STATEMENT

6 February 2024

Cefic's statement on the 2040 Climate Target

Today the European Commission issued its recommendation on a 2040 climate target for the EU of 90% net GHG emissions reduction compared to 1990. According to the Commission, the target could be achieved "assuming that necessary preconditions are met".

We welcome the focus on restoring industrial competitiveness of energy-intensive industries like the chemical industry, and the ambition of creating an "industrial revolution" as a necessary element for achieving the 2040 target.

At the same time, the Communication falls short of providing concrete and timely solutions to the challenges the chemical industry faces today and on the way forward.

To help meet the EU 2030 target the investment decisions will need to be taken now, just as industry faces the most severe economic downturn in a decade, with falling demand and investments finding more attractive conditions in other regions. Effectively addressing today's challenges is a key necessary enabler for any realistic 2040 target discussions.

Europe needs to urgently restore its economic attractiveness with a policy framework that is coherent and ambitious but nevertheless realistic and therefore internationally competitive.

Unfortunately, in the current conditions, EU climate policy lacks such a framework and so lacks credibility in its ability to deliver successful industrial transformation instead of deindustrialisation.

EU climate policy (existing and in the future) must be accompanied by an ambitious industrial policy that ensures the industry's competitiveness now, and throughout its transition (and not only in an undefined future) and enables a business case for massively scaling up investments in Europe within the given timeframe. The more ambitious the target, the more supportive the industrial policy – and related enabling measures – needs to be, reflecting the ambition gap with other economies.

A first precondition in EU climate policy is to **create a market for net zero, low-carbon footprint and circular products** to provide a credible demand signal that is needed to signal a sustained change in the market. The costs of the transformation will eventually need to be passed through the whole value-chain, all the way down to consumers, to become a sustainable business model. Policies can help to enable this and influence the phasing of this pass-through, which can help speeding up the transformation.

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Secondly, EU climate policy needs to:

- **Urgently deploy essential infrastructures** (power grids, pipelines, renewables, CO2 storage, H2-related infrastructures…) **delivering cost-competitive low-carbon and renewable and nuclear energy**, without which industry is unable to reduce emissions while remaining operational. Today the cost of energy in Europe is far too high to compete globally. New energy and carbon sources will increase OPEX costs and the needed grid upgrades will increase grid fees, further exacerbating the problem.

- **Allow all abatement technologies and solutions**, based on their life cycle emission reduction potential, without unnecessarily increasing carbon abatement costs by, e.g., selecting winners or cherry-picking value chains at the expense of others, or restricting carbon abatement options. It should also **reflect national and regional potentials**, and be enabled by **faster and leaner permitting**.

- **Focus on scaling-up and de-risking of new technologies and processes**. A smart innovation framework must allow the "trial and error" inherent to innovation. It should include increased and simplified access to EU and Member State funding, for both CAPEX and OPEX, for the demonstration and deployment of technologies that have reached a high level of technological maturity. State aid rules need to be reviewed to promote collaborative and innovative approaches.

- **Stop carbon and investment leakage**, whereby deindustrialization of Europe happens either in favour of imports – with little or no benefit for the climate, especially if this leads to increased the EU global carbon footprint – or by reducing the capacity of European companies to export low-carbon footprint products to the rest of the world. This includes **setting immediately a robust anti-leakage framework and a realistic post-2030 ETS framework**, the latter providing visibility on how to address residual industrial emissions, whether resulting from industrial processes or from delays in deploying the necessary infrastructures. In this respect, access to credits from carbon removals should be considered.

The chemical industry is ready to play its role. We have already started engaging with policymakers to identify the needs of the chemical industry in its transition to climate neutrality and we are looking forward to working with all relevant stakeholders on successfully delivering the industrial transformation towards a globally competitive, climate neutral, European chemical industry.

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About Cefic

Cefic, the European Chemical Industry Council, is the forum of large, medium and small chemical companies across Europe, accounting for 1.2 million jobs and 13% of world chemicals production.
On behalf of its members, Cefic's experts share industry insights and trends, and offer views and input to the EU agenda. Cefic also provides members with services, like guidance and trainings on regulatory and technical matters, while also contributing to the advancement of