ESF EUROPE 2026
ADVISORY MEETING TAKEAWAYS

Held on the 3rd October 2025

IT'S NOT ABOUT SHORT-TERM HYPE BUT ABOUT BUILDING A LONG-TERM PATH

Recent announcements of withdrawn investments show that market confidence remains fragile and that we need new perspectives on implementation timing, regulation, and trade measures. These elements must work together to create and protect a true level playing field for industry.

FIERCE HEADWINDS

Much like the weather forecast in Britain for the days ahead, the energy transition is going to be windy and probably cool down. Nevertheless, Europe must remain strong. If there is one region capable of setting the global pace, it's Europe, which can lead, influence, and shape the direction globally.

REALISM ON REGULATION

We must make a plea to regulators to take into account today's economic realities. The EU ETS needs to be approached and revised with realism and pragmatism. We will not save the world in the next five years. Pushing too hard, too fast, could have devastating consequences, especially for energy-intensive industries. In the case of Europe's steam cracker industry, we risk an industrial bloodbath, losing it entirely within five to eight years at the current pace being imposed.

A RED CARPET FOR THE U.S., AND RED TAPE FOR EUROPE

Rising anti-dumping measures and tariffs, including the recently announced 15% increase, are a serious concern, particularly for the polymer sector. These developments will make it increasingly difficult for the European chemical industry to stay competitive. Europe must not be naïve. We need to ensure a level playing field and take decisive action to ensure all players follow the same rules, thereby protecting our industries from subsidised competitors.

LEVELLING THE PLAYING FIELD

The current ETS and CBAM are not fully delivering on their goals. Instead of driving decarbonisation, the ETS, without long-term clarity beyond 2040 and predictability for return on investment, is increasingly driving deindustrialisation. To prevent carbon leakage, we need a well-designed CBAM 2.0, at least until a global carbon pricing system is established. For these mechanisms to truly be effective, enabling fair and transparent comparison and competition, we must establish harmonised carbon accounting across regions.

ETS AS A VALUE, NOT COST

Currently, the ETS assigns a cost to CO_2, but can this be rethought in terms of value, which becomes meaningful in the final goods purchased by consumers? If we focus on the end products and the environmental benefits of low-carbon and circular products, then the carbon price should not be seen as a cost, but as a mechanism to create value. In a world that rewards and stimulates low-carbon products, market demand itself would drive the transition, reducing the need for mechanisms such as ETS or CBAM to enforce it. It would require the ability to measure and verify carbon footprints consistently across entire value chains. But if we can agree on the end goal and the steps towards it, regulation could evolve from pricing emissions to valuing sustainable outcomes.

CBAM, A CORRECTION LAYERED UPON ANOTHER CORRECTION

A CO_2 price of €100 per tonne may sound significant, but in reality, the impact on final products is relatively small. A pair of sports shoes, for example, typically has a footprint of around 400 grams of CO_2. Cutting that in half would mean a reduction of 200 grams, or roughly two cents of CO_2 cost at €100 per tonne. Similarly, in the fuel sector, when translated to the retail level, the CO_2 cost per litre at the pump remains marginal. This shows that the real challenge is not the absolute cost of carbon but how value is created and distributed along the value chain. The CBAM is essentially a correction layered upon another correction, a complex patchwork that the rest of the world is unlikely to embrace in the long run.

ADVISORY MEETING TAKEAWAYS

REDUCING PROCESS EMISSIONS OR LOWERING PRODUCT CARBON FOOTPRINTS?

What should be the long-term goal spearheading the transition? There is an opinion that European regulations today are largely process-focused, whereas stimulating the product market will drive real progress, encourage fair competition, drive innovation, and automatically reduce process emissions as a by-product.

EUROPE FOR EUROPE

Europe is a thriving, attractive end market for sustainable products, which is encouraging producers across the world to focus on supplying to the continent. eSAF is a prime example, whereby Europe is currently the only region globally with a clear eSAF requirement. However, Europe needs more regulatory courage to encourage and support manufacturing, production and investment from both within and Europe-out perspectives.

A SHORT-TERM/LONG-TERM MISMATCH

Short term does not mean six months or two years, it means 10, 15 years +. We urgently need regulatory certainty that extends beyond that timeframe and remains stable. The lack of predictability is halting investment decisions, preventing projects from moving forward, or even from starting, especially for those that rely on project financing. Without long-term clarity and confidence in returns, projects cannot proceed. The utilisation of captured CO_2 in aviation fuels is a clear example whereby regulations are already setting limits on how captured CO_2 can be used, with restrictions coming into effect by 2038 or 2040. From an investment standpoint, that is short-term. No company will make a project decision based on a 15-year return horizon.

SAF INCONSISTENTLY

A product that qualifies as SAF in the U.S. is not necessarily recognised as SAF in Europe. We cannot build a credible, scalable industry based on such significant inconsistencies in product definitions and production standards.

A GLOBAL CARBON LEVEL PLAYING FIELD

Europe's 2040 and 2050 climate targets, compared to the world's top emitter, China's 2060 goal, highlights the fundamental imbalance. Ultimately, we cannot achieve a fair and competitive carbon level playing field due to the wide disparity in timelines and ambitions toward the same global objectives.

RETHINKING THE SUPPLY CHAIN

What is the goal? If the goal is to produce, then we need to rethink and unlock supply chains in a more efficient and cost-effective way to improve project feasibility, get projects off the ground, move into production, and ultimately build a sustainable and self-sufficient European supply for fuels, plastics, and products.

