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COVER NOTE

Subject:	Fit for 55 package: Cefic views - Powerpoint presentation (Compcro (Industry) WP 07.09.2021)
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Fit for 55 package Cefic views



Marco Mensink
Cefic Director General

The European Chemical Industry Council, AISBL – Rue Belliard, 40 – 1040 Brussels – Belgium
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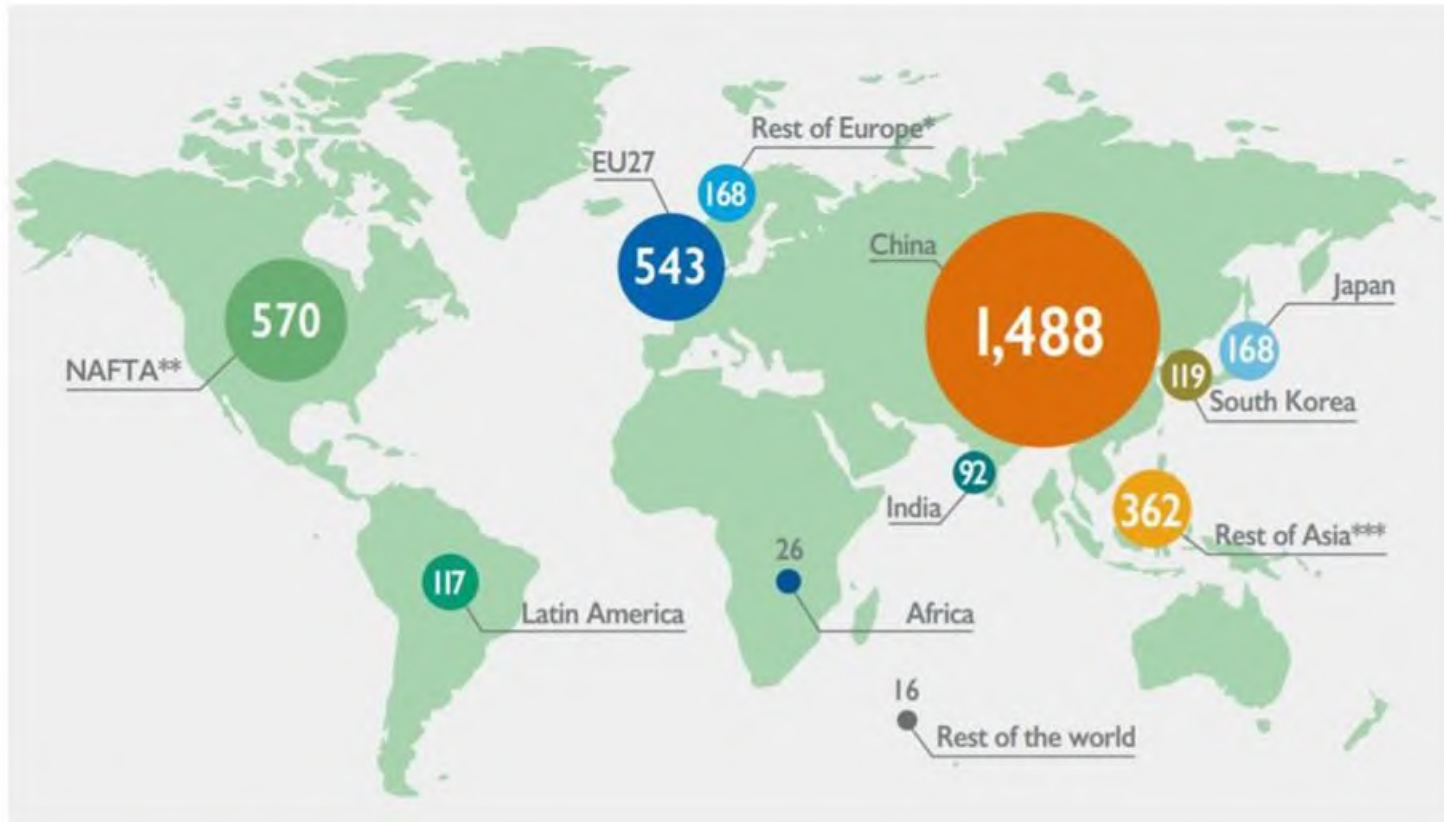


