

# Political briefing

## The Green Deal needs all strength

No other continent pursues a vision comparable to that of the European Union with the Green Deal. A challenge for the century! Only if it is done right will the Green Deal open up the opportunity to give Europe an advantage in global competition. Sustainable innovations are in huge demand worldwide – and the chemical-pharmaceutical industry has a key role. We make sustainability possible with our innovations.

### A competitive industry: path and goal

However, the political and societal demands on the chemical industry are enormous. Four major transformations must be mastered: Our industry is not only to become greenhouse gas-neutral and digital, but also circular and pollution-free. And all of that at the same time. This can only succeed if our industry remains strong enough during the transformation to compete with Chinese and American businesses. Strengthening competitiveness is crucial to the success of the Green Deal.

### Chemistry does its part

We are actively taking on the Green Deal challenge! Our industry is developing technologies for climate-neutral chemical production. The key building block is favourably priced green electricity in large quantities. We are constantly making our products safer and developing new products. This calls for a European Chemicals Strategy which is based on scientific findings and implemented accordingly. We are becoming circular – for example, with chemical recycling. This takes regulation which actively supports innovation.

### Political action is required

This shows: Climate, environmental and industrial policies must be thought and implemented together. Policymakers should focus on creating supportive rules that are well attuned to each other. And politicians must act quickly – so that we can act fast!

### Use the Green Deal as a driver of the economy

The Green Deal needs an entirely new form of cooperation between politicians, industry and society: for the right instruments and timelines and to resolve the inevitable conflicts of goals. If we succeed here, the Green Deal can be the driver of a competitive Europe. Let's get going!

### Dr. Martin Bruder Müller

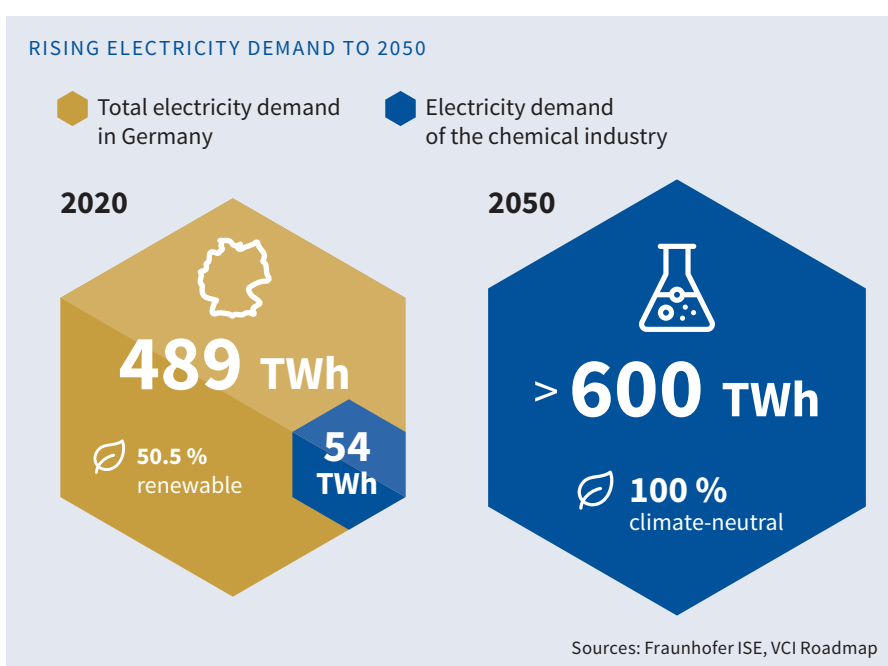
Vice-President of Verband der Chemischen Industrie



# This is how the Green Deal can succeed!

**With its Green Deal, the European Commission wants to bring about the transformation to a sustainable economic system. It is explicitly designed as a growth strategy intended to contribute to more jobs and sustainable prosperity.**

This objective is extremely demanding, especially as the Green Deal comprises much more than climate and energy policy: It also influences the chemicals policy, the circular economy, bioeconomy issues and other topics of major importance to the chemical-pharmaceutical industry. For the Green Deal to succeed, five prerequisites must be met.



## Make innovations a priority

### Promote R&D with an open mind to different technologies

Business and government should invest 3.5% of GDP in research and development (R&D). This can be achieved by expanding fiscal incentives for research and additional real-world laboratories. As Europe must exploit all options for reducing CO<sub>2</sub> on its way to greenhouse gas neutrality, an open mind to a wide range of technologies is essential.

