

COMMENTS OF THE POLISH CHAMBER OF CHEMICAL INDUSTRY (PIPC)

On the European Commission's Call for Evidence: "Critical products - diversifying supply chains (DiversifyEU)" (Ares(2026)9192077)

The Polish Chamber of Chemical Industry (PIPC), representing the interests of the chemical industry in Poland, **welcomes the opportunity to comment on the European Commission's DiversifyEU initiative**. PIPC supports efforts to reduce critical strategic dependencies, strengthen supply-chain resilience and limit the Union's exposure to economic coercion, external supply disruptions and geopolitical uncertainty. The initiative offers an opportunity to bring together trade, industrial, regulatory and financial measures in a coherent economic-security framework.

PIPC wishes, however, to underline a fundamental distinction: **diversifying external sources of supply is necessary, but it is not a substitute for preserving Europe's own strategic production capabilities. An increase in the number of foreign suppliers does not necessarily reduce vulnerability if these suppliers rely on the same upstream production facilities, processing hubs, transport routes or critical logistical chokepoints, which may be disrupted simultaneously.**

Nor can the Union achieve lasting resilience if diversification policies inadvertently accelerate the closure of existing European installations. The availability of competitive domestic production must therefore be treated as an integral element of the diversification response, rather than as a separate industrial-policy concern.

Against this background, PIPC submits the following recommendations for consideration as the Commission develops the DiversifyEU package and any accompanying measures.

1. Assess dependencies across entire value chains and recognise the strategic role of EU chemical production

DiversifyEU should address both existing and emerging dependencies, taking account of the concentration of global production and processing capacity, not merely the origin of recorded imports. A robust assessment should consider the availability and utilisation of EU capacity, the number of remaining Union producers, the possibility of replacing a supplier or substance in practice, the time needed to qualify alternative sources, the consequences of a supply interruption and the cost of re-establishing production after closure. It should also examine the effects of losing an upstream installation on customers, co-products, shared utilities and interconnected industrial sites.

This matters particularly for chemicals: basic substances and intermediates underpin food production, healthcare, construction, clean technologies, transport, electronics and defence. A critical installation may supply several downstream value chains; its closure can permanently eliminate skilled workers, process know-how and shared infrastructure. Reliance on imports may therefore increase even where foreign supply appears geographically diversified.

European refining and integrated petrochemical assets should be recognised as strategic industrial infrastructure supporting energy security, transport, defence readiness and the supply of critical feedstocks for downstream industries. Preserving domestic refining and petrochemical capacity should be regarded as an integral component of European resilience and strategic autonomy.

The methodology developed within the Critical Chemicals Alliance (CCA) for identifying critical molecules and production sites should inform the framework, without becoming a closed list or an exclusive condition for action. Import concentration must be assessed alongside the risk of irreversible EU capacity loss. **Where one of**

the remaining EU producers of a strategically important chemical is at risk, priority consideration should be given to safeguarding and modernising that capacity; diversification must not accelerate its displacement by imports. Ammonia and nitrogen fertilisers illustrate the importance of European production for food security, while urea and melamine show how vulnerabilities extend into other value chains. Equivalent risks arise in polymers, basic organic and inorganic chemicals, industrial gases and other strategic inputs, like soda ash that is critical for glass industry, but also batteries in electric cars. The objective is to preserve essential industrial functions throughout the chemical sector, not to prioritise only one product group.

Developing chemical recycling should also form part of the EU's diversification strategy. Where technically feasible and environmentally sound, chemical recycling can complement mechanical recycling by recovering value from waste streams that cannot be effectively recycled mechanically, thereby supplying secondary feedstocks to European chemical installations. Investment support, innovation and clear, predictable and technology-neutral rules for the recognition and traceability of recycled feedstocks can help scale up this capacity in the EU and reduce dependence on imported primary resources.

2. Diversify supplies without replacing European production with further import dependence

PIPC supports developing alternative supply routes and relationships with reliable and trusted partner countries, particularly for products that cannot be sourced competitively or sufficiently within the Union. Trade partnerships, infrastructure investment, regulatory cooperation and better access to new sources can all reduce the risk associated with excessive dependence on a dominant supplier country. **However, sourcing from additional third countries should not automatically be regarded as more resilient than maintaining viable EU production.** Public interventions must be designed so that they do not reward the substitution of European output with imported products merely because the latter are cheaper in the short term.

