PlasticsEurope
Association of Plastics Manufacturers

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Mr Gerard De Graaf
Head of Unit D1
Secretariat General
European Commission
B – 1049 Brussels

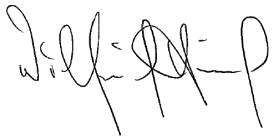
Brussels, 15 January 2009

Dear Mr De Graaf,

It is with pleasure that we hereby send you PlasticsEurope's response to the public consultation on the Future EU 2020 Strategy.

We hope that the suggestions made therein, together with those from other stakeholders, will help the Commission in its endeavours to return the EU to full recovery and move to a more sustainable economy.

Yours sincerely,



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The Future EU 2020 Strategy

PlasticsEurope Response to EC Consultation

Ref: COM (2009)647 final, dated 24.11.2009

PlasticsEurope welcomes the opportunity given by the Commission to respond to its consultation on the Future EU 2020 Strategy published on 24 November 2009.

With a turnover of 300 billion euro in 2008, which will have drastically decreased in 2009, and total employment of over 1.6 million workers in more than 50,000 companies in Europe[1], needless to say that any strategy which the EU wants to put in place will have a huge impact on the future viability and competitiveness of our industry.

It is only right to take the economic and financial crisis as a starting point, as indeed, although the EU is no longer entrenched within the crisis, recovery remains relatively far down the line. The Commission's proposed exit strategy, combining a move towards a more sustainable social market economy with innovation and an increased knowledge base seems to be a step in the right direction.

PlasticsEurope welcomes the objectives set out in the paper, as well as the acknowledgment outlined therein that in order for the EU to lead, compete and prosper as a knowledge-based, connected, 'greener' and more inclusive economy, growing fast and sustainably, creating high levels of employment and social process, the EU needs a strengthened and competitive industrial base.

We notice with some concern, however, that all through the consultation document, reference is made to the need to become a "greener" economy. The issue of becoming "greener" has been one of much discussion over the past two years, and although we fully support it, it should seem understandable, in times of crises in particular, that it is not only a greener economy which we should be aspiring to at this stage, but a "sustainable" economy as well.

Indeed it is all the more important during difficult times to emphasise the significance of the three pillars of sustainability. Whilst the environment is undoubtedly a crucial one, taking into account the social and economic pillars is vital for any real recovery to place.

[1] EU27 + Norway and Switzerland for producers, converters and machinery manufacturers

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Creating value by basing growth on knowledge

- ✓ **The importance of research and innovation**

The EU's ability to prosper in the face of increasing competition coming from third countries will depend on its capacity to innovate and ensure a strong knowledge and skills base.

The Consultation paper clearly acknowledges that innovation is one of the major drivers of the economy, in particular when it leads to increased productivity. The factors that lead to innovation should therefore be considered critical to policy-makers, especially in times of economic downturn. Bringing new technologies and products to the market is key to sustaining European competitiveness, and the EU as well as Member States should thus increase their financial support to strongly encourage these innovations, in particular when they are sustainable. It is therefore crucial that the necessary investments are not deviated due to the lingering crisis.

Translating R&D results into practical applications which would help address some of the most pressing global issues is indispensable. The additional challenge is to combine existing technologies in a faster and more effective way throughout the entire value chain. Structural reforms are required both at EU and Member State level in order to ensure timely marketing of innovative technologies and products, to support innovation (not only inventions and research) and build a competitive knowledge-based economy as outlined in the Lisbon Agenda. At EU level, where specific legislation already exists for plastics, such as is the case for plastics intended for food contact[2], the authorisation process should be accelerated and technical amendments to the legal texts allowing for innovations to be marketed should be made on a more regular basis in order to avoid excessive losses and a loss in competitiveness in a global market.

A further impetus towards achieving the Lisbon objective of building a competitive knowledge-based economy would be to put in place initiatives promoting R&D at the earlier stages, including education. Industry can only be competitive if it has well-trained scientists, engineers and technicians: they are key to innovation and technical progress. Science & technology should therefore be encouraged in schools' curricula, and further education in scientifically-orientated areas should be encouraged as well. Universities are the viability of the plastics sector – both as places where research is carried out and places where researchers are trained. While on the one hand, stimulus could be enhanced by giving researchers social advantages, on the other hand, on a company level (both large and SMEs), tax incentives for R&D in order to stimulate growth and keep up the innovative strength of EU companies as well as tax reductions applied to spending in research and innovation training could all be a step in the right direction. And apart from 'classical' project promotion, tax credit notes for R&D expenditures should also be promoted.

[2] Directive 2002/72/EC on plastic materials and articles intended to come into contact with food

Creating a competitive, connected and greener economy

✓ **Using resources, including energy, more efficiently**

Raw material security is no end in itself, but a precondition for industry competitiveness and thus for prosperity, growth and employment in Europe; and the safe supply of oil and its by-products is of vital importance to the European plastics industry.
Worldwide energy demand is on the increase and changes in the energy mix are unlikely. Oil is used in transport (50%), heating (32%), electricity production (8%) and chemistry (10%). Half the chemical industry's consumption goes towards plastic production. However, whereas most large users burn oil solely for energy purposes, the plastics industry makes long-lasting products which contribute substantially to the energy conservation of the hydrocarbons contained in the oil. Plastic production is therefore a durable and meaningful use of oil, since basic modules remain in the plastic.