### Step up transformation projects

Major key technologies such as hydrogen, chemical recycling, biotechnology, energy storage and digitalisation should be promoted across value chains. Adequate support programmes and funds as well as Important Projects of Common European Interest should be used for this purpose.

### Implement sustainable finance in a workable manner

The EU Commission wants to encourage investors to put their money in sustainable innovations and technologies. The relevant catalogue of criteria must take into account all aspects of sustainability – economic, ecological and social.



### Full steam ahead for renewables

### Develop a European strategy

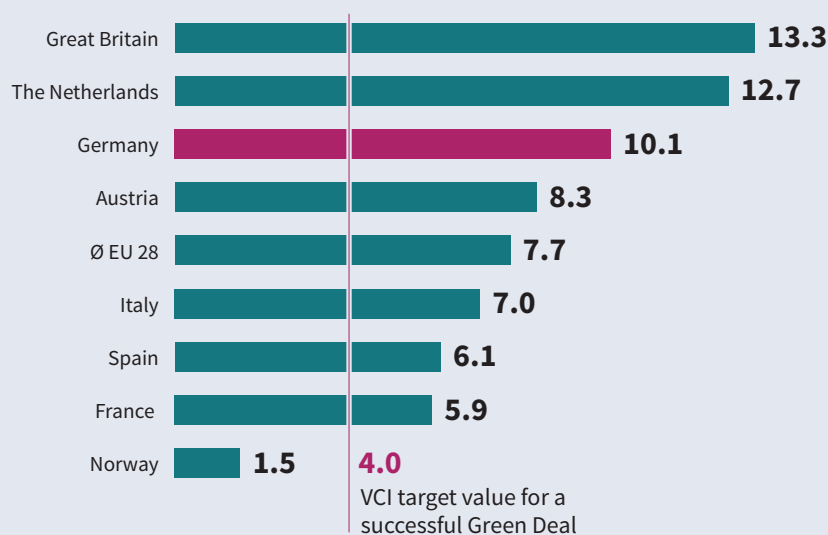
In Germany alone, the electricity demand of the chemical-pharmaceutical industry will increase from 54 to over 600 terawatt hours by 2050. Since much more electricity will be needed in other sectors too, this demand cannot be met from German production. The expansion of production capacities and power lines must be planned beyond national borders – with a European strategy for electrification.

### The Green Deal needs chemistry

Key technologies for a climate-neutral Europe are not thinkable without innovations from the chemical industry. For example:

- Wind power can only be expanded with strong turbines whose rotor blades, up to 50 metres long, withstand wind speeds of more than 300 km/h. Only fibre-reinforced plastics can cope with such extremes.
- Building and housing account for about one third of Germany's energy consumption. Insulation helps: For every litre of crude oil used to manufacture polystyrene, up to four litres of fuel oil can be saved annually.

**ELECTRICITY PRICES MUST DROP SIGNIFICANTLY**  
ELECTRICITY PRICES FOR INDUSTRY IN CT/KWH,  
CONSUMPTION 70-150 GWH.  
1<sup>ST</sup> HALF OF 2020



Sources: Eurostat, VCI

**Targeted burden-easing for SMEs**

Small and medium-sized enterprises are the backbone of the European economy. So that they can develop their potential for a successful Green Deal, they in particular depend on little bureaucracy and workable solutions. It is deplorable that, for example, the safety data sheets for REACH are still barely manageable for smaller companies.

● **No climate tariffs**

Import conditions to counterbalance higher carbon productions in other countries are controversial in terms of trade policy. Also, more expensive imports can become an additional burden for downstream parts of the chemical industry and its customers.

● **Make up for the cost difference**

Compared with conventional processes, novel low-carbon production methods are often much more costly. To keep them competitive, new instruments (such as Carbon Contracts for Difference) are needed as transitional measures to make up for the cost difference.

**Chemistry4Climate**

On their climate platform, the VCI and the Association of German Engineers (VDI) work with many partners to 2023 to develop recommendations and a technology path for the road to climate neutrality – supported by the federal environment ministry.



● **Reduce costs**

New climate-friendly production processes can only be introduced if production is internationally competitive. Therefore, policymakers must ensure that the enormous amounts of renewable industrial electricity cost a maximum of 4 cents per kilowatt hour.

