



Energy Costs and EU Industry Competitiveness

Public Hearing EU Parliament 23 February 2016, Dr. Utz Tillmann

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WIR GESTALTEN ZUKUNFT.



VCI

Use of energy and raw materials in the chemical industry

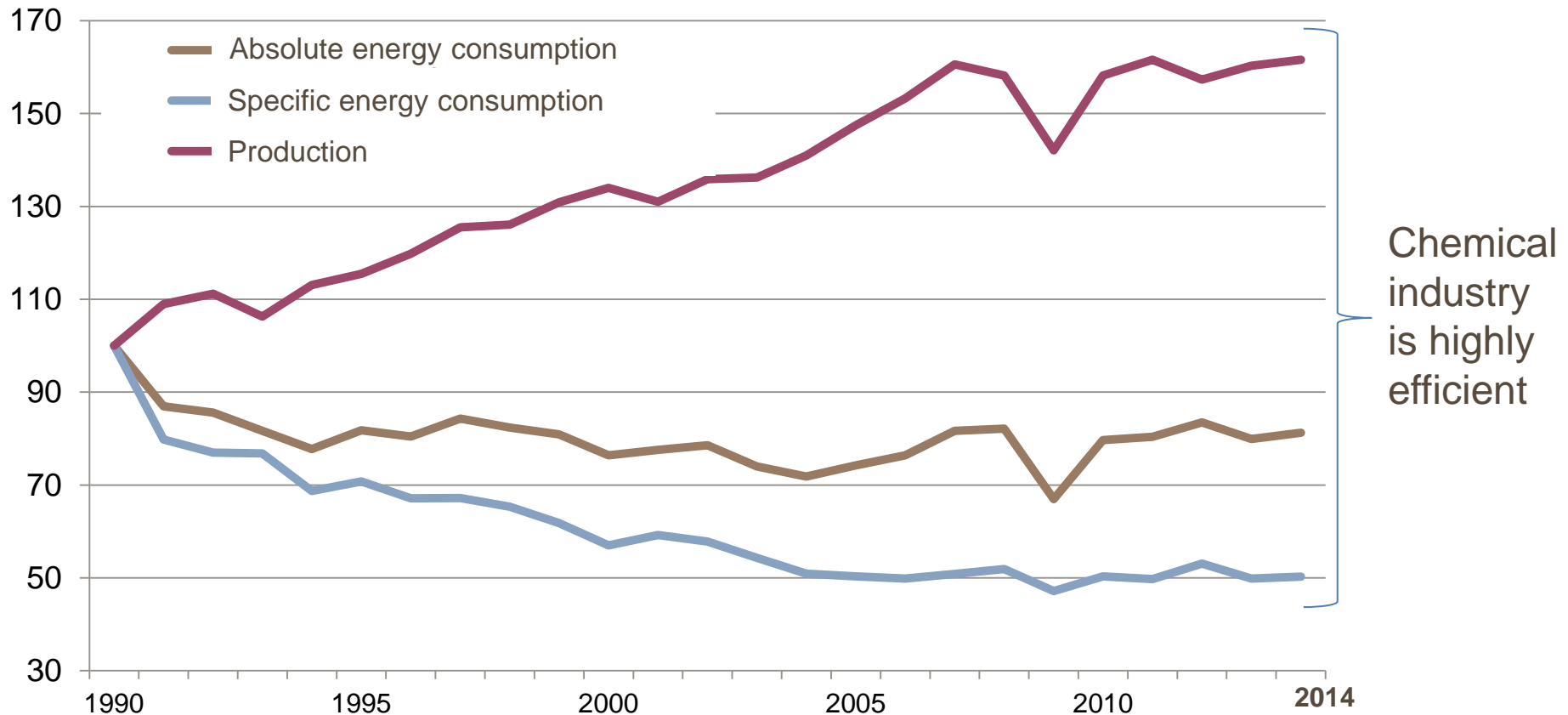
Energy/ Raw materials input	2014	Share in consumption in Germany
Electricity	53.5 mio MWh	10.5 %*
Gas	128 mio MWh	17.2 %
Coal	1.63 mio tonnes	0.7 %
Mineral oil products	16.5 mio tonnes	16 %

