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SITUATION AND OUTLOOK FOR THE CHEMICAL INDUSTRY

27 OCTOBER 2025

IN A CONTEXT OF DEEP UNCERTAINTY, CHEMICAL PRODUCTION IN ITALY IS NOT RECOVERING

The chemical industry – with more than 2,800 companies, over 113,000 highly skilled employees and a turnover of 65 billion euro in 2024 – is the country's fifth largest industry. Italy is the third largest producer in Europe and, for several specialist products, occupies even more significant positions.

Even more significant is the multiplier effect and highly pervasive impact of the sector on the entire Italian economy: 100 euro of added value in the chemical industry generates a further 232 euro across all related supply chains. The chemical industry is, in fact, the "industry of industries": its products are essential components of 95% of the manufactured goods used to meet every need, from mobility to health, from housing to food, from clothing to communication.

The numbers of the chemical industry in Italy (2024)

Production value (billion euros)	65.0
- of which exports (billion euros)	40.6
Companies (number)	2,849
Employees (thousands)	113.6
Percentage of graduates	27%
Percentage of permanent contracts	96%
R&D investment (million euros)	862
R&D personnel/employees	8%
Change in greenhouse gas emissions (since 1990)	-70%
Percentage of recycling (of total waste)	49%

Source: Istat, ISPRA, Federchimica

Thanks in part to its commitment to research and innovation (over 860 million euro per year and 8% of staff dedicated to R&D), the chemical industry has been able to combine economic, social and environmental value with excellent results. Greenhouse gas emissions have been reduced by 70% since 1990, and recycling is now the primary method of waste treatment, accounting for nearly 50% of waste.

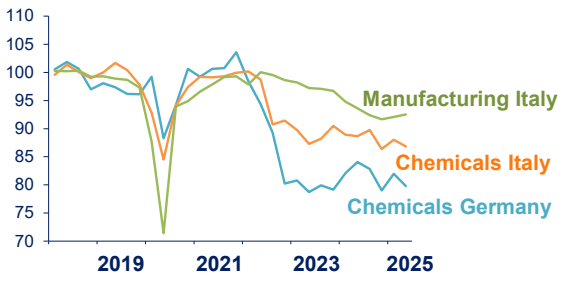
After a disappointing 2024, the tentative signs of recovery that were beginning to emerge have been compromised. The continuing uncertainty – fuelled by tariffs, but often also by European environmental policy – is affecting production and investment, as well as fuelling caution in purchasing and stop-and-go phenomena that complicate the planning of activities.

In January-August 2025, despite advance purchases in anticipation of tariffs, chemical production fell by 1.7% year-on-year. Among user sectors, positive momentum is limited to consumer goods, pharmaceuticals and furniture – exposed to American protectionist measures – while, at the other end of the spectrum, the automotive and fashion sectors remain in deep crisis.

Activity levels remain 11% lower overall than in 2021. This weakness is not unique to Italy but affects the entire European chemical industry, with Germany – Europe's leading producer – experiencing an even more severe decline (-19%). Compared to basic chemicals, which are more energy-intensive and exposed to international overcapacity, fine and speciality chemicals show a more moderate decline (-5%), and Italy is more specialised in this type of activity (55% share of sector production compared to 37% at EU level).

Cefic, the European Chemical Industry Council, considers 350 chemical industrial production sites at risk of closure over the next four years, with the loss of 200,000 direct jobs and 15 billion euro in added value. This would compromise the growth prospects not only of the chemical sector but of the entire European manufacturing industry, and lead to the import of massive quantities of CO_2 in the form of goods from countries with less stringent environmental standards.

Chemical production in Italy and Germany, manufacturing in Italy (indexes 2018=100)



% change	2022	2023	2024	2025	2026
Chemical production in Italy	-4.2	-6.7	-0.5	-1.5	+0.5

Source: Eurostat, Federchimica

Against a backdrop of geopolitical tensions, weak industrial demand and competitive asymmetries (starting with energy costs), Italy is facing its fourth consecutive year of decline in chemical production (-1.5%). A limited recovery is expected in 2026 (+0.5%).

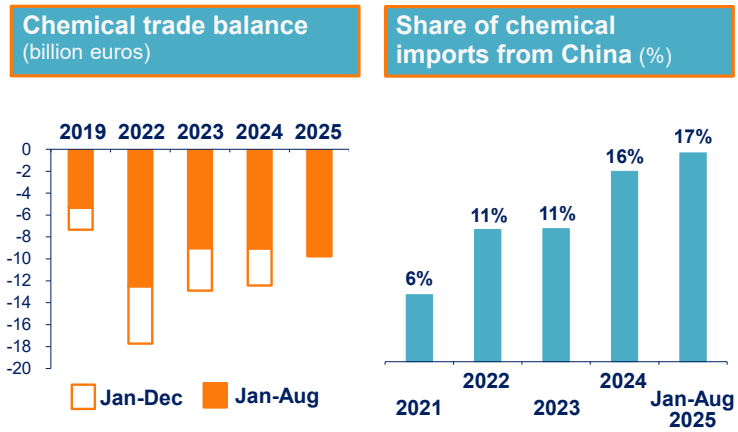
Although the new European legislature intends to pay greater attention to competitiveness, the repositioning measures taken so far risk being too timid. The Action Plan for the chemical industry is a step in the right direction, and the simplification initiatives are welcome. However, many of the proposals are based on state aid and national resources. Furthermore, some environmental objectives have remained unchanged, but will be difficult to achieve in the absence of economic sustainability conditions in light of the technologies currently available on an industrial scale and fierce global competition. In any case, it is important that Italy follows up on the areas of support outlined by European initiatives.