The IMF Working Paper *EU Trade Diversification Through Regional Trade Agreements* (Caselli, Mulabdic and Ruta, WP/26/207, 2 October 2026) highlights potential benefits of more diversified external trade. However, although its model accounts for domestic trade flows, the reported import-diversification indicator is calculated from extra-EU imports. It does not, on its own, measure the contribution of EU production to security of supply or the effects of its displacement. **Even if the EU imports a product from a wider range of countries, its overall dependence on foreign supplies may increase if European production accounts for a smaller share of demand. The IMF paper also cautions that diversifying imports towards countries that are themselves vulnerable to external disruptions does not necessarily improve supply chain resilience.**

The transition towards low-emission energy and feedstocks should not result in new critical dependencies on third-country suppliers or undermine existing European industrial production. Where justified by security-of-supply considerations, the EU should support the development of competitive European value chains.

An illustrative comparison shows the distinction. **If EU production meets 80% of demand for a strategic chemical and one third country supplies the remaining 20%, the Union may be more resilient than if EU production covers 40% and imports from six countries cover 60%.** The latter has more diverse foreign suppliers, but imports supply three times as much of its demand; disruptions to international shipping, export restrictions or shared upstream production hubs could affect several sources at once. The strength of domestic production also depends on access to energy and feedstocks. This example demonstrates why DiversifyEU should consider EU production coverage, dependence on imported inputs and the resilience of entire value chains, rather than using import concentration as a sufficient measure of security.

The Commission should therefore apply an EU-capacity test when selecting sectors and designing measures: whether adequate Union production exists; whether viable installations are at risk; whether a proposed intervention preserves or undermines their long-term operation; and whether a new external supplier genuinely diversifies upstream capacity rather than merely changing the declared country of origin. Where the Union is close to losing the last producer of a critical input, preserving and modernising that capacity should be an urgent consideration alongside credible alternative supplies.

Any new trade diversification instrument, including potential tariff-based measures, should be based on transparent and evidence-based criteria. The Commission should establish the criticality and concentration of a dependency, the scope for disruption or coercion, and whether available EU or trusted-partner supplies can credibly address the risk. Before intervention, it should assess impacts on EU producers, importers, distributors and downstream users, including the volume, specifications and affordability of alternative inputs. Measures should be proportionate, regularly reviewed and accompanied by transition arrangements where alternatives cannot yet meet industrial demand. They must not inadvertently increase imports of finished goods by undermining the competitiveness of EU manufacturers dependent on imported inputs. The new instrument should complement, not duplicate, anti-dumping, anti-subsidy and safeguard procedures.

Long-term offtake arrangements, voluntary demand aggregation and investment risk-sharing may help develop alternative sources where economically justified. They should complement EU production, rely on genuine technical and regulatory availability, and avoid compulsory sourcing that raises costs before alternatives exist. The design must also take account of competing imported finished products: a measure that makes inputs more expensive for EU downstream manufacturers, without addressing the competitive implications, may shift production outside the Union rather than reduce dependence.

3. Convert monitoring and early warning into timely, accountable action

PIPC welcomes closer Commission-industry information sharing and more systematic monitoring of critical supply chains. This should cover sudden increases in import volumes, abnormal price movements, export bans and licensing restrictions, declining EU capacity, global structural overcapacity and suspicious changes in trade routes. For chemical products, standard CN classifications often aggregate different substances or grades. Where justified, more granular TARIC and CUS information and better data on production, consumption and capacity should be available through a secure, coordinated system that respects business confidentiality.

Identifying a risk is not the same as addressing it. Existing data collection and monitoring mechanisms do not necessarily trigger any response when import volumes rise sharply or the last EU producer approaches closure. The Commission should establish transparent escalation procedures under which a sufficiently credible early-warning signal leads to a rapid examination by the competent services, consultation with affected producers and users, and a reasoned decision on possible trade, financing or crisis measures. Triggers should prompt assessment and action where warranted, not automatic restrictions that disregard applicable legal requirements. Clear responsibilities, reporting-back arrangements and indicative response deadlines are essential if early warning is to have practical value.

The Union should build on CCA findings without introducing repetitive company reporting. Public and customs data should be used first; additional information should be requested only where necessary and handled securely. Monitoring should address emerging risks as well as historical concentration, with due regard to business confidentiality.