* Electricity consumption of 10 mio 4 person-households

Energy Consumption and production since 1990 in the German chemical industry

Development of absolute and specific energy consumption

Index 1990 = 100



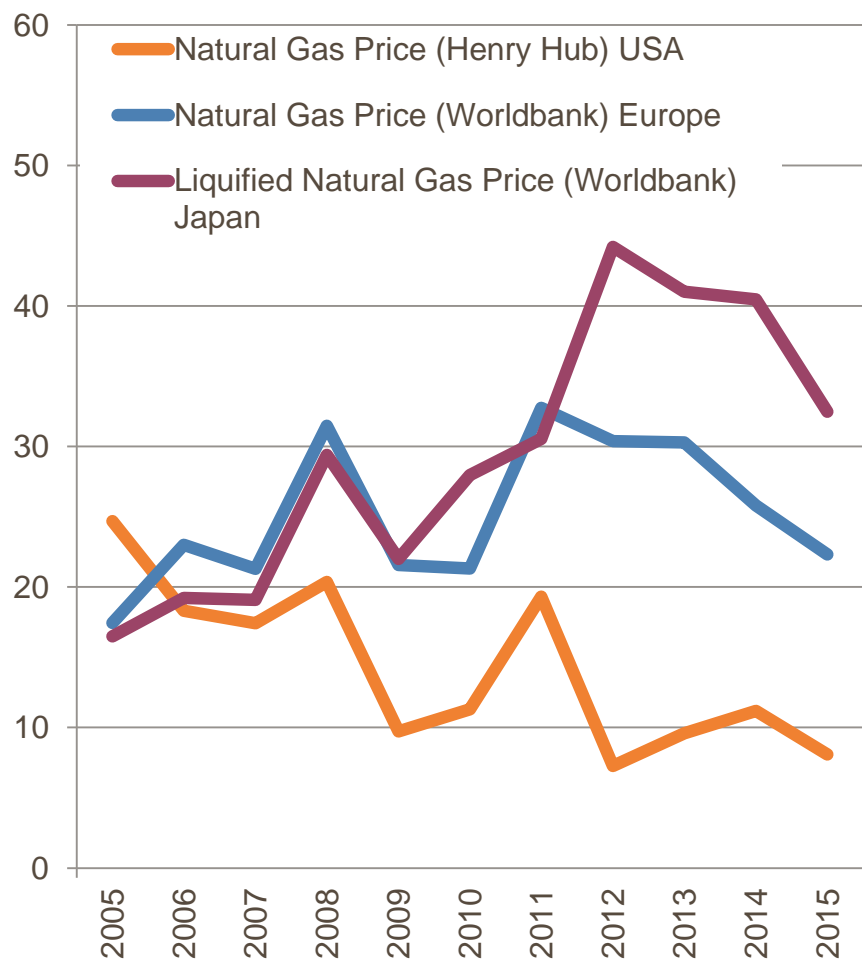
Source: VCI calculations based on data from the German Federal Statistical Office/Destatis