INTENSE COMPETITIVE PRESSURE AND TARIFFS AFFECT THE CHEMICAL INDUSTRY IN ITALY

The chemical industry in Italy is heavily integrated into global trade and is therefore significantly affected by the wave of protectionism. **In 2024, exports exceeded 40 billion euro and, for many companies, foreign markets account for well over half of sales.** This is also the result of a **high** degree of **specialisation**, which amplifies the effects of disruptions in supply chains. **Chemical exports show a decline in value (-0.8% year-on-year in the first eight months of 2025) with a more marked decline in volumes in a context burdened by tariffs and the strengthening of the euro not only against the dollar but also against the yuan.**

The (non-binding) political agreement reached between the US and the EU has averted a dangerous trade war, but it entails a significant increase in tariffs for most products of EU origin compared to the liberalisation planned for US goods. **The US is the fourth largest export market for chemicals, with a 7% share and almost 3 billion euro in exports in 2024.** In recent years, Italy had shown a growing trade surplus with the US (1.2 billion euro in 2024) thanks to the driving force of fine and speciality chemicals and despite the competitive disadvantage in energy and raw material costs. **In 2025, there was a sharp reversal of this trend: in January-August, exports to the US fell by 4.1%, while imports rose by 8%.**

US tariffs on Chinese products are also leading to a shift towards the European market, exacerbating the already strong competitive pressure. **Between 2021 and the first eight months of 2025, China's share of import of Italian chemical products has risen from 6% to 17%.**



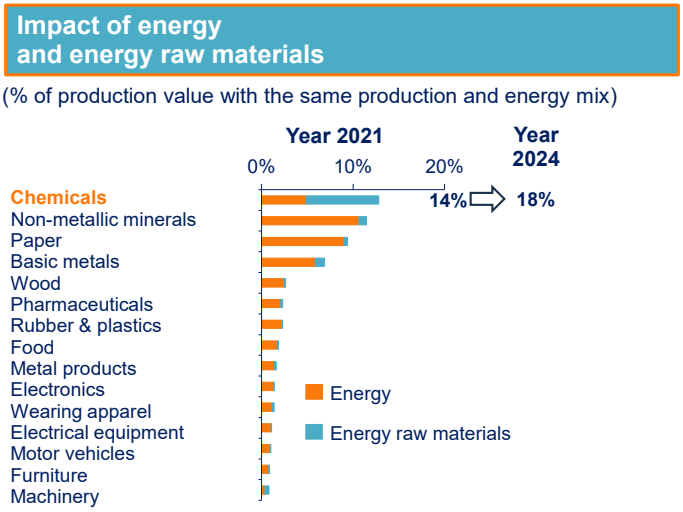
Source: Eurostat

Uncompetitive energy costs, tariffs and Chinese overcapacity are leading to a deterioration in the trade balance, which worsened again in the first few months of 2025. Since 2021, Chinese chemical production has increased by 26% against a 9% expansion in global demand. During the same period, the US limited growth to 3% and the EU lost 12% (-11% in Italy).

In this context, **it is appropriate to continue the dialogue with the US and to promote exports to alternative markets through new trade agreements. The EU's intention to purchase liquefied natural gas, oil and nuclear energy products from the US for 750 billion dollars by 2028 (from the current level of less than 100 billion dollar per year) must not result in further increases in energy costs for businesses. The introduction of European duties must not compromise the competitiveness of downstream production and, if necessary, must be extended to the entire supply chain. In any case, the best way forward is necessarily through a policy – Italian but above all European – that promotes industrial competitiveness and stronger local demand.**

SEVERAL UNRESOLVED ISSUES IN ENERGY AND CLIMATE POLICY

Chemistry is one of the sectors most sensitive to energy costs, as it uses fossil fuels both for energy and as raw materials. Companies are strongly committed to reducing energy consumption and costs: in 2021-2022, 42% had already taken steps to improve efficiency and 25% to use renewable sources (compared to less than 20% in the manufacturing sector on average). Although it has fallen from its peak, **the incidence of energy costs on the value of chemical production rose from 14% in 2021 to 18% in 2024** (assessed on the basis of the same production and energy mix).



Source: calculations on Istat, EIA, GME data

For Italy, the most penalising aspect is the cost of electricity, which is higher than in the main European countries. **In the first nine months of 2025, the average wholesale price of electricity was close to 120 euro/MWh, compared to around 60 euro in Spain and France.** With prices already high, energy costs are further burdened by European climate policies. **Overall, between direct and indirect costs for CO_2 emissions under the EU Emission Trading Scheme, the chemical industry pays over 600 million euro per year, a burden that does not weigh on non-European producers and is equivalent to almost all of the sector's R&D expenditure.** In a 2030 scenario, the total cost could double, exceeding 1.5 billion euro. Further increases will result from the entry into force of ETS 2 (which will apply to non-energy-intensive activities and civil activities that are not currently subject to the purchase of CO_2 allowances) as well as from the planned implementation of the CBAM (Carbon Border Adjustment Mechanism).

