



STRATEGIC BRIEFING

Europe's Petrochemical Sector: A Competitiveness Crisis

High energy costs, Weak demand, Global oversupply, Rising imports. The foundations of European chemical manufacturing are under sustained, structural pressure.



The Scale of Capacity Loss

25M+

tonnes/year of European chemical capacity closed, reviewed or placed for sale since the 2022 energy shock

Further shutdowns remain likely as regional producers fail to compete with lower-cost US, Middle Eastern and Asian suppliers.

United States

Shale gas advantage drives structural cost edge

Middle East

Subsidised feedstocks enable ultra-low margins

Asia

Massive scale and state-backed investment

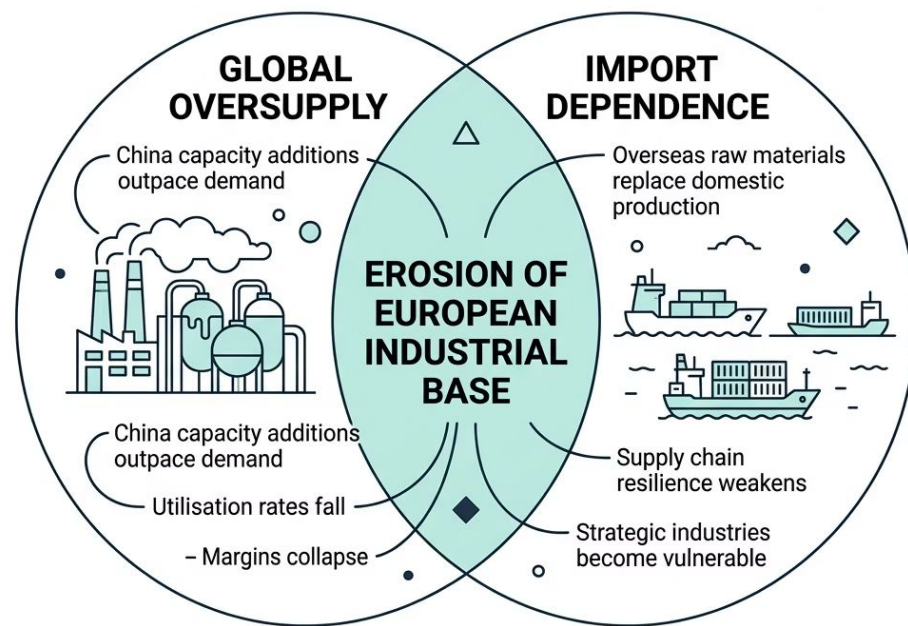
Oversupply & Import Dependence: A Dual Threat

Global Oversupply

China-led capacity additions outpace demand across multiple petrochemical chains. Margin pressure expected to persist until at least 2028.

Import Dependence

Lower-cost imports increasingly displace European production. Alternative trade routes restore supply despite geopolitical disruption - raising supply security concerns.



Investment Paralysis at the Worst Possible Moment

Europe needs capital for decarbonisation, infrastructure and modernisation - yet weak returns are driving investors away.

Weak Returns

Low margins make capital allocation to Europe unattractive

Permitting Delays

Slow regulatory processes increase project risk and cost

Policy Gaps

Absence of strong industrial strategy deters long-term commitment

Further Closures

Capacity erosion becomes self-reinforcing without intervention

The Policy Imperative

Preserving a viable European petrochemical base demands urgent, coordinated action across three fronts.



Faster Permitting

Streamline approvals to reduce investment timelines and lower project risk for producers and investors alike



Supportive Regulation

Design decarbonisation frameworks that do not accelerate industrial flight; align climate and competitiveness goals



Industrial Policy

Treat petrochemical manufacturing as strategically critical - not merely a market outcome

❏ Without decisive policy intervention, Europe risks ceding strategic chemical capacity permanently to overseas competitors.