

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



11 March 2021

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Our Speakers



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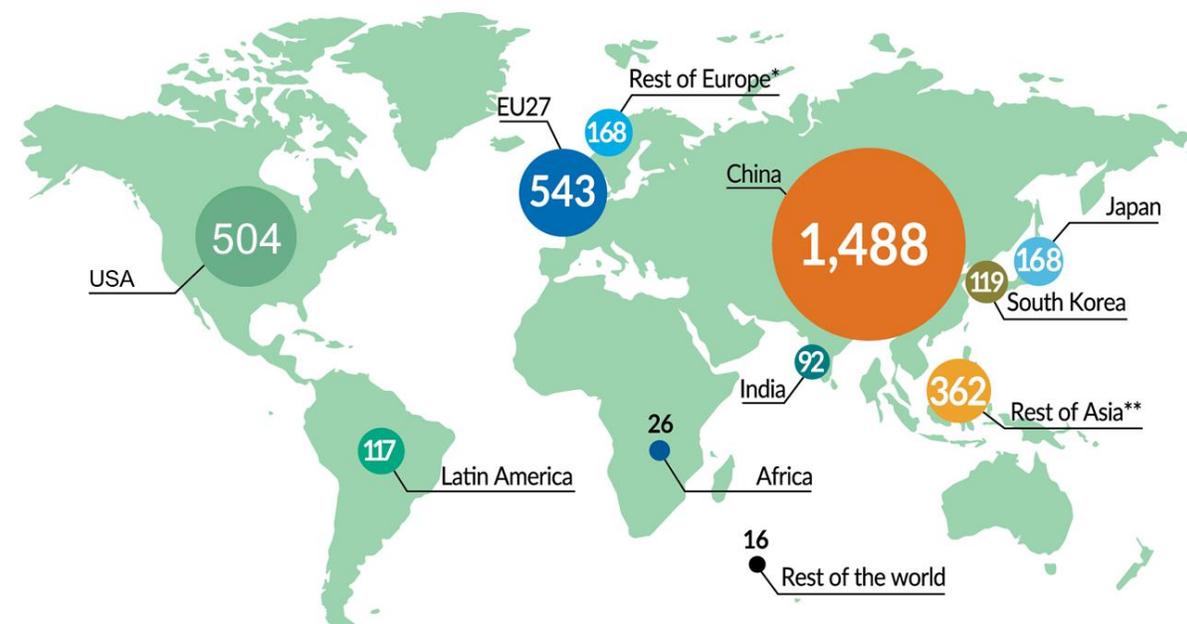
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Overview European Chemical Industry

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.

World Chemical Sales (2019, €3,669 billion)



