

Marco Mensink/CEFIC:

That is perfect. I should say, I am embarrassed that I don't speak Turkish. My apologies for that. I am a Dutch man living in Belgium and with French, English and Dutch in my brain, there is little room for extra languages, so forgive me for that. First of all, I am very happy to be here, very honored to be invited here by you to come over. Something I do, as I see the value of all these national associations around us, is that I travel to 30 national association meetings a year and I should admit this is my first time in Turkey, so please don't thank me, but tell me I am too late. I should have been here last year. I will try to make up for that. I've brought with me indeed Servet Gören who is a Director in CEFIC on industrial policy. She speaks Turkish, which is a great asset today. She can answer your questions in Turkish. She is also Dutch. So literally she is the bridge between me and you. She leads our work on ICCA. Because next to being the CEO of CEFIC, I am currently also what is called the Council Secretary of ICCA, meaning I lead the global federation, with the Chinese, the Japanese and the Americans and Servet is the person organizing the global work in CEFIC.

It's a special day, not only because I'm here, but also because tomorrow in Brussels it is called "EU Industry Day", which makes us happy. Most of my team will be there with the Commission. And at least we moved the needle in Brussels, from ignoring the industry to at least pretending that they like the industry, that's the good part. So we have the Industry Day, lots of people will be there, lots of people will talk. Part of the role of CEFIC is to make sure that the talk then results in actions, and much more than the talk tomorrow, we get the new generation of policy coming. Besides Industry Day, it's 98 days until the REACH 2018 deadline. So we are in the last 100 days for REACH which also makes for quite some hectic activity in our house. Maybe a few words first on who is standing in front of you. And I won't be too long. I've been the CEO of CEFIC now for 2 years. I used to work for the paper industry. So I changed sectors. And I've been in Brussels for 15 years. The good thing when you stay long in your job is that, after 15 years, every friend you started to work with becomes a boss somewhere. So especially, in the Brussels area, most of my friends are now bosses, which makes me a good lobbyist. I simply call the guys I knew before. But I am very much into the Brussels arena and the key to CEFIC is to make sure we manage what comes out of the European Commission and the European Parliament, and to make sure we coordinate around the globe so that the chemical industry can move forward. And what is very important for me is that, not only the policy promotes the large companies but it also allows for the smaller companies to stay creative and do their work and be entrepreneurial, which some companies that are very big look more like governments than entrepreneurs. You might judge which ones. But it's the smaller companies, who in many cases, come up with the innovations we need. I love this job, you'll see that. It is very interesting to be in Brussels today. It's also very interesting to be in the chemical industry today and to have the privilege to speak here. I will give you maybe a little anecdote: my uncle is a police officer. He is a normal person - I'm not. And once I was in the car on the phone with all the colleagues from around the globe and he said, "I go on holiday once a year and you just talk to the entire world in half an hour". Which is part of the job we have, and which is actually quite nice to do. I've come into CEFIC with a reform agenda, because the Board asked me to see if we can upgrade CEFIC to the future. We will at the end of the year have a new building. We have a new organization, we have reduced the number of meetings, very much. And we try to focus on a limited number of priorities. It almost sounds like a company. I think you've heard, some of your bosses and colleagues say this before. But the reason is that the landscape in policy-making in Brussels has changed very much. Five years ago, Kurt Bock from BASF would pick up the phone and call Angela Merkel and say "*nein*", we don't want this. If you look today, the German Government has not decided on anything for the last five years. The French are very much against the chemical industry, with the Swedes and the Danes and the biggest friends we have, the United Kingdom, will leave us. If you analyze -and I'm a political analyst- the votes in the

