

Why the EU needs an ambitious Industrial Strategy

MAVESZ Chemical Industry Conference on Environment Protection & Safety

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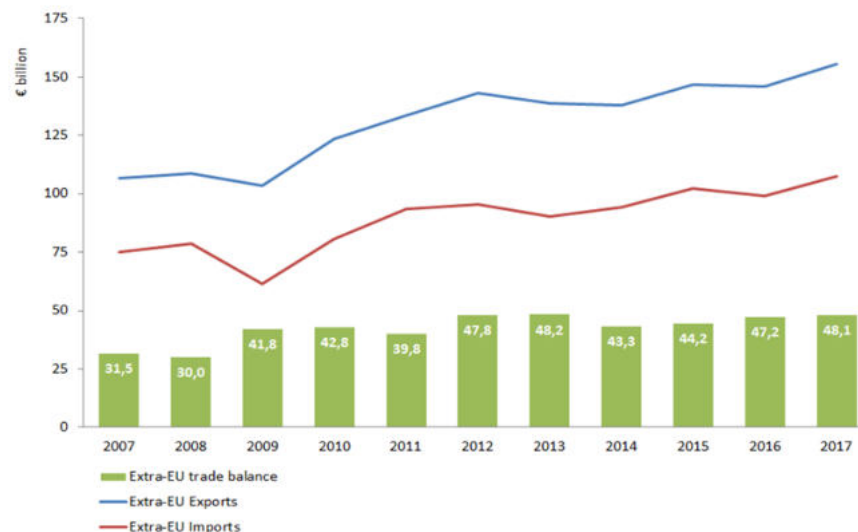


At the Heart of European Industry Providing the essentials



- **97%** of European chemical companies are **SMEs** (2015)
- Network of **more** than **5,000** chemical industry **experts**
- **€ 542** billion in **sales** in 2017
- EU chemical **trade surplus** of **€ 48,1** billion in 2017
- The third largest investor in EU manufacturing (**€21,6** bn 2017)

Extra-EU Chemicals Trade
Flows (€ billion)



Europe -
a world
player:
world
chemicals
sales by region

Chemicals:
the leading EU
manufacturing
sector in terms
of value-added
per employee

“The chemical
industry is placed
at the beginning
of the product
supply chain”

(Hans Bender,
VP External Relations,
Procter & Gamble)

The outlook of the EU Chemical Industry

- ✓ **Output:** 0.9% ▲
- ✓ **Total sales:** 3.3% ▲
- ✓ **Exports:** 2.6% ▲
- ✓ **Trade surplus:** €19.9 bn (Jan-May 2018)

= The EU chemicals industry is growing steadily and it is a strong and a highly innovative sector



However, risks have also increased. International political tensions and spreading protectionist measures could hamper a prolonged expansion.

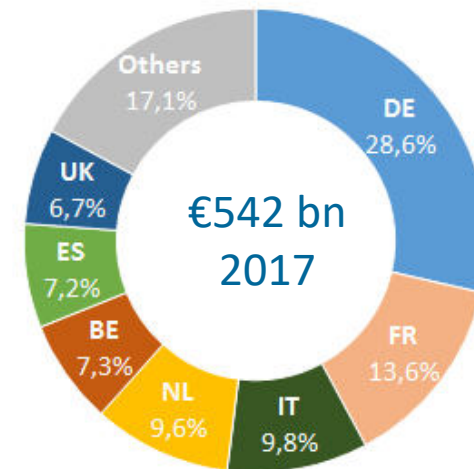


Where are we today?

The EU chemical industry ranks second

- ❖ Having ridden out the recession, the European chemical industry is continuing its recovery.
- ❖ Today, with nearly 16% market share, the EU chemical industry ranks second, along with the United States (13%).
- ❖ China continues to dominate chemicals world ranking in 2017, and contributed to 37% of global chemicals sales.
- ❖ Europe's share of global sales over the same period has declined from 31% in 1997 to 16% in 2017.
- ❖ This decrease is primarily due to declining competitiveness, as opposed to slow-growing destination markets.

