WILL BEACHAM BARCELONA

Lighten the load

A lot of investment could be required to meet new environmental targets. Instead the regulatory burden should be lightened, according to trade body Cefic

The lower oil price alone is not sufficient to save Europe's chemical industry and there are calls by trade groups for action by legislators to improve the competitive position of the region's petrochemical industry.

Although the cost of energy and feedstocks has reduced since the oil crash, it is still double the cost in the US (compared to 3-4 times higher before the collapse).

Structural problems remain unless there is political action to reconcile EU competitiveness targets with climate and environmental targets. Also meaningful legislation becomes difficult if it only applies to Europe because it merely results in a transfer of production elsewhere in the world.

The Industrial Emissions Directive has been in the news as a review is under way for the emissions limits for LVOC (low volatile organic compounds). Many petrochemicals operators may be affected because of emissions of nitrous oxide (NO) from crackers. These equal only 0.16% of emissions, but the cost potential could mean €4bn-5bn of extra investment to comply in Europe. There is a decisive meeting of the technology working group in the first quarter of 2016.

Petrochemicals operators can showcase what they have done on NO emissions and demonstrate how they are committed to targets, but in commodities people buy on price.

The industry advocates measures to promote growth, investment and innovation

Trade group Cefic's Dorothee Arns, executive director, industry sector petrochemistry and plastic additives, says her personal view is that the topic of competition has moved up the political agenda in Europe. Although regulators have taken steps to improve Europe's position against other regions, what is missing is implementation and tangible measures that would encourage investments in Europe.

There is a lot of focus on new industries but traditional industries employ people in highly qualified, well-paid jobs and their economic welfare needs to be considered.

Over the next 1.5-2 years there is also a revision of the Emissions Trading System (ETS) getting underway for the period after 2020.

In the first revision proposals published in July, climate targets again over-rode competitiveness targets, she says. Regulators propose to reduce the carbon leakage list (those exempt from the ETS) from 170 to 50, but only small sectors equal to around 3-5% of carbon dioxide emissions are proposed. Petrochemicals will stay on the leakage list, but some sub-sectors of the chemicals industry may be affected.

Cefic

Cefic's Arns says industry is committed to climate targets

Arns says the ETS is a disincentive to investment because the best performers on carbon emission reductions will see their free allowances decline, incurring extra costs.

COMMITTED TO CLIMATE

Arns says: "We are fully committed to climate change targets but there is a danger that the EU could precipitate a vicious circle where investment is exported to other regions, along with employment. There is a danger that we will simply have to import products with greater shipping emissions, making the global eco-footprint worse."

She says the chemical industry advocates measures that would promote investments, innovation and growth.

Asked about the near-term outlook for Europe, Arns says the big question at the moment is China and what this means for other economies.

"I personally believe it is a correction – after a huge phase of economic growth it is somewhat natural for things to consolidate," she says.

Even the most cautious forecasts are for China to outgrow Europe during this crisis, she adds.

For Europe, Cefic forecasts 1.6% GDP growth for 2015, following 1.3% in 2014, with southern Europe – especially Spain and Greece – picking up. The lower oil price is putting more money in consumers' pockets.

"There is a lot of strength in Europe – it is not just gloom and doom," she says. "We have well integrated plants and a mixture of highly differentiated value chains. Europe is a big market with strong nearby clusters of industries, good infrastructure and a skilled, motivated workforce."

She adds, however, that she has seen estimates that energy costs for industry have declined by 10% but taxes, levies and subsidies for renewables have doubled: that is the major cost driver. ■

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