From Net Exporter to Net Importer:

Why Europe's Polycarbonate Industry Needs a New Industrial Policy - Before It's Too Late

A thought leadership article from the Polycarbonate Product Group, Plastics Europe

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I. The Tipping Point

In 2025, the European Union became a net importer of polycarbonate (PC) for the first time in its history - a clear sign of structural oversupply and a shrinking domestic production base.

Between 2006 and 2022, the EU PC trade enjoyed an average annual trade surplus of approximately 185 kt, according to Polycarbonate Group market intelligence. This surplus has since disappeared, with PC imports reaching around 220 kt in 2025 - equivalent to the output of one European production plant. Import prices from non-EU countries have also fallen to their lowest level in 15 years.

This reflects a wider industrial crisis. According to research commissioned by Cefic, announced chemical production capacity closures in Europe between 2022 and 2025 amounted to nearly 9% of the industry's capacity, putting approximately 20,000 direct jobs and a further 89,000 indirect jobs at risk. Non-EU suppliers now account for 31 per cent of EU chemical consumption, up from 22 per cent a decade ago. China's share of EU chemical imports has doubled to 18 per cent, while its petrochemical capacity roughly doubled between 2010 and 2024. Europe's, by contrast, declined by 14 per cent.

Polycarbonate illustrates the structural challenges facing the entire European chemicals industry. The time for business as usual is over.

What Happened: Three Structural Drivers

Capacity Loss and Declining Investment

Between 2022 and 2024, three EU polycarbonate production lines (two Trinseo lines in Stade and one SABIC line in Cartagena) were shut down or relocated to India. This represents a 20 per cent loss of EU PC capacity, with no announced investments to replace the lost volumes.

Capital markets reinforce this trend. Roland Berger's 2026 analysis, *Chemicals Industry Market Cap Reset*, reports a median annual decline of 4.8 per cent in chemical company valuations since 2017. Large-cap companies' share of the sector has fallen from approximately 50 per cent to below 15 per cent.

Chinese Overcapacity Reshaping Global Trade

Asia accounts for approximately 75 per cent of global PC capacity, with China representing around 50 per cent. China's expansion is fundamentally changing global trade flows.

Chinese PC imports fell from a peak of over 1,600 kt in 2020/2021 to approximately 865 kt in 2025. Meanwhile, exports rose to around 585 kt and are expected to increase further as domestic capacity expands. China is approaching net-exporter status.

Two developments intensify pressure on Europe:

- **From China:** Chinese PC imports into the EU doubled year-on-year to approximately 47 kt in 2025.

- **From the rest of Asia:** Traditional suppliers to China, including South Korea, Thailand, Taiwan and Saudi Arabia, are redirecting volumes to Europe as China approaches self-sufficiency. South Korea alone supplied approximately 120 kt, more than half of EU PC imports, in 2025.

At the same time, European-headquartered companies are shifting polymerisation capacity to Asia, reducing the need for exports from Europe and other regions to Asian markets. The resulting oversupply is increasingly reaching Europe.

The Cost and Regulatory Squeeze

European chemical producers face structural disadvantages. Industrial electricity prices are roughly twice those in the US and China, while the EU ETS adds a carbon cost of about €75 per tonne of CO_2.

High energy and regulatory costs, Chinese overcapacity and US tariff uncertainty further weaken Europe's competitive position. For PC producers, this makes it increasingly difficult to compete profitably in key Asian markets.

The EU's trade defence system is also too slow. Product-specific anti-dumping and anti-subsidy investigations typically take up to 14 months to conclude. As Sander Tordoir of the Centre for European Reform has noted, existing instruments are "no match for China's macroeconomic distortions." Meanwhile, cumulative EU regulation adds compliance costs that non-EU competitors do not face.

Altogether, this structural deterioration drives consolidation and capacity rationalisation, raises the cost of capital and makes new investment in European production increasingly difficult.

Why It Matters: Strategic Autonomy and Downstream Industries

Losing domestic PC production means importing not just a material, but importing strategic vulnerability, because it is not just about where polycarbonate is produced. It is also about where Europe's industrial innovation, technical capabilities and future value creation will take place. Polycarbonate is a key material for applications in several prioritised European industrial areas:

- **Mobility and electrification:** Automotive lighting, battery housing, autonomous driving solutions and eVTOL applications.
- **Digitalisation:** 5G and 6G infrastructure, data centres, optical lenses, electronic components and robotics.
- **Medical technology:** Insulin pens, dialysis equipment and other devices requiring transparency, toughness and biocompatibility.
- **Green transition:** Lightweight glazing and photovoltaic applications.