EU chemical industry sales by geographic breakdown

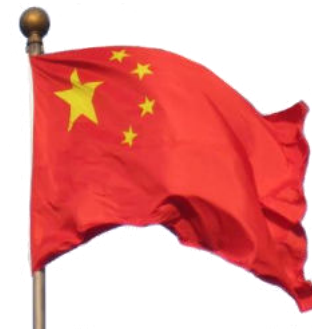
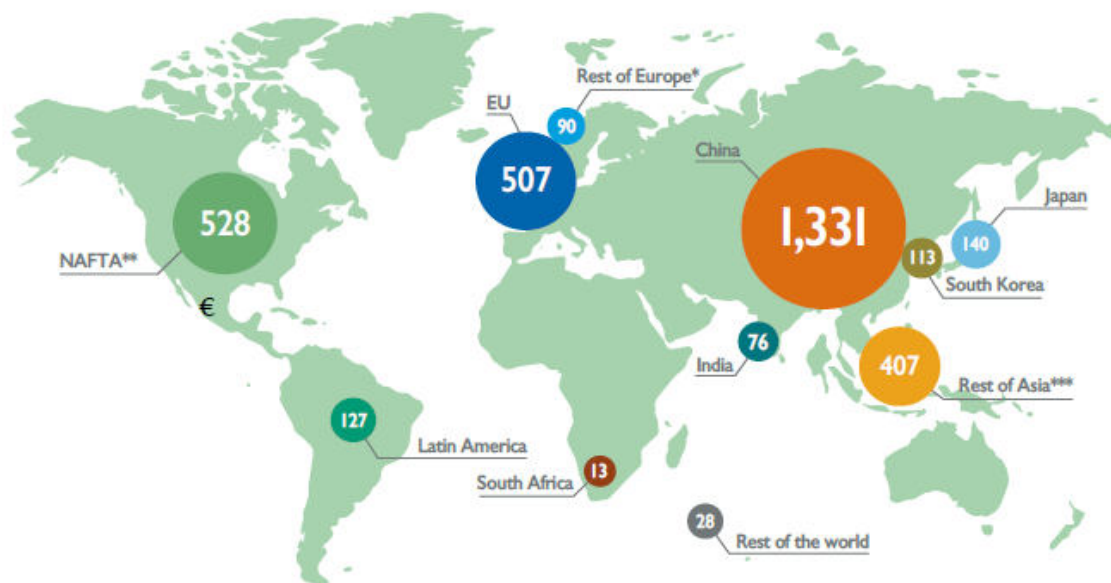


Asia chemicals production outpaces other regions (2016)



World chemical sales: geographic breakdown

World chemicals sales (€ 3.360 billion in 2016)

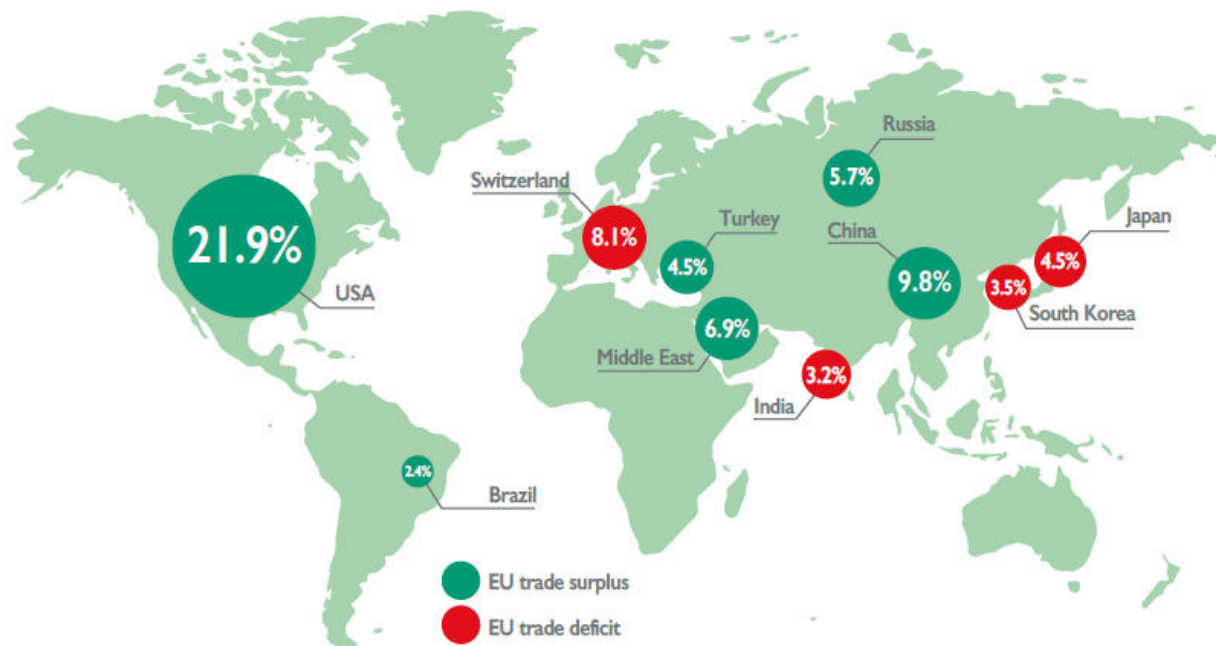


- ❖ With 15.1%, the EU chemical industry ranks second, along with the USA (14.2%), in total sales. When including both the European Union and non-EU countries in Europe, total sales reached €597 billion in 2016, or 17.8% of world chemical sales.
- ❖ Worldwide competition has ratcheted up in the last ten years, however, as China holds the top ranking in sales – a position once firmly held by Europe.

