

## **IED: The Challenge of Combining State of the Art Emission Control with Competitiveness for Europe's Industry**

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Ladies and Gentlemen

I am honoured to be invited to today's Kangaroo lunch; and I am grateful for the opportunity to share with you thoughts on the Industrial Emissions Directive, which we at BASF consider a centrepiece of European legislation for the protection of our environment. Global competitiveness, the fertilizing effect of the directive on innovation and protection of proprietary business information will be the topics of my talk.

### **1 Level playing field**

It is true that the recast of the Industrial Emissions Directive has the potential to overcome certain imbalances and create a level playing field in Europe. Regulatory requirements are still different within the European common market and so is the level of enforcement.

We expect that future provisions will contribute to a harmonized implementation and execution of the directive. First of all, we acknowledge the guiding principle that as a rule the best available technique sets the emission standards for all industrial installations. Deviating from these standards will only be allowed under well defined conditions, ensuring transparency vis-à-vis- the public. And, last but not least, the update of the best available techniques and operating permits, the monitoring of emissions as well as reporting are going to be transparent and subject to a well-defined time frame.

But: this will not come for free.

Operators and authorities, already working at their limits, will have to increase their workforce in order to meet the requirements of the directive – at times of constraint budgets. A lot of production units will have to be refurbished to meet emission requirements. And, if the costs of required technical measures are not justified economically, operators will be faced with the decision to permanently shut down an installation.

To give a practical example: Steamcrackers are the trunk of the chemical family tree, supplying the raw material not only for basic chemicals and plastics, but also for a variety of specialty chemicals. These large installations are emitting into the air at various levels. There are limited options for adapting existing units to the best available technique, the most expensive of them being to build completely new reactors. Unfortunately, this may be the only technically feasible option, depending on how strictly the Industrial Emissions Directive is enforced; many existing units – and here I am speaking for the whole European industry,

not just for BASF – cannot reach the emission levels of newly built plants, when modified or equipped with cleaning facilities. But whenever a decision for a new investment has to be taken, the operator has to decide whether the new installation should be built in Europe or elsewhere – a decision which may be imposed well before the end of the typical investment cycle. The result of this decision will, among others, depend on the reliability of future boundary conditions for such a long-term investment.

This brings me back to the level playing field. Competition for the European chemical industry is not only taking place within our own continent. We have to compare ourselves to other successfully growing regions in the world. The global market share of the chemical industry in the EU is stagnating at around 30 %. While we are still one of the leading regions in the world, we are today surpassed by the growing Asian chemical industry and face increasing competition in the Middle East.

Providing a large variety of products, the chemical industry is part of a broader industry network, enabling new technologies like power generation from renewable energy sources and e-mobility. We must not compromise on maintaining and, where necessary, improving our high environmental standards, but we should proceed at a sensible pace.

Like carbon leakage being rightfully considered a major threat to unilateral climate action, the Industrial Emissions Directive may have similar consequences if not carefully drafted.

## **2 Innovation**

Concerning innovation, there are two appealing thoughts which we heard in a recent discussion with Parliament and the Commission: Firstly, when comparing different countries even within the EU, the strength of an industry on the one hand and environmental standards of their home country on the other seem to be linked. Secondly, the Industrial Emissions Directive is envisaged to catalyze innovation by bringing the entire industry up to the level of the best available technique, thus creating a climate of environmental excellence.

To some extent we can confirm this. Let me give you an example: At BASF we remove laughing gas, a high potential greenhouse gas, from off-gases catalytically. Being a highly effective method, this technology is today worldwide state of the art. Thanks to our catalysts, the cleaning process converts a damaging gas with great efficiency into harmless components.

However, our engineers and researchers have continued to think across borders: They made use of laughing gas as an active chemical and developed a process producing high-value chemicals from a raw material which was formerly a pollutant.

My plea therefore is to focus: the ambition for the best available technique can indeed lead to a strong and competitive industry. An important prerequisite, however, is that the regulatory environment allows concentrating and improving on those emissions which have a significant environmental effect.

In many cases, end-of-pipe technology will still be the only option. But our financial and brain capital needs to strive for more: processes which are smarter and cleaner will remain the competitive edge of the European chemical industry.

### **3 Protection of proprietary business information**

And this brings me to my last point: access to information and participation of the public.

The public needs and has a right to be informed and involved.

However, there is also a fine line between transparency and abuse of information which is made available in globally accessible media like the internet. Those skilled in the art may derive knowledge on technology and its performance from emission data, as long as these are detailed enough.

Some of our know-how is in the details and difficult to protect. But it is an asset which gives us the competitive advantage outweighing benefits that other regions in the world may have.

We will be able to manage this fine line, provided the requirements on format and scope of published data give sufficient room to inform the public and authorities in an appropriate manner.

We have nothing to hide – but much to lose.

Ladies and gentlemen: the mission of the European institutions is to keep emissions under control for the sake of clean air, water and soil. Legislators will successfully achieve this with a directive which at the same time promotes the common market through harmonized implementation and on the other hand provides sufficient room for authorities upon execution to take into account local circumstances.

The European industry will support all efforts for our environment.

In order to do this, we need to stay competitive. Balanced provisions for harmonisation and flexibility will warrant this.

In order to do this, we need to stay innovative. A directive focussing on emissions with significant impact on the environment will achieve this.

And in order to do this in a truly sustainable manner, we need to keep our competitive advantage in Europe – with appropriate provisions for transparency.

Thank you very much for your attention.