Drivers for competitiveness regarding energy

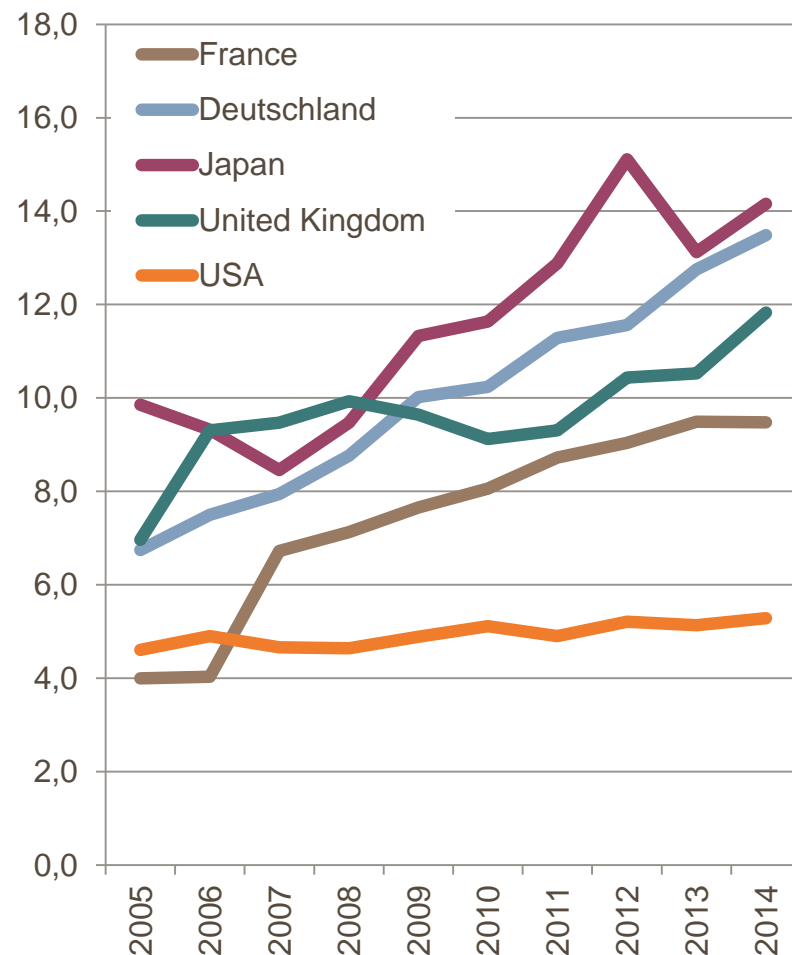
- Energy and raw material costs (2013: 20.4 billion euros)
 - Electricity prices
 - Energy and raw material prices
 - Raw materials for chemistry have world-market prices
- Few own resources
- High regulation intensity

High gas and electricity prices are a competitive disadvantage

Price comparison natural gas USA-Europe-Japan
Reference prices of trading points in euro/MWh