The US by far the EU's biggest trading partner in chemicals (2016)



Extra EU chemicals trade 2016 (€245.2 billion)

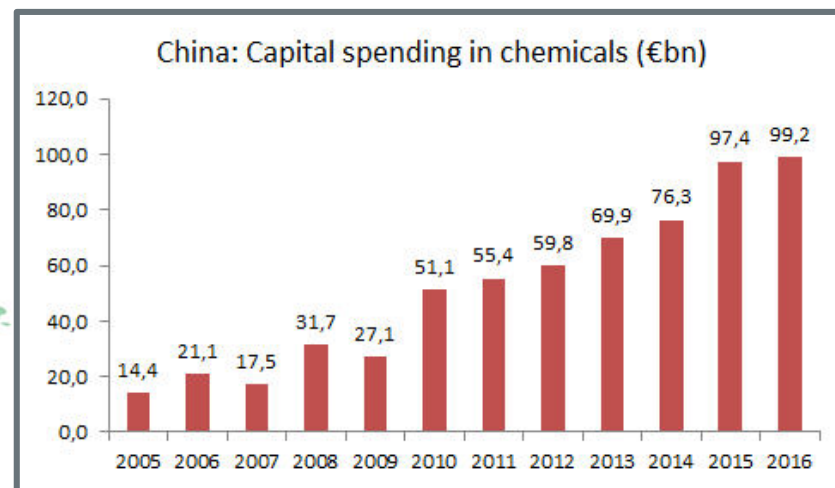
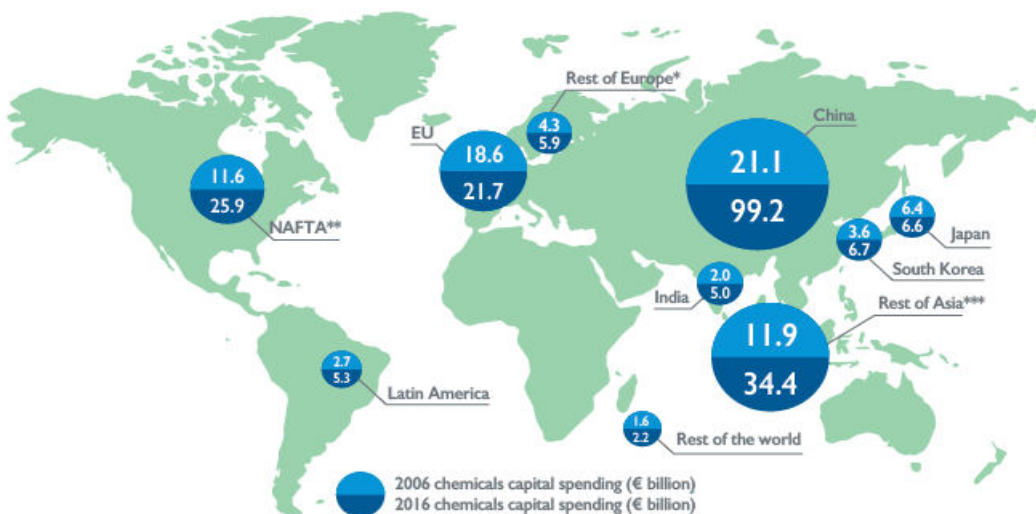


- ❖ The top 10 EU partners accounted for nearly 71% of extra-EU chemicals trade in 2016.
- ❖ The US was by far the EU's biggest trading partner in chemicals (nearly 22%)
- ❖ Today China is the EU's second-biggest chemicals trading partner, accounting for 9.8% of EU chemicals trade. China has become the most important growth market for global chemical companies and a major investment location.

China dominates world chemicals investment (2016)

