

Green transition starts with chemical industry

Key role of Chemical Industry in Realization of Green Deal

1. Chemical industry has a key role in green and circular transition

The chemical industry is one of the key and most important drivers, enablers and accelerators of the green and circular transformation of the European industry, economies and societies in general. Without it, the vision of a climate-neutral and secure future cannot be pursued both from the perspective of Slovenia and the European area as a whole.

Why? The answer is simple:

- because it is part of a huge number of value chains with materials, products and solutions it offers;
- because it develops, produces and also uses basic and new materials, products and solutions to meet modern needs. These for example include lighter materials (important for transport), better building insulation (lower energy consumption), coatings (longer product life), sustainably designed products that are easier to recycle (e.g. plastic packaging). The recycling of many materials is also primarily in the domain of the chemical industry (mechanical or chemical);
- because it provides vital products that are also important for ensuring national and European strategic autonomy: the significance of certain chemical products (medicines, disinfectants, soaps, etc.) has also been demonstrated during the COVID-19 pandemic.

The society's expectations and demands on the chemical industry are enormous. In order to provide benefits for the society, it must therefore produce and continue to develop the necessary products and solutions. At the same time, it also needs to undertake its own quadruple transformation (green, digital, circular and sustainable). A special challenge is to adapt to the growing number of recent and forthcoming legislative and other requirements, which are particularly extensive and complex for the chemical industry (arising for example from the European Chemicals Strategy for Sustainability, the Plastics Strategy, etc.). Despite the enormous efforts invested in the above, it must remain competitive, both from the point of view of the Slovenian and European chemical industry, to ensure its future operation.

The before-mentioned challenge is multiplied in countries which are not among the biggest. Slovenia is one of such examples: relatively small industry with large proportion of SMEs and relatively small administration with limited resources seem very vulnerable in such circumstances. Thus, Slovenia's chemical industry invites European and Slovenian legislators to **consider the fact that these different circumstances and capabilities need to be taken into account by European and national legislators.** Complex and intensive legislative changes with numerous new requirements in the recovery period after global corona virus pandemic might introduce further difficulties to the industry and EU Member States that have been already battered by the corona crisis, and uncertainties on the market (e.g. availability and price of (green) energy and raw materials). **Will the countries and the Union ensure that the declared principle "no one shall be left behind" is taken into account when implementing the sustainable development agenda?**

The European chemical has already made big changes. For example, our greenhouse gas (GHG) emissions have fallen by nearly 50% since 1990 even as production increased by 95%. Not only due to the legislative requirements but also because of its own voluntary initiatives going beyond standard levels and legislative requirements (e.g. international Responsible Care® programme, in Slovenia led by the Association of Chemical Industries of Slovenia on behalf of the International Council of Chemical Associations (ICCA) and European Chemical Industry Council (CEFIC). Therefore, not only revision and upgrading, but also a sensible overhaul and simplification of chemical and environmental legislation are expected as a matter of urgency, taking into account the sector-specific roadmap - agreement with industry on the realistic intensity of introducing changes.

2. Chemical industry needs suitable support for realization of its crucial role (key messages to policymakers)

For the realization of the goals and for playing the expected role in this transformation, the chemical industry needs suitable support measures:

In order to ensure the fast transformation of the chemical industry itself and its best possible contribution to the implementation of the ambitious Green Deal goals with innovative products and solutions:

1. The Green Deal must be **accompanied with an enabling and holistic industrial strategy in the form of a »Future Chemicals Deal«** with an adapted realistic timetable.
2. **The sectoral roadmaps included in the Climate Law** are very important for achieving the climate neutrality by 2050 to stimulate **transformation, competitiveness and adequate protection against carbon leakage** of the European chemical industry. **Access to low carbon power at competitive prices is crucial**, as well as a **much stronger link between state aid and technologies, which reduce the overall CO₂-footprint and/or support the circularity of materials** (introduction of **additional ETS free allowances** for development/implementation of circular technologies until they become profitable).
3. To successfully manage the transformation, the Chemicals Strategy needs to be a **growth strategy to boost innovation of EU industry**. To be a success, **innovative EU homegrown solutions need to lead to unprecedented scales of investments in the kinds of innovation and sustainable chemistry** that are vital to achieving a climate neutral, circular, digital, safer, cleaner and strategically autonomous Europe. This transformation requires **massive investments founded on a clear business case**. **Policy coherence and regulatory stability** are essential; uncoordinated policy simply risks 'outsourcing' the Green Deal technology solutions to other parts of the world. **Regulatory predictability** is also an indispensable precondition for investors' trust and decision-making.
4. To ensure fast and effective use of the available EU project funds (like Recovery and Resilience, Cohesion, ...), a **one stop shop with a fast track (green lane) and simplified procedures** for green/circular industrial investment projects shall be enabled **in the process of environmental and other relevant permitting**.
5. **Substantial project funds at the EU level** shall be reserved and made available exclusively to the chemical industry (incl. pharma, plastics and rubber) to facilitate its transformation and using its whole potential to be the real driver of the mentioned economic/societal change.

In line with the declaration that “nobody shall be left behind” in this overall green transformation of Europe, it is extremely important that differences in capacities and capabilities of administration and economic sector of different Member States are taken into account when setting strategic goals and deadlines.

In addition, it has to be pointed out that adequate national infrastructure and legislative framework are needed for a broad introduction of hydrogen technologies, carbon capture/storage and for recycling. Except in the biggest countries, the national resources are too scarce to cover such extremely big investments, and unfortunately, also the funds like RRF do not seem enough. Last, but not least, the chemical industry calls for continued and improved support for innovation and introduction of new green materials and processes on the market, as well as for upgrading the skills and competencies of employees on all levels in the chemical industry: this envisaged tectonic change in our society requires completely new complex knowledge. We believe that everything starts with people and good chemistry therefore this has for many years already been the slogan of the Association of Chemical Industries of Slovenia.

3. Chemical industry - leading Slovenian manufacturing sector

The Slovenian chemical industry is part of the large European chemical industry and has a paramount role for the Slovenian economy and country.

The European chemical industry is one of the leading manufacturing sectors in the European Union, generating 16% of total value added of all manufacturing industries. European strategic documents and strategies mention its key role in enabling European society to be transformed, especially in the implementation of the European Green Deal. It is a front-runner and central actor in the development of green technologies.

The Slovenian chemical industry in total contributes as much as 25 % of the value added of the entire Slovenian manufacturing industry – it is the leading manufacturing sector in Slovenia. It is the leading Slovenian manufacturing industry in terms of productivity as well: its employees (representing 17% of employees in all manufacturing industries in Slovenia) create the highest value added per employee.

The Slovenian chemical industry is highly export oriented: 81% of its sales are generated abroad, mostly in Europe. This shows international competitiveness of the Slovenian industry. It is a reliable partner, known for its expertise and flexibility. But it also significantly contributes to keeping the country in the main global economic trends and networks.