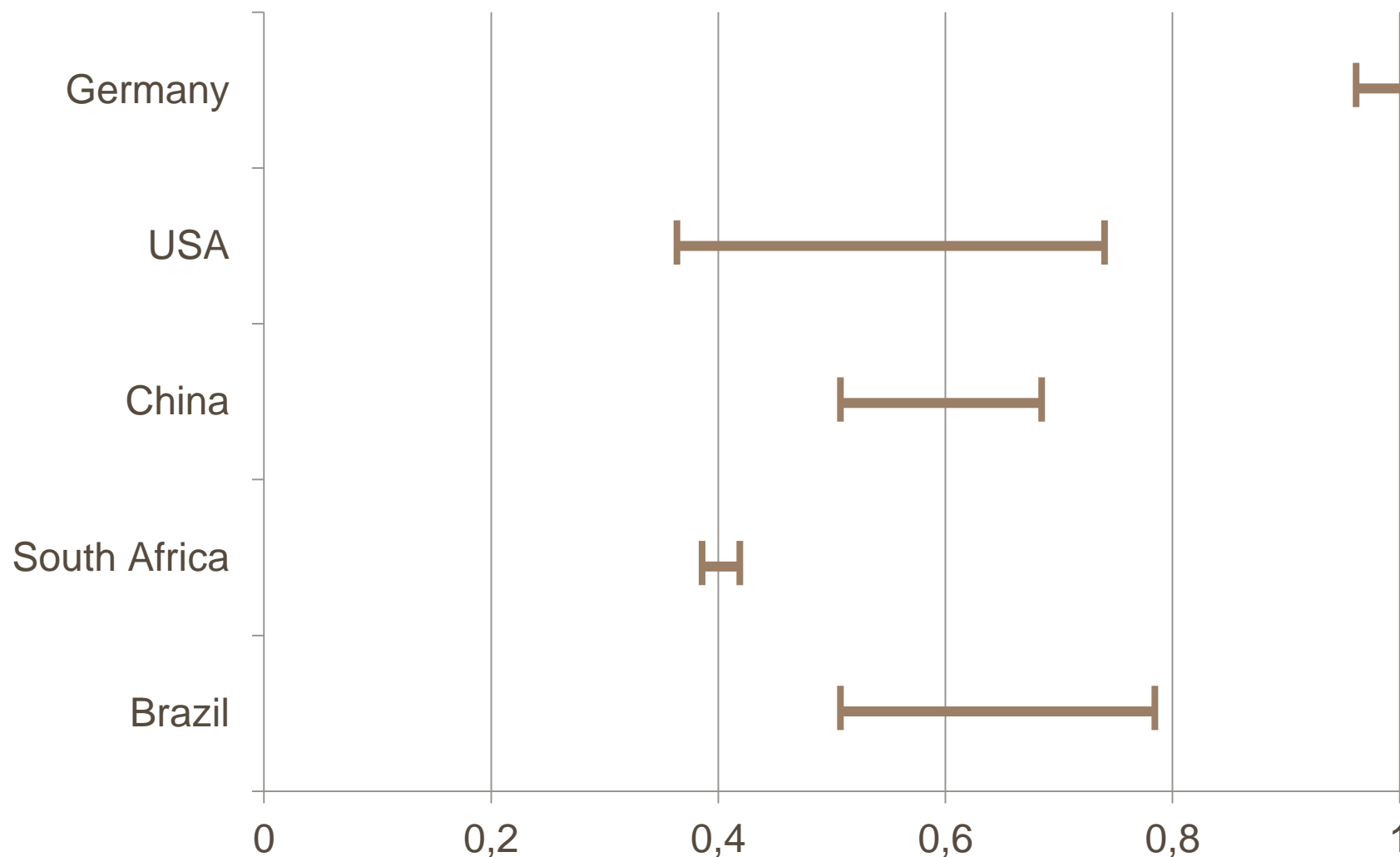


Industrial electricity prices in an international comparison
in cent / KWh

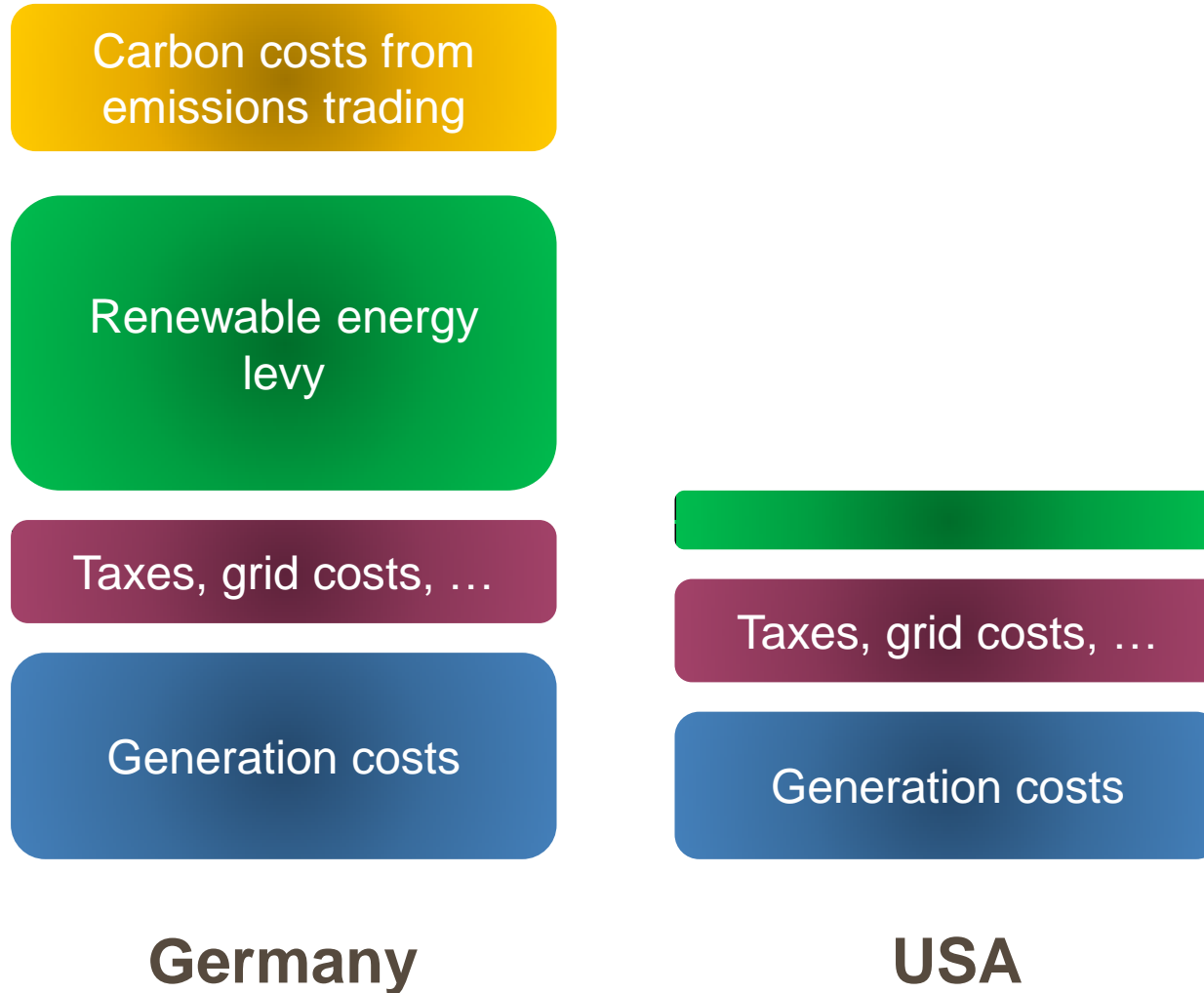


Site comparison of electricity prices for chemical companies

On average, electricity prices at German sites are twice as high as electricity prices at sites of the companies in other regions



Electricity and energy costs in Germany are increasingly determined by European and national regulation

