

Title: A Demand-Pull Enabling DE-fossilization of Europe's Chemical Industry

Europe's chemical industry — a strategic sector with €635 billion turnover and 1.2 million employees — faces an urgent crossroads: achieving deep decarbonization required by the Paris Agreement while preserving competitiveness and jobs. Despite progress from renewable power and operational efficiencies, the next transformational steps demand large, structural investments at the start of value chains (e.g., crackers) and a fundamental shift to non-fossil feedstocks for ~95% of downstream production. These measures permanently raise production costs and create mismatches between target molecules and available feedstocks. Left unaddressed, the result is plant closures, lost productivity and jobs, and increasing vulnerability to lower-cost imports — demonstrating that current instruments (ETS/CBAM, fragmented funding, lead markets, quotas) are failing to deliver the scale, speed and predictability the sector needs.

This talk presents a bold, pragmatic alternative: a demand-pull instrument —the climate contribution - that uses consumer demand to finance Europe's chemical industry transformation. The climate contribution is a levy on finished physical products consumed within the EU-27 (irrespective of origin), applied using average chemical footprints to ensure scale and limit price shocks. Collected by entities close to the market (distributors, retailers, importers), revenues would be ring-fenced exclusively to finance CapEx and OpEx for Scope-1 and Scope-3 abatement measures on European assets, bridging the structural cost gap for green production.

Attendees will come away with design principles that prioritize administrative feasibility, fairness, and cost-effectiveness, and show how the instrument complements existing policies (Industrial Decarbonization Accelerator, Bioeconomy and Circular Economy strategies) or could serve as an ETS-compatible alternative to CBAM.