At European level, it is necessary to recognise the role of **all energy sources** and create an **integrated electricity market**. In Italy, it is urgent to implement the **Electricity Release**, aimed at making electricity from renewable sources available at controlled costs for energy-intensive businesses, and to implement the **Gas Release** to increase the use of new gas production in the country, including by promoting the launch of the biomethane supply chain. Even more urgent is the **elimination of the price differential** between the Italian reference index (PSV - virtual trading point) and the TTF index applied in the rest of Europe. This differential exceeds 5 euro/MWh, with an additional annual cost of 1.3 billion euro on gas bills.

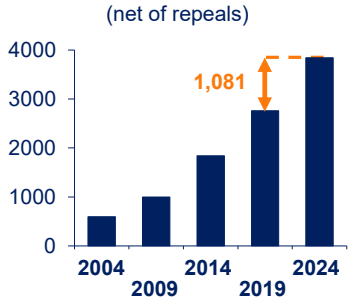
Support schemes for **cogeneration plants** should be adjusted and support and development measures introduced on **CO_2 capture and storage** issues, where Italy has great potential for the entire Mediterranean basin.

The resources available to the **mechanism for compensating for indirect CO_2 costs** related to energy purchases (currently 600 million euro) must be increased, ensuring consistency with regard to the beneficiary sectors under European legislation. As part of the CBAM review scheduled for 2025, its effectiveness should be assessed, considering the postponement of the reduction in **free ETS allowances** to protect European industries from the risk of relocation to countries with less restrictive environmental regulations.

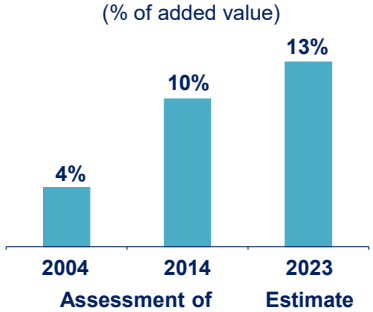
REAL REGULATORY SIMPLIFICATION IS A PRIORITY

The EU's regulatory bulimia – with 1,081 new legislative measures introduced in the areas of health, safety and the environment in the last five years alone – represents an increasingly unsustainable cost. **For European chemical companies, the impact of EU regulatory costs on added value has more than tripled, rising from 4% in 2014 to 13% in 2023, and Italy is among the most penalised countries due to the prevalence of SMEs specialising in formulations involving numerous different substances.**

EU legislative measures on health, safety and the environment



Regulatory costs for the European chemical industry



Source: European Union, Compendium of Community acts in force on the environment, consumers and health protection; European Commission – Technopolis, 2016; Cefic-Advancy, The competitiveness of the European chemical industry, 2024

In line with the policy direction indicated by President Von Der Leyen herself with the Clean Industrial Deal, the European Commission should commit to ensuring **effective regulatory simplification**, starting with the revision of the REACH Regulation on chemicals, without compromising the protection of human health and the environment.

In order to promote greater consistency, clarity and complementarity between all regulations, it is also essential to follow up on the Omnibus simplification measures as soon as possible. In the case of new legislative proposals, there should be systematic provision for extensive consultations with adequate technical response times and **robust impact assessments to ensure effective applicability.**

Any restrictions on the use of substances must take into account the **risk assessment**, the multiplicity of uses (sometimes for health, safety and environmental protection purposes) and the availability of viable alternatives. Effective controls are also necessary on substances and articles imported from outside the EU.

It is essential that the regulatory framework be defined with realistic objectives, respecting the principle of **technological neutrality** and keeping the way open to multiple technologies in order to identify the best solutions for the countless application requirements.

At the Italian level, it is necessary to **avoid additional restrictions** compared to European legislation, define **consolidated texts** and disseminate **guidelines** on interpretation and application, as well as **provide adequate technical staff** at the competent authorities. **Authorisation times** for plants and products must be made compatible with market logic so as not to reduce the attractiveness of investments in Italy.

Demand for innovative eco-sustainable products (such as circular, renewable and low-carbon footprint chemicals) should be stimulated through incentives, mandatory targets included in specific legislation and minimum environmental criteria in green public procurement, encouraging scale-up and return on investment through the recognition of a “green premium”. The assessment of eco-sustainability must be based on scientific criteria that take into account the entire life cycle. Incentive measures are clearly preferable to punitive measures against previous-generation products (or processes). Italy boasts a particularly promising position in circular chemistry and biomass. A true European Single Market for circularity must be created, overcoming the uneven application and interpretation of waste legislation among Member States. In order to promote the implementation of circular economy and industrial symbiosis projects, it is necessary to amend Italian waste legislation, which is particularly burdensome compared to other EU countries.

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