

From the Chief Executive

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Tuesday, 03 March 2026

The Rt Hon Sir Keir Starmer KCB KC MP

Prime Minister

The Rt Hon Rachel Reeves MP, Chancellor of the Exchequer

The Rt Hon Peter Kyle MP, Secretary of State for Business and Trade

The Rt Hon Ed Miliband MP, Secretary of State for Energy Security & Net Zero

Dame Antonia Romeo, Cabinet Secretary

The Rt Hon Emma Reynolds MP, Secretary of State for Environment, Food and Rural Affairs

The Rt Hon John Healey MP, Secretary of State for Defence

By e-mail

UK CHEMICAL INDUSTRY CRISIS

Dear Prime Minister

I write to you today on behalf of all chemical businesses across the UK, urging you and your Government to take urgent action to arrest the decline of a key foundation, but increasingly uncompetitive, industry.

You will not be surprised to hear that we believe that the chemical industry matters – not only to the people who work in it, but to the wider economy and society at large. From Runcorn to the Humber, from Teesside to Grangemouth; from south Wales to the Solent, all across the country the industry is providing highly skilled and well-rewarded jobs, underpinning local communities and economies. As the Government's own Industrial Strategy acknowledges, chemical solutions are essential in supporting the country's critical national infrastructure, ensuring clean water, healthy food and effective medicines. UK chemical businesses are also key supply chain partners to the identified growth sectors, including advanced manufacturing, defence, digital and tech and life sciences, as well as being central to the delivery of a clean energy/net zero future.

Right now, however, our industry is in the fight of its life here in the UK, as it battles against an extended period of depressed global demand and, I regret to say, hostile Government policy. Whilst Government's ability to inject demand into the economy might be questionable, there is little doubt in the mind of UK chemical business leaders that there is a lot that can, and must be done with regard to its own business and growth-related policies. Nowhere is this more evident than on energy and carbon reduction costs, trade defence and the broader cumulative regulatory burden. If Government is serious about its commitment to the chemical industry as a key foundational sector, then words need to be converted into meaningful action, and quickly.

In January 2025 - over a year ago - I wrote to your Cabinet colleagues, flagging many of these concerns and offering potential solutions to the challenges in the form of a collective industry report called "Project '35". Back then, I had to report a near 40% fall in UK chemical output between 2021 and 2024. Regrettably, Government didn't take up the request or opportunity to engage with us over this report and now, one year on, I can confirm that that performance has deteriorated further, with 2025 data telling us that output has now fallen by 60% between '21 and '25. The attached list of company/site closures for that period – now standing at least at 25 – tells its own story of thousands of jobs lost across the country, not only in high volume, low margin, commodity chemical businesses but also in speciality companies that typically trade less on price. As if this were not distressing enough to the men and women who have lost their jobs - including those impacted by non-closure restructuring - I also have to report that the corresponding percentage fall in CO2 emissions between '21 and '24 and then '25, corresponds exactly to that output fall. In other words, we are the clearest-cut case for delivering decarbonisation through deindustrialisation.

As bleak as this picture is, there is still a little time to arrest the speed of this decline and return the industry to what will be a slow but sustained recovery. But we must act NOW and, in our collective view that means the following:

Restore energy security and lower bills

- **Go further and faster on addressing high electricity costs.** Schemes such as Supercharger have provided temporary relief for some. On the incoming British Industrial Competitiveness Scheme (BICs) the concern is that the relief will be far outweighed by the incoming increase in policy and network costs (latter due to kick in as early as April 2026) and unless the entirety of chemicals is captured, the cost is redistributed to non-eligible chemical sites. Business can no longer afford to wait for temporary relief measures and requires all deployable actions to be pursued immediately. Two urgent and long-called-for actions are (i) the withdrawal of the UK-only Carbon Price Support (CPS) mechanism, and (ii) a temporary pause in the Climate Change Levy (until the promised wider review of the levy has been completed and actions implemented to ensure it better supports rather than penalises decarbonisation). The former

(CPS) provides no additional incentive for investment in renewable electricity, over and above the Contract-for-Difference subsidy scheme. Removing it would immediately decrease the wholesale price by around £8/MWh and help close the gap on energy costs and ease domestic fuel poverty.