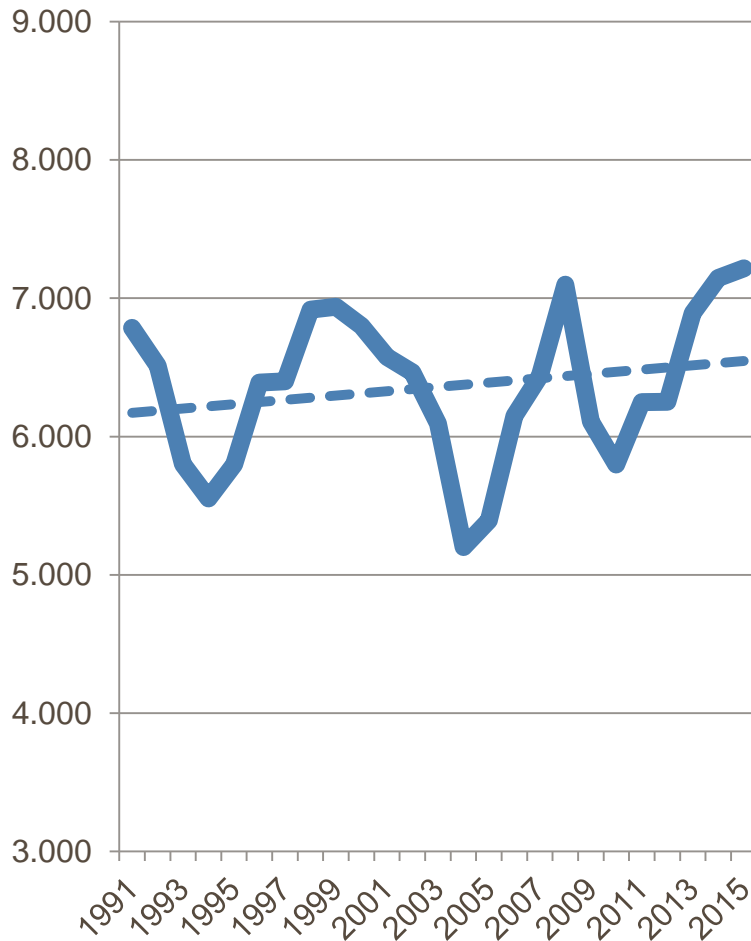


Germany

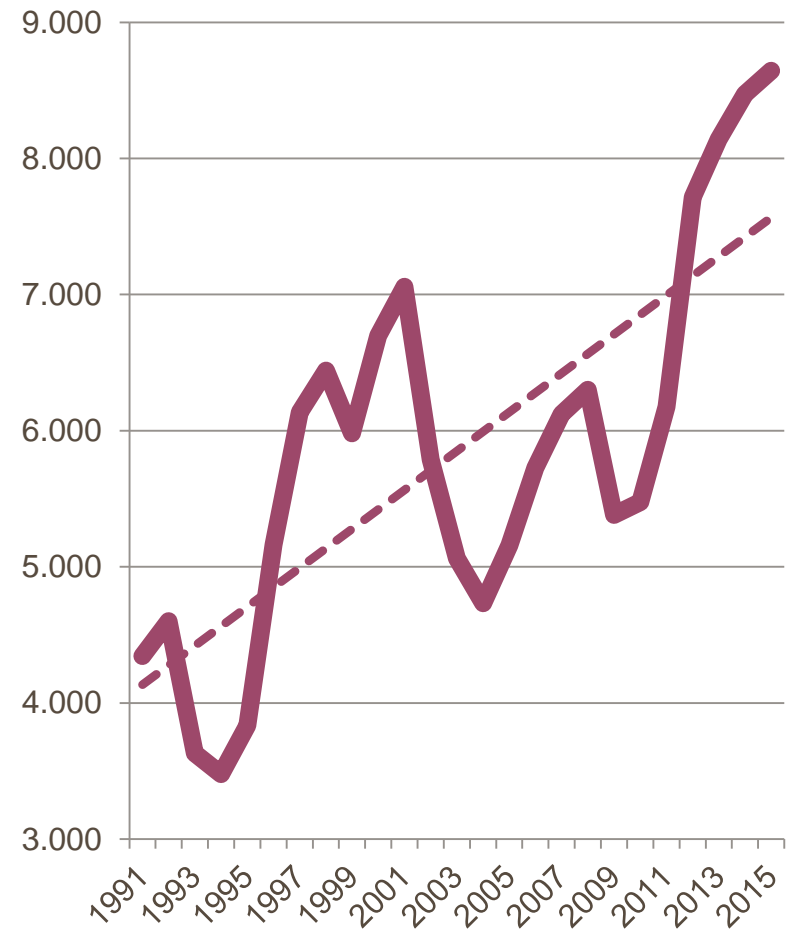
USA

Result of the loss of competitiveness: Investment leakage

Fixed asset investments of the German chemical industry in Germany, in million euros and trend