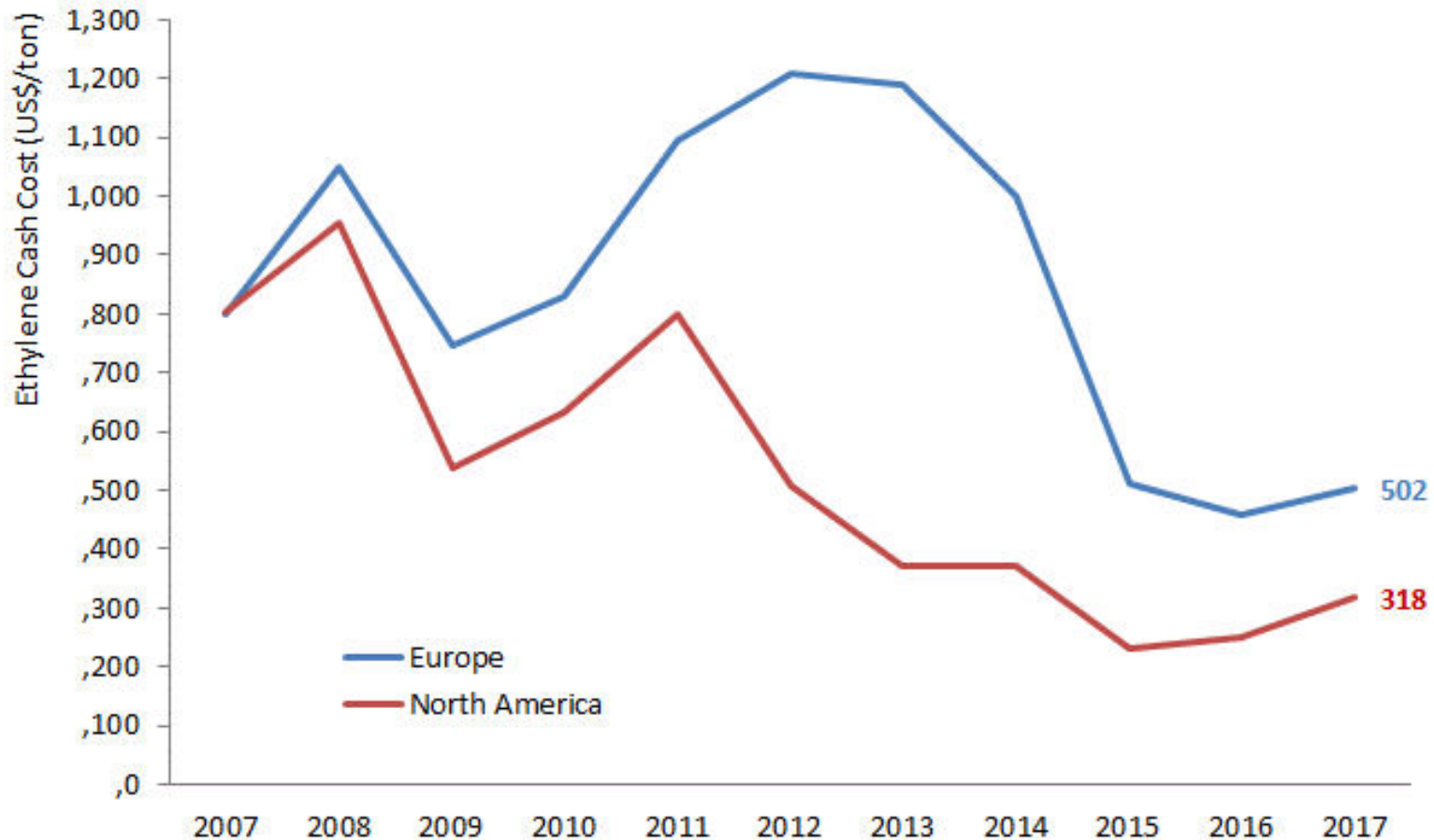


Capital spending by region



- ❖ In 2016, China invested €99.2 bn in the chemical business, accounting for 46% of World chemical investment. This is far above the 25% reported ten years ago.
- ❖ The EU chemical industry subsectors with the highest capital spending values are petrochemicals, inorganic basic chemicals, plastics in primary forms, fertilisers and nitrogen compounds. (Source: EU Commission CCA report, 11 July 2016)