4. Implement the CCA recommendations to make trade defence faster and more effective

DiversifyEU should be developed in parallel with, and not delay, improvements to the existing EU trade-defence framework. PIPC calls for the prompt implementation of the eight-point action plan prepared by CCA Working Group 2 on Trade. In particular, the Commission should streamline the pre-initiation phase of trade-defence complaints, seek to initiate sufficiently substantiated cases within four months of submission of a draft complaint, establish priority treatment for critical chemicals and last-remaining-producer situations, register imports from the first day of an investigation and aim to impose provisional measures within five months where the legal conditions permit. Accessible guidance and practical tools should make the system easier to use, including for smaller companies.

The EU should strengthen anti-circumvention enforcement, customs cooperation and monitoring of trade diversion, origin fraud and misclassification, and adjust injury assessments to the realities of capital-intensive chemical production. The use of return on capital employed (ROCE), where justified, and the recognition of substantiated cost differences arising from European environmental, safety and social standards deserve appropriate consideration. The Commission should also examine the more effective application of the Lesser Duty Rule, including reciprocity concerns, and the use of safeguard measures as a complement to anti-dumping and countervailing duties whenever their distinct legal conditions are met. These improvements require adequate, sustained case-handling resources within DG TRADE.

Improvements to conventional trade defence are essential, but they may not address every form of state-driven, systemic market distortion. This separate challenge, and the need for complementary instruments, is addressed below.

5. Address structural overcapacity, currency manipulation and artificial trade advantages

PIPC calls for particular attention to competitive distortions caused by structural overcapacity and non-market practices in third countries. State-supported excess production, preferential access to energy and raw materials, including sanctioned by the EU Russian gas and crude oil, public subsidies and **deliberate currency undervaluation or exchange-rate manipulation** can create artificial advantages, exert sustained price pressure on EU producers and displace European output even when imports come from several countries. Restrictions on exports of critical raw materials or feedstocks can further distort competition and deepen the vulnerabilities of European value chains. Diversification cannot be considered effective if trade flows become geographically broader while such distortions continue to undermine EU productive capacity.

These risks are particularly serious where strategically important chemical installations could be lost irreversibly. CCA Working Group 2 identified state-induced structural oversupply and currency-related distortions among issues potentially requiring action beyond the existing trade-defence framework. **PIPC therefore calls on the Commission to examine a separate, horizontal and country-neutral mechanism capable of responding effectively to systemic distortions**, complementing anti-dumping, anti-subsidy and safeguard instruments. Deliberate exchange-rate manipulation must be distinguished, on the basis of verifiable evidence, from ordinary market-driven currency movements. The Franco-German proposals of October 2026 offer a relevant direction for further examination. Such a mechanism should remain distinct from the specific supply-diversification purpose of DiversifyEU, meet transparent legal and evidentiary conditions, and consider consequences for downstream users. Its objective should be timely action before strategic industrial capacity is irreversibly lost.

6. Share the costs of de-risking while safeguarding EU production and addressing exceptional energy-price shocks

The costs of diversification are real. Qualifying alternative suppliers, adapting production processes, developing new logistics, maintaining reserves and investing in additional capacity all impose financial burdens. European producers also face high energy, feedstock and carbon costs while competing with non-EU operators benefiting from subsidies, protected markets or cheaper inputs. **DiversifyEU must not impose unfunded resilience obligations on European industrial producers.**

Where European producers undertake de-risking in response to public policy objectives, appropriate incentives, cost-reimbursement programmes, financing guarantees and risk-sharing mechanisms should be available. Support should strengthen production within the Union by securing alternative supplies of critical raw materials and intermediate inputs, adapting installations, maintaining essential inventories and developing EU capacity, including circular feedstock sources. **Incentives for diversification must not encourage the replacement of viable EU production with imports of equivalent chemicals.** Support for alternative external sources should be assessed for its effects on EU producers, distributors and downstream manufacturers and should remain available where imports of essential inputs are necessary to sustain production in Europe.

The Union should provide targeted instruments for preserving viable existing production and for modernisation and new investment. The CCA's *Survive, Modernise and Accelerate* work estimates annual modernisation requirements for the European chemical sector in the order of EUR 40-60 billion. This is an indicative estimate of investment needs, **not a demonstrated additional public-funding gap**, but it illustrates why the costs of diversification cannot be considered separately from Europe's industrial investment framework.

