2024

pinfa Advisory Board

Fifteenth Meeting

Thursday 21st March 2024
09:30 – 12:00 CET
VIRTUAL

pinfa

Contents of this report

pinfa Advisory Board Meeting Participants

pinfa Representatives

Esther Agyeman-Budu, Sector Group Manager

Adrian Beard, Chairman

External moderators

Simon Levitt, Moderator, Harwood Levitt Consulting

Angus Wallace, Assistant moderator, Harwood Levitt Consulting

The pinfa Advisory Board Meetings

Purpose of the pinfa Advisory Board

pinfa is the Phosphorus, Inorganic and Nitrogen Flame Retardants Association; it is a sector Group of Cefic, the European Chemical Industry Council. We represent the manufacturers and downstream users of non-halogenated phosphorus, inorganic and nitrogen flame retardants (PIN FRs).

United by a commitment to improve the environmental, health, and safety profiles of FR products, we seek to foster dialogue between the FR, fire safety and environmental fields. Bringing together a diverse group of stakeholders, including FR manufacturers and downstream users, academics, and experts from testing and research institutes, our Advisory Board meetings provide a venue for engaging with world-leading experts in these areas, and share ideas and activities.

The meetings of the Advisory Board take place on a biannual basis. They do not have fixed participation, and attendees are encouraged to extend the invitation to relevant stakeholders.

This report captures only the content of the Advisory Board meeting held on 21 March 2024.
The online library of the previous meeting reports can be found here.

The 15th pinfa Advisory Board Meeting

The 15th meeting of the pinfa Advisory Board was held virtually on 21 March 2024.

In the first session, **Doru Frantescu**, Founder & CEO of EUMatrix, a leading expert in Brussels on predicting EP election results and analysing MEP votes, presented his predictions and analyses of the potential scenarios for the next European Parliament and European Commission, and the implications for policymaking in Europe in the next five years.

In the second session, **Sylvie Lemoine**, Deputy Director General & Executive Director Industrial Policy at Cefic, presented the context, contents and aims of the Antwerp Declaration for a European Industrial Deal.

Both presentations were followed by an open discussion.

Competition, compliance and confidentiality

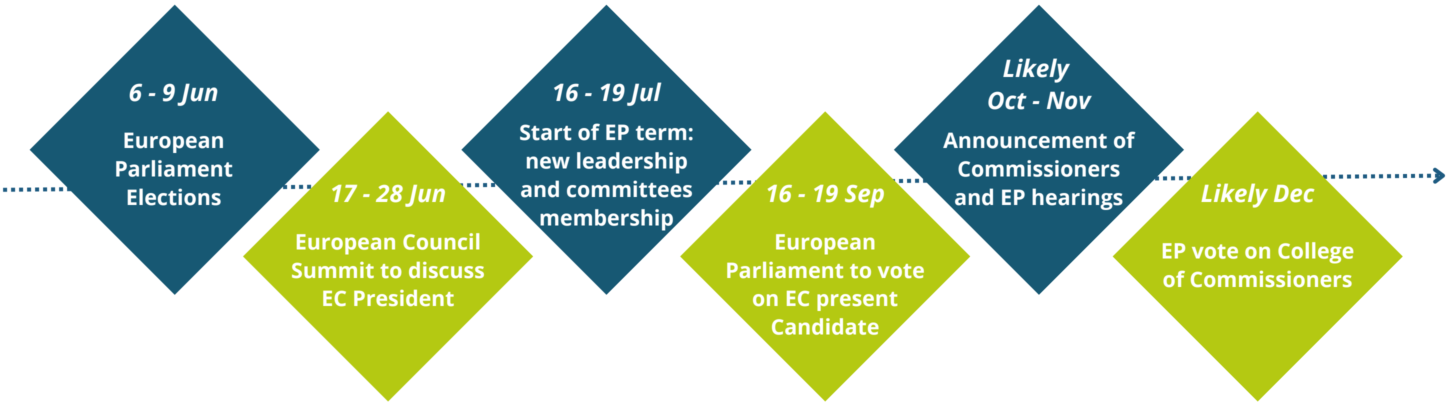
The meetings of the Advisory Board are held in strict compliance with EU and international antitrust laws, as well as Cefic dos and don'ts.

The meetings of the Advisory Board follow the Chatham House Rule, whereby attendance and the contents of the discussions are reported, but the affiliation of each individual speaker is not revealed.

