

EU climate policy goals — How have they shifted in response to competitiveness challenges?



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EU CLIMATE POLICY GOALS:

The destination is unchanged.

The route is being rewritten

- How competitiveness challenges are reshaping the EU policy agenda
- Implications for the EU chemical industry



Europe has not lowered its climate destination

It has moved from a climate-first model to a competitiveness-enabled transition



The Green Deal logic: regulate the pathway

The policy architecture was built around targets, carbon pricing and sectoral obligations.

CLIMATE LAW

Binding 2030 and 2050 trajectory

FIT FOR 55

Economy-wide implementation package

EU ETS / CBAM

Stronger carbon-price signal and leakage protection

RENEWABLES / EFFICIENCY

Accelerated deployment and lower demand



THE COMPETITIVENESS SHOCK

The transition collided with a structurally tougher industrial environment

Four realities challenged the original business case

1. **Energy:** Persistently high power and gas costs
2. **Global subsidies:** US and Asian incentives changed investment location
3. **Chinese overcapacity:** Intensified pressure across clean-tech and chemicals
4. **Regulatory burden:** Cumulative complexity slowed execution

Result: Decarbonisation projects became harder to finance precisely when deployment needed to accelerate.



THE ENERGY SHOCK

Natural Gas Price and EU Carbon Permits

Natural Gas EU (EUR/MWh)



source: tradingeconomics.com

EU Carbon Permits



source: tradingeconomics.com



THE ENERGY SHOCK

Competitiveness starts with energy

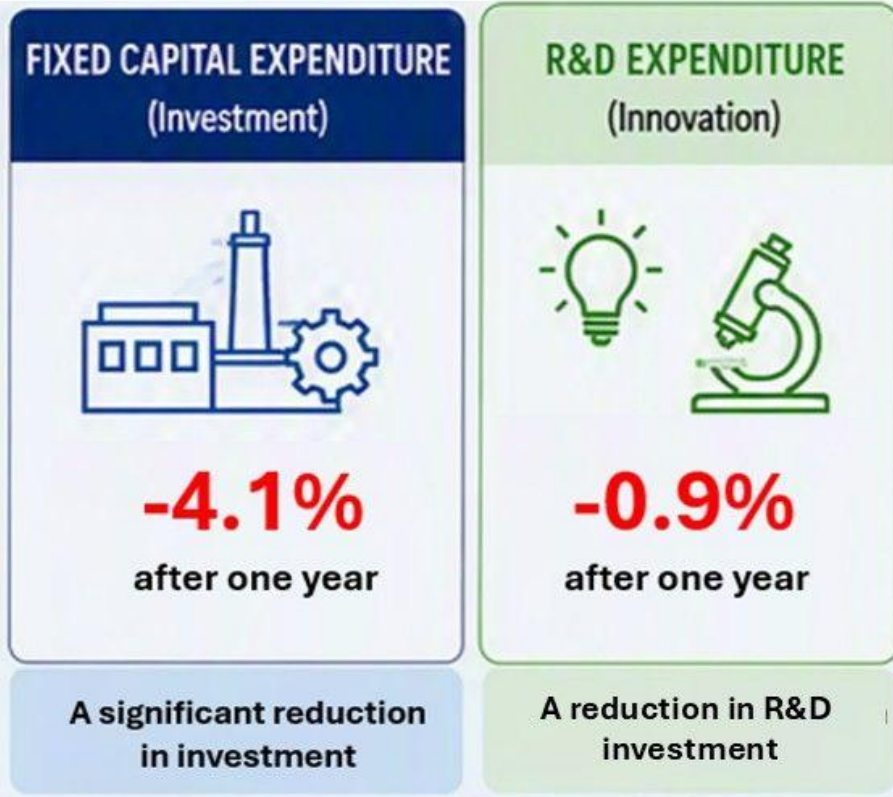
Rising costs today, weaker investment and innovation tomorrow

Gas: ~€80/MWh

Oil: ~\$100/Bbl



An energy shock that raises energy prices by 1% is associated with:

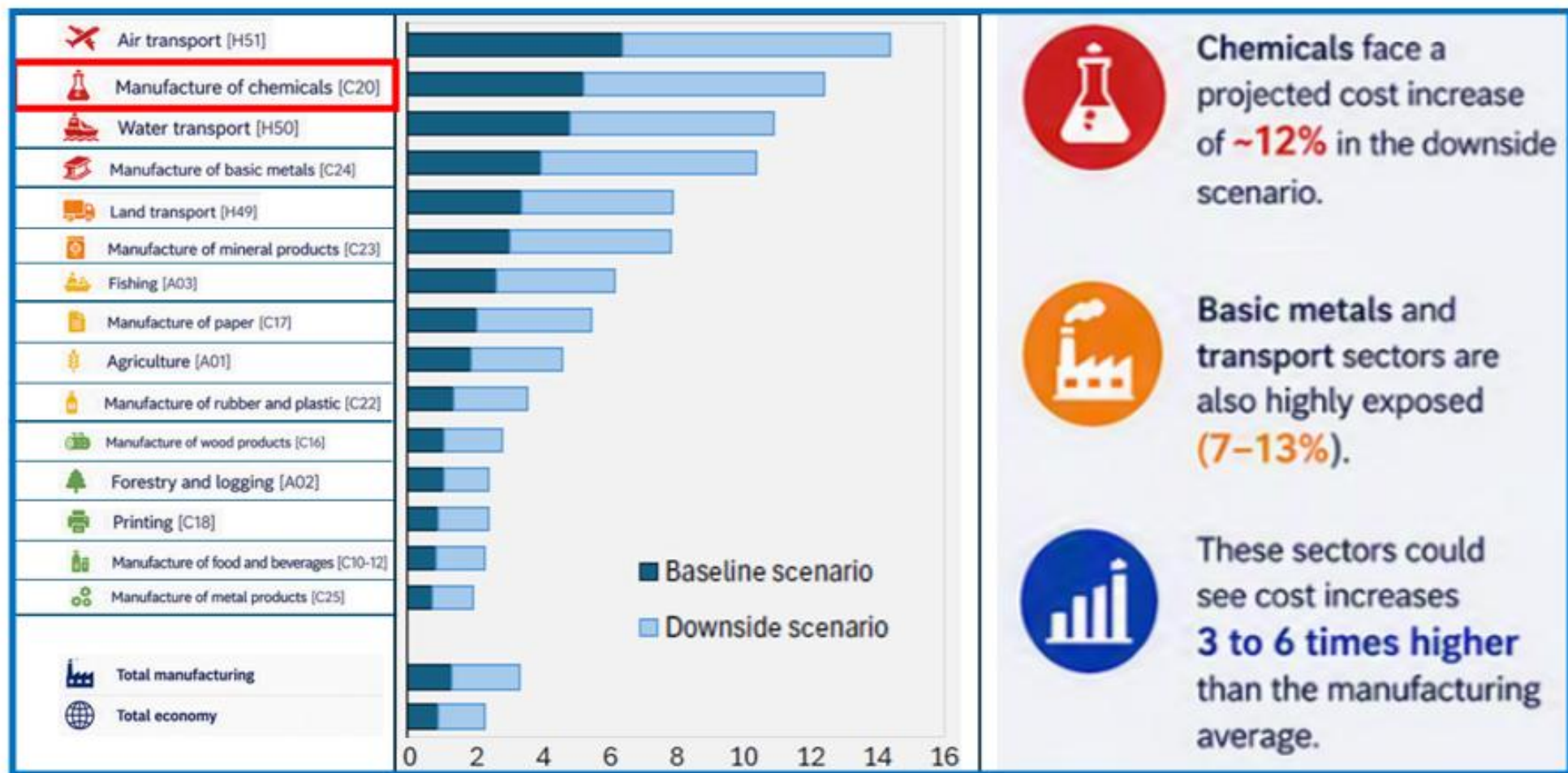


Source: European Central Bank (ECB), “Energy shocks, corporate investment and potential implications for future EU competitiveness”, Economic Bulletin, Issue 8/2024.



THE ENERGY SHOCK

Projected cost increase in EU industries due to energy price increases in 2026 (in %)



Source: Redesigning Supply Chains EU Firms in a time of geopolitical risk, EIB, 2026