Source: Cefic Chemdata International 2020

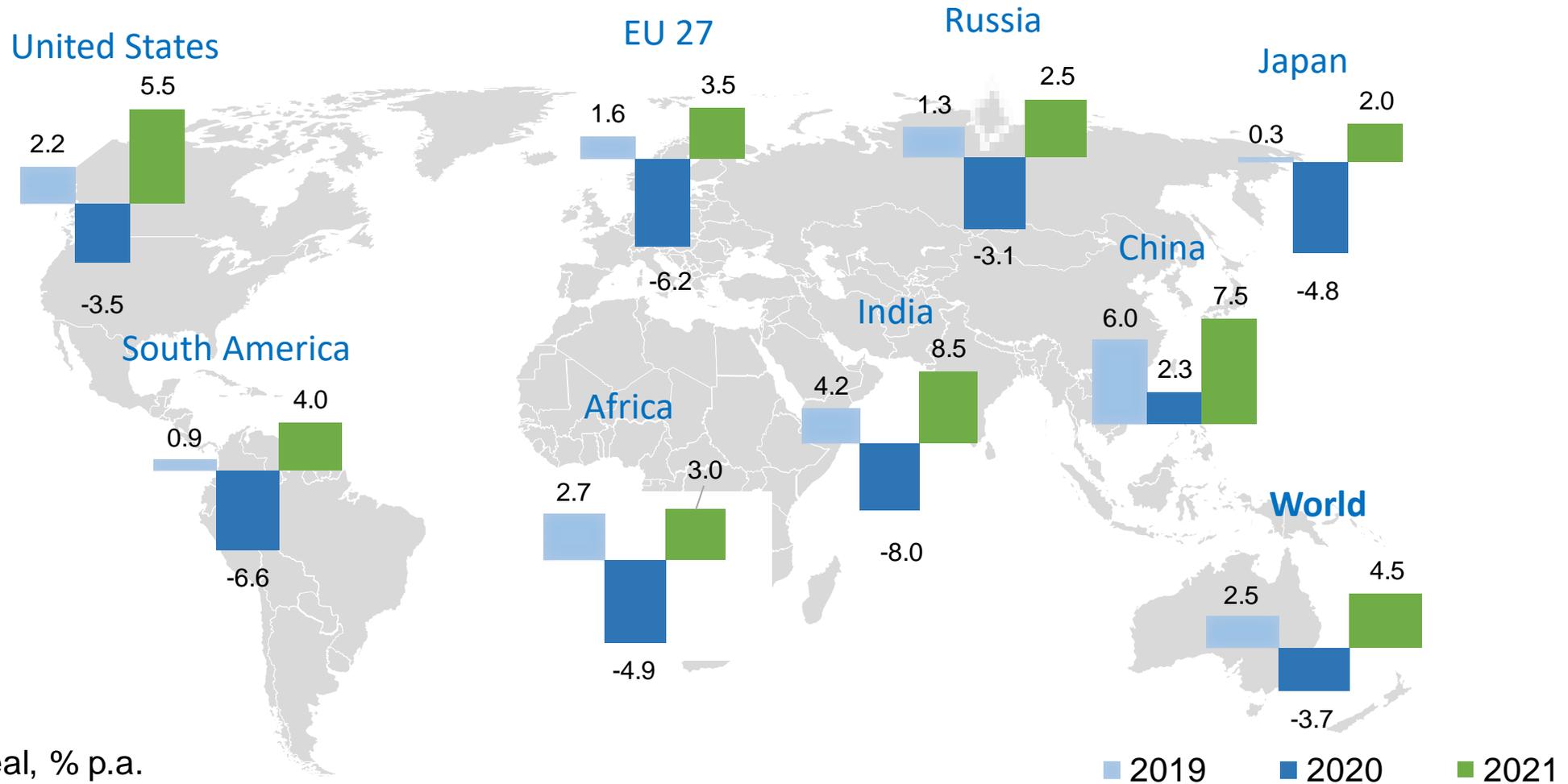
* Rest of Europe covers UK, Switzerland, Norway, Turkey, Russia and Ukraine