European Parliament over the last 10 years, every vote we won, as an industry, we would have lost without the UK. So, we look to the future to see how we can influence policy-making better, with the votes of the UK conservatives no longer in the pack. The answer sounds, maybe, strange: Slovakia, Slovenia, the Czech Republic, Romania, Bulgaria... Because those are the votes that still support the industry. And that might sound strange but that is the reason I value much to work with you and national federations. I'm a very selfish person. Because if you want to achieve anything in Brussels, speaking German is not good enough anymore. We need to have all of Europe come together and help us in our positions. And you see that, for example, with the plastic strategy, with endocrine disrupters, with the future of energy policy; it's all the new EU countries which help us sometimes find our goals, where sometimes the older European countries don't help. We do research, and you can see there are two factors which are important: Do people trust the government? And do people trust the industry and science? The best friends we have as an industry, are the Fins. The Fins love technology, and they trust their government. So, what comes out of industry must be okay. In eastern Europe, we are so-so, because they don't trust their governments, but they do trust industry. And the reason why things are bad in France, is that they trust no one. Neither the industry nor the government. So, if someone says the chemicals are safe, then consumers don't trust that at all. And you will see now that the policies against titanium-dioxide or silicones, or plastics mostly come from France, from the French politicians. Because it's easier for them to score all this. So, what do we need to do with CEFIC? And that's my role to see if we can be smarter in our lobbying in Brussels. And we call that from tabling amendments to winning votes. It's not that you can write a letter, but you have to get the votes to get the decision done. And you hear from what I tell you: I'm a professional working with politicians. That's why you pay me. And if we work with politicians well, and if we can explain you, first of all we can limit the damage, but mostly we could also try to find new things we need to do, which will help our industry. And I'll give you one example. In the next European Commission, I would love to have a Hydrogen Directive. If the future of our industry is about electrification and hydrogen, then we do not need a windmill policy, we need a hydrogen policy, to get us going towards the future. It gives you a bit of a perspective of where we are. You talked about the old days. I will give you an anecdote. I just lunched with Hugo Lever, who was the first Dutch Director General, 18 years ago. I will show you the pictures, he is still there. He was there 18 years ago and he worked in CEFIC for 22 years. So, he came to Brussels in 1970. In his days, CEFIC had a Michelin restaurant. They were the good days. And when he would call the European Commission and the Commissioner, he would say "You need to come to my office", the Commissioner came to CEFIC, which is no longer the case. I'm sure if you call your government, they say, "you come to me" and not "I will not come to you in an hour". So, the years have changed, and we need to be much better in this political work to make sure that we get the policies we need, and we get the circumstances we need.

Let me jump to industry. 2017 was a very very good year, for most of the larger companies. So, if you look from the outside, it was a great year. I don't know if there is a DOW person in the room, I think there should be... The whispers were, it was the first year in DOW history, DOW Europe made more profit than DOW in the US; which makes me happy. You have also seen, maybe, the numbers of COVESTRO recently. So, the big companies, especially when TDI and MDI are short, have had quite a good year in many occasions. Not always in fertilizers and not always in small companies but if you look to 2009, all the economic indicators for our sector were good in 2017, and the economic indicators for 2018 are still ok. We need to see what the oil price does. We should say, that is before the investments in shale gas from the US will hit us. Because in the US we had a lot of noise on the shale gas, but the real investments are now all starting up and coming in. Are we panicking? No. With the demand from China, you need 3-4 new big installations every year, that's not the problem. But

