Cefic Manifesto for a competitive Europe

*Why the EU needs an ambitious Industrial Strategy, and what it should contain*

This document outlines specific recommendations from the chemical industry aimed at reinforcing the industry’s role as an enabler of all other manufacturing sectors, building on the Commission’s communication ‘Investing in a smart, innovative and sustainable industry “A renewed EU Industrial Policy Strategy”.

Notwithstanding overall good growth results of the chemical industry in 2017, the urgency of a long-term EU industry strategy continues to grow as other regions implement ambitious plans to promote local world-leading industrial activity.

The European chemical industry is of genuine importance for economic development and wealth, providing modern products and materials and enabling technical solutions in virtually all sectors and value chains of the manufacturing economy.

It is an essential **solution provider** for the achievement of a **competitive, low carbon economy** and the **circular economy** as well as all other major societal challenges.

As such, the chemical industry will be a key contributor to the achievement of the UN Sustainable Development Agenda 2030.

**The Industrial Policy challenge for the chemical industry**

Nowadays chemicals are produced all around the world, and a larger number of regions compete for investment. Recognising the chemical industry’s strategic importance for a successful industrial strategy, China, the Middle East and India have all made successful efforts to build up large and increasingly sophisticated production facilities and attract high investments by putting industry at the very top of their political agendas. The same applies to the USA where the recent shift towards ‘America First’ will inevitably have further strong impacts on their industrial policy.
At the same time, the European chemical industry is undergoing a transformation process to respond to societal needs, climate change, circularity, and overall increased sustainability including safe chemicals management, clean energy and transport, new processing methods and alternative feedstock. The chemical industry can and will provide solutions for these societal challenges, but the challenge is whether this can be achieved in Europe with the increased competition of other regions.

**Action for an EU Industrial Policy Strategy**

The chemical industry plays a pivotal role in providing the solutions needed to enable the transition to a low-carbon and circular economy -- stated policy objectives of the EU. If EU climate and circular economy policies are to create jobs in Europe, it is crucial that the whole value chain enabling those policies is located in Europe. Therefore, the EU Strategy should recognise the importance of value chains and ensure Europe’s continued role in the global economy, i.e. European suppliers should be able to compete globally and not just in Europe.

It is crucial that the future EU Industrial Policy Strategy is mainstreamed across all EU policies in a Masterplan enabling the industry to transform, by creating a favourable business environment that stimulates innovation.

**Policy recommendations**

**A) EU action on policies:**

1. **Drive energy and climate policies to be cost-competitive**

   Competitive energy pricing should be defined explicitly as a policy objective. EU policies should not add further to the existing disadvantage against other regions the chemical industry is already facing.

   The EU should vigorously continue its raw materials strategy with regard to discriminatory practices of third countries (export restrictions, export duties, etc.) for the various organic and inorganic feedstock used by the chemical industry. The EU should also remove its own import tariffs (e.g. 60% on bioethanol) or market distorting policies regarding chemical feedstock.

   Carbon leakage protection measures as currently foreseen in the EU ETS should be continued, while increasing efforts to avoid inconsistency of national regulation.
2. Complete the Single Market in networks (Single Electricity Market, rail infrastructure, digital)

A cost-effective lower carbon electrical economy depends on progressively greater availability of significant additional quantities of lower carbon electricity within a functioning Single Electricity Market. A functioning Single European Electricity Market is a priority action in ongoing efforts to shape a new common energy policy.

Considerable gains in efficiency of the single market can be made through greater coordination and interoperability of crucial infrastructure including the rail network. Completion of the single market is equally important for digitalization (Digital Single Market). This starts with public investment in improved digital connectivity (e.g. 5G networks).

3. Ensure that industry continues to play a central role in future EU R&D policy and priority-setting

Increased research and innovation investments are important drivers of Europe’s competitiveness. Industrial success depends ever more on the speedy conversion of knowledge into innovation. The chemical industry has a strong and enabling position in multiple value chains and holds a pivotal position in R&D and the market introduction of innovative solutions. A thriving, innovative chemical industry is at the root of a dynamic and creative European society that keeps a leading role on the global scene.

Therefore, we need a competitive Innovation Ecosystem, aimed at all technology readiness levels to prepare for large-scale investment decisions, and focusing on Key Enabling Technologies (KETs), including advanced process technologies and advanced materials. Furthermore, alignment and complementarity of research and innovation policies and funding instruments at the EU, Member States and regional levels, should be improved.

4. Ensure integration into the global trading system

Open markets for EU chemical exports are a key priority for our industry. Improved market access to growth markets in the world should be obtained by means of ambitious EU Free Trade Agreements (FTAs) with third countries.

Improved market access to growth markets in the world should be obtained by means of ambitious EU Free Trade Agreements (FTAs) with third countries. They should include simple and flexible rules of origin, provisions governing undistorted access to energy and renewable raw materials and mechanisms for regulatory dialogues on chemicals.

B) As regards EU policy design, we ask:

Design all policy so it coherently fosters the Innovation Principle concept

The overall EU policy framework in all policy areas must consistently become more predictable and conducive to fostering industrial investment and innovation. Chemical industry investments are capital-intensive and can have an asset life of several decades. The attractiveness of a potential investment destination is closely linked with the long-term predictability of the regulatory environment.

For this to happen, EU legislation must be firmly based on science, evidence and non-discrimination, less risk-averse and more innovation friendly. This means that the Innovation Principle should be applied
firmly and effectively in all policy domains and EU legislation should be technology- and raw material neutral.

All Member States should implement of EU legislation effectively and enforcement vis-à-vis third countries must be executed (e.g. REACH should also apply to imported articles into the EU).

C) On institutional governance, the future European Commission should:

1. Systematically monitor cumulative cost of regulation

A crucial step towards a sustainable policy framework for European industry is the systematic appraisal of the overall regulatory cost industry is facing, coupled with the recognition that this risks putting the industry at a global competitive disadvantage. An objective, ongoing assessment of cumulative regulatory cost would also help to define the most cost-effective ways of achieving the desired regulatory outcomes, without lowering their level of ambition.

![Impact of regulatory cost* on the chemicals sector](image)

Source: EU Commission report "Cumulative cost assessment (CCA) for the EU chemical industry", 11 July 2016

*Average cost per year (2004-2014)

2. Make industrial competitiveness a key priority for all EU policy making

In the past, the EU Single Market was the major driver of EU industrial competitiveness. Today, the Single Market is, in large part a reality, albeit one that requires permanent safeguarding by the European Commission.

Since policies may have direct or indirect effects on companies, it is important that a mechanism is introduced that allows for appropriate information about industrial aspects of policies across all policy areas. One approach to this could well be to bestow an appropriate role on DG GROW in the European Commission, the Competitiveness Council in the Council of Ministers, and the ITRE Committee in the European Parliament.

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