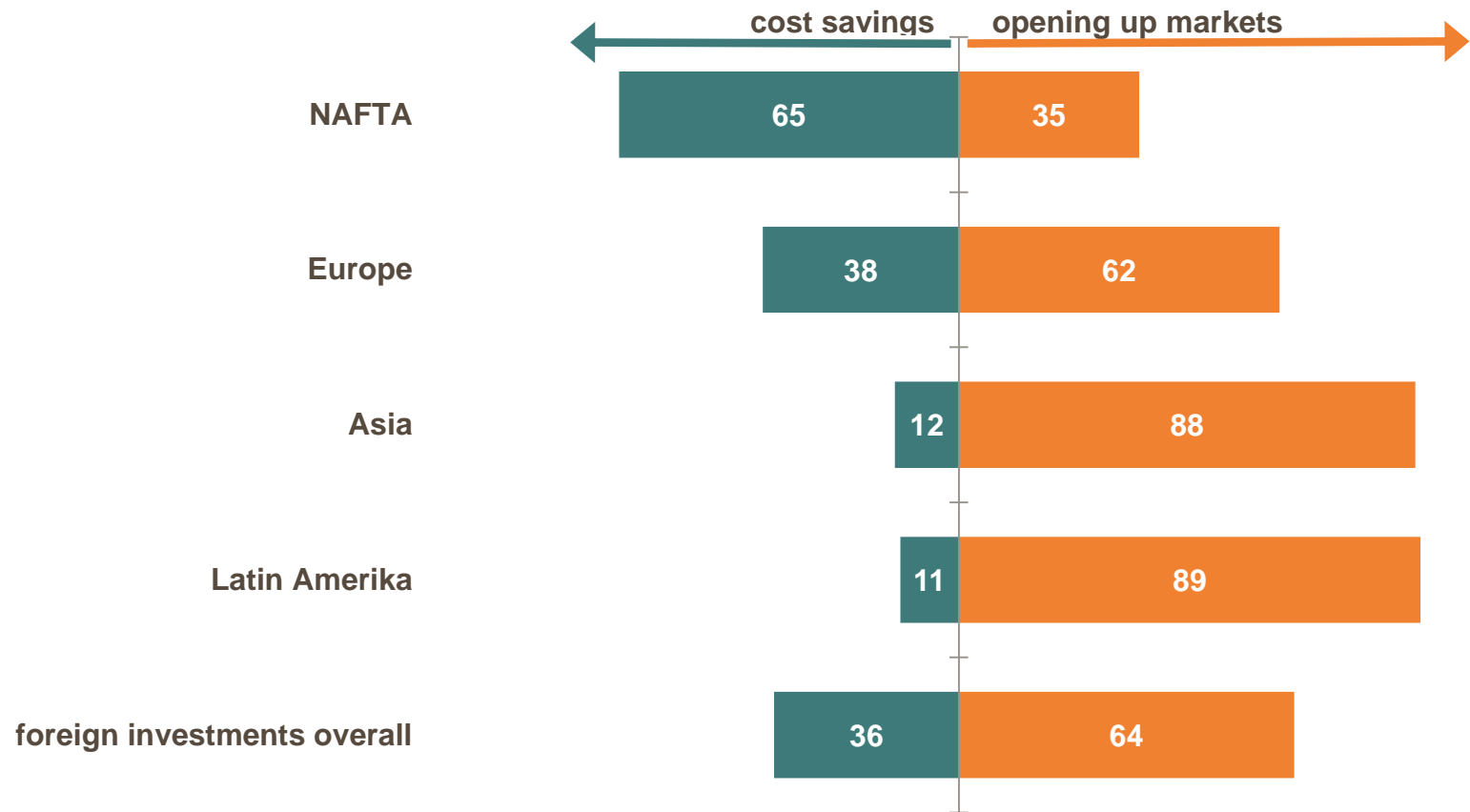


Fixed asset investments of the German chemical industry abroad, in million euros and trend



Motivation for foreign investments

Reasons for foreign investments of the German chemical industry, 2014



Source: VCI

Key messages

- The chemical industry is the industrial sector with the strongest demand for energy sources. This is not changeable.
- Costs of energy (sources) are a highly important factor in international competition. Regarding energy costs, the German and European industry is at a considerable disadvantage in international competition.
- Energy costs are increasingly determined by state-imposed extra charges – under energy and climate policy measures.
- Carbon Leakage is already a reality: Foreign investments of chemical companies have clearly overtaken domestic investments.