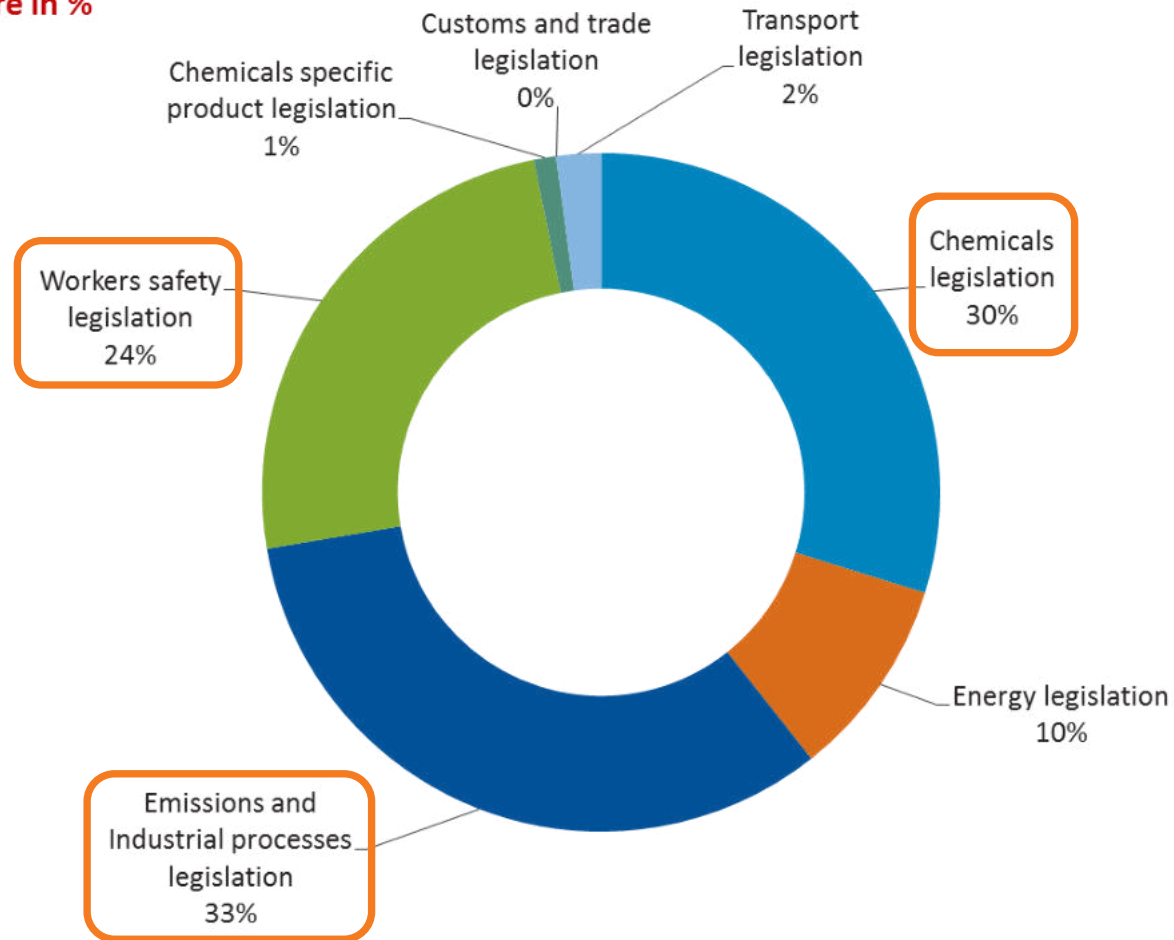
Energy costs are the European industry's Achilles' heel



