

The Bavarian State Minister for
Economic Affairs, Regional Development and
Energy



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Bavarian State Ministerium for Economic Affairs, Regional Development and Energy, 80525 Munich

His Excellency the Member of
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Munich,
02.02.2023

**Future viability of the chemical industry: Impending closure of
3M/Dyneon fluoropolymer production**

Dear Commissioner,

The chemical industry in Germany is in a state of upheaval. This has been triggered by high energy prices, but also by increasingly restrictive chemicals legislation at European level. The Conference of Economics Ministers has repeatedly taken a clear position in recent years and warned against regulatory overload as part of the Green Deal and the resulting deterioration in the competitiveness of European companies in international comparison.

At the same time, the chemical industry is an indispensable supplier for many other products and productions. These dependencies have been clearly demonstrated to us in recent months. The usability of supply chains is huge.

The situation is exacerbated by emerging bans or restrictions on substances without alternatives already being available. One example of this is the substance class of per- and

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polyfluoroalkyl substances (PFAS). A corresponding restriction proposal was submitted by Germany together with other countries and is to be published on February 7. According to the current OECD list for PFAS, this definition includes at least 4,700 chemical compounds. Such broad regulation of entire groups of substances regardless of the actual risk is to be rejected.

There is a risk that the restriction proposal will lead to the withdrawal from the market of chemicals that currently still play a decisive role on the path to a decarbonized industry. This also calls into question the achievement of the Green Deal at European level. Due to their special properties, PFAS are currently without alternative for many applications. This applies to renewable energies (e.g. electrolyzers, fuel cells, wind power), electromobility (e.g. lithium batteries) and medical technology, among others. e.g. ventilators and neonatal incubators). PFAS are also widely used in the production of chips and high-performance electronics and in mechanical engineering and are practically irreplaceable due to their high heat resistance.

On December 20, 2022, the American company 3M announced that it would be phasing out the production of fluoropolymers by the end of 2025. There is a threat of complete closure. A sale is also currently ruled out, meaning that production could not be continued by any other manufacturer. The discontinuation of PFAS production is due to the regulatory environment with increasingly restrictive chemicals legislation in both the EU and the USA. In addition, the expectations of stakeholders have changed.

This closure also affects Dyneon GmbH, a wholly-owned subsidiary of the US-based 3M Corporation. This threatens the loss of up to 1,000 of the 3,600 jobs at the Gendorf Chemical Park. For the entire chemical triangle, a significant deterioration in competitiveness is to be expected due to the integrated system at a time when

this location is in any case affected by high energy prices.
is threatened by deindustrialization

With an annual production of around 17,000 tons, Dyneon is the market leader in Europe for fluoropolymer specialties and covers almost half of total European demand. In some specialties, Dyneon accounts for up to 100 percent of global production. This threatens to make the German and European industry critically dependent on non-European producers in important future fields.

At the same time, China is presenting its industrial strategy. The USA wants to use the Inflation Reduction Act to bring production back to the USA; the call is also directed at our chemical industry and is also heard there.

Our goal must therefore be to find an appropriate balance of interests in Europe in order to prevent a loss of domestic production and thus also of resilience. I therefore advocate the following measures:

- Regulation at European level with a sense of proportion and practical transition scenarios for chemical substances.
 - Creation of a European state aid law that enables the maintenance or development of basic material production.
- " Active promotion of both the development and implementation of omwe/friendly substitutes on an industrial scale.
- Appropriate measures to maintain production sites in Germany and in domestic or European ownership. Please contact 3M directly and ask them to support the preservation or sale of the Dyneon plant in the Gendorf Chemical Park.

- Introduction of an industrial electricity price at European level.
- Active geopolitics to secure the long-term supply of raw materials and primary products for German industry.

Yours sincerely

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