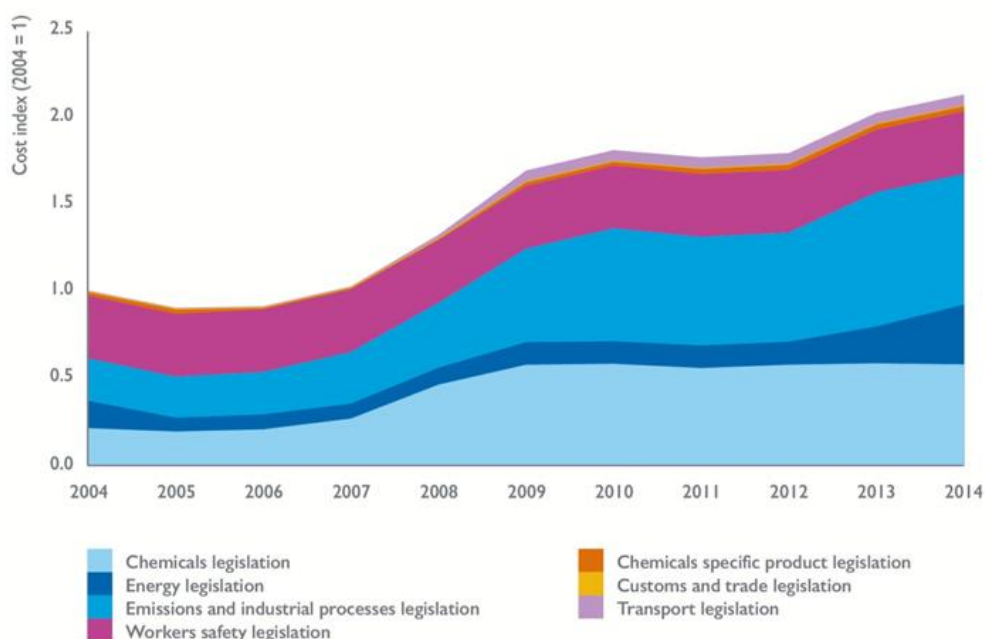


The European Commission's Cumulative Cost Assessment of the European Chemical industry

In 2015, the European Commission's industry department "DG GROW" commissioned the consultant "Technopolis" to deliver a Cumulative Cost Assessment (CCA) for the European chemical industry. The aim was to analyse cumulative costs of most relevant EU legislation for the chemical industry in 28 member states during the period 2004 – 2014. More than 200 legislative texts were screened and 70 identified as important. The results of the [study](#) were published in July 2016.

The analysis showed that the legislative packages the EU has enacted in this timeframe have led to additional regulatory costs of nearly 10 billion euro per year for the European chemical industry. In fact, the costs of regulation have almost doubled within a decade. There has also been a significant rise in the number of legislative acts.

EU regulatory cost has doubled in the last ten years (2004-2014)



Source: EU Commission Report, "Cumulative Cost Assessment, (CCA) for the EU Chemical Industry" (11 July 2016)