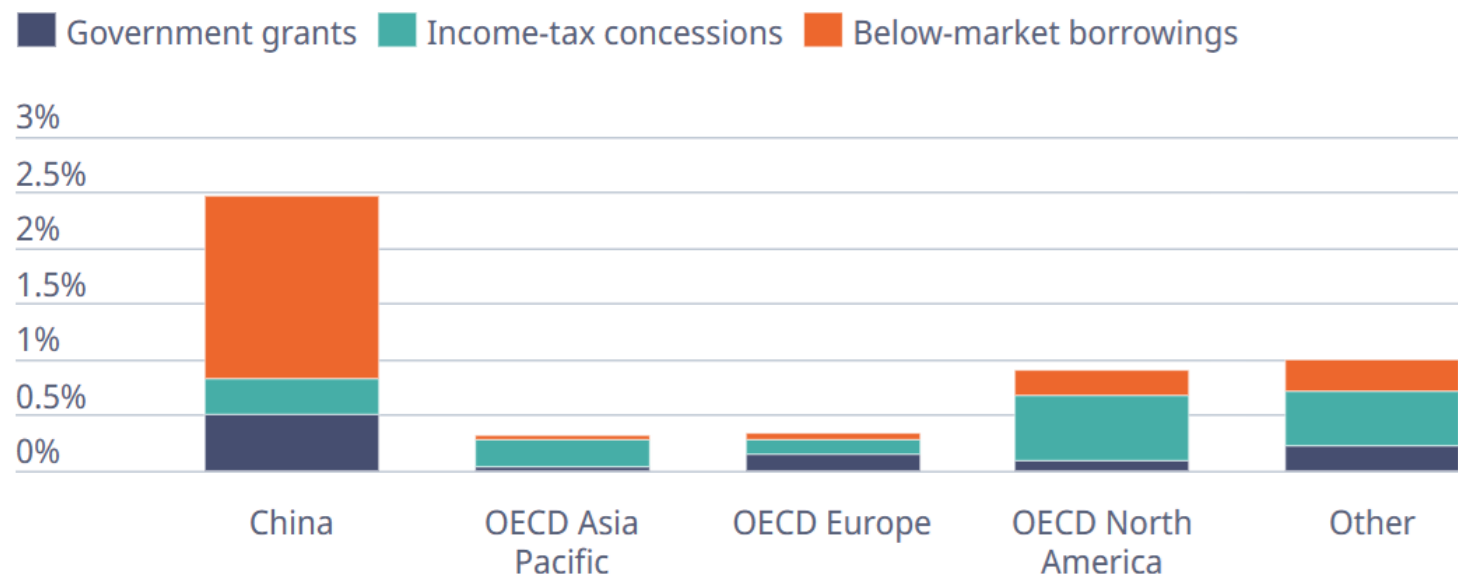
THE SUBSIDIES SHOCK

Industrial firms in China receive more subsidies than their competitors elsewhere

Between 2005 and 2024, Chinese firms received on average three to eight times more government support than firms based in the OECD, a conservative estimate. These subsidies were also considerably higher than the support received by firms based in non-OECD economies such as Brazil, India, and Indonesia.

Level of industrial subsidies differs significantly across regions

Average for 15 key industrial sectors by firms' headquarters location for 2005-24 (% of annual firm revenue)



Source: OECD MAGIC Database of Industrial Subsidies 2026

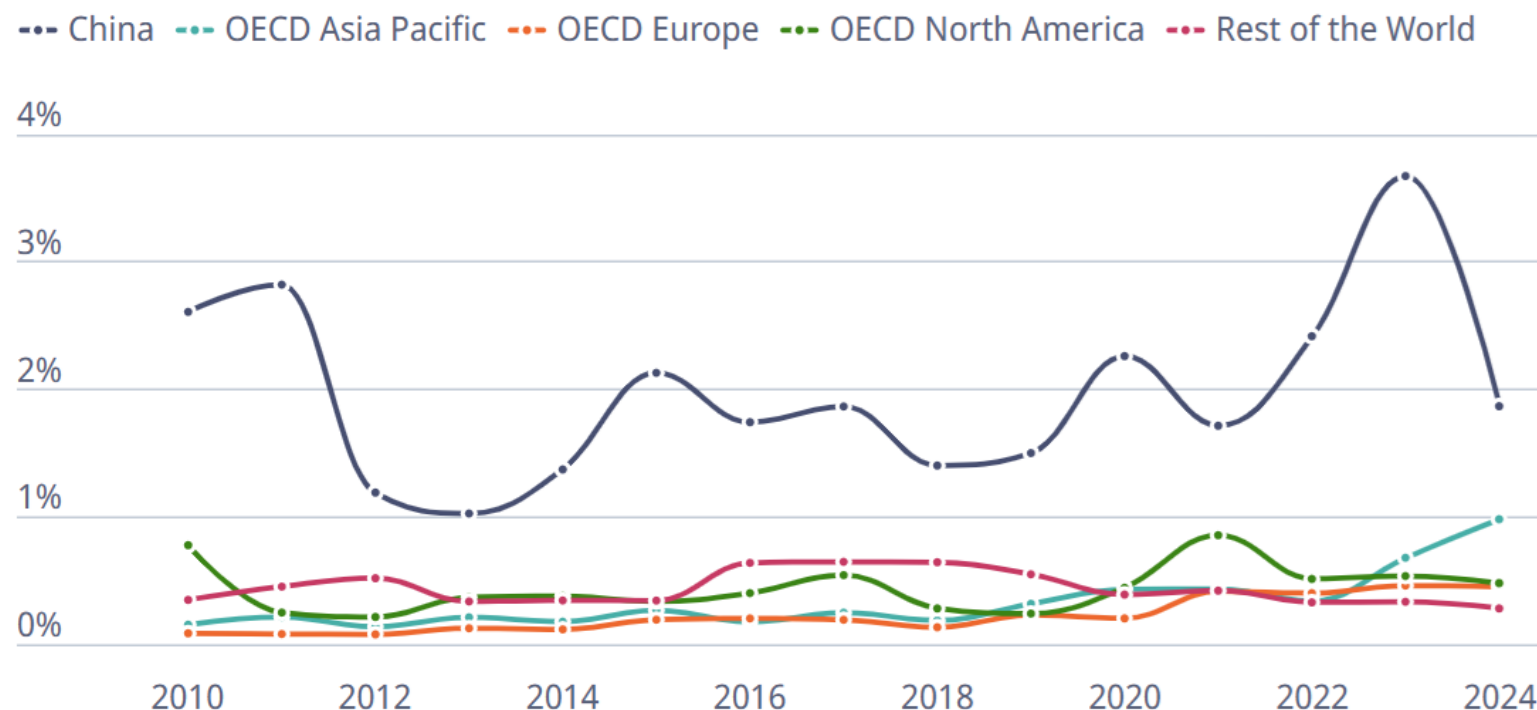
THE SUBSIDIES SHOCK

Chinese producers of chemicals are larger recipients of subsidies

Chemical producers based in China were by far the largest recipients of subsidies between 2010 and 2024, both in absolute and in relative terms. The subsidies received by firms based outside China were, meanwhile, considerably lower, although recent subsidy programmes did at times cause sporadic increases in support (including during the COVID-19 pandemic).