what the trade balances will do, is something we are watching carefully. Luckily, we have moved from 4 times the cost difference with the US -we used to pay 4 times more for our feedstock than they do – to only 2. And for mainland Europe, the “4 to 2” has given us the possibility to create at least a good margin. And when I say mainland Europe, -still back to the politics-,the strange part is, that the large chemical companies in Europe are on the west: Germany, the Netherlands, Belgium, France, Italy, UK; whereas our political votes come from the countries where we are really very small. That makes it much more difficult politically. So it was a good year. And normally, I can sing to politicians, like an opera singer, I can cry like the best. “It’s all bad, we need your help”. But this year, we couldn’t do that, because the numbers were quite ok. At the same time, you can see people struggling when you go to GPCA, the Gulf Petrochemicals, because they need to integrate. They need to get the German *verbund* system in place and they don’t have it. So efficiency-wise, we are ok. And by the way, they supply to India anyway. The US, we have discussed and the Chinese we see are more and more focusing on their market. So the story we tell in Brussels is not the story of globalization, but it is the story of regionalization. It’s BASF US competing with BASF Antwerp, competing with BASF Ludwigshafen competing with BASF China. And the competition is, who gets the investment. You know this, because you’re in the companies. And why is that a problem? Because I might feel good today, the margins are good. But the investments are not coming to Europe. If you see what’s happening, not only the growth in capital expenditure in the US -the shale gas- but on top of that you see the growth in China, not so much in capex, but in the number of engineers, which is what’s worrying me. So it’s investment in the US, and it’s research in China. And Europe is doing quite ok, but in fact we are standing still. Bit of maintenance, bit of optimization, bit of merging, the bottleneck and blablabla... but show me where the next cracker in Europe will be. And the answer is there will never be a new cracker in Europe. There also will never be a new oil refinery in Europe, or never a new blast furnace in Europe. And the reason is -and I think I proved my case today-we are getting old; as you are, as I am. The European economy, as long as the population doesn’t grow, cannot create a lot of extra growth on itself. I read a lot of things. There is a nice report of the Belgian army which says “do not worry about the conflict in Syria; worry about Sub-Saharan Africa. Because by 2040 there will be more Nigerians than Europeans. And that’s just one country. And if they decide or if only 10% decides to come to Europe via Italy, we are going to have a massive refugee crisis compared to what, the Syrian crisis is really small. 700 million Nigerians only by 2040. So very big on the political agenda in the US is, maybe what to do with China, and very big on the European political agenda is, if we don’t develop Africa, 20-30 years from now, we have a major issue. And that makes it interesting for chemicals. Because we will not put high-risk chemical production in Africa today. We already see the Chinese coming in. But we can export, and we can build up markets in Africa. And it’s going to be selfish, because if we don’t, then Europe will be a giant magnet for people to find a living. And we cannot blame them, I would do exactly the same.

That gives you a bit of a picture on the economic side, which is what the companies are now looking at. And I will jump to the future, in a second again. We are doing a project called “foresighting”. It’s not “forecasting” but it is “foresighting” and I need to explain the difference. When you do forecasting, you do economics: GDP 1%, 2%, 0%, etc. and you know you are wrong anyway. If you look on the internet, there is a famous statement: “economic forecasting makes astrology look respectable”. We can look 3-5 years ahead, but that’s about it. When you go “economic foresighting”, you look at very large trends and you try to figure out what it means for you. And I will give you a simple one: if we all get older, healthcare is the industry of the future. It is not that difficult. But that means chemicals for healthcare and silicones for applications will grow in Europe because we are all getting older. Which means, our industry will look different than today. If we start sharing cars, if we start moving into cities... everything has an impact on the industry that we are.

And you can see the same trends around globe. Where I must say the Chinese have a very nice one – one I never thought about. The Chinese one child policy has many consequences. But what people never thought through is, we have a full China of single children. They never had brothers and sisters. They cannot work in teams, which you have to teach them. Which makes it quite interesting that, from those politics, you automatically come to very different pictures of the future. So, I was asked by Timur: “paint me a picture of the European sector in 2030”. The fact is, we can grow 1.5 % GDP a year, which is moderate economic growth, without investing anything in Europe. We can optimize, that’s a bit of an investment; we can de-bottleneck, that’s a bit of an investment; but the demand will more or less stay the same, because on top of that, the digitalization of industry will make us so much more efficient. And this is a question for the small and the big companies. How will the future look like? Digital will be the game-changer of the world. The BASF colleague will start nodding. Did you know the biggest super computer in private hands is with BASF Ludwigshafen? It’s one petaflop. I have no idea what a flop is. I am still with kilobytes. But 1 petaflop is huge. And if you look, by the way, at the biggest super computers in the world, the first ones are in the US, the 10 to 20-30% is all Chinese, and there is somewhere in the middle is BASF. And what will digital do? The first forecast is, that it will double our EBIT with the same equipment. Because of predictive maintenance. But maybe because in the future, you can model chemistry by chaos. It sounds a bit strange, but right now we optimize, we specialize, we know exactly what we are doing. Whereas if you have enormous datasets, you might stop a bit before because you know what’s going to happen in the reactions, because you have a database full of data from tens of years before.