Without a domestic PC base, downstream industries such as automotive, electronics and medical technology become increasingly dependent on overseas supply chains, exposing them to geopolitical risks, transport disruptions and potential gaps in quality and technical support.

Asian imports may offer attractive prices but they cannot automatically guarantee the delivery reliability and technical support needed for European innovation. Recent supply disruptions have demonstrated the vulnerability of international supply chains. As a consequence of losing European production capacity, there will be greater exposure to global supply disruptions, reduced access to local technical expertise and application development, greater dependence on

a limited number of overseas suppliers and, most severely, potential loss of innovation and industrial know-how in Europe.

The Policy Ask: A New Industrial Policy for Polycarbonate — and Beyond

European industrial competitiveness is essential to achieve strategic autonomy, be attractive for high-quality jobs, innovation and investment, and eventually be present at a genuine level playing field in international trade.

Europe cannot achieve strategic autonomy, industrial resilience and its green and digital ambitions while allowing the industrial value chains that underpin these ambitions to disappear.

Trade defence measures such as tariffs, quotas and safeguards are an established tool but insufficient. They are also too slow to address the speed of industrial decline; Europe needs a broader policy response:

Incentivise Domestic Production — Not Just Penalise Imports

The EU must move beyond restricting imports and actively support domestic production through:

- **Targeted investment incentives:** Support the modernisation and maintenance of PC production assets. Strategic plastics value chains should receive treatment comparable to batteries, hydrogen and microelectronics under initiatives such as IPCEI and the Critical Chemicals Alliance.
- **Energy cost relief:** Reform the EU ETS for trade-exposed industries and provide targeted support to bridge the gap in energy costs.
- **Competitive feedstock access:** Maintain the viability of European steam crackers, which supply essential raw materials such as benzene and phenol. Without a competitive upstream base, downstream PC production cannot survive. Renewable phenol production also offers opportunities for the material transition.

Less But Smarter Regulation: A Risk-Based Approach

Europe should remain ambitious in protecting human health and the environment, with high standards based on sound science, proportionality and actual exposure and risk. Resulting Regulation must be proportionate, coherent and predictable, and be coherently applied across the value chain.

The cumulative impact of EU regulation — including REACH, CLP, PPWR, EPR, CSRD, CBAM and the ETS — creates substantial costs and complexity for European producers. Its cumulative impact on industrial competitiveness and investment must be considered.

A framework that unintentionally drives production, investment and associated emissions outside Europe risks undermining both industrial competitiveness and the environmental objectives it is designed to achieve.

Three changes are needed:

- **Assess cumulative regulatory impacts:** Evaluate the combined burden on the PC value chain before introducing further measures.
- **Focus on actual risks:** Apply proportionate, science-based regulation rather than blanket restrictions based on abstract hazards. Polycarbonate is a well-characterised engineering thermoplastic with decades of use in demanding applications, including medical devices and automotive safety components.

- **Simplify permitting:** Accelerate approvals for modernising existing plants and developing new production and recycling capacity.

If EU regulation imposes costs that non-EU competitors do not face, without effective border adjustment, production and emissions will move offshore. Europe will then import products manufactured under potentially lower environmental and safety standards — the opposite of the intended regulatory outcome.

Trade Defence That Matches the Scale and Speed of the Problem

Anti-dumping and anti-subsidy measures must be implemented faster and more effectively. The EU should also assess the impact of future Free Trade Agreements on strategically sensitive value chains. Trade liberalisation must not undermine European producers in market segments already affected by global distortions.

A Choice of Two Futures

Europe can continue with incremental trade defence, rising energy costs, accumulating regulation and declining production capacity — accepting the gradual loss of its polycarbonate industry and the resulting risks to strategic autonomy and downstream value chains.

Alternatively, Europe can act decisively: incentivise domestic production, simplify and refocus regulation on actual risks, and deploy trade defence at the speed and scale required.

This is not protectionism. A market distorted by state-backed overcapacity, asymmetric regulation and structural cost differences is not a free market. Defending free trade means defending the conditions that make it possible.

Europe should use the opportunity to build a competitive, resilient and sustainable polycarbonate value chain in Europe. This is not simply about preserving existing assets, but about creating the conditions for a future-ready industry, with modern, energy-efficient production; investment in mechanical and advanced recycling; use of renewable and alternative feedstocks; innovation in high-performance applications; and strong collaboration between producers, converters, and downstream customers.

The EU became a net importer of polycarbonate in 2025. The question is whether 2026 will be remembered as the year Europe chose to defend its industrial base — or the year it watched it disappear.

Sources:

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