

Name of Cabinet Member: if necessary

Name of the Director who has cleared the briefing:

BASIS request ID: GROW/7831 Participants: Name of main contact person: Telephone number: Directorate/Unit:

## Fiche d'entretien

WHO	<b>Meeting Cefic (European Chemical Industry Association) President / BASF CEO</b> [REDACTED] [REDACTED]
WHEN	22/01/2021 15:30
WHERE	VM Brussels
WHY	<p><i>Theme: Greening of industry (energy-intensive industries; HLG EII/low-carbon alliance)</i></p> <p><i>The chemicals industry in Europe is profoundly changing: towards more bio based, more efficient production processes and chemical recycling. The Green deal is a market opportunity, but the transition process should be managed carefully to preserve the industrial capacity of small/medium/big chemical companies and their specialisation. The climate targets are a major pre-occupation: prices; electrification (major obstacle due to German law), batteries, affordability of green hydrogen, but strong commitments from Cefic (e.g. hydrogen round-table). CEFIC's fears are: availability of renewable electricity (e.g. in terms of renewables, the chemicals industry will need 5x the current German consumption); chemical strategy could reduce European business by up to 35% if applied in the most extreme way; some chemicals can be banned but for many application (in particular for green ones: e.g. batteries, wind mills) where there are no alternatives – or not marketable ones as too expensive (standardisation, in cooperation with China, and research are needed). A sectorial chemicals European Green Deal is desired by CEFIC (encompassing innovation, regulatory, financing, enforcement, industrial aspects).</i></p>
MESSAGE	<p><b>[REDACTED] contribution on Ells / low-carbon alliance</b></p> <ul style="list-style-type: none"> <li><i>The Commission chairs a High-Level Expert Group (HLG) on Energy Intensive Industries where issues relevant to these 11 sectors<sup>1</sup> are discussed with Member States, financial institutions and civil society.</i></li> <li><i>The Ells' 2050 Masterplan of the High Level Group on Energy-Intensive industries identified the conditions needed (infrastructure, research for breakthrough technologies, financing, security of supply of raw materials) so that Energy Intensive Industries can reach climate-neutrality by 2050.</i></li> <li><i>The EU Industrial Strategy points to the role of industrial alliances, renewed partnerships with industry, for the development of industrial ecosystems by identifying technology needs, investment opportunities, and regulatory barriers and enablers.</i></li> <li><i>As mentioned in March 2020 Industrial Strategy, a low-carbon alliance can be considered as one of the possible industrial alliances.</i></li> <li><i>Associations of the three most GHG emitting industries, steel, chemicals and cement, have developed a proposal for a low-carbon industries alliance. However, the drafting process is lacking inclusion of other stakeholders. The current proposal (from CEFIC, Eurofer and Cembureau) is too much focused on IPCEI and further clarity is needed</i></li> </ul>

<sup>1</sup> 11 European Energy Intensive Industries (Ells) - iron and steel, cement, chemicals and fertilizers, refineries, non-ferrous metals, ferro- alloys and silicon, pulp and paper, ceramics, lime, and glass

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	<p><i>to the governance of the alliance.</i></p> <ul style="list-style-type: none"> <li>• <i>Therefore, resetting the development work is necessary and it is now in industry's hands to decide what it really needs.</i></li> <li>• <i>The Commission has renewed the mandate of the HLG to continue the work on energy-intensive industries and to provide input to the new Industrial Forum from this ecosystem.</i></li> </ul>
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## BACKGROUND

### Low-carbon Industries Alliance

Objective: to bring together players in the energy-intensive industries' ecosystem, committed to working towards climate-neutrality and circularity by 2050, in order to facilitate large projects to deploy breakthrough technologies in the EU, help remove barriers to innovation and improve policy coherence.

#### i) Stocktaking

The new industrial strategy announced a future industrial alliance on low-carbon industries. Low-carbon industries are resource- and energy-intensive. The Commission chairs a High-Level Expert Group (HLG) on Energy Intensive Industries where issues relevant to these 11 sectors<sup>2</sup> are discussed with Member States, financial institutions and civil society. The Commission has renewed the mandate of the HLG to support the low-carbon alliance and provide input to the new Industrial Forum from this ecosystem. The alliance would facilitate large projects to deploy breakthrough technologies in the EU, help remove barriers to innovation and improve policy coherence. The European industry associations have prepared a scoping paper and are reaching out to company CEOs.

#### ii) Actors

The alliance would bring together energy-intensive industries committed to working towards climate-neutrality and circularity by 2050. Planning of this alliance has started with steel, chemicals and cement, as already identified in the work of the Strategic Forum on low-CO<sub>2</sub> industries' strategic value chain. These sectors already have sectoral roadmaps, potential breakthrough technologies, close sectoral integration, a relatively small number of production sites (<30 for steel, around 40 crackers for chemicals and just over 200 for cement), and their products play a role in most industrial ecosystems. The alliance would be open for other players in the ecosystem to join (including civil society, trade unions, regions), based on their expression of interest to foster the alliance's objectives. The steel, chemicals and cement sectors see a need for IPCEIs and will involve Member States closely. AT has shown interest to promote an IPCEI on low-carbon industries, the discussions are still preliminary.

<sup>2</sup> Cement; ceramics and refractories; chemicals; ferro-alloys and silicon; fertilisers; glass; lime; non-ferrous metals; pulp and paper; refining and steel.

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iii) Governance

The industry is suggesting that working level arrangements for the Alliance would be managed by them and the Commission would involve other stakeholders through the High Level Group on Energy Intensive Industries. The lead industries would create or nominate a legal entity and hire a manager to lead the work. Political leadership from the Commissioner will be essential, possibly through regular steering board meetings with a core group of CEOs. We understand that Commissioner Gabriel is interested in being involved in this alliance, given the close link to the Horizon Europe partnerships on clean steel and on climate-neutral and circular industry.

iv) Timing

The industry associations presented their ideas on the Alliance at the HLG Sherpas' meeting on 3 July to Member States and other stakeholders. The aim has been to finalise the development work by the end of 2020. However, GROW has signalled to the three industrial associations leading the development work, that the process is lacking inclusion of other stakeholders, is too much focused on IPCEI and further clarity is needed to the governance of the alliance. On 19.11.2020, the three industry associations presented an updated plan, but the issues with inclusiveness remain. In practice, resetting the development work is necessary.

**Energy-intensive industries (EII)**

Energy-intensive industries (EIIs), embedded in many strategic value chains, make up more than half of the energy consumption of the EU industry. EIIs produce goods and materials that enable reduction of emissions in other sectors of the economy, including transport, construction and power generation. Given the long investment cycles for these industries, meeting the 2050 targets requires fast action.

The High Level Group on Energy-Intensive Industries, advising the Commission on policies relevant to energy-intensive industries since 2015, developed a masterplan with recommendations to build the policy framework needed to manage this transition while keeping our industry competitive. The masterplan presents an integrated policy framework with recommendations to ensure that these industries can contribute to Europe's 2050 climate-neutrality ambitions. It outlines actions that could provide the right market signals to attract new investments in Europe, help companies implement cost-effective pathways towards climate-neutrality and seize new business opportunities in Europe and abroad. The masterplan also focuses on the need to ensure a just transition and considers the need to equip workers with new skills and help communities dependent on these industries to manage the transition.