Beyond European economic recovery: how can industry support Europe’s competitive sustainability?

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Overview European Chemical Industry
At the Heart of European Industry: Providing the essentials

• Europe is the second largest chemicals producer in the world (€543 bn), followed by US, Japan, South Korea and India
• Europe has the largest chemicals trade surplus in the world (€45.2 bn)
• The European chemical industry is of major importance for economic development and wealth (7% of EU27 manufacturing added value)
• The European chemical industry is a key pillar for a sustainable society, providing direct employment to 1.1 million people (4% of EU27 manufacturing employment)
• The biggest industrial users of European chemicals are rubber and plastics, construction, consumer goods industries, and automotive.

Source: Cefic Chemdata International 2020, data refers to 2019
Recovery of the global economy

GDP, real, % p.a.

Source: cefic Network of Economic Experts, FC 2021 rounded to 0.5%pts.
High uncertainty for economic development

Pandemic is still the most important influencing factor

- Uncertain development of pandemic (infections vs. injections)
- Interruptions in supply chains
- Fiscal impulses (in EU, US and others)

Source: European Commission Winter Forecast, Consensus Economics
The global chemical industry recovered dynamically from Covid

- Pandemic-related extra demand
- Substitution from services to goods
- Some resilient customer industries (Agro, Health, Nutrition)
- Recovery in volatile industries (Automotive)
- Restocking

Source: Feri Chemdata, Eurostat, Statistics China, FED
Leading indicators: European chemical industry has a good start into 2021

- Confidence is improving since mid 2020
- Leading indicators (order books) point to further growth

Source: DG ECFIN
European Chemical industry outlook
Solid growth in 2021

- EU27 Chemical industry production growth follows growth of customer industries:
  - 2021: 3%, 2022: 2%

- Underlying drivers changing over the year 2021:
  - Frontloaded recovery of the industry (automotive, durable consumer goods, restocking)
  - Backloaded recovery of GDP, services, and investment goods

- High uncertainty
  - Overall outlook remains highly uncertain due to unknown development of pandemics and consumer behaviour

Source: Cefic Network of Economic Experts, forecast 2021 rounded to 0.5%pts.
Beyond European economic recovery: How can industry support Europe’s competitive sustainability?
Recovery and Resilience Facility: the centrepiece of the Next Generation EU recovery instrument.

- Total budget of EUR 672,5 billion

- National allocation of grant component (EUR 312,5 billion) reflecting crisis impact & needs. Loan component available for additional funding

- Budget to be 70% committed by end-2022; 100% by end-2023; disbursements until end-2026
National recovery and resilience plans

National recovery and resilience plans need to contain measures (both investments and reforms) that:

- effectively address challenges identified in the relevant country-specific recommendations (CSRs);
- contribute to the green and digital transitions;
- contribute to strengthening the growth potential, job creation and economic and social resilience of the Member State.

→ Assessment by the Commission; approval by the Council
Supporting the green transition

RRF as important vehicle to implement the **European Green Deal:**

- **Decarbonise** power generation & industry
- Promote a more **circular economy**
- Protect and restore **biodiversity**
- Strengthen **sustainable mobility**

**Main levers:**

- Minimum of **37% of climate-related expenditure** in every RRP
- ‘**Do no significant harm**’ (DNSH) **principle** governing **all** expenditure

(Technical guidance issued on 12.02.2021)
Intense cooperation between the Member States and the Commission since September 2020

Work has progressed well:

- **19** Member States have shared their draft plans or large parts of them
- **8** Member States have shared elements of their plans and engaged in discussions
Green component in RRPs

• Preliminary figures: EUR 160 billion* (grants) allocated on “green components”
  
  • 22% allocated to clean technologies and renewables
    - Renewable energy generation
    - Electrification, strengthening the grid, energy storage
    - Industrial decarbonisation
    - Hydrogen (incl. IPCEI)
  
  • 32% allocated to renovation related investments
  
  • 46% allocated to other green investments (transport, adaptation, water, waste, circular economy, etc.)

* Estimates based on preliminary figures from draft RRPs & components (status 05.03.2021). For some draft RRPs, specified budget > grant allocation.
Thank you

Website:


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DENNIS KREDLER
Director, European Union Affairs and Head of Brussels Office
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The chemical industry is at the centre of Europe’s recovery

- Our industry can help achieve the European Green Deal – if the chemicals industry does not become climate neutral, no other sector can.

- **Transformation requires massive investments.** The economic recovery fund needs to benefit capital intensive low-carbon projects.

- The chemical industry needs a **supporting and coherent policy framework** to instill investor confidence.

- A **single window approach** can help make the economic recovery fund accessible to our industry in a timely way.
JUDITH KIRTON-DARLING
Deputy General Secretary
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Thank you for your attention

For more information, please contact publicaffairs@cefic.be