The Commission's paper on the Future EU 2020 Strategy affirms that the new vision and direction for EU policy should recognise that conserving energy is among the key drivers of the future competitiveness of EU industry and economy. It also recognises that improving energy efficiency is the cheapest way to reduce emissions. To this we would like to add that energy efficiency is not only the cheapest way, but more importantly, it is also the most rapid way to reduce emissions. In view of the need to stay below the science-based 2℃ limit for global warming and the EU's conditional offer in the context of ongoing discussions following the Copenhagen Climate Conference (COP15) to move to a 30% reduction in GHG emissions by 2020 compared to 1990 levels[3], PlasticsEurope calls on the Commission to show its support for already-existing energy-efficiency related solutions. Maintaining, if not boosting, the competitiveness of existing EU industries will be crucial to guarantee the necessary investments to protect the environment, in particular in the absence of an international agreement with equivalent burdens for industries in third countries.

Over the years, the plastics industry has repeatedly advocated that the greatest potential for rapid environmental protection measures today lies not in the creation of renewable energies but in the saving of fossil energies. It has demonstrated that it contributes to a more efficient use of resources, in particular through the development of eco-efficient applications:

- Thermal insulation: If energy consumption is cut by 20% by 2020, the EU would have prevented 780 Mt of CO2 from being emitted and savings of around 390 Mtoe (million tonnes of oil equivalent) per annum[4]. In this context, the building sector, which accounts for around 40% of primary energy use, must assume very ambitious objectives of 165 Mtoe in energy reduction (507 Mt CO2 if all energy generated from oil, 317 Mt if using

[3] Offer reiterated in the Presidency conclusions on COP 15 - Copenhagen climate conference - 2988th Environment Council meeting. Brussels, 22 December 2009
[4] EU Action Plan on Energy Efficiency 2006

above ratio), and contribute 50 Mtoe from renewable energies by 2020.[5] Insulation, and polymer-based insulation in particular, is key to achieving these ambitious but necessary objectives, saving, over its lifecycle, approximately 150 times the amount of CO2 emitted during the production phase. Plastics' major contribution to energy saving in this area comes in the form of plastic window frames and plastic foams being widely used for thermal insulation of house walls, floors, roofing, pipes and many other applications. A win-win situation, contributing to attainment of the emissions and energy efficiency targets which the EU has committed itself to, while at the same time reducing consumers' overall energy bill.

- Plastics Packaging: Food is produced at high cost, both in financial and environmental terms, and since it is easily perishable, it must be preserved and stored safely in order to avoid wastage and losses. Plastic packaging needs less than 10% of the energy which is required for food production to consumption, and it saves valuable resources not only during the production phase but also during transport. It is a consumer-friendly means of keeping food fresh and extending shelf life by providing an efficient oxygen barrier. Plastics packaging constitutes a mere 1-3% of the weight of a typical packaged food, and offers a highly efficient method of preserving, transporting, storing, preparing and serving food. Compared to alternatives, it benefits both humans and the environment.

  If a retailer's lorry transports a load of goods packaged in glass, the packaging accounts for 36% of the total good, whereas when packaged in plastic, it accounts for only 3,5%. Without plastics, retailers would need to make 50% more journeys, thereby using more gas, emitting more CO2 and further congesting the road system. Not only is food loss thereby dramatically reduced, but so is the total amount of CO2 connected to the production of this food loss (e.g. producing 1kg of beef emits approximately 35 kg of C02).

- Automotive industry: The low density of plastics has proved to be a genuine benefit to the automotive industry and the end user, not only in an endeavour to reduce the overall weight of cars (using plastic for an application can save up to 85% in weight), thereby decreasing fuel consumption, but also in order to allow more sophisticated systems and components - including safety systems - to be added to the modern car, without paying the penalty of additional weight. In practical terms, light weight design allows for more sophisticated and less energy-demanding heating, ventilation and climate control systems to be installed, as well as provided additional safety with the introduction of airbags.

- Air transport: Modern plastic composites are not only more durable than alternatives, but they can constitute up to 50% of the weight of a modern aircraft, reducing the fuel consumption by no less than 20%. A recent example is Boeing's Dreamliner which is the

[5] Energy efficient Buildings (EeB) COM initiative:
http://ec.europa.eu/research/industrial_technologies/lists/energy-efficient-buildings_en.html

manufacturer's new 787 jet built mostly with plastic composites thereby cutting overall fuel consumption by around 20% and consumption per passenger by approximately 27%.[6]

- Electrical and Electronic Equipment: It is a combination of their performance benefits and efficient use of resources; easy processability, tailor-made properties, weight reduction, miniaturisation, electrical and thermal insulation properties and their inherent characteristics - strength, flexibility and mouldability - that make plastics a key contributor to the E&E sector. From simple cables and household appliances to LCD flat screens made of liquid crystalline, plastics save energy daily by providing opportunity to use over 65% less power than ordinary products. Many of today's new technological developments in the sector capitalise on the latest types of new generation plastics, and as a result, devices are becoming both smaller and lighter.