Chemicals - Average of subsidies by firms' headquarters location

Percentage of annual firm revenue

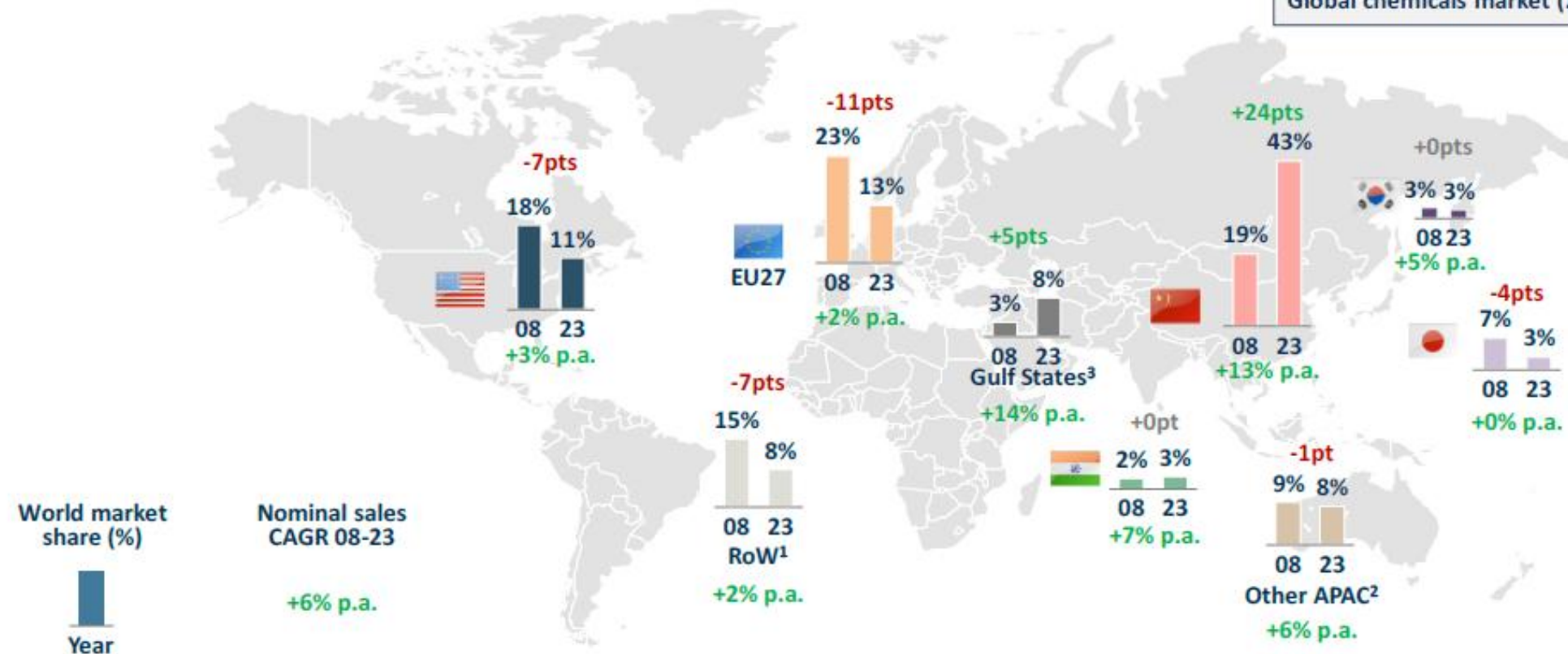


Source: OECD MAGIC Database of Industrial Subsidies 2026

Evolution of regional shares of the chemicals market

Nominal sales, market shares in % of sales, sales CAGR in %, 2008-2023, World

Global chemicals market (2023) : €5.2T



Notes: (1) Rest of the world includes: Latin America, Europe outside EU27 including UK and Russia, Africa, Mexico, Canada, (2) Other APAC includes all Asian and Oceanian countries ex. China, India, Japan, South Korea, (3) Including GCC countries, Israel, and Iran

