

## A SHORT INTRODUCTION TO THE EUROPEAN CHEMICAL INDUSTRY



The European chemical industry is a European manufacturing success story. It is a wealth generating sector of the economy and a valuable part of Europe's economic infrastructure, but its future success cannot be taken for granted.

Industrial production of chemical began in Europe over 150 years ago. Since then the industry has grown, and it produces the huge range of substances used in, and needed by, our modern consumer economy. Our products are used in making 95% of all goods. The industry currently comprises approximately 29,000 companies, employing roughly 1.2 million people directly and a further 3-4 million people indirectly, generating a turnover of over €500bn and net exports of nearly €50bn.

In recent years, investment in countries like China (where demand is growing) and the USA and the Middle East (where energy and raw materials are cheap) has put the EU industry under increasing pressure from international competition. If this loss of competitiveness is not addressed the EU risks becoming an increasingly high cost region with little if any growth and accelerating industrial decline.

## Safety First

The European chemical industry is committed to the safe use of its products and the safety of its production facilities. It does, and will do, whatever is needed to protect people and the environment from harm.

The European chemical industry knows that producing and using chemical is potentially dangerous. We invest substantial resources in understanding the dangers associated with our products and processes. We then establish effective measures to manage the risks and to ensure that chemical products can be, and are, used safely.

These measures are taken within a comprehensive regulatory framework, comprising over 150 different pieces of legislation, designed to ensure the safe operation of chemical factories and that people and the environment are not harmed by chemical. We support the continual review of this framework to make it more effective and less costly.

In doing so, the first imperative is to ensure that people and the environment are not harmed. We do whatever is necessary to prevent harm. If there is a risk of harm we take precautionary measures, managing that risk so as to avoid the possibility of harm. Moreover, even where there is no evidence of possible harm, the industry is continually seeking to improve its performance, processes and products so as to minimise emissions and exposure and to underwrite the guarantee of safety.

## Research and Innovation

The European chemical industry is an innovative sector. Chemistry is the key in many 'Key Enabling Technologies'. Innovative chemistry will help Europe meet today's challenges and build for the future. The best of chemistry is yet to come.

In 2012 the European chemical industry invested approximately €9bn in research, more than any other region. We are engaged in three of the five Key Enabling Technologies (biomaterials, nanotechnology, advanced materials) identified in the Commission's 2009 Communication, "Preparing for our future: Developing a common strategy for Key Enabling Technologies in the EU".

Talk of an economic transformation and economic growth necessarily implies a process of change, and change will necessarily require innovation. Chemistry is the 'transforming science' and can play a key role in building a better future for Europe and its people.

That having been said, everyone is in favour of innovation – until companies actually innovate. Then every possible reason will be brought forwards to prevent them doing so. If policymakers want to change things for the better then they should support not only research but the practical application of that research in order to provide solutions to current problems.

## Competitiveness and regulatory efficiency

Europe can reduce the cost of regulation without reducing standards and the level of protection.

The European chemical industry welcomes the EU's plans to promote jobs and growth, to boost investments and to work for an industrial renaissance. We welcome, in particular, the decision to mainstream industrial competitiveness in all policy areas.

Improving European competitiveness requires a reduction in the cost of doing business in Europe relative to its international competitors. Industry is always seeking to maintain production while increasing efficiency. The European chemical industry now looks to the EU to adopt a similar, systematic approach to reducing policy costs and compliance costs without reducing standards – thereby ensuring regulatory efficiency.

## Energy & Climate Change

The European chemical industry is an energy intensive industry. It needs reliable supplies of energy at competitive prices. It has no vested interest in where the energy comes from.

'You can't make us more competitive by making us less competitive'. Current climate policies operate by guaranteeing a high price for renewable energy and then pushing up the price of fossil energy until it is even higher. This is intended to, and will result in high energy prices. Industry can seek to offset this cost by investing in even greater efficiency, but even where this is possible it can only take us 'back to square one' and leave us carrying an investment cost not borne by our competitors.

It is time for a rethink. Policies should provide incentives that encourage European industry to invest and to grow. To that end, policies should not aim to push up energy prices but should be directed towards "innovating down" the cost of low-carbon technologies to the point where they are competitive.

Until this is the case, and unless there is a global agreement securing comparable efforts in other major economies, EU energy intensive industries will need effective measures to protect them against the risk of investment and carbon leakage.

## Trade (TTIP)

The European chemical industry imports raw materials and exports high added value products. We support TTIP as it will boost trade and economic growth.

The industry will benefit from the elimination of import duties on transatlantic chemical trade, generating annual savings of €1.5 bn, of which roughly a third relates to intra-company trade. Moreover, access to US energy markets will result in increased competition in oil and gas markets and can thus, in combination with EU domestic action, contribute to narrowing the gap between US and EU energy prices.

We can also benefit from cost savings due to greater regulatory cooperation. The European chemical industry has no ambition to see regulatory standards reduced on either side of the Atlantic. However, enhanced regulatory cooperation can create opportunities to reduce regulatory costs for both authorities and companies, without reducing standards: thereby contributing to greater regulatory efficiency.

## Concluding remarks

The EU stands at a crossroads.

If the credit crunch taught Europe anything, it is that growth based on ever increasing debt is not sustainable: and that manufacturing economies are more resilient to economic shocks than consumer economies. In the aftermath of the economic crisis economic growth is proving hard to achieve and global competition is fiercer than ever. If we do not recover our international competitiveness and engage with our global competitors then we can expect to see investors turn their backs on Europe and investment move to third countries. Europe would then become a declining, consumer economy.

The European chemical industry looks to the incoming EU institutions to reject this course and to develop policies in all the above areas that will enhance Europe's competitiveness and contribute to an industrial renaissance. We stand ready and willing to contribute to that renaissance. Given the right competitive framework conditions in the EU we will be able to do so.

Cefic, the European Chemical Industry Council, founded in 1972, is the voice of 29,000 large, medium and small chemical companies in Europe, which provide 1.2 million jobs and account for 17% of world chemical production.

Cefic members form one of the most active networks of the business community, complemented by partnerships with industry associations representing various sectors in the value chain.

A full list of our members is available on the Cefic website: [www.cefic.org/About-us/Our-members](http://www.cefic.org/About-us/Our-members)

Cefic is an active member of the International Council of Chemical Associations (ICCA), which represents chemical manufacturers and producers all over the world and seeks to strengthen existing cooperation with global organisations such as UNEP and the OECD to improve chemical management worldwide.

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**Chemistry making a world of difference**

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