So, first trend we see is the aging society, the second trend we see is digitalization. In the federalization going to come one-person households everywhere. And if you stir that soup, you see that we don’t need to invest in Europe. And that the demand will be ok. First eastern Europe will come up in the demand, logically. But then, let’s say stopping at the Russian border, we might see that the economy just flattens-up. And that is without the Chinese initiative, without their Road and Belt initiative to come to Europe via Pakistan and the trains and start buying up the Greek harbors. So key questions: Who will we be? What are we going to do? How are we going to manage this? And how do we want the future of the industry to look like? And that sounds maybe strange, we will call for the next Commission, not for subsidies to make us greener, but for subsidies to take old equipment down. Because the problem is not that we need to do something, the problem is that we compete against shale gas, plus depreciated assets. Everything we have in Europe big time is depreciated, makes a lot of profit and only a fool would take them down. In other words, if you want to install the technology of the future, you better build a new house, instead of rebuilding your old house. You have to break open the walls, get the basement out, it’s very difficult, a new house is much easier. And looking at the industrial policies for the next generations, if Europe wants to solve the energy problem, the climate problem, etc., what we need to do is completely rebuild every plant we have in Europe. I personally don’t know how much the Paris Climate Accords were discussed in Turkey. But I can tell you our view. In Paris they agreed on a 100 billion dollars Climate Fund. And everyone was impressed. If you need that money to rebuild every refinery in Europe, it is not enough. It’s peanuts. So fulfilling the Paris Accords means a completely new industry of today. And we have studied that, the reports are available. Electrification, hydrogen, carbon-capture and use, bio-based chemicals – there will be a mix – and petrochemicals will need to answer quite a large question, which is: how do you operate when peak oil and peak gas demand is there? We are no longer in peak supply. There won’t be plenty of oil and gas forever more. We are going to go to “peak demand”. And peak demand means the prices will go down. And that’s our forecasting. We don’t see the logic of oil prices going up in the long term. Which is the same as what the International Energy Agency is saying.

I talk too much I'm sorry. I'm trying to paint you a picture of the future, which is what Timur asked me. But I will try to make it into what we are going to do in the industry in Brussels in the coming months. There may be one problem to add: If we electrify, and we go electricity-based; and if the steel sector does it, if we do it to our cars, to our houses etc. there is not enough electricity in Europe. Simply put, if you electrify the German chemical industry, you need four times the current German electricity production. Simple numbers. And if steel industry does it, you need one more Germany, let alone the houses and the cars. So, agenda for the future? Big discussions with the companies: what will we do? Where will research funding look at? Very much electrification, hydrogen, bio-based etc. but much more: do politicians actually have an idea of what this means for the industry? And the answer is: not at all. So 1 year from now, 8 months from now, we start a debate, what we can do in policy for 2020, and for 2030. It sounds very far away, but if you build your new cracker today, it's going to be there in 2050. You build something for many many more years.

That gives you a very broad agenda. Meanwhile there are a few issues to take care of. The cost of CO₂ in Europe is increasing. The energy costs are okay. The legislation on endocrine disruptors is going to hurt us. Our customers are asking for substitution of a number of chemicals. And soon on the list again, D4 and D5 for silicones; titanium-dioxide, I mentioned. But the real issue on the table today is the plastics in the ocean. And if I can raise one warning sign: On my television -and it might be the same here- I saw "Blue Ocean" or "Blue Planet" -what was the movie called?- four times over Christmas. It is the UK David Attenborough, showing how much plastic there is in the ocean. That is our problem for the future. Your problem, my problem. Because currently the legislators in Brussels start to pick up new laws to avoid plastics going into the ocean. And the best way to do it, is not to make it. Which is what we don't like. So you'll see a number of initiatives. We are going to have a REACH restriction for intentionally added micro-plastic particles, which is in detergents, which is in fertilizers, the micro-beads which is in toothpaste at the moment. And the scrubs for the sauna. It will all be banned by the European Commission. It goes out of the market. And we think that one year from now, those measures will be there. Can we prevent that? We don't think so. Then there will be a "single-use plastic" ban by most of the European Member States. Where we have raised the question: "how do you define single-use plastic?" Because if I'm a bit silly, my car is single-use plastic because I hope I never hit another car, so that it would not be single-use plastic. But what they will do is, literally sample on the beach and look what's on the beach. Q-tips for ears will be banned. Another problem: the caps on your bottles, most found everywhere. So we need solutions where the caps stay with the bottles and we can collect the bottles to recycle them. Forks and spoons and plates, and especially straws and the little plastic sets around the straw on your Tetra Pak Brik... all in trouble. So by May, the Commission will have a single-use plastic regulation... it will go out and it is already late because a number of member states have already started the process. And if you then follow up the microplastic ban, the next issue of course is what to do with legacy chemicals: flame retardants, plasticizers... we're back at the beginning. Our answer will be: chemical recycling of plastics. Circular economy. If we bring the waste and make the waste into syngas, we can use the syngas as a feedstock for the chemical industry. That's a way forward, and you don't need to sort out all the plastic. The first plant was agreed in Rotterdam last week. It's AkzoNobel. They will treat household waste into syngas. And we expect a number of these plants to come. And the reason is very political. Because China has stopped importing all plastic waste since the 1st of January. And in Europe you see the piles and the mountains of plastic growing today because we can no longer send it to China, and the logistics with the rest of the world are not ready. So, plastic strategy, chemical recycling, microplastic is the issue for the next year and a half.