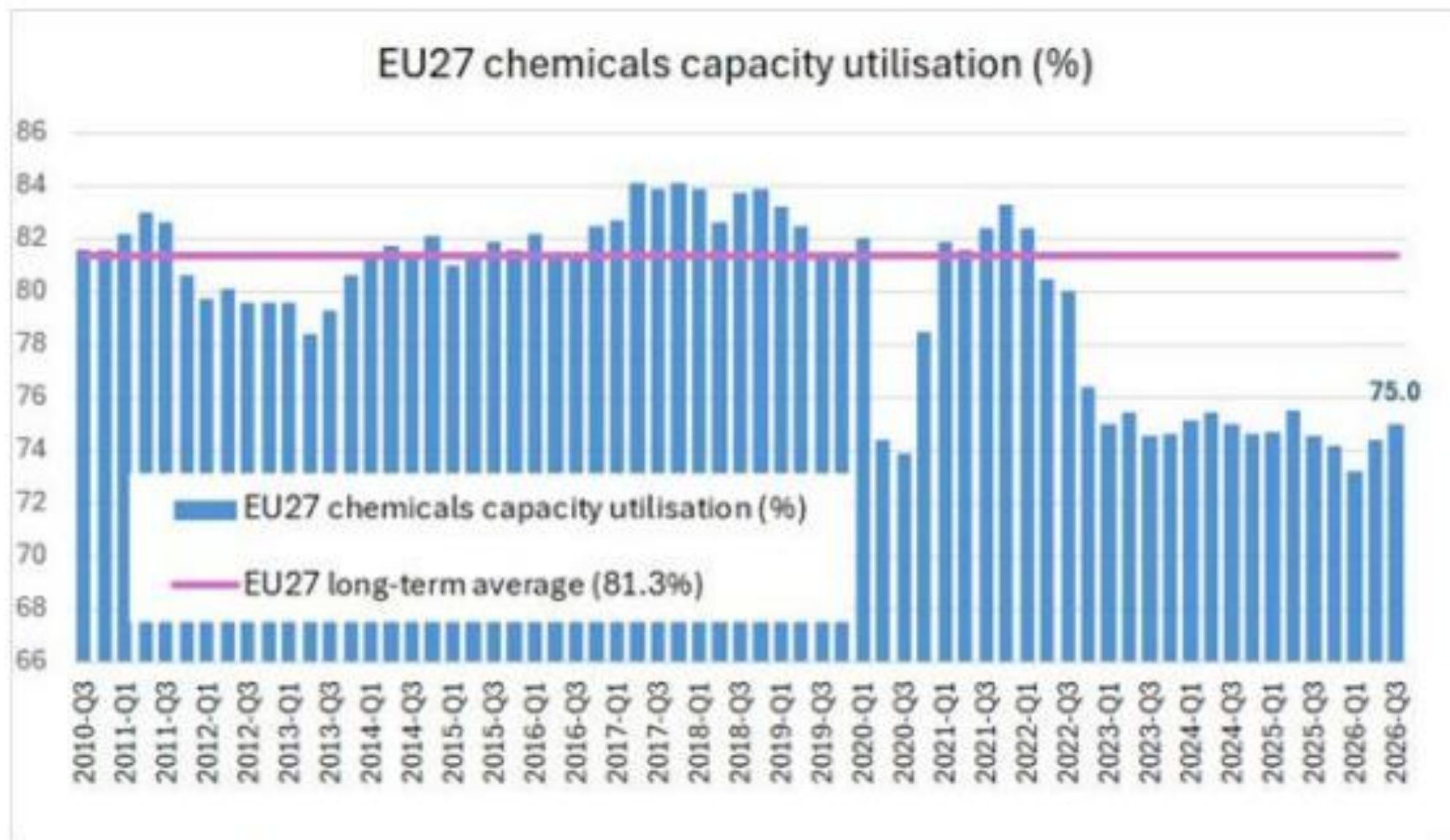
Sources: Cefic 2023, Gulf Petrochemicals & Chemicals Association, Advancy analysis

A joint study by:



10 January 2025

➤ Europe's market share in terms of nominal sales has declined by around 11 percentage points over the past 15 years, from 23.3% to 12.6% between 2008 and 2023.



Source: Cefic analysis based on Eurostat Data, Nace 20



Europe is losing share in chemical markets both domestically and globally

EU27 MARKET



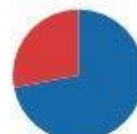
■ EU27 suppliers ■ Share of EU27 imports



