



POLICY

Europe can't build a green industrial future with yesterday's chemicals

Europe has turned to industrial policy to future-proof its economy and combat climate change. But without simultaneously tackling the chemical pollution crisis, the EU's industrial policy plan could cripple the very economy it's trying to strengthen. Here's how to protect people and planet and boost industry at the same time.

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Last month, the European Union presented what it calls a Clean Industrial Deal, a bold attempt to boost Europe’s competitiveness while tackling the climate crisis. This “industrial deal” is the latest example of industrial policies being back — with a bang!

Some of you may say “industrial-what-now?!” and some of you may not have noticed the trend. But it’s a bang, alright.

First off, what is industrial policy? Well, if you ask two economists, you’ll get two different answers. But let’s go with the OECD definition: “Industrial policy refers to government assistance to businesses to boost or reshape specific economic activities.”

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In other words, an industrial policy is when the government intervenes in the economy to support individual sectors, companies or products to achieve certain policy goals. The state picks “winners”, often to build or boost areas of the manufacturing sector.

The European Union is joining the club

The United States and China have already started implementing some industrial policies, and European governments are, [to varying extents](#), using such policies

independently. What's interesting is that now — with the Clean Industrial Deal — the European Union wants to become a full-fledged member of the industrial policy club as well.

The core themes of the Clean Industrial Deal are competitiveness, innovation, decarbonisation, sustainability, and circular economy. So far, so good. But there's one glaring exclusion — the chemical industry's toxic legacy. Manufacturing clearly cannot be “clean” if it contributes to chemical pollution.

“Industrial policies are tools to achieve certain policy goals, and one such goal is ‘a toxic-free Europe’”

Would it be impossible to include a speedy phase-out of the most harmful substances in such an industrial deal? Absolutely not. Industrial policies are tools to achieve certain policy goals, and one such goal is “a toxic-free Europe”. This has been spelt out in the [Chemical Strategy for Sustainability](#) and endorsed by the European Council and Parliament.

So, what would an industrial policy aimed to boost the phase-out of the most harmful substances in Europe look like?

Industrial policy should not protect outdated practices

Before we get into that, here's what definitely should be avoided in such a policy:

✗ Subsidizing companies that rely on harmful chemicals, such as PFAS. This only undermines investments in safer alternatives that frontrunner companies across Europe are making or have already made. Good industrial policy should incentivise the best possible technology — not fashionable shortcuts, quick fixes, or solutions proposed by powerful lobbies (such as [chemical recycling](#) using flexible mass balance).

✗ Weakening chemical laws in the name of “simplification”. Industrial policy should be designed to facilitate strong chemical legislation by encouraging companies to develop alternatives. Strong regulations drive innovation. Deregulation

only benefits laggards that refuse to adapt. Not even [the chemical industry](#) itself considers regulations a key factor limiting production.

✗ **Ignoring the global market.** If imported products containing toxic chemicals continue to flood Europe, EU-based companies that have invested in clean alternatives will struggle to compete. Instead, these companies need to be protected, as they will become important players in the future EU economy. The way to achieve this is by expanding the so-called [generic risk management approach \(GRA\)](#).

Building the green industries of tomorrow

An industrial policy cannot protect outdated industries at the expense of human health and the environment. Instead, it should be a positive tool for transformation:

✓ **Aligning EU research and innovation funding** (such as Horizon Europe) with the development of safer chemicals, materials and technologies. Think big! Consider public “space race” projects to develop groundbreaking products.

✓ **Supporting the SMEs that are leading the way.** EU industrial policies should enable healthy competition among a wide range of companies. Small and medium-sized enterprises (SMEs) are often the most innovative, yet they struggle to access state support. That must change.

✓ **Providing subsidies and credit guarantees for developing safer solutions** to hazardous chemicals in critical uses (for example, PFAS in certain medical devices). This would make it more profitable for companies to develop cost-effective, high-quality alternatives and lead to the phase-out of harmful chemicals.

✓ **Attaching safety criteria to all state support.** Companies benefiting from EU industrial policies should meet strict transparency and chemical safety standards (see the [SIN List](#)).

✓ Most importantly, an EU industrial policy should open up the market for safer alternatives through **time-bound restrictions on hazardous chemicals**. Such restrictions will ensure that R&D investments have a higher potential to pay off since they will have a ready market. Companies both need and want predictability!

The bottom line

Such an EU-wide industrial policy would modernise European industry by spurring investment in safer solutions and turning EU manufacturers into world-leading frontrunners. It would promote the research, development and large-scale production of safer chemicals. It would incentivise companies throughout the supply chain to substitute harmful substances. It would support SMEs, enabling healthy EU competition.

“For such an industrial policy to work, it needs to be coupled with strong legislation”

At the same time, it would reduce the vast societal costs that come with hazardous chemicals, help combat the climate crisis and protect people’s health.

But for such an industrial policy to work, it needs to be coupled with strong legislation. In EU language, this means a strong REACH.

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