Total direct average annual cost estimated to €10 bn



Share in %

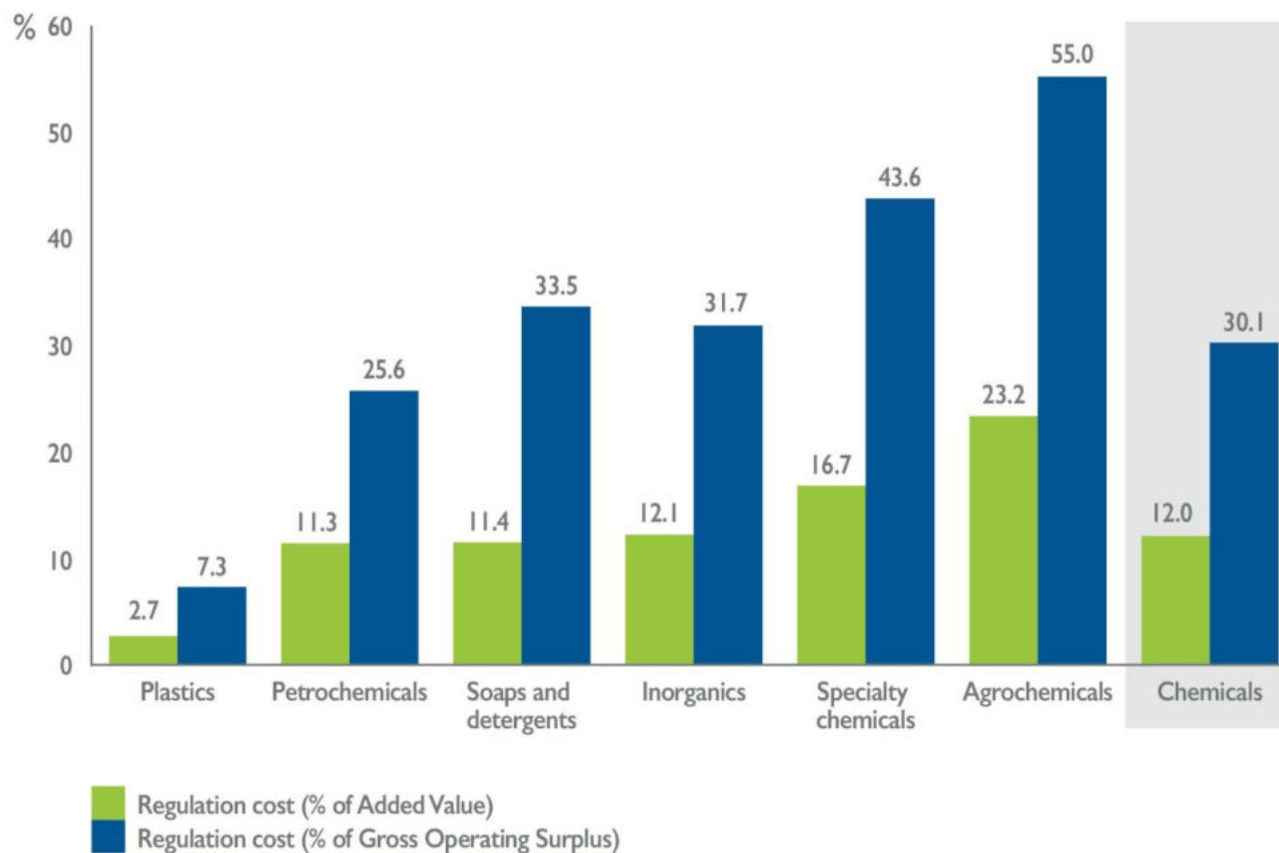


(i) Industrial emissions, (ii) chemicals and (iii) workers and safety legislations are the main drivers of total regulations costs (87%)

Regulatory costs potentially affect the competitiveness of the EU chemicals sector



EU regulatory cost* for the chemicals sector



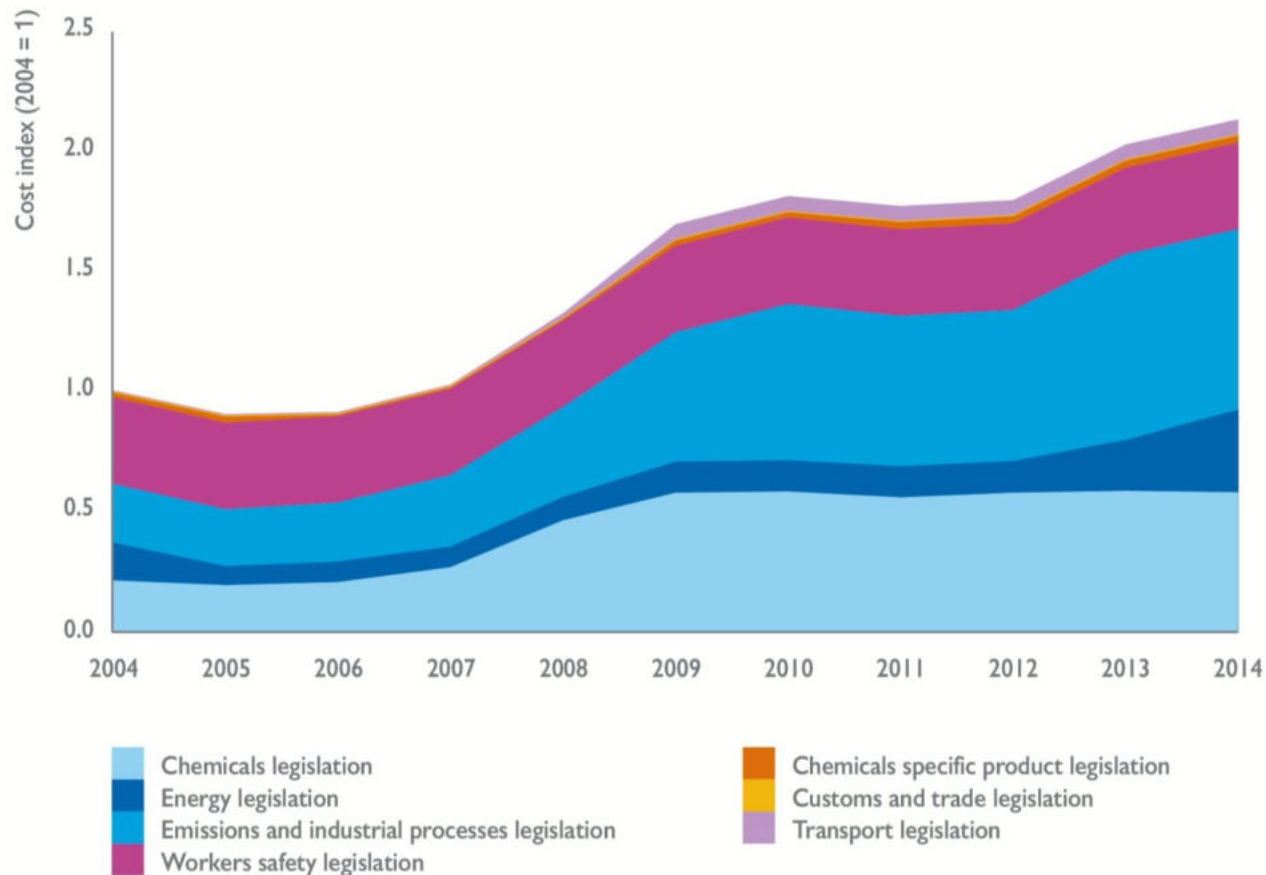
Source: EU Commission Report, "Cumulative Cost Assessment, (CCA) for the EU Chemical Industry" (11 July 2017)

