ECOS evidence-based concerns and dissenting policy views on the CCA WG3 Charter

Critical Chemicals Alliance (CCA)

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Authors

- Fernando Cunha Tonon, Programme Manager – fernando.tonon@ecostandard.org
- Jean-Luc Wietor, Head of Buildings & Industry – jean-luc.wietor@ecostandard.org

Acknowledgements

- Victor Paschenda, Programme Officer

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ECOS – Environmental Coalition on Standards
c/o WeWork, Rue du Commerce 31
1000 Brussels, Belgium
info@ecostandard.org

Overview

Despite attempts at providing a broad overview of the chemical industry's current difficulties and the need to decarbonise and defossilise, the CCA Charter drafted in working group 3 – in its current form – likely draws the wrong conclusions and spells out the wrong solutions. Not only for climate and the environment, but also for industry itself.

This shortcoming can be traced back to a few causes:

- **The Charter's data, information and statements** are entirely unreferenced**.** Thereby the factual and logical stringency of the document cannot be assessed by either the WG3 members or any external reader.
- **The document rests on the assumption that the EU's chemical industry, especially its steam crackers, are rendered uncompetitive by high energy and feedstock prices**, whereas cost differences are in most cases negligible, and in some cases irrelevant.
- **Carbon pricing is viewed as a competitive disadvantage, whereas the ETS's carbon price signal is currently largely muted by free allowances**. CBAM is overlooked as the tool to effectively level the playing field when free allowances become less dominant. Conversely, the Charter deplores the absence of a business case for decarbonisation, while effective carbon pricing is universally regarded as an important lever to bring exactly that business case.
- **The Charter draws attention to public financing sources**, whereas private finance is and will remain the main provider of finance for investment.

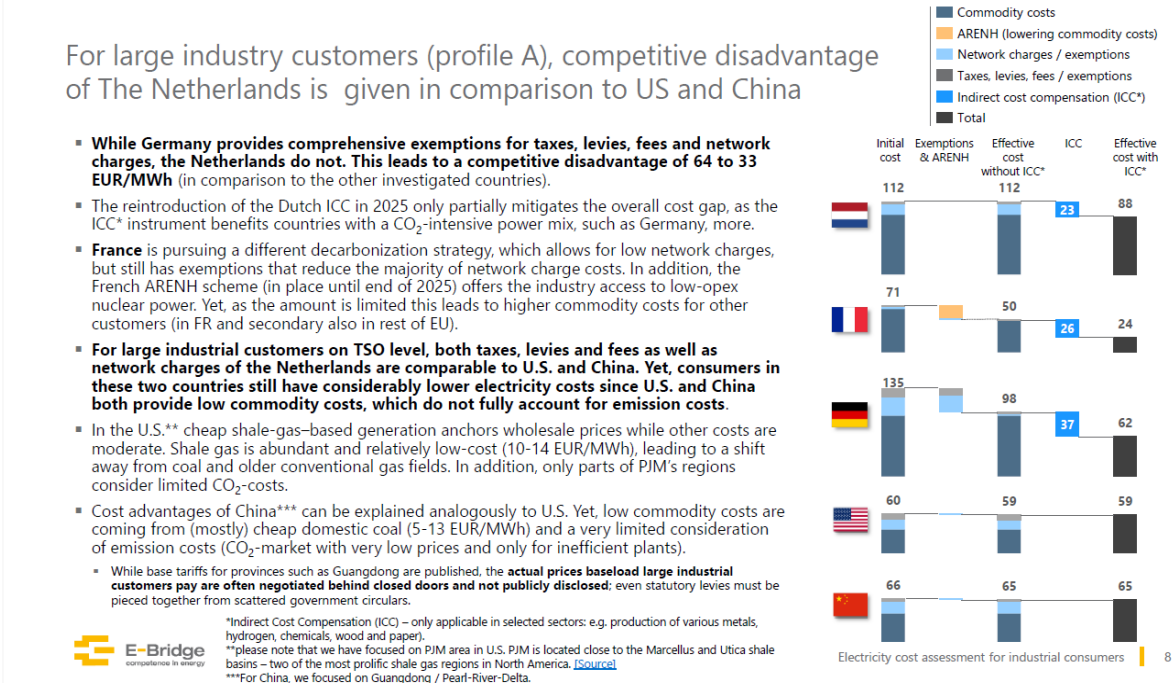
The CCA's WG3 should address these aspects transparently, question and correct some of its assumptions, and draw the logically necessary conclusions. The Charter could in that case be a beacon for the rebirth of a chemical industry that would protect jobs, investment, knowledge and climate.