INDUSTRY ALIGNMENT

A clear example of how the industry lacks alignment is the question: Do we want a high CO_2 price or a low CO_2 price? The answer depends greatly on location and market focus. For those focused on local markets, where the goal is to drive decarbonisation, the answer is a higher CO_2 price, which incentivises switching to cleaner alternatives by allowing businesses to pass the cost on to consumers and fuels, as well as stimulating investment in cleaner technologies and infrastructure. However, for those operating globally, facing competitors not subject to mechanisms like the ETS or CBAM, a high CO_2 price risks undermining competitiveness and shifting production to regions with weaker climate policies.

"WHATEVER IT TAKES" MARIO DRAGHI

As a broad industry, through initiatives like the Antwerp Declaration, the Clean Industrial Deal, and the Chemical Industry Action Plan, we have helped to trigger a mindset shift in politics. We are beginning to see the first signs of greater pragmatism, but we still lack the speed and bold action necessary. Europe needs to embrace a "whatever it takes" mentality to accelerate the transition and secure its competitive future.

ENERGY COSTS

At both the European and Member State levels, energy costs need to be reduced rapidly through adjustments to levies and state aid rules. Current price levels are jeopardising and blocking electrification projects. The challenge is not only the CAPEX, but the OPEX that makes electrification economically unviable at today's costs.

COMPETING WITH CHINA

Today, China produces around 50% of the world's polypropylene and 40% of its polyethene, both at lower costs and prices. It's not only European producers that are under pressure; countries across Asia are also struggling to compete. Beyond traditional polymers, China is rapidly emerging as the global leader in bio-methanol production. While the closure of European chemical capacity continues to dominate headlines, companies such as Vioneo and Power2X are stepping in to embrace and leverage China's advancements and flows from other geographies to their and Europe's advantage.

ADVISORY MEETING TAKEAWAYS

THE JEWEL IN EUROPE'S INDUSTRIAL LANDSCAPE

The Antwerp chemical cluster is one of the largest in the world, highly integrated and specialised, covering the full value chain from base, intermediate, and speciality to fine chemicals. For Antwerp, the key is to retain its base chemical capabilities. Losing this first step would have consequences for the rest of the chain, becoming dependent on imports from regions, and undermining its strategic autonomy.

CLOSING THE COST GAP

Electrification is universally recognised as a direct lever for improving energy efficiency. No engineer needs convincing of the principle, but the economics remain a significant challenge. The cost gap is not new, but it remains open, and although the technologies are proven, the financial and regulatory conditions still lag behind. Meanwhile, China is achieving an impressive annual 1% shift from primary energy to electrification, a pace Europe can be jealous of.

FIRST THINGS FIRST TECHNOLOGY

Alongside electrification, CCS is another no-regret, "first things first" technology with a direct impact on decarbonisation. However, the economics are still challenging even for the "low-hanging fruit" applications with investment costs around €200 per tonne of CO_2, vs. today's carbon price of €70–80. This "missing money" gap continues to hold back large-scale deployment.

ENERGY AVAILABILITY

Despite Antwerp's many advantages, the cluster faces a fundamental constraint, a lack of energy. While electrification is a top priority for the long term, it's not a first step or short-term opportunity for the area. Through collaboration within the cluster, waste-to-energy can and should be leveraged to strengthen local energy resilience and support industrial decarbonisation.

VERBUNDENE CLUSTER

Antwerp and the wider Rotterdam–Ruhr–Rhine region form a uniquely integrated industrial network. Through initiatives such as waste-to-energy, CCU, hydrogen and CO_2 pipelines, and the use of waterways, the region already has a strong foundation of infrastructure, expertise, and interconnections. These are not just projects; they are the lifelines that keep this vast, verbundene cluster functioning as one system. The danger is that this integration could begin to unravel if the current non-competitive situation persists. We must collaborate and do everything we can to preserve, strengthen and catalyse it.

PARALLELS IN PREDOMINANT ROUTES TO DECARBONISATION

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) offers valuable lessons to accelerate the decarbonisation of the maritime sector. While some countries have embraced CORSIA, implementing mandates and incentives, others have been slower to participate and adopt, highlighting the need for global coordination and alignment. As in aviation, decarbonisation in shipping relies predominantly on low-carbon fuels, yet feedstock limitations and cost barriers slow progress. The IMO can build on the aviation sector's experience by encouraging multiple fuel pathways in parallel, ensuring flexibility and faster progress toward global maritime decarbonisation.

ESF Europe

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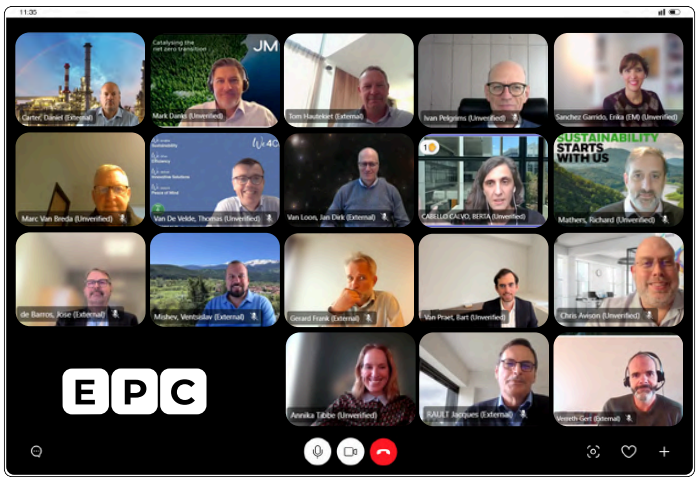

ADVISORY MEETING TAKEAWAYS

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