

Cefic views on the Commission's proposal establishing a Framework to Facilitate Sustainable Investment¹

The European Chemical Industry is a key enabler to achieve the United Nations 2030 Sustainable Development Goals' agenda, the Paris Agreement and the objectives of the Circular Economy Package. Our industry provides the technological solutions needed to achieve many of the sustainability objectives of the "Taxonomy Proposal". Chemistry is enabling the transition to **renewables**: chemical companies are producing the materials enabling solar and wind energy, lightweight electric cars and electricity storage. Chemistry is also necessary to increase **energy efficiency in buildings**, through the production of **insulation materials**. Innovations in the chemical industry are also enabling the design of **fully recyclable products** as well as providing the technological solution to **facilitate the recycling** of materials, such as asphalt, which are typically difficult to recycle.

Cefic considers that the "Taxonomy Proposal" may help mobilizing finance towards environmentally beneficial projects and foster cross-border investments by defining a common language for environmentally beneficial investments. This may promote retail and institutional investors' interest for such investments. Nonetheless, the "Taxonomy Proposal" does not provide a definition of sustainable investments, since the social and economic aspects of sustainability are only partially covered. To ensure that the "Taxonomy Proposal" supports a transformation of the European economy while creating a competitive advantage for the EU industry in innovative and sustainable technologies Cefic:

- **Calls on policy-makers to consider as environmentally sustainable all future investments enabling climate change mitigation, circular economy and other environmental objectives.** Only an inclusive definition of "environmentally sustainable investments" will secure the involvement of all sectors of the European economy in the transition towards a low-carbon circular economy. Innovative technologies and new applications for already-existing technologies will be key to undertake this paradigm shift. Access to sustainable finance at competitive conditions is crucial during the first stage of developments of a cutting-edge project when its profitability is still uncertain. **To ensure that all sectors contribute to this transition, the "Taxonomy Proposal" should not exclude entire sectors and activities from access to sustainable finance.** An exclusionary approach would limit the sustainable finance market, while preventing the development of promising sustainable technologies. Such an approach would lead the excluded sectors and activities to become increasingly reliant on extra-European financing: financial flows would be directed to non-European regions and, because of their impossibility to access to sustainable finance, there would be fewer incentives for excluded sectors and activities to invest in environmentally beneficial activities.
- Considers that the "Taxonomy Proposal" should adequately reflect the functioning of industrial value-chains, beginning with raw materials and ending with final products. Basic manufacturing industries, such as the chemical sector, produce the building blocks of all environmentally beneficial solutions. No electrical vehicles are possible without the lightweight materials produced by the chemical industry. No windmills, solar panels or fuel cells are possible without chemicals. To spur investments in the basic technologies at the heart of the circular and low-carbon economy,

¹ "Taxonomy Proposal"



the production of the building blocks of environmentally beneficial products should also fall under the definition of sustainable investments.

- **Asks for the full involvement of representatives of the manufacturing industry, including the chemical sector, in the elaboration of the technical screening criteria specifying the definition of environmentally sustainable activities.** The transition towards sustainable development will occur thanks to the manufacturing industry's ability to develop and scale-up innovative technologies and products. The manufacturing industry will increasingly need access to sustainable finance in order to create environmentally beneficially solutions. It is for this reason that the Platform on Sustainable Finance should include representatives from the manufacturing sector.

Cefic believes that the recommendations above will contribute to mobilize finance for the breakthrough innovations Europe needs to achieve its ambitious sustainability goals, while creating a competitive edge for the EU industry in sustainable technologies.

For more information please contact:
Aaron McLoughin, Executive Director, Public Affairs and
Sustainability
+32 2.676.73.50 or amc@cefic.be.

About Cefic
Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies in Europe, which provide 1.2 million jobs and account for 17% of world chemicals production.