I. Evidence-based objections to the Charter's analysis

1. Energy, feedstocks and steam cracker analysis

The Charter treats "energy and feedstock costs" as a general structural disadvantage for EU chemical production and uses this to ask for broad electricity, gas and OPEX relief. However, electricity, gas and feedstocks play different roles across different chemical processes, and "competing regions" do not face one uniform cost structure (pages 5-7 and Annex 5), nor are all "competing regions" competing with Europe on each and every type of chemical.

- **Electricity costs are not uniformly higher across Europe.** E-Bridge's comparison for large industrial consumers shows no uniform EU disadvantage: exemptions and cost compensations (notably indirect cost compensation under ETS) are added to the picture, instead of relying solely on upfront energy prices. Effective 2025 costs were about €62/MWh in Germany (with its energy prices above the EU average), compared with €59/MWh in the US and €65/MWh in China; France was lower at €24/MWh and the Netherlands higher at €88/MWh. The evidence therefore does not support treating the EU as having one uniform electricity cost gap against the US or China (E-Bridge, p. 8, shown below).



Source: *E-Bridge, Electricity Cost Assessment, 2025, p. 8*

- **Gas and feedstock disadvantages are product specific**. Europe has a clearer gas disadvantage against the US, particularly where gas is used as feedstock, notably for ammonia and methanol. This should not be generalised to all chemicals. Cefic and Advancy's own analysis acknowledges that naphtha has similar costs across all regions (translating global markets and pricing for oil), while showing larger differences for gas and ethane (Figure 3.12, p. 46, shown below). Ethane and naphtha crackers should also not be compared directly as they reflect different production routes, product slates and levels of refinery integration.

FIGURE 3.12
Summary score & figures

Factor	Sub-factor				Gulf States			
Energy & Feedstocks	Score	–	++	+	++	-	-	-
	Gaz (€/MWh, 2030)	30	12	30-35	5	15	15	15
	Electricity (€/MWh, 2030)	90	70	60	25	75	77	95
	Naphtha (€/t, 2030)	620	620	600	610	620	620	600
	Ethane (€/t, 2030)	240	140	n.a.	80	n.a.	n.a.	n.a.

Source: *Cefic and Advancy, The Competitiveness of the European Chemical Industry, Figure 3.12, p. 46*

- **The functioning of a steam cracker and its energy balance appear to remain misunderstood in the text, leading to unrealistic conclusions and asks.** Naphtha steam crackers (all operational steam crackers in the EU) use naphtha, a hydrocarbon liquid stream derived from crude oil, to provide both feedstock and energy. Naphtha is uniformly priced across the globe, and a naphtha steam cracker does not require substantial amounts of external energy input. For this reason, no cost disadvantage for the EU's steam crackers stemming from feedstock or energy needs can be identified. The functioning and energy needs are well explained in documents by steam cracker manufacturers, e.g. here: Technip Energies, *Decarbonisation of steam crackers*. The new wording in Annex 3 does not clarify the situation: the explanation given

cannot be understood to describe reality, and the absence of a stated reference does not allow proposing meaningfully improved text.

2. Carbon costs - ETS and CBAM

The Charter treats the ETS only as a competitiveness burden. It states that carbon pricing adds OPEX, raises the CAPEX hurdle and "damages rather than finances the transition" (pages 5 and 7-10). This is one-sided and internally contradictory. The Charter does not show that current ETS costs caused the sector's recent competitiveness deterioration and ignores the central role of ETS and CBAM in making cleaner European production economically valuable.

- **The Charter conflates past, current and future carbon costs.** Annex 5 assumes that free allocation covers 75% of chemical sector emissions and calculates a cost for the remaining 25%, but does not explain the basis or year for this assumption. Possible higher costs as free allocation declines in the future cannot explain production losses and closures that have already occurred.
- **A strong and predictable ETS price helps create the "missing business case" identified by the Charter.** The Charter states that modernisation is blocked by "the absence of bankable projects" and identifies "a missing business case" as one of the central barriers to investment (page 9). Yet it treats carbon pricing only as an additional cost. A predictable long-term ETS price raises the cost of continued unabated production and increases the financial value of avoiding emissions, improving the relative economics of decarbonisation investments. This logic is implicit in the Charter's own proposal for Carbon Contracts for Difference (CCfDs), which would cover the gap between a strike price and the ETS carbon price: where support covers the gap between a strike price and the ETS carbon price, a higher ETS price reduces the amount of public subsidy needed to make the same project bankable. If the carbon price signal is weakened and free allocation continues, what makes investments that avoid future emissions more, not less, bankable? An EIB Economics working paper found that higher ETS prices improved carbon efficiency and reduced emissions, with only marginal effects on production and prices, and identified investment as a key channel through which companies responded.
- **CBAM and free allocation cannot be treated as cumulative protections.** CBAM is intended to replace free allocation for covered products by applying an equivalent carbon cost to imports. Real concerns around downstream products, exports and circumvention should be addressed, but maintaining equivalent free allocation once CBAM provides effective import protection would give producers two layers of protection and weaken the incentive to invest. The EU's chemical industry would be particularly well placed to be protected by CBAM. Upstream chemicals (often of rather low value but high carbon intensity) could easily be given the level playing field with imports that is so often complained to be absent. High-value downstream chemicals, in contrast, are successfully exported by the EU's chemical industry; not including them in CBAM would keep CBAM simple and would not put their producers at a substantial competitive disadvantage.

