Cefic feedback to the "EU strategy to boost global climate and energy transition" consultation

As the European Union is committed to lead the global climate and energy transition, it is crucial for Europe to lead by example, **demonstrating that climate action and competitiveness can successfully go hand in hand.** The EU must show that it can reduce GHG emissions while keeping its industry thriving. This means creating a business case for low-carbon investments in Europe's industrial sectors.

Massive investments are required to make the transition happen now, just when our industry faces one of the most severe economic downturns ever, with the rate of closures reached in 2023 and 2024 being 10 times[1] the historical average. The downturn is continuing with no current indication of improvement and will likely have long-lasting detrimental effects on the EU industrial base.

Unfortunately, the current EU regulatory framework hardly creates any viable business case for investments. If the situation is not reversed, emissions might simply shift to other regions, through carbon leakage, along with investments and jobs, undermining both European climate leadership and economic resilience.

Therefore, EU policymakers need to create a framework that integrates a set of key preconditions into the EU's climate and energy strategy. These enabling conditions will ensure that emissions reductions can be achieved in a way that **restores and maintains Europe's industrial competitiveness**.

The following key enabling conditions are essential to align climate action with competitiveness:

- **Market Creation for Low-Carbon and Circular Products**

  Companies need a credible and sustained demand signal to invest in new and disruptive production processes. However, customers today are not willing or able to pay the premium which inherently comes with low-carbon and circular products.

  The EU must implement demand-pull measures and create a suitable regulatory framework for low-carbon and circular products swiftly, efficiently and at scale to accelerate market transformation. Without such market-forming measures, there will hardly be any viable business case for investments, and emissions reductions will be met through the unintended consequence of European deindustrialization.

- **Availability of Cost-Competitive Energy and Feedstock**

  The transition hinges on access to cost-competitive renewable and low-carbon energy and circular feedstock[2]. Without these, industry cannot keep running its processes, let alone setting up new low-carbon projects. Gas prices in Europe are approximately 4 times higher compared to the US[3]. The lack of internationally competitive energy prices and availability of energy with a suitable supply profile put companies operating in the EU at international competitive disadvantage. Moreover, access to cost-

[1] The Competitiveness of the European Chemical Industry. A joint study by Cefic and Advancy, January 2025.
[2] Circular carbon feedstock is all carbon not derived from a virgin fossil feedstock, and which is currently present in the biosphere, atmosphere and anthroposphere. This includes biomass, waste and recycled materials, CO_2 captured from industrial processes or from the atmosphere, even if they originally come from a fossil source. See Cefic position paper on the topic.
[3] Chemical Trends Report, Cefic, February 2025.

competitive circular feedstock is needed to ensure production and strategic autonomy aligning climate and industrial policy.

- **Deployment of Energy and Carbon Infrastructure**

  Companies wanting to invest in new low-carbon projects increasingly face the lack of additional capacity available to get the renewable and low-carbon energy they need to run processes. Ensuring the timely deployment of essential infrastructure, such as power grids, hydrogen pipelines, and CO_2 transport networks and storage is key. Moreover, permitting processes for new infrastructure should be significantly accelerated considering that current timelines are incompatible with the EU climate targets.

- **Global Competitiveness, EU ETS and Carbon Leakage Protection**

  As currently designed, the EU ETS framework expects a pace for emission reductions in industry that is not matched by the speed of deployment of the above-mentioned preconditions. Moreover, the current framework fails to adequately address the sector's need for an immediate robust carbon leakage protection. It is key to urgently develop a robust and effective framework against carbon leakage, and a realistic post-2030 EU ETS framework with realistic timelines reflecting maturity and deployment costs of low-carbon technologies, as future investment decisions are negatively affected by the current framework conditions.

  International climate and trade developments must not come at the expense of EU industry's competitiveness, e.g. renewed global efforts to introduce carbon pricing, standardization of carbon footprint methodologies, etc. As the current CBAM framework fails to adequately address the chemical sector's need for an immediate robust carbon leakage protection, action must be taken to protect Europe's industrial competitiveness and ensure a level playing field.

  In addition, the impact assessment underpinning the 2040 climate target clearly indicates a mismatch between industrial residual emissions and domestic permanent carbon removals[4]. Domestic permanent carbon removals alone are therefore insufficient and unaffordable to compensate for residual emissions beyond 2030 in the EU ETS. Further flexibility is needed to compensate for such emissions also through high-quality international credits.

  The use of high-quality **international carbon credits**, including international carbon removal credits with the appropriate safeguards, under Article 6 of the Paris Agreement can be a key tool to steer global climate action and cooperation among countries. A solid framework on criteria, timing and use of these credits is instrumental to allow for the use of such credits for compliance with the EU ETS.

  EU policy should not be technology-prescriptive but support all emissions reduction solutions with a view of strengthening its global competitiveness.

See Cefic position paper and recommendations on the 2040 climate target **here.**

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[4] Even in the most ambitious and optimistic scenarios (which include, inter alia, exponential scaling up of Carbon Capture and Storage (CCS) infrastructure and Direct Air Capture (DAC), domestic permanent removals would be in the range of 50-75 Mt by 2040, against an amount of industrial residual emissions in the range of about 89-181 Mt CO_2.

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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 scientific knowledge.