EP2024: changes in policies and people

Doru Frantescu, Founder & CEO, EU Matrix

2024 is a pivotal year of elections. The EU's next five year political cycle will partly be determined by the European elections in June. ***Doru Frantescu of EUMatrix presented his predictions for the EU elections and what they could mean for European policy-making over the next five years.*** *Doru has over 15 years' experience employing extensive data collection and analysis to track the European Institutions, significantly contributing – along the way – to EU Parliamentary transparency. The presentation was followed by a group discussion.*



After a decade of unstable governments across Europe, the Commission emerges as the most stable government entity on the continent, enjoying higher levels of trust and popularity than national leaders.

Governments across Europe face increasing instability, with shorter durations and more parties needed for governing coalitions. This trend makes both politics and policy less predictable.

Amidst this uncertainty, the European Commission stands out as the most stable governing entity on the continent, providing a relatively consistent environment for policymaking. Trust in European institutions has remained relatively stable, with European leaders enjoying greater favorability compared to national counterparts.

Contrary to media narratives, it is issues like the cost of living, rather than migration or climate change, that are influencing voter preferences.

Difficult negotiations for institutional positions are anticipated to follow the European elections in June.

The European Council is expected to nominate a candidate for Commission (EC) President in late June/early July on the basis of the election results and the balance of power between governments.

However, negotiations for institutional positions are anticipated to be challenging because, while the EPP is likely to win the European Parliamentary elections, it is not going to be in control of the government of any of the big four countries (Germany, France, Italy, and Spain). The European Parliament's confirmation vote for the EC President, typically held in July, has been postponed to September, signalling intensive summer negotiations and new Commissioners in place as late as December.

Despite shifts in the European Parliament, the centre is expected to retain decision-making power.

While media attention focuses on the rise of fringe groups, the EPP and S&D remain the largest groupings, ensuring the center's dominance. Although ALDE/Renew has been the 'kingmaking' party in Parliament, i.e. this is the party whose votes most often mirror the final outcome, this 'kingmaking' ability is projected to shift towards the EPP in the new Parliament. Projected election results suggest gains for smaller groups, particularly nationalist and right-wing parties, weakening the centrist majority, fragmenting dynamics and complicating coalition-building. However, these changes are unlikely to significantly impact overall policy, with the center expected to maintain its decisive role.

However, increasing support for 'economy' and 'competitiveness' could signal a positive shift in narrative for industry in the Parliament and Commission.

The increasing support for the 'Economy' and 'Competitiveness' agendas could also signal a shift in narrative in favour of industry. While many new MEPs will not have a shaped view on chemicals policy, more MEPs are predicted to favour market approaches to industrial and chemicals regulations resulting, for example, in a potentially softer approach on REACH than the current EP.

As for the next Commission, priority areas are expected to include continued support for environmental topics, in particular in relation to pollution and water, as well as support to economic operators, through regulatory simplification (including a potential new Commissioner for SMEs), market harmonisation and industrial funding.

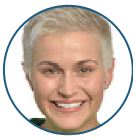
'Keep EU Fire Safe' supporters likely to be returned in the next Parliament:

Seán Kelly
(EPP)

Billy Kelleher
(Renew)

Dennis Radtke
(EPP)

Niels Fuglsang
(S&D)



Maria Walsh
(EPP)

Gaby Bischoff
(S&D)

Relevant Commissioners who may return in the next Commission:

- Thierry Breton, Commissioner for industry (potentially with an enhanced portfolio)
- Maroš Šefčovič, current Commissioner for the Green Deal

Relevant Commissioners not expected to return:

- Stella Kyriakides, Commissioner for Health
- Virginijus Sinkevičius, Commissioner for the Environment
- Wopke Hoekstra, Commissioner for Climate Action

Potential replacements among the rumoured potential Commissioners

- Giancarlo Giogetti (ID, ita) – economy / industry
- Dan Jørgensen (S&D, Dk) – climate / energy
- Teresa Ribera (S&D, Esp) – environment / Green Deal
- Frank Vandenbroucke (S&D, Bel) – health / social policy

EP2024: changes in policies and people - discussion

Are you saying the next European Parliament is likely to be much more unpredictable in votes and that the EPP will replace Renew as the kingmaker – and therefore the most important party to influence?

"The short answer is yes. If these results are confirmed by the elections, the EPP will potentially become the kingmaker in most decisions. In order to do so however, EPP members will have to vote as a bloc, something they have not always done. If we "Zoom-in", the king-maker delegations are likely going to be among the left wing of the EPP and right side of the Renew group.It is also important to note that over the past Parliament, the EPP was more likely to vote with the centre bloc (i.e. S&D and Renew) than to its right. That said, it is hard to say what they will do as decisions will be taken from one vote to another.