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Europe is the second largest chemicals producer in the world



Source: [Cefic Facts and Figures 2021](#)

EU27 chemical output returns to pre-pandemic level but large differences across countries remain - China is still the main driver continuing to grow significantly

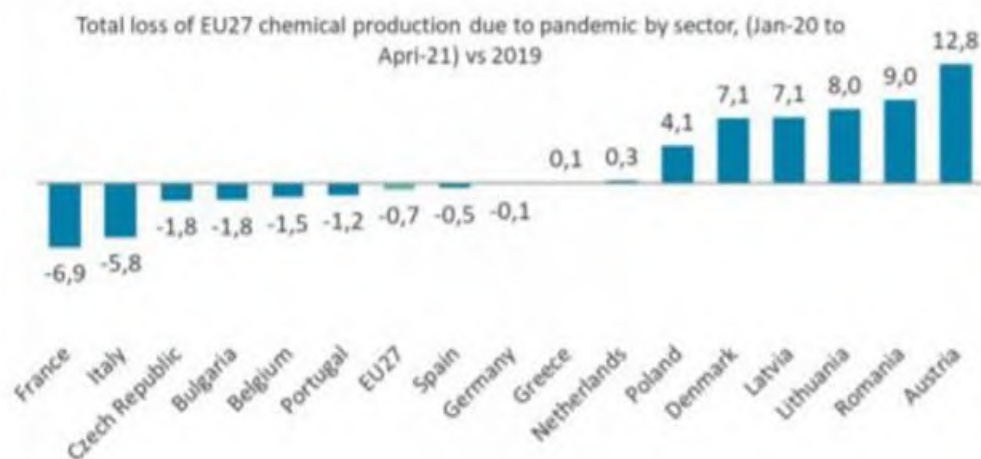
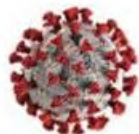


Table: Output growth for key chemical producing countries

Chemical output by country	Production growth		Production index (2015=100)		Production growth
	2019	2020	Jan-Mar-2020	Jan-Mar-2021	Jan-Mar (21/20)
China	4,6	2,9	111,3	137,5	23,6
India	1,2	-5,4	103,4	113,2	9,5
Japan	-0,6	-12,5	100,4	94,8	-5,5
South Korea	-1,4	-2,9	110,7	113,7	2,7
EU27	-1,2	-1,8	101,3	103,8	2,5
USA	-0,1	-3,9	106,7	98,2	-8,0
Latin America	-1,2	-0,1	98,9	103,3	4,4
World	2,2	-0,2	108,4	119,7	10,4



Source: [Chemical Quarterly Report \(CQR\) 13 July 2021](#)

The EU Chemicals Industry from the point of view of the EU Institutions

1. Chemicals are everywhere in our daily life and play a fundamental role in most of our activities and are also building blocks of low-carbon, zero pollution and energy- and resource-efficient technologies, materials and products (1).
2. Highlights that the chemical industry is of significant importance for the European economy, and that the modernisation and decarbonisation of this industry is fundamental to achieving the objectives of the Green Deal; acknowledges that the chemical industry is able to provide multiple low-carbon solutions; emphasises the importance of developing the chemical industry in order to help deliver on the EU climate ambitions for 2030 and 2050; (2)
3. RECOGNISES that at several levels, the chemicals industry is of key significance to the European economy and society, and EMPHASISES that the chemicals industry is a key industrial sector for advancing the green and digital twin transitions, and a key player in the development of a sustainable and competitive European industry; (3)



[1. European Commission Communication on Chemicals Strategy for Sustainability of 14/10/20](#)

[2. European Parliament Resolution on the Chemicals Strategy for Sustainability of 10/7/20](#)

[3. Council Conclusions: Sustainable Chemicals Strategy of the Union: Time to Deliver of 15/3/21](#)



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

The Green Deal recognizes 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**.

