

ENERGY

NEWS



Energy Crisis: The EU Chemical Industry Is Reaching Breaking Point

The current energy crisis has reached an unsustainable level for the European chemical industry. For the first time ever, the EU imports more chemicals than it exports, both in volume and value, resulting in a trade deficit of € 5.6 bn for the first half of 2022.

This same energy crisis is making a dent in the competitiveness of the chemical industry, which is one of the most energy intensive in Europe, having to compete on the global market with players from regions with more favourable energy prices.

The EU chemical sector supplies virtually all other value chains, including food, healthcare, construction and transport, and any disruptions it undergoes endanger the EU's aim to be strategically autonomous.

European companies have been hit hard by Russia's continued curtailment of natural gas flows. The International Energy Agency's latest quarterly Gas Market Report shows Russian gas supplies to Europe have declined by 50% since the beginning of the year, which has pushed international prices to new highs.

The IEA expects market tightness to continue well into 2023 and could well get worse.

It may take 2-5 years before internationalisation of gas prices will get to the point where Europe is genuinely competitive on energy prices.

Energy costs are six to seven times higher in Europe compared to the US, and this is severely impacting European competitiveness.

It is predicted that the US chemicals industry will likely attract investment from European-based global players, and possibly from Asia as well, thanks to relatively low energy costs and aggressive tax incentives. The European chemicals industry will lose ground, in particular, if there is no political willingness to increase energy supply from European resources.

Reference:

<https://cefic.org/media-corner/newsroom/energy-crisis-the-eu-chemical-industry-is-reaching-breaking-point/>

<https://www.chemistryworld.com/news/european-chemicals-industry-struggling-to-compete-as-costs-surge/4016444.article>