

## European oleochemical and surfactant industries risk losing competitiveness

**Who we are:** APAG & CESIO represent the European oleochemical and surfactant industries and are two pillars of the European bioeconomy, committed to the sustainability of renewable feedstock used by the industries. Our members have been using natural oils and fats, including palm and palm kernel oils as key non-fossil feedstocks for over 30 years, turning these oils into valuable bio-based chemicals used as intermediates for many key products in our daily lives – from detergents and personal care to more industrial uses such as industrial lubricants. Both industries have a combined turnover exceeding €8 billion a year, employing over 18.000 people in Europe.

### What is the EU Deforestation Regulation (EUDR)?

The EUDR aims to reduce EU's contribution to global deforestation, reduce carbon emission and address illegal deforestation and forest degradation. Products can only be made available on the EU market if:

- They are deforestation-free (cut-off date: 31 December 2020)
- They have been produced in accordance with the relevant legislation of country of production
- They are covered by a due diligence statement<sup>1</sup>

**EUDR applies to primary feedstocks for the oleochemical and surfactant industries: palm and palm kernel oils, and some derivatives.**

### Impacts of EUDR on the EU oleochemical and surfactant industries if Annex I is not updated



#### Undermines EU competitiveness

The limited list of palm and palm kernel oil derivatives in Annex I currently contains gaps allowing circumvention of the regulation for intermediate and end-products.

This situation allows non-EU-27 producers of intermediates and end products to be out of scope of EUDR requirements, giving them an unfair advantage compared to companies producing the intermediate ingredients in the EU & obligated to comply with EUDR.



#### 18.000 direct EU jobs at risk

Operators can carry out certain processing steps outside the EU, allowing the intermediate chemicals used for producing end products to fall outside the scope of Annex I upon import.

These practices risk undermining the level playing field, disadvantaging EU producers, and will ultimately result in production relocation, job & fiscal revenue losses within the EU.



#### Production relocation

Due to challenges currently faced by the EU chemical industry – e.g. high energy costs and an unlevel competitive landscape due to the current flawed EUDR Annex I list – the closures and divestments experienced by EU companies compared with other regions of the world is placing the EU manufacturing sector at significant risk.



#### Shift to fossil-based alternatives

The implementation of EUDR in the bioeconomy sector may prompt a shift toward fossil-based chemicals, as challenges in regulatory compliance and disproportionate access to feedstock markets hinder continued reliance on bio-based alternatives.

<sup>1</sup> Obligations under EUDR depend on the role in the supply chain

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EU Transparency Register n° 61879142323-90

