships between educational institutions and chemical companies** to design courses and training programs that reflect real-world requirements. Increasing opportunities for hands-on training, internships, and apprenticeships is crucial for providing students with practical experience. Supporting the development of dual education systems, which combine classroom learning with practical work experience, can enhance the relevance and application of academic knowledge. Facilitating pilot projects that bridge the gap between research and industrial application is also essential, requiring financial support, collaborative platforms, and incubation services

Launching sectoral financial support programs can stimulate innovation by providing targeted support for promising projects. Promoting digital technologies within the chemical industry can enhance efficiency, productivity, and innovation. We also call for **systemic support for the implementation of Industry 5.0**, which focuses on human-centric, sustainable, and resilient manufacturing processes. This involves developing comprehensive frameworks, supporting the integration of advanced technologies, promoting sustainable practices, and investing in workforce development programs.



Conclusions

The paper outlines several key areas requiring immediate attention and long-term action to ensure the industry's competitiveness and alignment with European Union goals, particularly climate neutrality by 2050.

- **Trade policies and materials security:** The paper calls for a coordinated EU industrial policy to address economic challenges, high energy costs, and global competition. Concluding free trade agreements, strengthening anti-dumping regulations and expanding sanctions, particularly on Russia and Belarus, is vital to protect European producers and ensure long-term competitiveness. Securing raw materials through investments in infrastructure, supply chain management, and partnerships with third countries is essential.
- **Energy infrastructure, low carbon energy and renewables:** The paper emphasizes the need to modernize Europe's energy infrastructure, integrate renewables, and simplify administrative procedures for energy projects. Support for hydrogen technologies and carbon capture is key to decarbonizing industrial processes. It also recommends revising the EU ETS Directive and CBAM to prevent competitiveness losses.
- **Sustainability and regulatory simplification:** Aligning sustainability standards with the EU Green Deal is crucial. Simplifying REACH, supporting chemical recycling, promoting green public procurement, and encouraging the use of recycled materials are seen as essential steps toward a sustainable industry, alongside the development of the green chemistry. The transparency and the comparability of the information are also relevant to attract financial investments towards the chemical sector.
- **Promoting innovation and education:** Reforming education systems to align with industry needs, fostering partnerships between academia and industry or between enterprises and the system of the tertiary non-university technical and vocational education and training, and promoting digitalization and industry 5.0 are key to driving innovation. More hands-on training and dual education systems are also recommended.



- In response to the challenges facing the European chemical industry, **we strongly urge the European Commission to establish a high-level political working group to define strategic pathways for revitalizing this critical sector.** Given the recent geopolitical shifts, including intensified competition from non-EU countries, surging energy costs, and the U.S. Inflation Reduction Act, Europe must act decisively to safeguard its industrial base. This working group should reflect a broad coalition of stakeholders, modelled after prior high-level groups, and include representatives from key players such as European Commissioners, Member States Ministers, Regional Ministers, and European Entrepreneurs representing big companies but also SMEs, academia, and relevant non-governmental organizations. The group's mandate should encompass **examining regulatory coherence with the European Green Deal, supporting sustainable industrial transformation, and enhancing raw material security.** Additionally, it should develop actionable strategies to ensure European competitiveness by aligning industrial policies with evolving energy and trade dynamics. This group could also be among the advisors for the upcoming Clean Industrial Deal. This initiative is crucial for fostering a resilient and innovative chemical industry capable of supporting Europe's climate and economic objectives.



Note: This position paper was based on the Manifesto of Polish Chemistry and prepared in cooperation with the Polish Chamber of the Chemical Industry.

The European Chemical Regions Network in a nutshell

Over the last 20 years, the European Chemical Regions Network (ECRN) has and continues to serve as the collective voice of its member regions, in which the chemical industry plays a crucial role in economic development, growth, and employment.

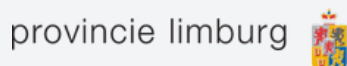
ECRN originally started as an INTERREG IIIc project in 2004, to help regions better tackle common challenges by exchanging information, exploring innovative solutions, and by speaking with a single voice in Europe. Today the network has grown from a temporary project to a **recognized European chemical stakeholder and a network full of expertise**. ECRN is a registered non-profit association under Belgian law and the network currently covers various European chemical regions, whose cooperation is supported by a Brussels-based secretariat.

We work together with European and regional chemical stakeholders and contribute to a range of policy areas from industrial policy, competitiveness, chemical regulation and REACH to skills, innovation, environment, and circular economy.

At ECRN, we advocate for a **stronger regional dimension in European strategies and policies related to the chemical industry**. We believe that 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. By bringing concrete local experiences and solutions into EU policymaking, the network aims to bridge the gap between policy elaboration and local impact.

We currently represent 12 regions in 7 different countries (Italy, Poland, Netherlands, Germany, Spain, Belgium and Czech Republic). Also, we have contributed to the Union policymaking with 44 policy papers and participated in 11 EU-funded projects.

Members



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