Verband der
Chemischen Industrie e.V.
Wir gestalten Zukunft.

VCI-POSITION KOMPAKT

Climate Protection Legislation

Climate protection is a central concern for the chemical-pharmaceutical industry. With its products and through the EU emissions trading system (ETS), the German chemical industry actively contributes to climate protection and describes in a study how the industry can technologically reach greenhouse gas neutrality in its production by 2050.

EU Commission presents the "Fit for 55" package

The EU climate legislation obliges the EU to become greenhouse gas neutral by 2050 and to introduce a greenhouse gas budget from 2031 to 2050. Emissions are to drop by 55 percent compared with 1990. The way to this is to be paved by the EU Commission's legislative package "Fit for 55" where EU ETS is adapted too. Well-proven protection rules to preserve competitiveness, such as the allocation of free CO_2 allowances, are to be cut down considerably. In order to safeguard the competitiveness of industry, the EU Commission proposes instead a carbon border adjustment mechanism for imports of some products – including fertilisers, ammonia and nitric acid in the chemical industry. This causes rising costs of downstream chemical products and lower competitiveness, mainly where exports are concerned.

Amendment of German Climate Change Act

The German Climate Change Act (KSG) was revised in June 2021, raising the climate goal 2030 from 55 to 65 percent. An interim target of at least -88 percent was introduced for 2040. Germany is to achieve greenhouse gas neutrality in 2045. Moreover, the act stipulates annual reduction targets from 2031 to 2040.

Fuel Emissions Trading Act (BEHG)

The German Fuel Emissions Trading Act (BEHG) sets a CO_2 price on fuels used in sectors not covered by EU ETS. This includes, inter alia, many smaller industrial installations. German Parliament (Bundestag) adopted protection for such installations against the shift of emissions to other countries ("carbon leakage") in June. Now, some of the industrial sectors on the list obtain at least partial compensation for the BEHG price. For the chemical industry, the EU ETS is the key instrument for reaching climate targets and maintaining competitiveness. Own national rules in Germany involve the risk of double regulation for industrial installations.

Compensation for rising electricity prices is still lacking

The coal phase-out by 2038 at the latest adopted in Germany is meant to contribute to achieving the German climate goals. Although the act provides for measures to ensure reliable energy supplies, a compensation mechanism – to make up for rising electricity prices due to the coal phase-out – remains to be developed.

The VCI is calling for the following

- **Tighter targets require improved "carbon leakage" protection**
  In EU ETS, ambitious climate goals must come with improved protection against "carbon leakage"– and not with cuts in burden-easing provisions. A carbon border adjustment mechanism is difficult in terms of trade policy, it cannot be implemented for the complex products of the chemical industry and is no adequate substitute for "carbon leakage" protection.
- **Compensate for costs**
  Installations falling under EU ETS must not suffer competitive disadvantages. They need effective compensation. For this purpose, the list of beneficiaries should be extended and compensation should be raised.
- **Affordable electricity prices**
  A compensation mechanism needs to be introduced for electricity price increases expected from the coal phase-out, in order to ease the burden on industrial consumers. The funding guideline should be implemented as soon as possible.

Status: 27 July 2021