However, the European Parliament is not a system of stable governmental majorities. Coalitions can change from one vote to another, and this unpredictability has increased over the past 15 years. As the parliament's powers have grown, MEPs have become more self-aware and independent, no longer taking automatic instructions from their political leadership. The fragmentation and shrinking of the larger political groupings has further empowered individual Parliamentarians' ability to influence decisions."

What are the potential changes in your predictions over the next few months?

"With each update over the past six months, our projections have consistently shown an increase in seats for right-leaning parties. We expect this trend to continue, possibly resulting in a moderate increase of a few percentage points by the elections. Although a 3% to 5% increase for the right would be a big media narrative, from a scenario point of view the two trends of increasing unpredictability, and the EPP being in a stronger position will still hold. Any significant changes beyond this would likely require a major (geopolitical/climate related) event, shock or crisis."

What will be the impact on the Green Deal? Is it dead?

"The conclusion from all of this is that the Green Deal is not dead. In fact, many of the files are in the implementation phase and we don't expect them to be dramatically revised. As such, the shift in the support from the public, but also in the next Parliament, will be big enough to generate a slowdown of the Green Deal, but it will not be big enough to generate a U-turn.

We expect to see a continuation of the Green Deal as a strategic priority, however, new and bigger ambitions are going to be harder to pass. Over the past 10 to 15 years, we have seen climate related ambitions and targets become bigger and bigger. Our data suggests that now, or at least in the next few years of the mandate, this will slow down. Although of course, this is also dependent on societal and environmental developments or geopolitical change."

The Antwerp Declaration for a European Industrial Deal

Sylvie Lemoine, Deputy Director General & Executive Director Industrial Policy, Cefic

The Antwerp Declaration for a European Industrial Deal, opened for signature following a summit of business leaders in February 2024, presents European policymakers with a strategic framework to revitalize the EU's industrial sector while advancing the goals of the EU Green Deal. ***Sylvie Lemoine, Cefic's Deputy Director General & Executive Director Industrial Policy, has been championing industrial policy within the organisation and helped spearhead the Declaration.*** *She began by placing the Declaration within the EU's current business environment then presenting the contents of the Declaration and what comes next. The presentation was followed by a group discussion.*

The Antwerp Declaration aims to revitalise Europe's industrial competitiveness in the global market

The Antwerp Declaration was the outcome of a summit organized under the Belgian presidency of the EU Council that gathered more than 70 industry leaders from 20 industrial sectors to discuss industrial policy. The Declaration was presented to EC President Ursula von der Leyen and Belgian Prime Minister, Alexander de Croo, on 20 February 2024. The summit highlighted the urgency to keep good jobs in Europe and make it competitive, resilient, and sustainable in the face of difficult economic conditions and historic challenges. Amid geopolitical turbulence and economic uncertainty, the overall recovery remains sluggish despite tentative signs of improvement.

Despite being the second-largest chemical producer globally in 2022, the EU's market share has declined over the past two decades, while production costs and imports from China are posing challenges. The rest of the world is picking up more growth than the EU, where production, imports and exports have mostly been going down and are settling in a concerning trend. In the EU market itself, almost a third of the chemical market is filled by imports. Even in Green products, European chemical companies are beginning to produce in China.

A European Industrial Deal to implement, not supplant, the Green Deal

The Declaration emphasises the pressing need for industry to complement the Green Deal and drive decarbonization. For example, the chemical sector has at least 20 year investment cycles. As such, to be climate neutral by 2050, the industry needs to know where to invest by 2030. While geopolitical uncertainty is here to stay, there is pressing need for concerted action and investments in the next five years to allow the chemicals sector to achieve climate neutrality by 2050.

The Antwerp Declaration being presented to EC President, Ursula Von der Leyen, and Belgian Prime Minister, Alexander de Croo, Jan 2024. Credit: Thomas Hansenne

> *"A competitive European industry, based on a European Industrial Deal, is the 'conditio sine qua non' for the successful delivery of the EU Green Deal. It is also the only way to show the rest of the world that the Green Deal works."*
>
> *- The Antwerp declaration for a European Industrial Deal*

Looking ahead, the focus shifts to ensuring concrete action is taken.

The Declaration has subsequently been signed by over 1000 organizations, including individual companies and sectoral trade associations, as well as some trade unions. It contains ten key points calling for more public investment, leveraging the single market to ensure businesses remain in Europe, addressing high energy prices, more investment in energy infrastructure, securing supply of raw materials, a smarter innovation framework, boosting demand for net zero low carbon and circular products, and a more pragmatic "new spirit of lawmaking" to reduce burdens on companies.