- **Re-establish North Sea investment.** This is not about abandoning climate commitments but reducing energy security risk and maintaining the bridge to a cleaner, cheaper energy future. Natural gas and the cost of heat are fundamental to the UK chemical industry's cost structure, competitiveness and operational stability. Given the industry's importance to the UK manufacturing ecosystem and its role in supplying essential products, ensuring access to competitively priced, secure gas supplies is vital. This requires (i) a reform of the Energy Profits Levy and the re-incentivisation of North Sea exploration, and (ii) no redistribution of levies or tax on gas. Given UK gas prices are already four times higher than the US, even a shift of two existing levies (Contract for Difference and Renewables Obligation) would see a 50% increase on bills for large gas users. With this in mind – and given recent events in the Gulf – we were pleased to hear in today's Spring Statement that the Chancellor confirmed that she is meeting North Sea business leaders tomorrow. Let's hope this is with a view to re-establishing North Sea investment.

Reform UK ETS and CBAM so that it supports net zero not weakens it

- **As the EU is considering, immediately freeze any further UK ETS free allocation reduction.** The EU is already actively considering options under EU ETS to better balance industrial competitiveness and climate ambition, whilst the UK's current approach blindly follows a tighter domestic carbon emission trajectory (even opposite the EU) and without reflecting its industrial reality. Put simply, with no global carbon price and no ready alternatives, we have a UK ETS regime that gives advantage to high carbon imports from other economies, outpacing and undermining domestic production.

As referenced above, chemical sector emissions have decreased 60% between 2021-2025. Unfortunately, only a mere 4% of this emission reduction was as a result of decarbonisation, with the remaining 56% due to site closures reflecting the equivalent 60% drop in UK chemicals sector production. We are certain that this is the clearest signal that neither UK ETS or CBAM, as designed today, drive decarbonisation. A temporary freeze on free allocation would first and foremost allow an effective carbon leakage package. This means in the short-term continuation (not reduction!) of both UK ETS free allocation and a CBAM - these are complementary not duplicative - enabling protection of both exports as well as imports of chemicals. Alongside this, the necessary time to put in place what is missing – a wider policy package that supports rather than penalises decarbonisation. Without this urgent policy shift we will continue to see site

closures, jobs and investment offshored and the import of carbon emission-heavy goods – all undermining UK's net zero commitment, resilience and growth.

- **As the EU has done, the UK should earmark Emissions Trading Scheme (ETS) revenue to support industrial decarbonisation.** For net zero to become a reality for both the chemicals sector and many of the sectors we underpin, it needs access to clean and competitively priced electricity, biogas, hydrogen and CCS. But these technologies are currently inaccessible or uneconomic. The UK's ETS generated £3.5bn of revenue for the UK Government in 2024 alone, yet the Industrial Energy Transformation Fund (IETF), our main industrial decarbonisation grant support (£500m in total), has been abandoned leaving no clear energy or industrial decarbonisation support available to the sector. Across the Channel, it is a different story in the EU with revenue set aside for that decarbonisation transition.

Reduce regulatory burden

- **Address the £2.5 billion UK REACH registration cost to business:** Reducing regulatory burdens, including minimisation of cost and seeking alternative measures, is a cornerstone of the recently published Industrial Strategy to support growth. As a high-hazard sector, we recognise and support the need for science and risk-based compliance. However, for almost five years, our sector continues to wait for clarity on the future UK REACH registration obligations, impacting the commercial viability of both existing and new chemicals coming on to the UK market. Our concern remains that the upcoming Defra outcome will not go far enough to address Government's own estimated £2.5 billion cost to UK businesses. Our ask remains clear; move forward with a 'Swiss-style' model for the UK REACH registrations. Government has already taken steps to adopt Switzerland's approach in other areas of UK REACH and wider UK chemicals regulation. Like the Swiss, allowing meaningful recognition of EU REACH registrations would still ensure high standards of protection for human health and the environment, align with Defra's overarching goals under the Environment Improvement Plan, all whilst reducing a major cost duplication and facilitating market access between the UK and EU for both existing and novel chemicals.