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
2. Abundant access to climate-friendly energy and feedstock at an affordable price
3. Infrastructure and integration
4. Innovation towards climate-friendly technologies
5. Supportive financial and market frameworks for large and small companies
6. Leverage inter-sectoral symbiosis potential



EU ETS revision



Emissions Trading

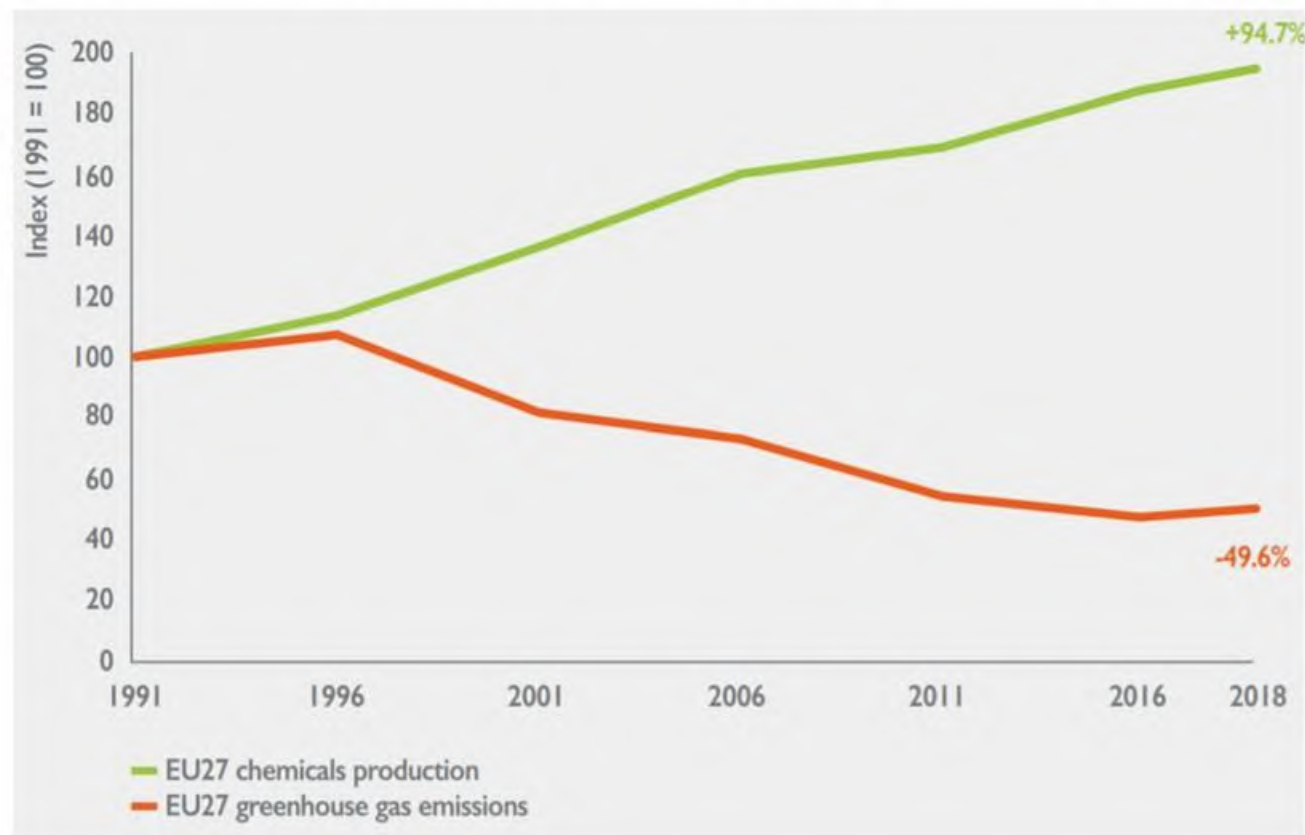
Straight Ahead ↑↑

Cefic views

- The European chemical industry supports the EU ETS, the world's first major carbon market, as a key instrument aiming to achieve agreed emission reductions at the lowest cost.
- While we recognise the increased EU ambition level for 2030 to be reflected in the ETS, these should be accompanied by improved, not weakened carbon leakage provisions so as to maintain the EU chemical industries' international competitiveness: Existing mechanisms for carbon leakage protection need strengthening and must be firm so companies can have trust in the industrial strategy of Europe, protecting the competitiveness while reducing emissions towards climate neutrality.
- To help invest in breakthrough technologies, all revenues generated by the EU ETS need to return to the economy to support emission reductions.
- We welcome the increase in the size of the Innovation Fund as well as the introduction of additional supporting instruments such as Carbon Contracts for Difference.
- We agree with the Commission that accelerated electrification and deployment of a clean hydrogen economy will be essential to make the energy transition succeed.