Looking ahead, the focus shifts to engaging with policymakers particularly the European Council, to ensure industrial priorities are reflected in policy decisions, in strategic investment decisions and policy reforms that support European competitiveness.

While significant progress has been made, ongoing engagement and advocacy are crucial to translating commitments into concrete actions. Cefic will be monitoring political manifestos and engaging with MEPs as well as the Council to ensure that a European industrial Deal is part of the next Commission's Mandate.

Sylvie called on all participants to sign up to the Declaration.

The Antwerp declaration for a European Industrial Deal – 10 key points

01 Put the Industrial Deal at the core of the new European Strategic Agenda for 2024-2029

02 Include a strong public funding chapter with a Clean Tech Deployment Fund

03 Make Europe a globally competitive provider of energy

04 Focus on the infrastructure Europe needs

05 Increase the EU's raw materials security

06 Boost demand for net zero, low carbon and circular products

07 Leverage, enforce, revive and improve the Single Market

08 Make the innovation framework smarter

09 A new spirit of law-making

10 Ensure the structure allows to achieve results

The Antwerp Declaration for a European Industrial Deal - discussion

What is the general view of the drafters on whether this will result in concrete EU action in the next Commission? To what extent are people concerned that this is just pre-electioneering from the Von der Leyen administration?

"Well, you could argue that elections exist to catalyse action. That said, I do think it's more than just pre-electioneering, because it started in mid-2023 with the Granada Declaration. What is certainly true is that when we ask ourselves what could derail it at this stage, the European Elections certainly come up. The reality is that it has to be a deal, not another industrial strategy.

Although there is a very divided landscape at the moment and there are also competing spending priorities like defence. Success means concrete policy measures and Member States on board - which could very much depend on the structure and priorities of the new Commission.

In the meantime, there are certainly low hanging fruit that could significantly improve the situation. Better enforcement, for example is crucial. The EU is known to have holes at its border. In the area of chemicals for example, we have the data and there is a high rate of non-compliance on imported goods.

So the long answer is 'yes, we have seen it before,' and 'yes, it is not a given.' But I think what we have now that we didn't have before, is the Green Deal and new fragilities created by geopolitical tensions (meaning we have to address our strategic dependencies), plus the strong belief that we need to massively transform the European industry: there is now a sense of urgency."

Beyond decarbonisation, what are your views on innovation towards safe and sustainable chemicals and detoxification?

"It's true that while the Declaration contains quite a lot on the circular economy and what would be called toxic material cycles, there is not a lot of chemical policy. That is because it is happening elsewhere. For example, under the Chemicals Strategy for Sustainability, including in the expected REACH revision, or in the Ecodesign for Sustainable Products Regulation which should in principle set new product requirements that integrate environmental dimensions beyond carbon footprint.

So yes, this agenda is there to stay, and as an industry, we know that we not only have to change how we produce but also what we produce. But it has to be integrated in policymaking where we know in advance with certainty which substances will be regulated and when so that we as industry can make decisions and long term investments. At the moment there is a lot of uncertainty in the system. The PFAS ban is a good example of uncertainty around regulation – not knowing what will the final standards will be – that is causing delays and stalling investments."

What is the right balance between protectionism and competitiveness for the industry, considering the trade-off between safeguarding local markets and ensuring efficiency and affordability for consumers? Do we have to be honest and tell our citizens that if we have more protectionism, which one can accept, prices will increase?

"I think you're right that we are walking a fine line between openness and being more cautious on our trade policy. But I don't think we will take a protectionist direction to the extent of the US as that's not the European mindset.

That said, we do need much more investment. It's not just as simple as enacting higher standards for manufacturers, as these lead to higher costs and someone at someone point will need to bear that cost. If no one is willing to pay the increased costs that ambitious European standards in terms of recycled content could incur, either through price increases or public investment, you risk non-European companies filling the demand.

In the Antwerp Declaration, we make it clear that we need six times more investment in the next decade than we saw in the past decade."

Conclusion and Next Steps

The 15th pinfa Advisory Board departed slightly from our regular meeting approach by taking a helicopter view of European Politics and industrial policy. However, these topics and questions will impact us not only as an industry, but also as citizens, and we may return to them in another 5 or so years.

In the meantime, we look forward to our next Advisory Board in October 2024, where we will go back to our usual set up, with more on specific flame retardant topics, and in particular on fire safety and environmental issues.

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This document can be used by any member of the group for discussions with others, to show the areas of exchange and to encourage collaboration on the topics involved.

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