3. Financial estimates, public funding and profitability conditionality

The Charter presents **€20 billion per year for the initial "Survive" phase** (operating cost support). For the **"Modernise" phase** (upgrading, decarbonising and defossilising existing assets), it cites both **€40-60 billion and €45-60 billion per year** in the main text, while Annex 5 gives **€64-79 billion per year** once €17 billion per year of continued energy-cost bridging is included. For the third and final "**Accelerate" phase** (deploying and scaling new production routes), the main text **gives €10 billion per year**, while Annex 5 gives **€9 billion per year**, based on an underlying calculation of €8.9 billion. Annex 5 describes these as "back of the envelope" calculations. These internally inconsistent figures do not establish public funding needs (pages 7, 13-14, 17 and 40-42).

- **The estimates do not calculate a public financing gap.** The three estimates across 'Survive', 'Modernise' and 'Accelerate' missions do not calculate what companies can finance themselves or raise commercially.
    - The 'Survive' figure adds assumed carbon, electricity and gas cost gaps. The Charter calls the estimate a snapshot that can change quickly with market conditions. Because it is the sum of these assumed gaps, the figure would fall if the gaps narrowed, but the Charter provides no recalculation method or trigger.
    - The 'Modernise' figure multiplies all 155 million tonnes of current sector emissions by an assumed abatement cost of €300-400/tCO_2. This produces a gross annual estimate of the cost of abating the sector's entire current emissions volume, but not the amount that needs to be publicly funded.
    - The 'Accelerate' figure is not based on an identified pipeline of projects or their financing gaps. It simply applies 1.4% to total sector revenue because this is close to companies' current R&I spending as a share of revenue. Why should that percentage determine the level of public support, rather than the unmet financing needs of projects?
- **Private finance is also central.** Cefic states that the private sector will be key to financing the green transition. The EU chemical industry already invests €28.4 billion annually in capital expenditure and €10.4 billion in research and innovation, alongside company cash flow, bank lending, bonds and investors. The Charter does not distinguish ordinary maintenance and asset renewal from additional transition costs, or identify the share that cannot be privately financed.
- **"Profitability" is not a clear exit condition.** Unless defined, it is a moving target, particularly where some structural challenges are not policy driven. Does it refer to a product, installation, company or corporate group? What baseline applies, and who verifies it? The Charter should require objective criteria for phasing out Survive support.

4. Permitting and environmental assessment timelines

The Charter treats permitting duration as a binding constraint on investment and proposes fast-track procedures, overriding-public-interest status and compressed timelines as the remedy. The available evidence points to other helpful conclusions.

- **The Commission's own evidence identifies administrative causes, not substantive law.** The 2024 study on the implementation of the EIA Directive found that the "lack of expertise, staff and resources" were the most common reasons for delay, followed by the quality of

documentation, consultation practices and difficulties, the consequences of the COVID-19 pandemic, and the quality of reporting. The substantive requirements of the EIA, Habitats or Water Framework Directives are not identified among the main causes. The 2024 Draghi report (page 45) similarly identifies administrative capacity as a primary dimension of permit-granting delay. Measures that compress procedures without addressing capacity will not remove the constraint but relocate it and add additional pressure to under-resourced authorities.

- **Comparable reforms elsewhere have not delivered faster permits.** Canada rewrote its federal impact assessment legislation in 2012 with the explicit aim of accelerating procedures. A 2025 study examining fifty years of mining and quarry assessments found no statistically significant difference in timelines between the streamlined legislation and the law it replaced. What the reform produced was fragmented oversight, weaker coordination and litigation, with several projects subsequently overturned in court. Several approved projects remain undeveloped for reasons of financing and market conditions rather than environmental requirements.

II. Dissenting ECOS policy positions

5. Circularity - chemical recycling, mass balance and CCU

The Charter calls for mass balance and chemical recycling to be recognised as "credible and equivalent circularity mechanisms" (page 10). ECOS rejects this blanket equivalence.