** Asia excluding China, India, Japan and South Korea

Unless specified, chemical industry excludes pharmaceuticals



Recovery of the global economy

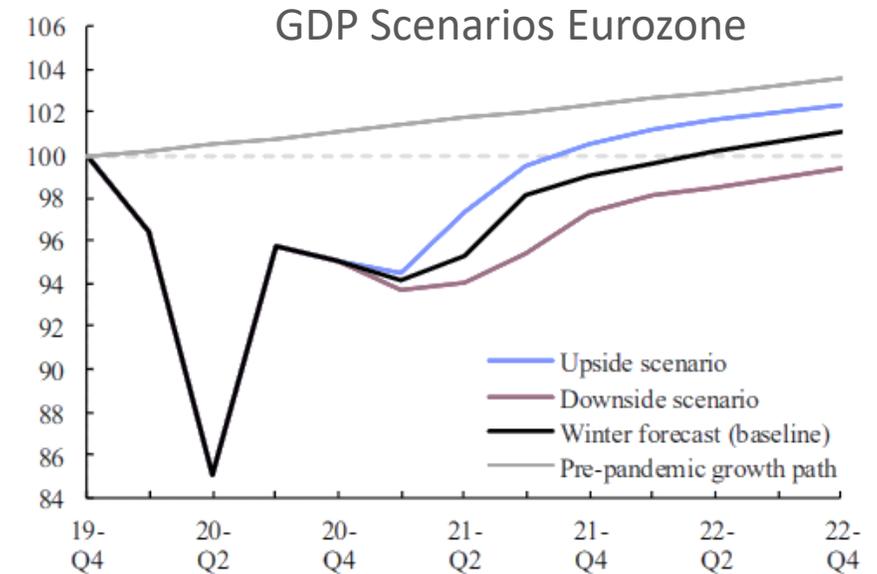
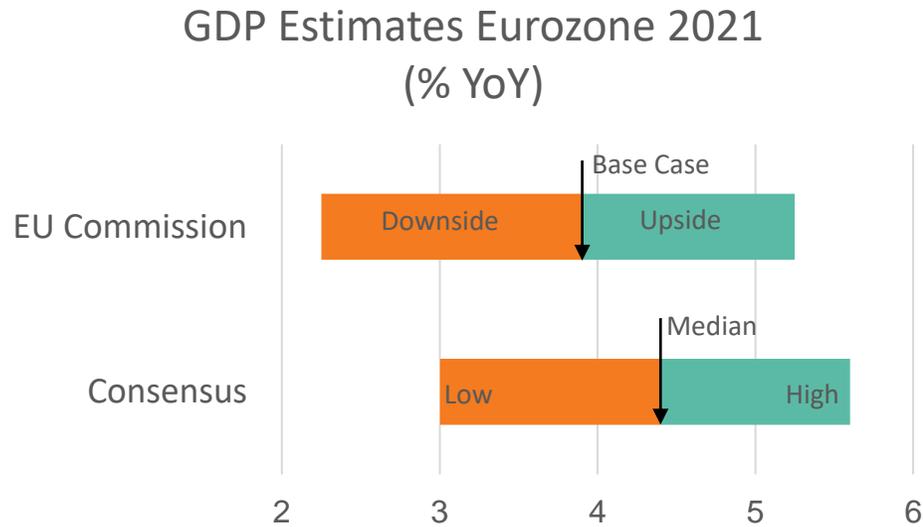


Source: cefic Network of Economic Experts, FC 2021 rounded to 0.5%pts.



