

President

Mr Jyrki Katainen
Vice-president of the European Commission
Jobs, Growth, Investment and Competitiveness
European Commission
200, Rue de la Loi
B – 1049 Brussels

6 June 2016

Dear Vice President Katainen,

Re: Access to renewable feedstock

I refer to the Cefic intervention made at the AECA lunch meeting with you last week regarding the use of biobased feedstock as an opportunity to develop the European chemical industry. Access to bio-based raw materials can strengthen its competitiveness and create jobs. We have understood your clear position in favour of this development.

Today, however, European bio-chemical production is being developed everywhere but in Europe, bringing extremely valuable technology and product development to Brazil, US, Mexico, Thailand, etc. As there is no security of supply of competitively priced raw materials in Europe, investments are not made here and value chains not built up. There is good work ongoing in RD&I, but chances are these will never develop into first and further commercial applications. Investment in this segment of our industry does not require subsidies or financing from EFSI, only removal of discriminatory barriers that the EU itself has created for the wrong reasons. Feedstock at competitive prices is easily accessible for the chemical industry outside Europe, but not within the EU. A small group of incumbents has effectively managed to avoid entry of these raw materials for this market segment.

European chemical companies today pay the equivalent of a 40-60 % duty when importing bio-based raw materials, such as bio-ethanol, into the EU for the production of chemicals. This prohibitively high import duty on an essential component for business occurs whilst fossil-based raw materials for the same production can be imported duty free. This double discrimination – versus producers in third countries and versus fossil feedstock – urgently needs to be removed.

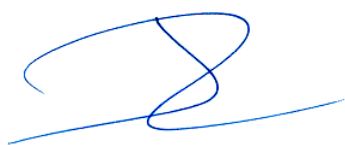
The EU customs regime schemes available (quotas, production under customs control, tariff suspensions, etc.) at best only leave us with short term, unpredictable, uncompetitive options. We are not seeking tariff elimination for fuels related use, only the use as feedstock for the production of chemical intermediates. That use can be perfectly identified by means of end-use control, so there is no risk of leakage to the fuels market. We need a horizontal solution providing us with access to bio-based raw materials at world market prices now, or we risk losing the entire opportunity. We want to be a part of the solution and help other partners do the same.

The ongoing trade negotiations with the USA and Mercosur potentially offer solutions for the longer term. The only way forward is to include bio-ethanol destined for chemical production in these

negotiations. We therefore strongly regret that the EU has not made a tariff offer for bioethanol in the negotiations with Mercosur and included it on an exception list in the TTIP talks. We would like to assist in any way we can to fit bio-based raw materials into the negotiations.

We would like to stress again that we refer to duty free bio-ethanol only destined for chemicals production and not for other end uses, such as fuel. However, we fear that possible results from trade negotiations will come too late and that Europe once again risks missing the boat. We need a solution now. We urge you to take action or this promising development will be lost.

Yours sincerely,



Jean-Pierre Clamadieu