PIPC also calls for **a dedicated crisis-response mechanism for strategic energy-intensive chemical producers facing exceptional increases in energy and feedstock prices**, to help avoid shutdowns and irreversible loss of viable EU capacity. Measures could include time-limited, targeted subsidies and other instruments cushioning extreme shocks and improving cost predictability, subject to clear eligibility conditions. Ammonia and nitrogen fertiliser production illustrates the risk: natural gas can account for up to approximately 80% of production costs, so exceptional price movements may rapidly undermine plant viability and food security. The problem is broader, however, and affects basic chemicals and integrated sites. **Crisis support should therefore be accessible across strategically important chemical value chains, not confined to one product group.**

Support measures should be accessible to companies across the Union and should not depend primarily on the fiscal capacity of individual Member States. EU-level coordination and appropriate financing arrangements should help prevent fragmentation of the Single Market and ensure timely support where strategic production capacities are at risk. Such assistance cannot substitute for competitively priced energy and feedstocks, predictable carbon costs, adequate infrastructure and efficient permitting, but it can help prevent irreversible losses of industrial capacity while longer-term measures to strengthen competitiveness take effect.

7. Financing industrial transformation

Industrial diversification and decarbonisation require substantial capital investment. The EU should ensure effective access to dedicated financing instruments, including the proposed Industrial Decarbonisation Bank and the Innovation Fund, as well as appropriately designed mechanisms such as Carbon Contracts for Difference (CCfDs). The costs of strategic transformation cannot be borne by industrial operators alone.

8. Strategic CO₂ infrastructure and CCS

Carbon Capture and Storage (CCS) and Carbon Capture, Utilisation and Storage (CCUS) will be essential for maintaining industrial production while reducing emissions in refining, petrochemicals, chemicals and other energy-intensive sectors. DiversifyEU should therefore recognize CO₂ transport and storage infrastructure as a strategic European asset and support its accelerated development.

Support schemes should take into account the full CCS value chain, enabling the deployment of CO₂ capture, transport and storage infrastructure across the EU. Such an approach is essential to facilitate industrial decarbonisation and maintain the competitiveness of energy-intensive industries.

In addition, the expansion of CCS infrastructure can accelerate the development of Carbon Capture and Utilisation (CCU) technologies, supporting the creation of new industrial value chains, increasing EU domestic production capacity and reducing strategic dependencies on imports.

9. Ensure consistency with the Single Market and the wider European industrial strategy

DiversifyEU must remain coherent with the Union's industrial, energy and trade policies. Measures intended to reduce import dependencies should not be undermined by conditions that make strategically important EU production structurally uncompetitive. European producers meet extensive environmental, chemical-safety, labour and regulatory requirements; the value of these standards and of secure EU-based production should be recognised in appropriately designed support and demand-side mechanisms.

European-preference approaches may have a role where justified, effective, proportionate and legally sound, without shifting disproportionate costs to downstream businesses. A free trade agreement or procurement arrangement with a third country should not automatically be treated as providing the same industrial-resilience contribution as production within the Single Market. Criteria should not rely solely on carbon performance in ways that penalise producers for differences between national energy systems rather than reflect their own modernisation efforts.

The Commission should examine the impacts of each proposed measure across whole value chains, including competition from imported finished goods, and provide proportionate transitions and safeguards against unnecessary administrative burdens. As the Commission does not envisage a full impact assessment of the initiative, its accompanying analytical work should explicitly examine effects on existing EU production capacity, input availability and costs, downstream competitiveness and Single Market conditions. The objective is genuine resilience, not an unintended transfer of industrial activity outside the Union.

DiversifyEU should recognize the strategic value of industrial projects that strengthen European supply chains through Local Content, domestic engineering capability, equipment manufacturing and industrial services. Strengthening European industrial ecosystems enhances both resilience and competitiveness.

Concluding remarks

PIPC welcomes the Commission's intention to strengthen EU economic resilience and stands ready to contribute sector-specific expertise. In PIPC's view, DiversifyEU should combine genuinely diversified external supply with **the preservation, modernisation and development of European strategic production**, timely responses to identified threats, effective trade defence and action against systemic distortions, and financial support for companies bearing the costs of de-risking. The package should establish clear responsibilities, transparent conditions for intervention and review, and a credible assessment of impacts on EU industry.



European resilience, competitiveness and decarbonization should be treated as mutually reinforcing objectives. Industrial policy should not prioritize one objective at the expense of the others. A resilient Europe requires both diversified supply chains and a strong domestic industrial base capable of competing globally while delivering climate objectives.

Europe's economic security should not be measured solely by the number of countries from which it imports. It must also reflect the share of essential demand that can be met during severe external disruption, the Union's ability to continue manufacturing critical chemicals and intermediates, and the resilience of interconnected value chains. **Diversified supply chains built around a strong European industrial base are the foundation of genuine resilience.**