* Average cost per year (2004-2014)

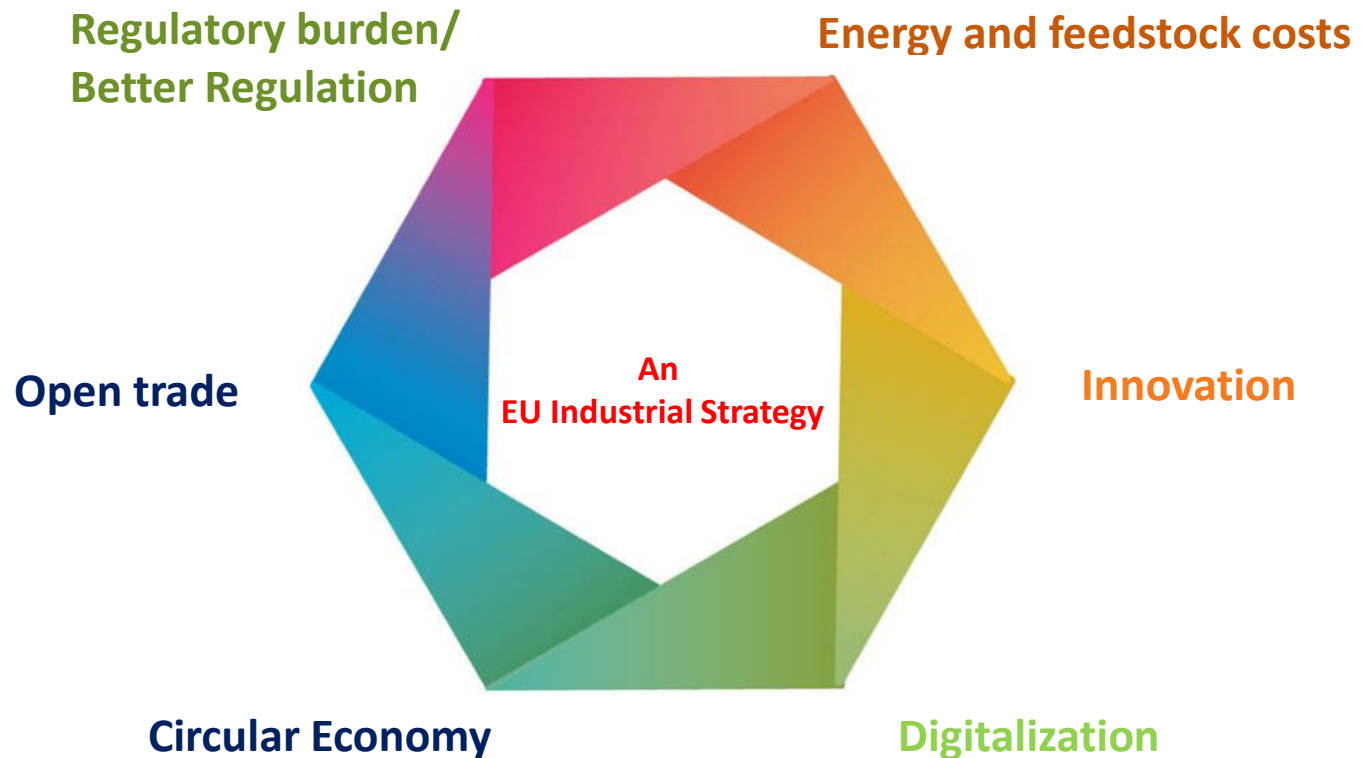
EU regulatory cost has doubled in the last ten years



Legislation cost during the period 2004-2014



To provide innovative solutions, we have to remain competitive



Global and local opportunities & challenges



Health & Nutrition



9 billion people will live on earth by 2050!

- How can we guarantee food and water supply for everyone?
- What are possible benefits and contributions of plant science?

Construction & Housing



67% of the world population will live in cities by 2025!

- What does future architecture look like?
- Which materials are needed to make energy consumption more efficient?

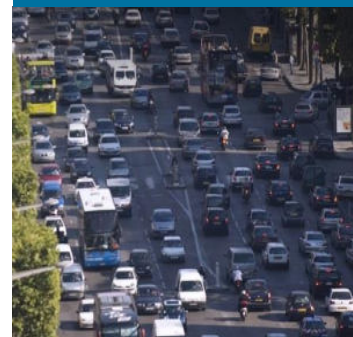
Energy & Resources



50% more primary energy needed in 2030!

- What is the ideal energy mix of the future?
- How big is the stake of renewable energy?