● **Drive forward hydrogen**

In order to replace fossil raw materials, the German chemical industry needs large quantities of greenhouse gas-neutral hydrogen. With 1 million tonnes, the industry is already today the biggest hydrogen user. Demand will rise to 7 million tonnes. To cover it, the infrastructure needs to be expanded and other types of generation must be possible alongside electrolysis.

**Reduce burdens to a minimum**



● **Introduce a brake on burdens now**

For all Green Deal projects, burdens must be noticeably eased already now. Where burdens cannot be avoided, they must be compensated for by reductions in the same policy area – including compliance costs.

● **Prevent carbon leakage**

With a view to preventing possible shifts of greenhouse gas emissions to regions with less stringent climate requirements (“carbon leakage”), ambitious climate protection must come with a free allocation of CO<sub>2</sub> allowances in EU emissions trading.



### Maintain stability in chemicals legislation

In the Green Deal, attention must be paid to consistency and feasibility. The noble goals should be prioritised and reviewed regularly. This applies, for example, to the EU Chemicals Strategy. In various points, the strategy aims for a sweeping ban on chemicals, even though some of their uses enable innovations in climate protection in the first place – such as battery or fuel cells. The chemical and pharmaceutical industry can only remain a strong innovator if the diversity of chemicals and planning security are maintained.

### Make COP26 a success

At the UN Climate Change Conference, the aim is to convince other regions of the world of the Green Deal concept. Efficiency and feasibility will be key criteria. This makes it even more important to include the perspective of business.

### Facilitate technology exports

To be able to use climate-friendly innovations globally, the partnership with the USA should be revived, the WTO reformed, EU trade agreements pushed forward and international co-operation and standards promoted – also for procuring sustainable energy sources and raw materials.

### Strengthen the bioeconomy

Obstacles to the further development of a bioeconomy in the meaning of the Green Deal should be identified and eliminated. For example, reliable and competitive supplies of renewables must be ensured.

### Consider interactions



#### Think ecological, economic AND social

So far, the Green Deal has focused on environmental policy goals. Rethinking is needed here. As the Green Deal is meant to be a growth strategy, the EU Competitiveness Council should have a watchdog function.

#### Consider chemistry and pharma

By looking specifically at the impact on the chemical-pharmaceutical industry, conflicting goals can be avoided and the industry's potential can be fully utilised for the Green Deal.

#### Benefit from a circular management style

Innovative technologies such as biotechnology and chemical recycling should be advanced as complementary contributions to closing material loops. Products and materials must be considered over their entire life cycle.

### Integrate the Green Deal in a global setting

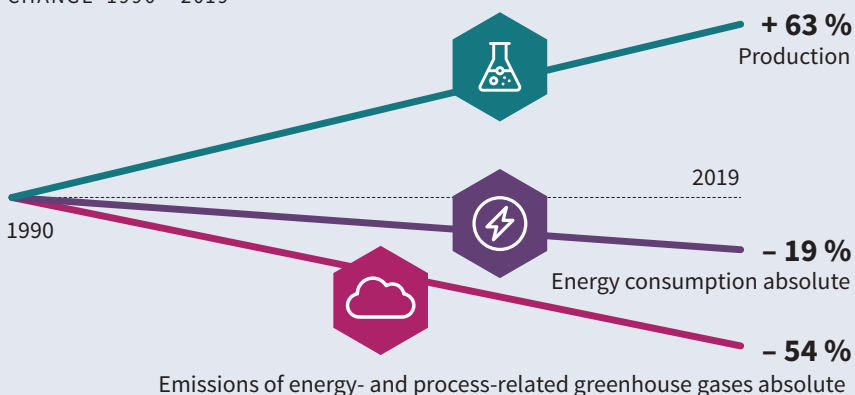


#### Create an international regulatory framework

European isolated solutions and trade conflicts must be avoided, in order to drive forward climate and environmental protection worldwide. Global CO<sub>2</sub> pricing and measuring the carbon footprint of products should be promoted internationally. Carbon clubs could play a role in this pursuit. The EU should find out with which partners standards for more climate protection can be agreed without creating trade barriers.

### FALLING EMISSIONS WITH RISING PRODUCTION

DEVELOPMENT IN THE GERMAN CHEMICAL AND PHARMACEUTICAL INDUSTRY, CHANGE 1990 – 2019



Sources: Federal Statistical Office, Federal Environment Agency, own surveys

### Imprint

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