2010

€418 bn

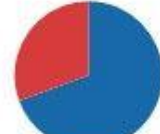
21% imports



2020

€462 bn

28% imports



2025

€584 bn

31% imports

Market +40% | Import share +10 pp

INTERNATIONAL MARKET



■ Non-EU suppliers ■ Share of EU27 exports



2010

€1,973 bn

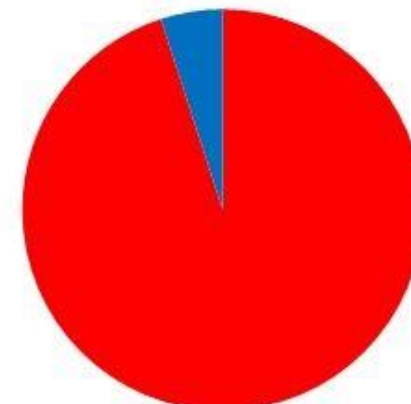
6.4% EU27



2020

€3,068 bn

6.0% EU27



2025

€4,288 bn

5.0% EU27

Market +117% | EU27 market share -1.4 pp

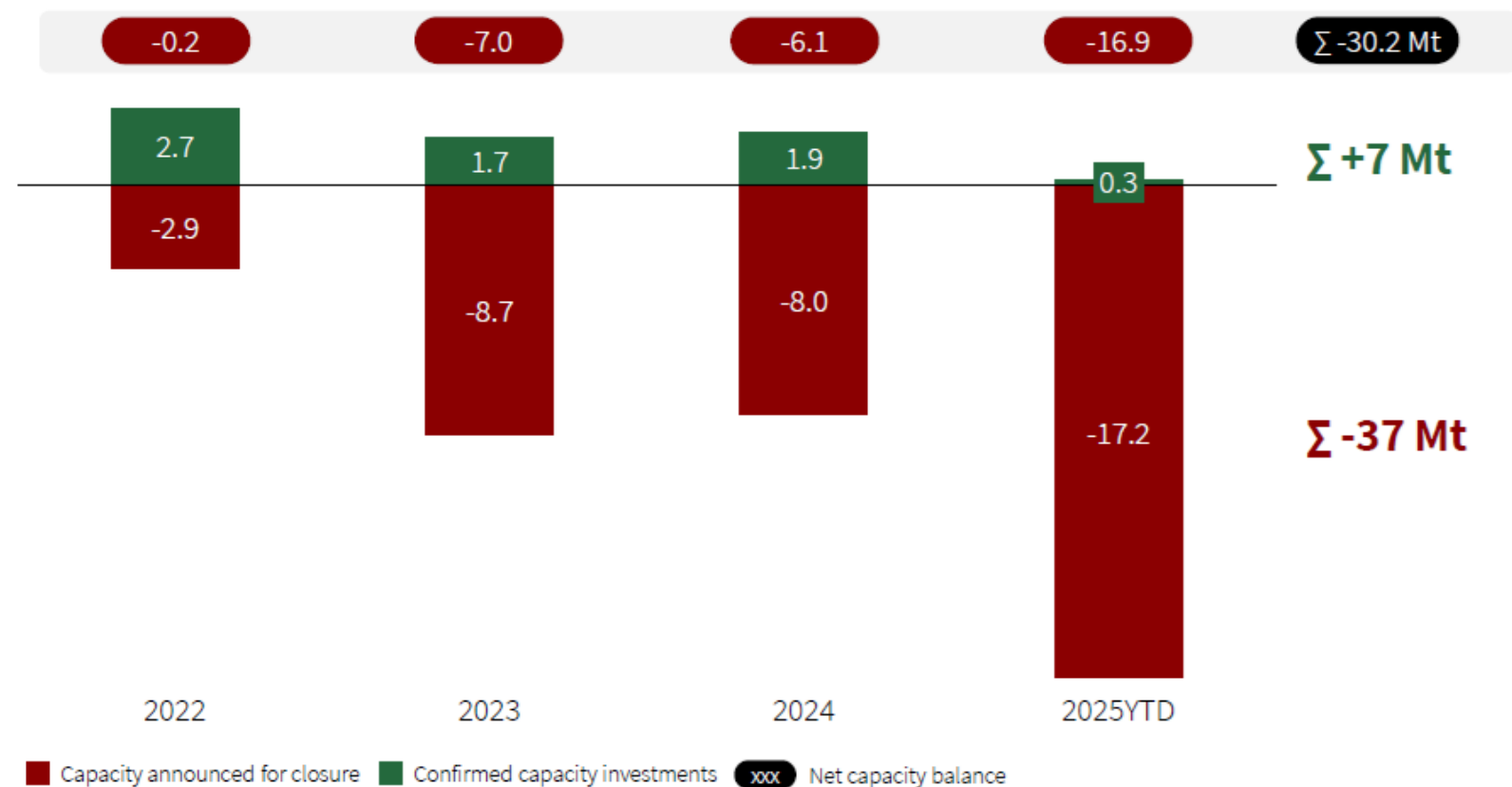


Source: Cefic Facts and Figures 2025, circle area is proportional to total market size

The net result for chemicals

The European chemical industry faces a structural capacity contraction, as net announced capacity balance points to a loss of -30.2 Mt

Net capacity balance of announced closures and confirmed investments in Europe, 2022-25YTD [Mt p.a.]