- Renewable energy: Modern, highly efficient, wind turbines would simply not be possible without the plastic-based high-tech composite wings. Other renewable energy systems' performance, durability and affordability have been improved as a result of the use of plastics. This is not only true for solar panels used for domestic water heating, but plastics also have a role to play in trying to bring photovoltaic systems – the generation of electric power directly from sunlight – into the economic mainstream, and render it at least as cheap as the electricity grid. Unlike rigid and relatively heavy silicon cells, plastic cells are thin and flexible. Furthermore, due to the large-scale production of organic polymers, such cells would be significantly less expensive than the current costs for producing traditional solar cells.

Plastic is the material of the 21st century. In the area energy efficiency, it saves far more energy during the use phase than is needed during production and processing. In the future, plastics will increasingly be used in the aforementioned sectors. New technologies and innovative applications which will contribute to further energy efficiency are already in the R&D pipeline, although their development is being delayed due to the ongoing economic downturn. In our view, it seems apparent from the above that the promotion and development of the use of plastic applications through policy incentives would not only contribute to attaining a sustainable social market economy but would also contribute to a better environment.

✓ **Accelerating the modernisation of existing industrial sectors**

We note with a certain amount of relief that the Commission recognizes that "greening" the economy is not only about the creation of new industries.

[6] Information from the British Plastics Federation (BPF) and the Guardian.co.uk

Although it is clear that in the wake of the crisis, a certain amount of restructuring has already taken place within the plastics industry, due to decreases in plastic demand and a fall in prices, this has mainly been done in the form of plant closures or relocations.

The competitiveness of European industry is crucial. It is clear that for existing industrial sectors such as the plastics industry, which employs approximately 1.6 million workers in Europe[7] in over 50,000 companies, in order to be able to modernise itself and invest in the production of future, more sustainable products, it needs to have the resources to do so. It is only by making profits on existing products in the first place that this will be possible. As any industry, it needs to be competitive in order to evolve.

The Commission will therefore need to include in their Communication addressed to the Spring European Council a right mix of measures to ensure proper access to financing, such as tax credits for research and development (R&D) and accelerated amortisation of capital investments.

- ✓ **Becoming more productive by reducing pressure on resources**

The Commission clearly states that there is a need for more sustainable products and a more sustainable way of living. As outlined above, existing industries such as the plastics industry can help towards reaching this goal. Nevertheless, the right framework conditions are required in order to make this a success, and the Commission should not opt for a command and control approach. We are therefore somewhat concerned to see that the Commission is thinking of opting for a strategy which would be prescriptive in nature, using targeted regulation, emission trading, tax reform, grants, subsidies and loans, procurement policies and the like. Whilst creating the right framework conditions is necessary in order to reach the EU's objectives, one needs to be careful not to create disincentives or additional administrative burdens which would end up deterring or hindering the developments needed in order to make the desired shift to more productivity while reducing pressure on resources. The EU's legislative programme therefore needs to become more conducive to competitiveness and avoid counter-productive initiatives.

For example, in the area of climate protection, as negotiations stand following COP15 in December 2009, most major emitters outside the EU will not commit themselves to anything as ambitious as the EU. This means that the burdens arising under any agreement would be distributed unequally, as was already the case under the Kyoto Protocol. If EU industry ends up having to carry the bulk of the burden, further competitive disadvantages for internationally operating industries are likely to arise, and market share as well as jobs would be lost to countries with lower commitments, if any. This would neither benefit the climate nor be conducive to any sort of recovery.

[7] EU27 + Norway and Switzerland for producers, converters and machinery manufacturers

Being an 'exposed sector' as part of ETS the plastics industry should be entitled to free allocation on the basis of benchmarks. Benchmarks for plants should be kept as low as possible and work should begin immediately with the elaboration of a compensation system for the electricity tariffs rising due to emissions trading.

With this in mind, PlasticsEurope fully supports the December 2009 conclusions of the Competitiveness Council[8], which reiterate the importance of an evidence-based and impact driven approach of EU legislative proposals in order to ensure coherence between internal regulation and external competitiveness and allow for evidence-based decision-making. We call on the Commission to continue its commitment to better regulation, reducing administrative burdens, and importantly, ensuring the respect of the principles of subsidiarity and proportionality when developing new legislation.

Although PlasticsEurope welcomed the EU's ambitious 2007 target of reducing administrative burdens on businesses stemming from EU law by 25% by 2012, and fully supports the work being undertaken ever since by the High Level Group of Independent Stakeholders on Administrative Burdens, ongoing implementation measures have unfortunately proved to be insufficient.

LKP, 15 January 2010

[8] Conclusions on "Priorities for the Internal Market in the next decade" – contribution by the Competitiveness Council to the post 2010 Lisbon agenda. 2982nd Competitiveness (Internal market, Industry and Research) Council meeting Brussels, 4 December 2009.