

Position Paper

Net Zero Industry Act

More Leverage for Circularity Needed in Net Zero Industry Act

Plastics Europe fully supports the EU's objective to become climate neutral by 2050 and is committed to contribute to that goal, by targeting a climate neutral plastics industry by that date.

SystemIQ's recent ReShaping Plastics report recognised that although Europe's plastics industry is adapting and moving towards neutrality, we need to do so much faster. ReShaping Plastics also identified that many levers are available to meet this systemic change but that all of them must be used, and at scale. In addition, according to the same report, climate neutrality of the plastic system in Europe will require significant investment and high operating costs. Over the next three decades, approximately €1.6 trillion of capital and operating expenditures will be needed to transition the plastic system from mature business models to circularity and greenhouse gas reduction technologies. Of these costs, up to 95% can be operating costs. In the current globally competitive operating environment, this kind of industrial transformation requires significant public support.

We are pleased that the European Commission is proposing to support Europe's Net Zero Technologies, for which plastics are essential input materials. Ready access from European sources to a diverse mix of abundant and affordable renewable energy, underpinned by ample energy storage and robust and reliable grid infrastructure, complimented by large scale carbon capture and storage capacity is instrumental to help reduce greenhouse gas emissions in plastic production. We welcome the Commission's efforts to promote these technologies, via moves to simplify the related regulatory framework, expedite permitting processes, and enable easier access to financial support for net zero technologies.

Nevertheless, we are disappointed to note that the Commission proposal makes no provision for decarbonisation of industrial processes and circularity. For a manufacturing industry, such as plastics, achieving climate neutrality requires significant investment in the increasing use of circular feedstock (recycled, biobased, CCU-based feedstock) and net-zero technologies for industrial processes (e.g. electrification of steam-crackers) in addition to decarbonisation of energy inputs. For plastics, significantly increasing material circularity is one of the fastest, most effective, most reliable, and most scalable ways to reduce the greenhouse gas emissions from production and plastic waste and allow the plastics industry to drive towards climate neutrality.

We therefore regret that:

- The proposed Net-Zero Industry Act does not match the real and pressing greenhouse gas reduction needs of the plastics industry and is an insufficient support in its transition to climate neutrality. Several key levers, such as recycling or the production of plastics from biomass, are not covered by the proposal. These technologies save emissions compared to the use of virgin fossil feedstock and at the end of life of plastics. They are crucial to enable the plastics system to decrease its greenhouse gas emissions and need to be supported.
- The proposal intends to facilitate access to investments but does not ensure the availability of adequate and prompt funding required to support industrial greenhouse gas emission reduction projects. The proposal also doesn't address the issue of transitory higher operating costs of new abatement technologies (e.g. use of renewable hydrogen). These costs will hinder the competitiveness of European industries, like plastics, in their transition to climate neutrality. The risk is that net-zero investments in the industry will take place elsewhere, calling into question the competitive advantage the EU climate policy is intended to confer on the European industry.

We therefore call the European Commission to complete the current proposal by broadening its scope to include industrial decarbonisation, including material circularity technologies, as well as by including financing mechanisms supporting the easier and quicker development of high-risk and innovative technologies.

Please contact:

Plastics Europe
Hervé Millet
Director Strategic Council - Climate and
Production
+ 33 (0) 644260612
herve.millet@plasticseurope.org

April 2023