

Industrial Policy

The end of the fossil fuel era brings a fundamental transformation of the global economy. This transformation is taking place in an environment where international trade is disrupted and countries seek competitive advantages through strategic industrial policies. Innovations are key to a sustainable future. This was shown, inter alia, by the corona pandemic when vaccines were developed in record time. Business is looking for sustainable solutions based on new processes – ranging from biotechnology and digitalisation to the hydrogen economy or from new drive technologies to novel methods for greenhouse gas-neutral production. Quite often, the chemical-pharmaceutical industry is a key player in these efforts. However, the transformation can only succeed if the right course is set in the industrial policy. Agile administrations, a reliable regulatory framework, attractive location conditions and fast approval procedures are essential for innovations, the restructuring of energy supply and the development of an efficient infrastructure.

Green Deal needs a strong Industrial Strategy

The chemical-pharmaceutical industry is facing the challenge of becoming greenhouse gas-neutral, pollution-free and digital while shifting to a circular economy. At the same time, not only the EU Chemicals Strategy but the entirety of all EU

Green Deal initiatives are fundamentally changing the framework conditions for the industry. Therefore, political measures should be well-attuned to each other and support innovation – without putting an excessive strain on companies.

Massive investments in climate protection are needed

Another challenge: The industry depends on immense amounts of renewable energy and hydrogen - and fast. Climbing energy prices currently indicate the risks that can arise from poor climate and energy policies. Germany and Europe will only achieve their climate goals if the public sector and private industry invest massively in new technologies. An industrial policy programme is needed to support industry on the transformation path. The federal economics ministry and the chemical-pharmaceutical industry have already identified targeted measures that can serve as a blueprint.

Furthermore, the incoming federal government should support industry's innovations and investments with a Transformation Fund.

The VCI is calling for the following

● **No transformation without innovation**

In order to have more innovations for sustainable products and processes, support for research and innovation should be expanded with an open mind to a wide range of technologies. There is a need for ample project funding and better access to venture capital.

● **Greenhouse gas neutrality presupposes the restructuring of energy and raw material supplies**

Transformation needs large amounts of renewable electricity at affordable prices. To achieve this, capacities and infrastructure must be expanded rapidly, with a shift in funding. The hydrogen and circular economy need to be developed, and research into chemical recycling should intensify.

● **Orient the EU Industrial Strategy to transformation**

With the EU Industrial Strategy, the European Commission should bring about coherence of its programmes and good investment conditions. The EU needs to further develop its international relations instead of primarily relying on autonomy – more resilience should be pursued by a diversification of supply chains.

● **Strengthen industry in Germany through a committed location policy**

The incoming federal government should support the transformation of industry by making approval procedures more efficient, creating modern transport, energy and digital infrastructures, and adapting company taxation to the international level. Furthermore, funds to support investment in the transformation of businesses should be mobilised.