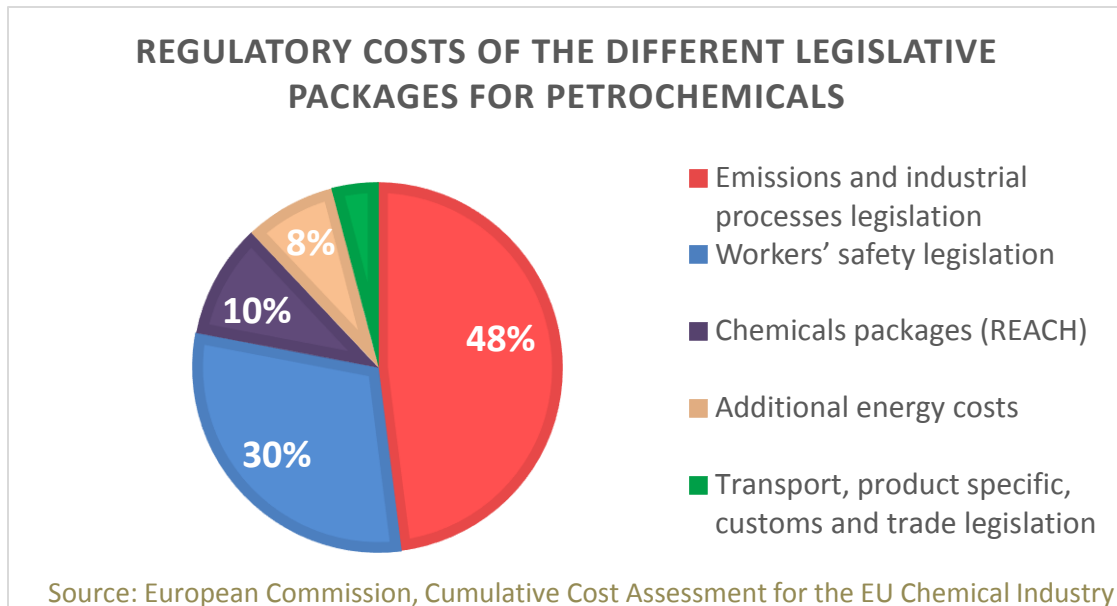
Of course, these costs can't be changed: However, future legislation should be better, smarter and more cost-efficient to avoid additional burdens for European petrochemical and chemical producers. It is worth stressing that talking about the lessons learned from the report does not mean lowering standards or eliminating regulation. All chemical companies in Europe are firmly committed to complying with legislation. The question is only whether we can reach the same target with fewer costs and less burden to safeguard the competitiveness of European producers and to attract or rather re-attract more investments to Europe.

Quick recap: Almost 30% of the total chemical industry is petrochemicals. It is not only an important industry sector, but also the starting point of almost all chemical value chains. In fact, 95% of all manufactured goods are based on petrochemicals. No mobile phones, shoes, tires, drugs, paints, food packaging, wind turbines, solar panels, light-weighting for cars or insulation for buildings without petrochemicals. In addition, the petrochemicals industry provides 300 000 direct and 1,2 million indirect jobs in Europe and contributes to €155 billion to the overall European GDP.

The petrochemical industry operates in a worldwide commodity market. More than 80% of petrochemicals' manufacturing costs are related to feedstock, energy and regulation which differ widely between the main worldwide markets. The European petrochemical industry faces a structural disadvantage in all these three mentioned fields. Hence, **Petrochemicals Europe advocates for cost effective legislation.**

The key findings with regard to **petrochemicals** are the following:

- 1) The overall legislative cost for petrochemicals amounts to approximately **€3 billion per year from 2004 to 2014**¹
- 2) The **most important regulatory costs** of the different legislative packages for petrochemicals are due to²:



The study showed that more than one quarter of the profits of the petrochemicals industry has been absorbed by regulatory costs.³ "The report shows facts, not opinions. The picture is very clear. Europe needs to focus on its competitiveness, of which the regulatory burden is a big factor" says Dorothee ARNS, Executive Director of Cefic's Petrochemicals Department.

In the case of the reform of the EU Emissions Trading System (EU ETS), some reform proposals – the so called tiered approach - might cost the European petrochemicals industry up to 400 - 500 million Euros per year in addition from 2020 onwards. Instead of increasing the burden for the companies, a framework allowing investment and innovation in Europe is needed.

Petrochemicals Europe's vision is as follows: The petrochemical industry should be recognised as the foundation for future economic success in Europe fuelling innovation, manufacturing and employment.

¹ European Commission, Final report, Cumulative Cost Assessment for the EU Chemical Industry, page 122.

² European Commission, Final report, Cumulative Cost Assessment for the EU Chemical Industry, Figure 31, page 124.

³ European Commission, Final report, Cumulative Cost Assessment for the EU Chemical Industry, Table 27, page 123.