TEAMING UP FOR A CLIMATE NEUTRAL AND COMPETITIVE EUROPE

Chemical industry's Manifesto for the 2024-2029 EU legislative term

In 2019, the EU chemical industry was one of the first to support the EU Green Deal and has already embarked on the unprecedented "double twin" transition; to become climate neutral, circular, digitalise and transition to safe and sustainable chemicals. We were hoping for a legislative environment to emerge that would support our transition, in the knowledge that the chemical industry, with its importance for almost all other value chains in the European economy, is the key enabler for the transition, and without which it will be impossible to reach carbon neutrality.

> The European Green Deal is our new growth strategy – for a growth that gives back more than it takes away…We can all be involved in the transition and we can all benefit from the opportunities. We will help our economy to be a global leader by moving first and moving fast.
>
> URSULA VON DER LEYEN
> December 2019

Fast-forward to 2023: climate transformation plans are largely in place, as well as an EU Transition Pathway for the Chemical Industry. Yet implementation of the plans is hampered by an unfavourable investment climate in Europe. There is a desperate lack of a business case for industrial investments in Europe, caused not only by the unexpected energy crisis but also by significant uncertainty due to incoherent and often overly-detailed legislative proposals.

We are looking to the next European Commission to urgently develop this business case for private sector investments in Europe's industrial transformation in the short term and address urgent challenges such as high energy costs, new competition for industrial investments from other economies, and a changing and very complex regulatory framework, all of which continue to reduce predictability for businesses.

For industries with long investment cycles, like the chemicals industry, crucial investment decisions must be taken in the next few years to ensure our industry can help achieve the EU 2030 targets. The next Commission mandate offers the last chance to deliver a European industrial renaissance in time to meet the 2030 climate target.

The European Commission's work in 2024 to 2029 should focus on making Europe a competitive economy which attracts investments into its industrial transformation. This transformation, underpinned by a strengthened EU Single Market, will create modern and sustainable jobs, and achieve prosperity in a new climate-neutral economy.

OUR PRIORITIES FOR A CLIMATE-NEUTRAL AND COMPETITIVE INDUSTRY

1 ABUNDANT RENEWABLE ENERGY AND RAW MATERIAL SELF SUFFICIENCY

European industry is made vulnerable and its competitiveness is put at risk due to EU's dependency on energy and natural resources from overseas. For example, in 2021, over half of the EU's energy needs were met by imports.

Access to affordable and abundant energy is critical for the EU chemicals industry to operate efficiently and achieve a climate-neutral industry in the coming decades. The EU should prioritise the reliability of energy sources and support cross-border electrical power grid expansion and energy storage facilities.

The chemicals industry also depends heavily on raw materials such as minerals and metals, and feedstocks, which are often imported from non-EU countries. The Commission should therefore prioritise policies that, on the one hand, strengthen partnerships with resource-rich countries, and on the other hand, accelerate the scale-up of circular economy solutions to reduce our dependence on imports.

Free trade agreements (FTAs) or other types of agreements should secure vital supplies for industry and enable the chemicals industry to access new markets and increase exports. The EU should prioritise the negotiation and ratification of FTAs with key trading partners, such as Mercosur, India, ASEAN and seek to initiate new negotiations with the United States.

2 SCALE UP SUPPLY OF RENEWABLE AND CIRCULAR CARBON FEEDSTOCKS

Achieving the EU's ambitious climate and circularity targets requires us to move away from virgin fossil-based carbon and explore more sustainable, renewable carbon sources.

Europe can lead the way in sourcing renewable carbon by; improving its waste collection and recycling technologies, and also provide a consistent and supportive regulatory approach for renewable and circular carbon feedstock.

The Commission must ensure the scale-up of all available technologies for circular and for renewable carbon, including chemical recycling, and develop a comprehensive Circular Carbon Strategy that also incentivises Carbon Capture and Use (CCU) and biobased feedstock.

3 MAKE EUROPE ATTRACTIVE FOR INDUSTRY INVESTMENT

For companies to invest into the development and roll-out of innovative technologies, low-emission production in the EU, and highly-qualified jobs, Europe needs to be competitive compared to other regions. All EU measures must aim to support industry's efforts to secure viable business cases for their decarbonisation investments.

Recent investment programs, like the US Inflation Reduction Act, make other regions more attractive to invest and reinforce the urgency of EU action. More must be done to boost demand for low-carbon products, while also ensuring sufficient availability of CCS capacity and infrastructure. The green industrial transition requires immense investments from both the private and public sector, but these are sometimes blocked by the current EU State Aid framework. The Commission should review the existing State Aid regime to simplify Member State funding support for industrial projects in the context of global competition for such investments. The accessibility and availability of EU funding instruments for industrial projects should also be simplified.

Following the Organisation for Economic Co-operation and Development's (OECD) agreement on a global tax standard, the Commission should initiate EU discussions to establish a competitive tax level across Europe that will attract private investments and complete the Capital Markets Union.

4 LEVERAGE THE SINGLE MARKET FOR THE TRANSITION

The Commission should make every effort to further strengthen the EU Single Market. The EU Single Market is the enabler of Europe's decarbonisation and circularity scale-up and is essential for a viable investment case. Europe's economy is only as strong as its Single Market. Yet in practice, we have seen increased fragmentation of the Single Market, often because of national implementation of EU legislation. This trend must change as it slows down the transformation at scale.

5 MAKE THE INNOVATION FRAMEWORK SMARTER

Europe's ambition to be the centre of knowledge creation will depend on the quality of its science and its technological innovation. The Commission should therefore prioritise policies that promote innovation, deployment, and collaboration across the value chains. Guiding principles of the EU innovation agenda must focus on promoting technological openness, pragmatism and avoiding overly-detailed regulation, while focusing on desired outcomes. Approaches that foster the piloting of innovative solutions should be used more frequently, like the increased use of regulatory sandboxing.