High uncertainty for economic development

Pandemic is still the most important influencing factor

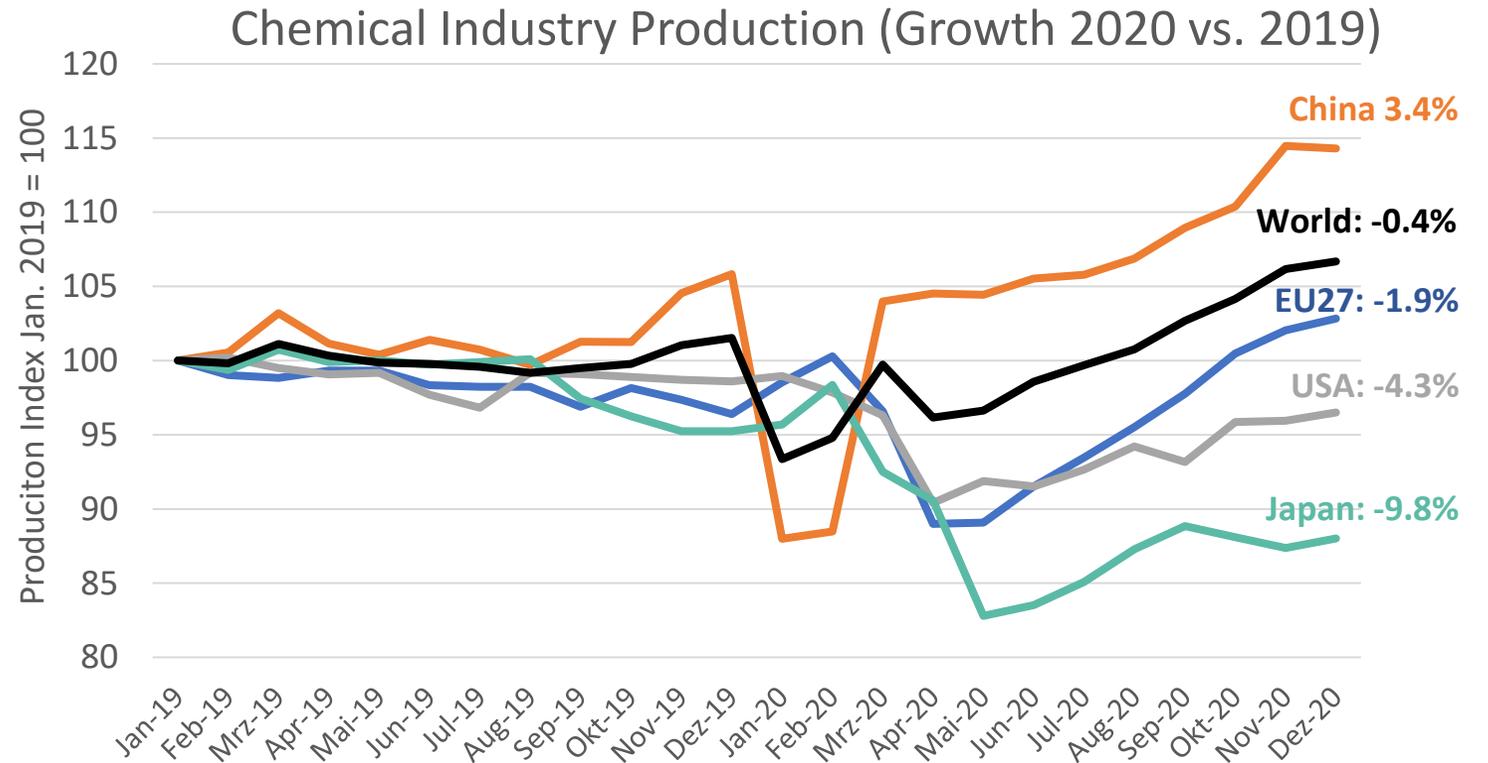


- ▶ Uncertain development of pandemic (infections vs. injections)
- ▶ Interruptions in supply chains
- ▶ Fiscal impulses (in EU, US and others)



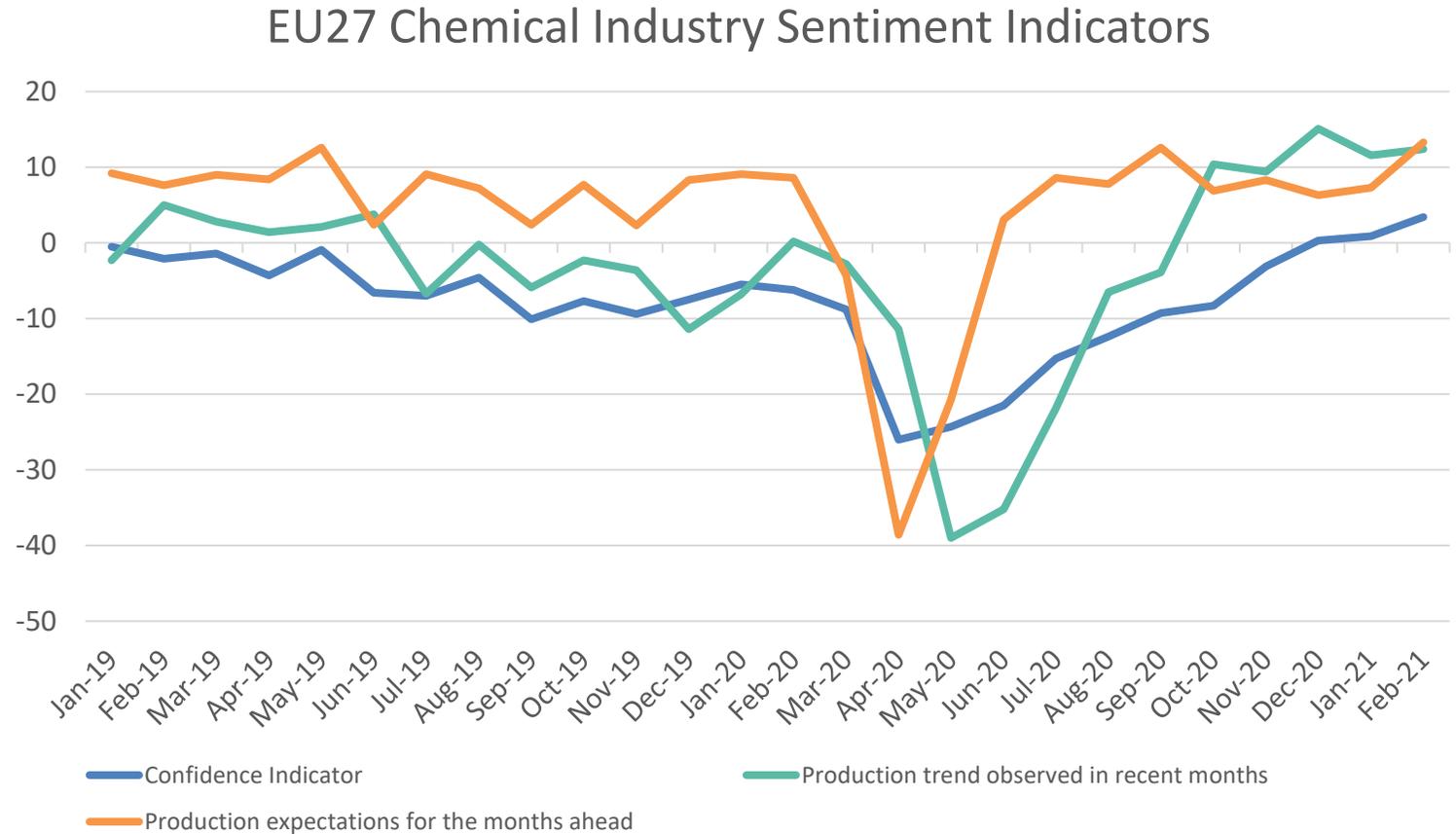
The global chemical industry recovered dynamically from Covid