- **Mass balance claims require transparent chain of custody rules.** Some approaches, particularly credit mass balance, allocate recycled feedstock unevenly across products: for example, selling 2% of output as "100% recycled" when recycled feedstock represents 2% across the full output. Customers must not be misled into believing that the claimed material is physically present in the product. Mass balance claims should identify the accounting method, state that the attributed content is not physically present and provide a realistic range for the product's actual recycled content.
- **Chemical recycling is not automatically equivalent to mechanical recycling.** Recognition must depend on actual material yields, lifecycle impacts, fossil feedstock displacement and robust chain of custody rules. Blending a small share of chemically recycled feedstock with predominantly virgin fossil material should not justify claims that exaggerate circularity.
- **Temporary fossil-based CCU is not equivalent to emissions capture-and-storage or abatement.** Where captured fossil carbon is used in a short-lived product and later released, emissions are delayed rather than avoided. Recognition should depend on lifecycle emissions, storage duration and whether the carbon remains within a closed loop.

6. Environmental safeguards and project selection

Under Mission Modernise, the Charter presents wide-ranging changes to EU environmental law as "simplification". Under Mission Accelerate, it proposes faster funding decisions through a light binary eligibility check rather than comparative project assessment (pages 10-12 and 15-17; Annex 7). ECOS does not support weaker safeguards or lower standards for public funding.

- **Environmental protection cannot be compromised.** The proposals affect the Industrial Emissions Directive, Water Framework Directive, Natura 2000 obligations, RED III and related hydrogen rules. These are horizontal safeguards extending far beyond the chemical sector. Any reform must preserve pollution prevention, water and nature protection, public participation and enforcement.
- **Fast tracking must not bypass substantive safeguards.** 'Strategic project' or 'overriding public interest' status should not exempt projects from environmental assessment or compliance with environmental law.
- **Speed should not replace project quality.** A light "binary" eligibility check is not enough for allocating limited public funding. Projects should still be compared on environmental impact, additionality, deliverability and value for money.
- **The wider the category, the less the designation delivers.** The Charter proposes a new Strategic Chemical Project status. Comparable designations already exist or are proposed for net-zero technologies, critical raw materials, semiconductors, waste, digital infrastructure and defence, and amendments currently before the European Parliament would extend the concept further to agriculture, food, medicines and biotechnology. Acceleration does not come from the label but comes from position in a queue at authorities whose capacity is unchanged. Where most major projects are designated strategic, the designation confers no advantage.
- **Experience with the existing designation does not support extending it.** Of the EU's 23 extractive projects designated strategic under the Critical Raw Materials Act, more than half are on or within one kilometre of a Natura 2000 site, eleven within the surrounding one kilometre area, while three additional projects directly overlap protected land. A May 2026 investigation reported that eleven "Strategic projects" were added to the final list following Member State consultation in the Critical Raw Materials Board, after having failed the expert assessment two weeks earlier. In July 2026 the European Ombudsman found maladministration in the Commission's refusal to grant public access to the documents underlying those designations and recommended wide access, rejecting the general presumption of non-disclosure and finding an overriding public interest in disclosure because the documents contain environmental information. Before the model is replicated for further sectors, the transparency and verification of the designation process itself should be addressed.
- **ECOS opposes the Charter's call to replace the "one out, all out" approach and redefine the non-deterioration principle. These are core elements of the Water Framework Directive (WFD)'s protection framework, and the Charter does not demonstrate that they are responsible for the permitting problems it identifies or that further legislative change is necessary.** Directive (EU) 2026/805 introduced additional exemptions, while the Commission's May 2026 permitting guidance directly addresses concerns raised in the Charter concerning chemical-status assessments, the relationship between water-body standards and installation-level emission limits, and the treatment of individual installations within already polluted water bodies. Although developed with a particular focus on mining, the Commission states that its interpretations can also apply to other projects and activities, including those related to strategic sectors. Member States have until 21 December 2027 to transpose the amendments, meaning that their effects across Member States cannot yet have been

assessed. Further reform at this stage would therefore be premature and risks weakening water protection before recently adopted measures have even been implemented.

7. Governance and reciprocity

The Charter describes a "two-sided delivery commitment," but the commitments are not equivalent (pages 18-19). Public authorities are expected to act on energy costs, free allocation, infrastructure, permitting and funding, while industry commits to invest only once it considers the conditions sufficiently attractive.

- Public support should require clear industry commitments. Continued access to public funding should be tied to measurable investment, decarbonisation and defossilisation milestones, with transparent reporting and accountability.
- Governance must include independent voices. The proposed Public-Private Initiative allocating substantial public resources should provide a meaningful role for civil society, social partners and independent environmental and technical expertise.