BELLONA EUROPA

CLEAN AIR TASK FORCE

CHEMICALS

# Three steps to create lead markets for low-carbon chemicals under the IAA

The EU chemical industry is one of the largest industrial sectors in the bloc, at the foundation of virtually every downstream manufacturing sector. It also employs over 1 million people across roughly 31,000 companies, 97% of which are small and medium-sized enterprises embedded in local economies. However, the sector is facing acute structural pressure. A historic lack of capital investment in asset modernisation and fierce global competition, combined with comparatively high energy and feedstock costs, have eroded Europe's global market share. This sector's emissions represent about 5% of the EU's emissions and have stagnated over the last years.

Decarbonising the chemical sector while improving its competitiveness will therefore shape the pace of the EU's broader industrial transformation and its ability to reach climate neutrality while protecting its industries. The Industrial Accelerator Act (IAA) has the opportunity to address the central challenge of the process: providing predictable demand for low-carbon chemicals to underpin investment decisions.

To achieve this, the IAA should take three steps:

## 1. Cover all the decarbonisation pathways for chemicals

Extending demand-side measures to chemicals under a delegated act would be a valuable addition to the IAA. As drafted, however, Article 16 limits this to materials derived from sustainable carbon sources. This prioritises input feedstock rather than emissions reductions, excluding a number of low-carbon chemicals production pathways including electrification of processes, use of low-carbon hydrogen and deployment of CCS. These are all important decarbonisation approaches which, alongside recycling and increased use of circular feedstocks, are identified as decarbonisation pathways by the Commission for chemicals in the IAA Impact Assessment. Like steel and cement, decarbonised chemicals should be defined by their emissions rather than their production pathways. To avoid overlooking important decarbonisation pathways, Article 16 should be rephrased to cover "**the production and sales of substances and mixtures of Union origin derived from low-carbon production**".

**30%**

**lead-market requirement**

*for key construction plastics*

**Could help turn low-carbon production into real demand.**

## 2. Create a lead market for plastics in buildings

The EU consumed 56.2 Mt of plastics in 2024 of which almost all was produced in the EU, accounting for about 24 $MtCO_2e$ in greenhouse gas emissions. The construction sector accounts for 24% of EU plastic demand by mass. Within that sector, three applications - **pipes, insulation and window/door frames** – made up 60% of plastics use. An initial 30% requirement under public procurement and support schemes for these three product categories would provide an effective starting point for mandating the uptake of low-carbon plastics.

The inclusion of plastics within the lead market provisions is also supported by the industry.

This mandate would be equivalent to just 10-16% of current low-carbon plastics production capacity. The implementation of Digital Product Passports (DPP) under the CPR, expected for some plastic construction products by 2028 and 2029, will enable tracing of the material inputs and readily enable construction entities to ensure procured materials were compliant.

## 3. Expand to chemical sectors

The current IAA proposal fails to develop low-carbon lead market demand to chemicals.

To address this gap, by 2029 the Commission should bring forward a proposal to further extend demand-side mandates to chemical sectors,.

Of these sectors, a legislative proposal by 2029 would be needed to ensure clear markets for decarbonised fertilisers. The EU produces around 17 Mt of fertilisers, with ammonia used in production. A market for decarbonised fertilisers could incentivise the decarbonisation of ammonia and hydrogen in the EU. While fertilisers do have pathways to decarbonise their production, the demand for low-carbon products is currently lacking. Including fertilisers in the IAA with a proposal by 2029 for a demand-side mandate could unlock demand and steer investments into low-carbon production.

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