Mobility & Communication



1.2 billion cars will drive on earth by 2020!

- How can we reduce emissions and fuel consumption ?
- What will future cars be made off ?

Towards an EU Industrial Policy Strategy

Cefic supports:



1. All the **Conclusions of the European Council on industrial competitiveness**



2. The 2017 **Commission's Communication** "Investing in a smart, innovative and sustainable industry – A renewed EU Industrial Policy Strategy"



3. A strengthened role of the **Competitiveness Council** on providing high-level political guidance



Our contribution in the implementation of the current strategy



1. Cefic contributed in the EU Industry Days 2018 organizing workshop and providing speakers
2. Cefic member company (BASF) participates in the High level industrial roundtable: Industry 2030
3. Cefic participates in the Strategic Forum for Important Projects of Common European Interest and has submitted 2 proposals (CO₂ valorization and H₂ based economy)



Cefic Manifesto for a competitive Europe (1)

Our proposals for EU Action on policies:

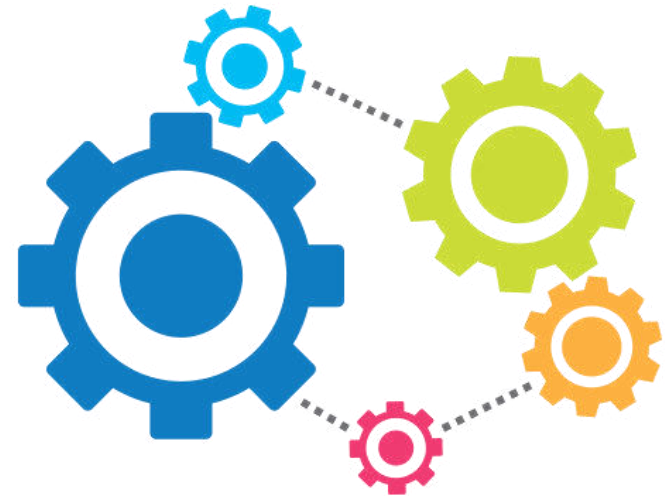
- ✓ Drive energy and climate policies to be cost competitive
- ✓ Complete the Single Market in networks
- ✓ Ensure that industry continues to play a central role in future EU R&D policy and priority-setting
- ✓ Ensure integration into the global trading system



Cefic Manifesto for a competitive Europe (2)

Our proposals on EU policy design:

- ✓ Design all policy so it coherently fosters the Innovation Principle concept
- ✓ Design policies for value chains, not individual sectors
- ✓ Apply care in defining overarching policy concepts to ensure they do not set wrong incentives

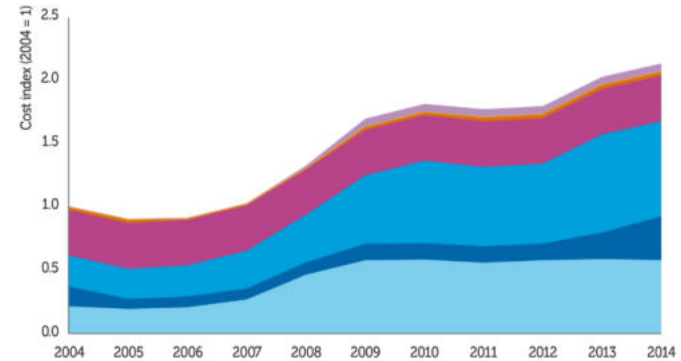


Cefic Manifesto for a competitive Europe (3)

Our proposals on Institutional governance:

- ✓ **Systematically monitor cumulative cost of regulation**
- ✓ **Make industrial competitiveness a key priority for all EU policy making**

Legislation cost during the period 2004-2014



A Governance Structure for an Ambitious EU Industrial Strategy: some proposals



- ✓ Put industrial competitiveness a top priority across all EU policy portfolios
- ✓ Systematically, objectively and transparently monitor cumulative costs of regulation
- ✓ Establish a regular and structured dialogue with industrial sectors and ensure follow-up
- ✓ Have a European Commission Vice-President in charge of developing and implementing a long term EU Industrial Strategy
- ✓ Launch a specific Commission's EU Industrial Strategy (EUIS) Programme, with the creation of EUIS Platform, similarly to the existing REFIT platform
- ✓ Publish each year a Report on the results of the EU Industrial Strategy

A Master Plan for the European Industry



- We call the European Commission to swiftly devise a **Master Plan** for reinforcing the competitiveness of the European Industry.
- This Master Plan should include **concrete actions in all policy areas** and encompass a series of consecutive, interconnected and clear milestones and measurable objectives.
- Cefic supports a European approach in Industrial Policy, focusing on value chains and innovation.



Cefic (The European Chemical Industry Council)

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Chemistry
can



Thank you for your attention, we are ready to work with you for a Master Plan for EU Industry