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



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



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





VINCENT VEROUDEN

Policy Officer, Recovery and Resilience Task
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Recovery and Resilience Facility

*Vincent Verouden, Ph.D.
European Commission, SG. RECOVER*

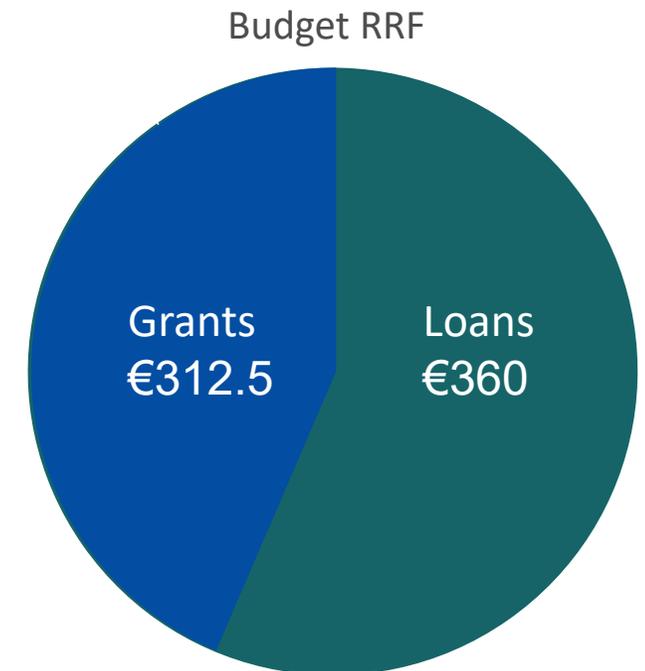
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Beyond European economic recovery: How can industry support Europe's competitive sustainability?

The Recovery and Resilience Facility (RRF)

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)

National recovery plans: state of play

- 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 RRP

- 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 RRP & components (status 05.03.2021).
For some draft RRP, specified budget > grant allocation

Thank you

Website:



https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en



DENNIS KREDLER

Director, European Union Affairs and Head of
Brussels Office

Dow



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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.





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Thank you for your attention

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