European chemical production, greenhouse gas emissions, decouple



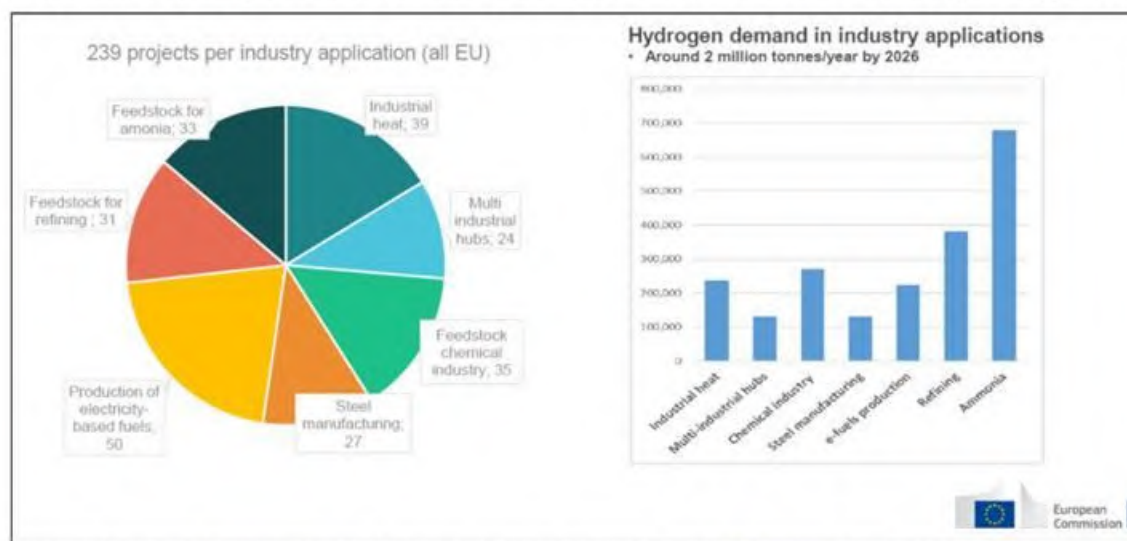
Source: [Cefic Facts and Figures 2021](#)

Renewable Energy Directive Revision



Cefic views

- We welcome the new proposals aimed at:
 - Lowering barriers
 - Increasing transparency and regulatory stability
 - Improving the uptake of Renewable Power Purchase Agreements (PPA)
 - Promoting cost-efficient deployment of renewable energy
- The EU Chemicals industry is also a frontrunner in the Clean Hydrogen Economy.



Views on renewable hydrogen target on industry (art. 22a)

- The proposal has the merits of trying to promote renewable hydrogen in industry
- However, some crucial considerations to be made:
 - Not all hydrogen used in industry follows the same production process
 - Hydrogen used as an intermediate/by-product of industrial processes used in situ cannot be replaced by exogenous hydrogen production
 - In defining the scope of the target, these peculiarities need to be taken into consideration
 - Production and consumption of renewable hydrogen do not necessarily happen in geographically correlated areas
 - It seems more appropriate to set the target at European level
 - Measures supporting the hydrogen uptake in industry will be needed
 - Renewable hydrogen is not expected to be cost-competitive, at least in the short term
 - The target should be matched by an equivalent commitment to deploy supporting measures for industry, until renewable hydrogen becomes cost-competitive