That matches, towards the end of my story, a very good running European sector and the need to look at the future. Where will the growth for Europe come from? And that's why I'm not pessimistic. If the markets are not growing, and we're still in good shape, the best way to create growth is to build trees in Yellowstone Park and create the Hoover Dam. That's what Roosevelt did in the 1930s. He created a fake economy. There weren't more people, they didn't eat more but they made a change in the society. And that's how we see the circular economy. It's an opportunity for many many new chemicals to be developed. The plastic strategy; let's look at replacement, its new ways to run... people getting old, new materials, new chemicals... cars getting lighter, new materials, new chemicals. The normal car has 23% chemicals. The electric car has 31% chemicals. That's the way forward. I hope there aren't any steel people here. We need to kick steel out of the car. If we kick steel out of the car, then we move forward. And that's maybe a big message to you: We should stop competing, from plastic producer 1 to plastic producer 2. We should join together and fight steel, glass, aluminum and the rest, because they are fighting us. And that's where windmills are silicones, and solar cells are chemicals, and batteries are chemicals, and electrical cars are chemicals. So you will not hear me against the policies, you'll hear me say "that's great!" because then we can fight the other materials and we can manage these innovations, comma, comma, comma, if can compete on costs, which is what we need to stay tuned. And that's where I trust the sector very much. This is by far the most innovative sector I've ever walked around. We just need to sell our story better every now and then. And maybe, see the problems coming a bit sooner. Maybe ending there, one plea. It was very logical to put microplastics in toothpaste, because, you know the exact particle size, you know exactly what it does. But with hindsight, it might not have been very logical to put something in the toothpaste which goes, through the sink, straight into the river. We can develop those thoughts as well for the future, and think a bit longer. I think we are in quite good shape. Whereas in Brussels, we are facing a new Commission soon. 2019 elections: March Brexit, May European elections, so EU policy-making is going into sleeping mode as of May. Which makes my members very happy. And I presume, you as well. And if you recognized, there has not been any chemical policy coming from Europe in the last 6 years. We had REACH, we had nothing in between. Just be aware, that on the horizon, there's a review of REACH coming and with the plastic strategy and REACH, REACH and polymers, and especially polymers of concern, are the issues we are looking at today.

Why now, should you be my member? I'm a Dutch man, I'm very direct. Why should you be a member of national federations? And I hope to prove it. First of all, so that you can invite me to come here, I liked it very much, so that I come to Turkey. But secondly, because the only way we can survive in these global trends is by working together. And I'm an honest believer of federations. It's not my speech here, but what you will discuss during the day, that brings us all forward on our way to the future. It's also the only way. If steel is very well organized, the glass is well organized and politicians are well organized, we need this network of chemical people around Europe to work together.

And that's it, ladies and gentlemen, I was very happy to tell you this very long story. I hope it was at least a bit interesting. I will be around during dinner for any questions. Difficult questions for Servet, please, in Turkish, and easy questions for me, and compliments for him. Thank you very much.