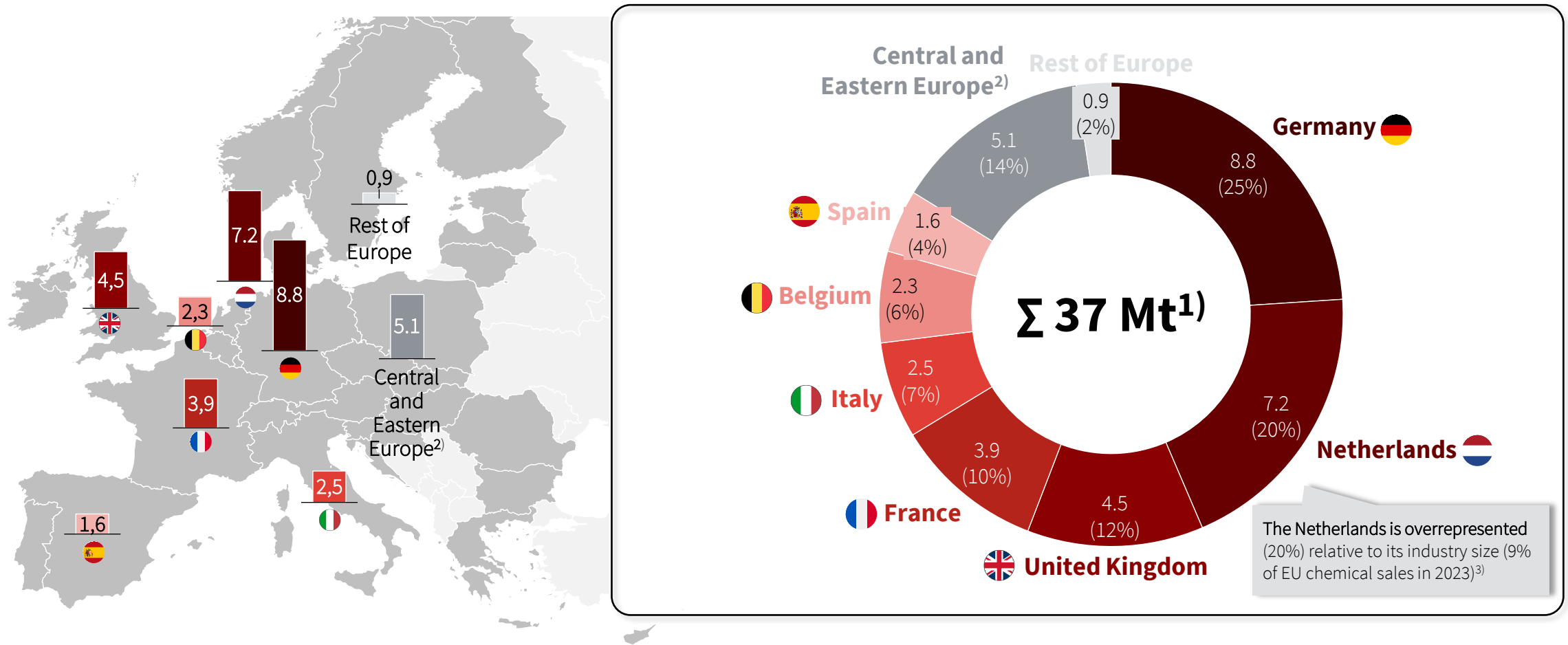
Insights

- The asymmetry between investment and closures is increasing between 2022-25YTD
- Closure announcements are typically nearer-term (1-2 years), whereas investments are typically longer term (2-5 years)



While closures are announced across Europe, Germany and the Netherlands account for ~45% of the capacity announced for closure

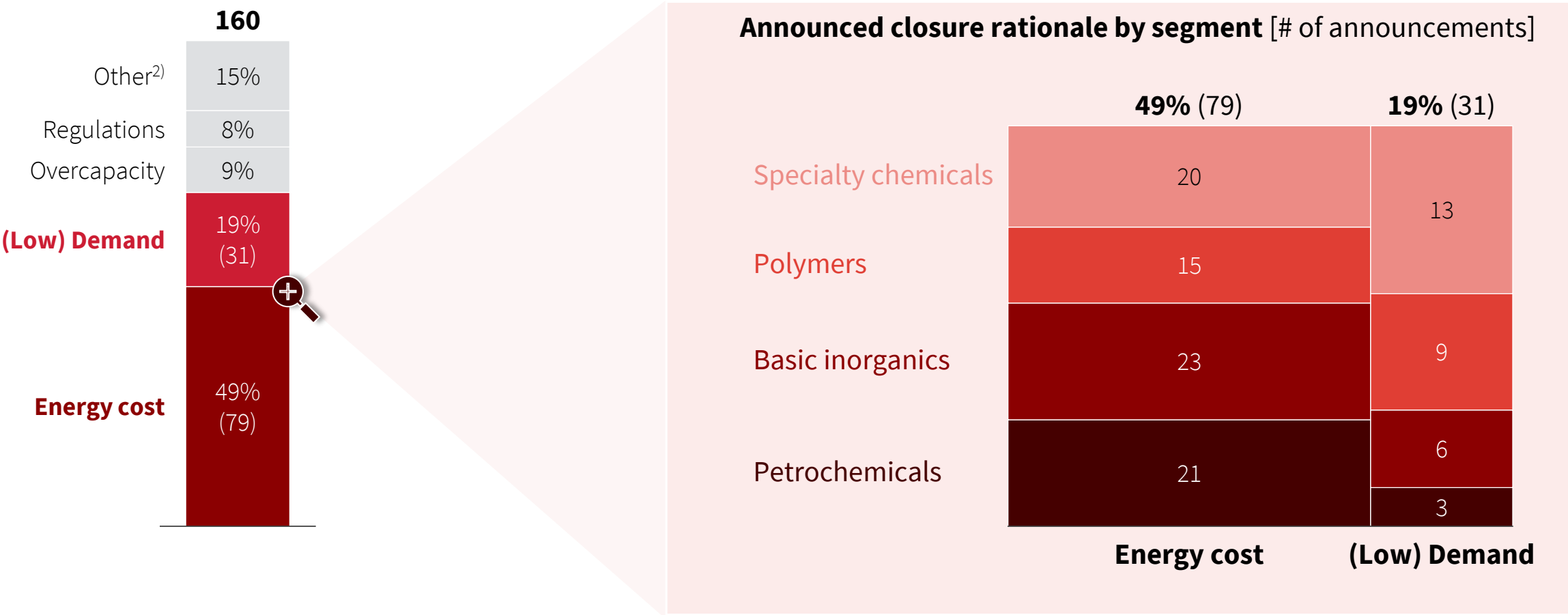
Overview of announced closures by country, 2022-25YTD [Mt]