Energy Efficiency Directive

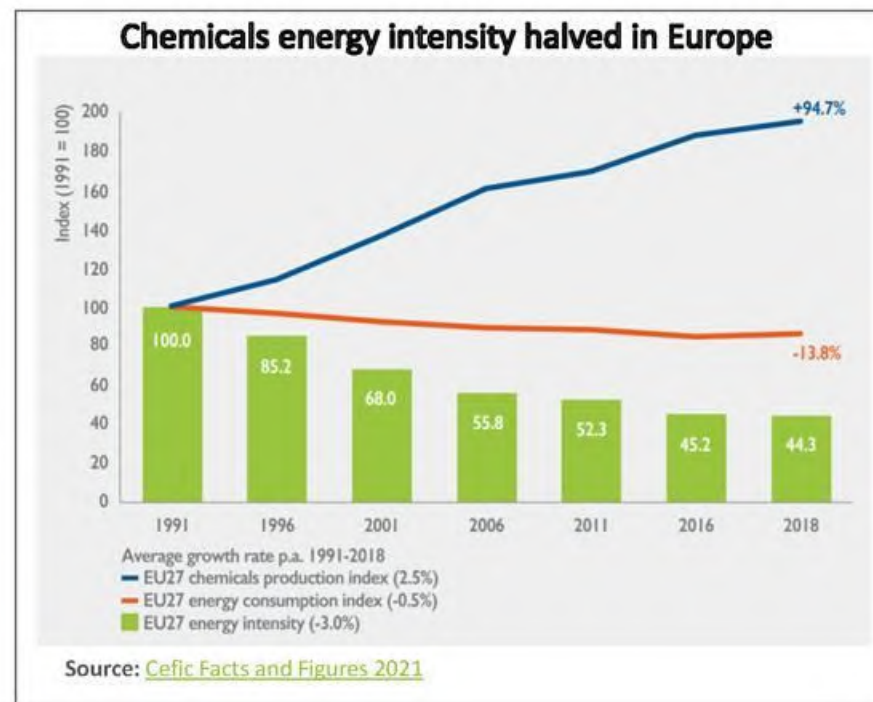


Notes and references



Cefic views

- The revised Energy Efficiency Directive (EED), and the energy efficiency first principle, will play a pivotal role in supporting the transition to climate neutrality.
- Energy efficiency is also at the core of the chemical industry



Cefic views

- We welcome the provisions acknowledging that reaching carbon neutrality will result in an increase in energy consumptions in certain sectors, like the chemical industry
 - For instance, only switching the current annual EU hydrogen production (9.75 Mt) to electrolysis would require about 10% of current EU electricity production (290 TWh).
- Energy Audits and Management Systems should include not just renewable energies, but also all low-carbon options
 - This will ensure regulatory consistency across the Fit for 55 package
- We are concerned on the additionality requirement of Energy Efficiency Obligations Schemes (EEOS)
 - These criteria will be extremely complex to assess, especially considering the overlap between EED and the extended scope of the EU ETS, and the tightening of Eco-design requirements
 - Exclusion of certain technologies will also further limit opportunities for additional energy savings



CBAM



Cefic position on CBAMs

- Cefic appreciates the ambition to level the playing field for EU industry with other competing regions and asymmetric climate policies
- Chemicals are very trade-intensive. However, besides fertilizers, our industry is not yet in the CBAM scope and we analyse the potential of the instrument
- For us as export-oriented sector, the COM proposal lacks consideration i.e. of Export competitiveness which must be ensured: phasing out free allocation could expose i.e. exports of affected sectors to the risk of loss of market shares
- WTO compatibility must be ensured
- Promote international dialogue to avoid trade conflicts
- Use revenues completely to support low carbon manufacturing and investment
- Current carbon leakage safeguard must not be compromised
- Cost and complexity must be minimised, while the framework must be robust



Cefic Transition Monitoring System



This is a flagship project for Cefic

As Cefic, we support the EU's climate neutrality to 2050 objective



TMS's main objective is to develop a quantitative model to show hypothetical alternative pathways to climate-neutrality for the industry until 2050
It is not about developing a roadmap or a common industry vision.



We need to understand what this means, how we could possibly get there and to shape the debate on the enabling conditions



This data-driven, quantitative and objective approach, will show how seriously Cefic is taking Europe's climate neutrality objective.



Thank you!



Marco Mensink

Cefic Director General

Mail: mme@cefic.be

