



Joint Statement on a European Sustainable Carbon Policy Package for the Chemical Industry,

— The co-signing Member States (hereinafter: the Member States) underline, in the light of securing competitiveness, value chain resilience and sustainable growth of the European chemical industry, the need to effectively stimulate the uptake of sustainable carbon sources in the chemical industry.

The Member States stress that an overarching European policy framework is required to realise the shift from fossil to sustainable carbon feedstocks, in order to secure long-term competitiveness of the European chemical industry in a climate-neutral and circular economy, from upstream commodities to end-user products. Therefore, the Member States propose a package of European policy which should include, at least, policy on market creation, sustainable carbon availability and level playing field instruments, and further underline the need for action to safeguard production capacities in Europe and strengthen the integration of the European chemical industry, starting from the upstream of the value chains.

European chemical industry

The chemical industry in the EU is facing structural and urgent challenges, such as declining global competitiveness and high prices of energy and feedstock, and is therefore shifting some of its activities to third countries¹. To counter this, the Member States argue that unsustainable and undesirable dependencies should be reduced, and circular practices should be built up in order to strengthen the international position of the European chemical industry and to create future proof earning capacity for the EU. The chemical industry is a vital upstream provider of commodities and intermediates for many strategic products, from pharmaceuticals to batteries. Securing a state-of-the-art, low carbon footprint and globally competitive chemical industry in Europe is a prerequisite to limit foreign dependencies and the success of European ambitions.

Without the gradual defossilisation of the chemical industry, our climate and environmental goals cannot be met. Fossil resources as chemical feedstock add up to 10.4% of all fossil carbon consumption in the EU², which will eventually also result in CO₂-emissions. For the chemical industry to become a sustainable and competitive frontrunner, the use of sustainable carbon (recycled materials, sustainable biomass and captured CO₂)³ should replace fossil carbon use.

The European Commission has succeeded in effectively stimulating the uptake of renewable energy, yet policies on sustainable chemical feedstocks are lacking. In the Communication on Sustainable Carbon Cycles⁴, the European Commission highlighted the importance of shifting to sustainable non-fossil sources in the production of chemicals and plastic products. Moreover, the European Commission has further stressed the importance of this shift in several of its other Communications⁵. The Member states support these statements made by the European Commission and call for an overarching policy framework that stimulates the production and use of sustainable carbon feedstocks and adds coherence to the current statements and policies in Europe.

¹ Transition Pathway for the Chemical Industry. (2023). <https://ec.europa.eu/docsroom/documents/54595>

² RCI Carbon Flows Report. (2023). <https://renewable-carbon.eu/publications/product/the-renewable-carbon-initiatives-carbon-flows-report-pdf/>

³ 'Sustainable carbon' could be defined further when developing a European Sustainable Carbon Policy Package.

⁴ com_2021_800_en_o.pdf https://climate.ec.europa.eu/system/files/2021-12/com_2021_800_en_o.pdf

⁵ Communication on Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society (COM(2024) 63 final); the Communication Towards an ambitious Industrial Carbon Management for the EU (COM(2024) 62 final); Transition Pathway for the Chemical Industry

Market creation

First and foremost, there is a need for market creation for chemicals and plastics made from sustainable carbon sources. To ensure long-term sustainable growth and competitiveness of the chemical industry, markets for sustainable products will need to be created. We call for **effective, technology neutral incentives to substitute virgin fossil carbon** by recycled materials, sustainable biomass and captured CO₂ to align efforts with European climate and circularity ambitions. **Market pull through product regulation**, can help create a viable European market for products from sustainable carbon sources. This provides companies with the opportunity to adapt their value chain, enabling a strong sustainable chemistry sector in Europe. The Packaging and Packaging Waste Regulation (PPWR), Ecodesign for Sustainable Products Regulation (ESPR), and the End-of-life Vehicles Regulation are important market stimuli and guardrails for the uptake of sustainable carbon sources. These regulations are crucial, as they ensure the recyclability and reuse (efficiency) of products. The focus of these regulations should be extended to include all forms of sustainable carbon, not just recycled content. Moreover, **support for innovation** will need to be scaled up. Programmes such as Horizon Europe and the Innovation Fund can play a pivotal role in providing the necessary funding for innovation.

Tools to support a strategic industry

In addition, the Member States ask the Commission to review and, where necessary, alter state aid frameworks as to ensure maximum effect of the presented policy package and to allow for gaps in, though not limited to, the funding of start- and scale up projects concerning sustainable carbon to be closed with state aid (schemes), as well as ensuring the viability of the existing chemical industry while safeguarding the internal level playing field. Product regulation and support for innovation could support a level playing field. Nevertheless, the Member States call for the use of the entire EU policy toolbox, as well as the inclusion of additional **instruments to ensure a global level playing field**, as competition from companies outside of the EU is expected to be fierce. A global level playing field will support the creation of a viable European market.

Sustainable carbon availability

To enable companies to shift to sustainable carbon sources, careful attention should be paid to their availability. To maximise availability, we propose a **sustainable carbon availability strategy**, aligned with both the Waste Framework Directive and the EU Bioeconomy strategy. A strategy could entail the optimisation of sustainable carbon production within the EU, and the possible role of the import of sustainable carbon, when necessary. In addition, it is highly likely that for a considerable amount of time, sustainable carbon will be scarcer and more expensive than fossil carbon sources. Hence, the Member States stress the inclusion of higher R-strategies (e.g., reduce and reuse) and the promotion of efficient use of sustainable carbon.

Consistency and coherency

We call for coherency with related policy frameworks, to ensure **consistent implementation and limit the regulatory burden**. The Member States support updating the European framework governing chemical products (such as REACH), in particular to make the manufacture and use of chemical substances in European industry safer, more sustainable, competitive and future-proof, to enable a more ambitious approach (based on the current scientific assessment approaches) to protect against the risks to human health and the environment, including biodiversity, whilst supporting the competitiveness of businesses by simplifying procedures and giving them greater visibility on the rules and substances that may be subject to future restrictions. Climate policies, such as the Renewable Energy Directive III (REDIII), the Energy Efficiency Directive (EED) and the EU Emissions Trading System (ETS), also apply to large parts of the chemical industry. For instance, the REDIII ensures the sustainability of biomass through sustainability criteria and promotes the cascaded use of biomass, a method which we propose to use for this policy package as well, as to ensure adherence to the 'do no significant harm'-principle. Additionally, several circularity policies, such as the PPWR and the ESPR, could be used to create demand for products containing every form of sustainable carbon or to reduce carbon demand. When including biomass in product regulations and possible new regulations, its role should be aligned to standardisation for products, the Bioeconomy Strategy and the Regulation on Deforestation-free products. Moreover, the availability of recycled materials is closely related to the Waste Framework Directive, and the use of CO₂ in materials is linked to the Carbon Removal Certification Framework (CRCF). Whilst stimulating the shift to sustainable carbon sources through different components of the policy package, social and socio-economic impact should be considered, aligned with the Just Transition Mechanism of the Green Deal. Lastly, awareness and education of consumers on sustainable carbon is important for the success of this policy package, this for instance relates to the Green Claims Directive.