

## Cefic supports the Green Deal and Europe's ambition to become climate neutral by 2050

The Green Deal recognises that energy-intensive industries, such as chemicals, are indispensable for Europe's transition, as solution providers to multiple value chains. Climate neutrality by 2050 means going through a deep transformation within just one or two investment cycles. The EU chemical industry intends to grasp the opportunities arising from the transition to a climate neutral and circular economy.

Climate neutrality needs to be clearly defined in the upcoming Climate Law. An entirely new industrial policy focus must be deployed to unlock the huge scale of investments required. Cefic calls for the recommendations of the Industrial Transformation Master Plan, towards creating an enabling framework for the chemical industry to kick-start its transformation as soon as possible:

- 1. Managing the different global speeds.** To maintain industry competitiveness, climate policies need to consider the global perspective, especially when the speed of transformation is different from the rest of the world and cost of carbon is expected to increase further. In 2018, the European chemical industry generated a revenue of €560 billion of which 28% are extra EU export. Europe should avoid losing further global market share while going through the transition. Trade policy should foster fair competition for European manufactured products. EU ETS free allocation and state aid continue to play a crucial role in preserving and encouraging industrial investments. Enforcement needs to ensure no products enter the European market that do not comply with EU rules. EU policies should not only preserve intra-EU competition but also equip European industry to compete on a global scale.
- 2. Abundant access to climate-friendly energy and feedstock at an affordable price.** Transformation will require electrification and switching to alternative feedstock sources. Significant investments will have to take place in Europe in order to meet industry's need for large quantities of energy. The EU should also develop a strategy for imports of low-carbon energy carriers from regions with greater potential.
- 3. Infrastructure and integration.** National governments need to collectively prioritise investments in infrastructure for energy as well as for the transport and storage of CO<sub>2</sub>. EFSI<sup>1</sup>, IPCEI<sup>2</sup>, regional funds, together with the European Investment Bank need to focus investments on electrification, heat, hydrogen, other energy carriers and pipelines.
- 4. Innovation towards climate-friendly technologies.** First commercial applications of breakthrough technologies need to happen by 2030. Innovation policies should help accelerate this development right now. New complementary technologies such as chemical recycling, carbon capture and utilisation (CCU), combined with a single market for co-products and waste are needed to transition to circularity.
- 5. Supportive financial and market frameworks for large and small companies.** New approaches to state aid should enable the large investments needed, both for small and large companies. The core mission of an attractive industrial policy is to rebuild trust in Europe, addressing both challenges of circularity and climate change. The European legislative framework should incentivise the development of markets and value chains for EU production with a low greenhouse gas footprint. Chemicals, energy & climate policies, enforcement and standardisation, circular economy plan, digital, SME, trade, and financial policies, all impact our sector. A sectoral approach is needed to allow for an efficient and holistic strategy.
- 6. Leverage inter-sectoral symbiosis potential.** Frameworks should encourage large industrial clusters to realise synergies between different industry sectors. These should be flexible enough to fit with regional diversity. Symbiotic linkages in terms of e.g. renewable energy, hydrogen & oxygen, CCU & carbon capture and storage (CCS) and waste markets can offer significant step changes regarding climate efficiency and circularity.

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<sup>1</sup> European Fund for Strategic Investments

<sup>2</sup> Important Projects of Common European Interest