Make trade a vital part of growth

- The chemical industry is trade intensive, with both export and import dependency: An ongoing challenge to UK producers is that Chinese overcapacity (production at a level beyond market demand) has resulted in Chinese material continuing to flood UK and European markets. Increased duties have been levied by the EU, US and India, seeking to protect local industries facing severe price pressure and declining profitability. The UK Government has been slow to react. Higher global tariffs have left the UK even further exposed. Whilst the industry still

supports the principle of free trade, that trade must be fair; current evidence shows it is not. We urge Government to take action now; inquiries and calls for evidence are fine but there is enough information with officials to erect at least temporary barriers. Also, in any trade negotiations it is essential that those leading negotiations towards Free Trade Agreements check back with affected industries as regularly as possible. Factory closure, as we had with Bioethanol (US EPD), cannot happen due to uninformed negotiations. We know negotiators need freedom, but when there are eleventh hour changes, negotiators must seek clarifications on the consequences before taking decisions. This is essential given the on-going re-build of relationships with the European Union – a relationship that is vitally important to our sector and equally vitally important that we get right.

Immediate action on these measures would not only make the UK chemical industry much more competitive in a wider European context but would give us a fighting chance on the global stage in terms of future trade and investment. Arresting this current decline would also send a powerful signal to hard-pressed communities in regions across the UK that the Government's Industrial Strategy can deliver real and tangible change and growth, rather than "tea and sympathy".

We look forward to your response and stand ready with a representative group of senior UK chemical business leaders to accelerate measures to protect and strengthen a critical industry for our country.

Yours sincerely



Steve Elliott

Chief Executive

cc: Chris McDonald MP

Industrial base decline



Year	Company / site	Region	Reason cited	UK production capability
2021	BASF	North East	Competitiveness	Hexamethylene diamine
	Calachem	Scotland		Contract manufacturing
	Baker Hughes	Scotland		
	Vertellus Specialties UK Ltd	North East		Speciality chemicals
	Inovyn	North West	Interrupted power supply	Sulphuric Acid
2022	CF Fertiliser	North West	Energy + carbon costs	Ammonia + CO2
	Warwick Chemicals Ltd	Wales		TAED (tetraacetylenediamine)
2023	CF Fertiliser	North East	Energy + carbon costs	Ammonia + CO2
	Mitsubishi Chemicals	North East	Energy + carbon costs	Methacrylate
	Versalis	Scotland	Energy costs	synthetic rubbers
	Bakelite Synthetics UK Limited	Wales		Speciality chemicals, aromatics
	EPC Chemicals UK Ltd	East	Competitiveness	Fuel additives
	3M Manufacturing	Midlands	Under utilisation	
	Macfarlan Smith Limited	Scotland	Under utilisation	Active Pharma Ingredients

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Industrial base decline (cont.)



	Company / site	Region	Reason cited	UK production capability
2024	Ineos O&P (proposed)	Scotland	Energy + carbon costs	Ethanol
	Solvay Interox Limited	North West	Energy costs	Hydrogen peroxide
	FUJIFILM Imaging Colorants Limited	Scotland	Competitiveness	Dye manufacturing
2025	Dow	Wales	High UK operating costs	Siloxanes
	GSK	North West	End of production	Active Pharma Ingredients
	Lanxess	North West	High UK operating costs	Speciality chemicals
	Vivergo	North East	Tariffs	Bioethanol + CO2
	Yara (mothballed)	North East	Energy costs	Ammonia
	SABIC UK Petrochemicals Limited	North East	Energy + carbon costs	Ethylene
	ExxonMobil Ethylene plant	Scotland	UK policy costs	Ethylene
	PB Leiner	Wales	Competitiveness	

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