1) 32 Mt when considering EU27; 2) Includes announcements in Croatia, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovakia; 3) Sales figures from Cefic Chemical Trends Report

Lack of energy cost competitiveness is the dominant closure rationale, cited in 49% of announcements, a pattern consistent across all segments

Announced closure rationale by segment¹⁾, 2022-25YTD [# of announcements]

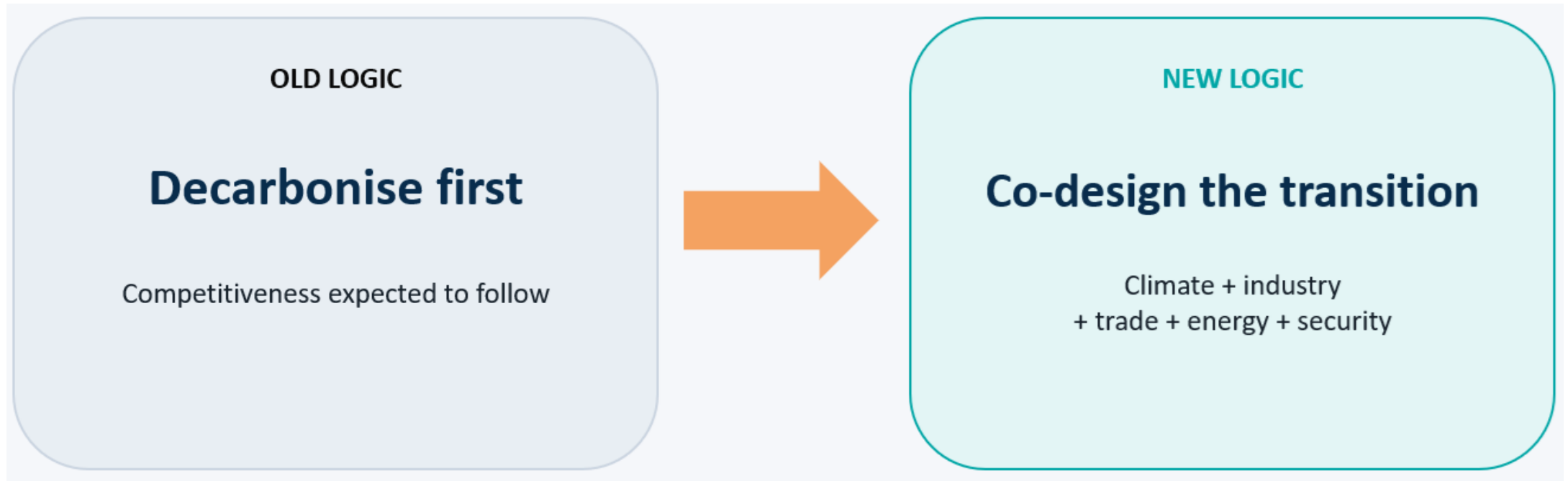


1) Based on the rationale for closure as mentioned in public announcements, if multiple reasons were given, the primary reason was selected; 2) Includes feedstock costs and strategic decisions

2024-2026

The policy pivot: climate ambition meets industrial realism

Antwerp Declaration, Draghi Report, Budapest Declaration, the Clean Industrial Deal and the Competitiveness Compass changed the governing logic.



EU framing: decarbonisation succeeds only if the investment and production remain in Europe



THE SHIFT IN PRACTICE:

5 Changes define the Clean Industrial Deal

Targets remain binding, but delivery is becoming more pragmatic and industrial

- | | | |
|---|--------------------------|--|
| 1 | AFFORDABILITY | Energy cost is now a core climate-policy variable |
| 2 | FLEXIBILITY | Credits, removals and cross-sector options enter the framework |
| 3 | SIMPLIFICATION | Regulatory burden is treated as a competitiveness risk |
| 4 | INDUSTRIAL POLICY | State aid, funding and lead markets support deployment |
| 5 | ECONOMIC SECURITY | Resilience and domestic production shape policy choices |



The Chemical Industry Action Plan: From “sector to regulate” to “ecosystem to retain”

RESILIENCE

Critical Chemicals Alliance; address closure risks

ENERGY & DECARBONISATION

Affordable energy and feedstock; investment support

LEAD MARKETS & INNOVATION

Stimulate demand for clean and circular chemicals

SIMPLIFICATION

Chemicals Omnibus; streamline implementation



The unresolved gap:

Policy language has shifted faster than industrial economics

PROGRESS

- Clearer recognition of energy-intensive industry
- More flexibility and simplification
- Sector-specific action plans
- Stronger resilience narrative

STILL MISSING

- Globally competitive energy prices
- Predictable long-term funding at scale
- Robust low-carbon product premiums
- Faster infrastructure and permitting

THE TEST IS NOT THE NUMBER OF INITIATIVES. IT IS FINAL INVESTMENT DECISIONS IN EUROPE.



Thank you for your attention!

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