



CENTER for INTERNATIONAL  
ENVIRONMENTAL LAW

## From Overproduction to Opportunity

### EU Leadership in the Plastics Treaty

#### Europe's Plastics Challenge

The European plastic industry and markets are in turmoil. In the EU, the production of plastics and recycled postconsumer plastics has been steadily declining in recent years. An industry report shows that between 2022 and 2023, production fell by 8.3 percent and 7.8 percent, respectively.<sup>1</sup> Simultaneously, EU-based facilities,<sup>2</sup> including TotalEnergies' steam cracker in Antwerp,<sup>3</sup> have closed, citing overcapacity.

The decline coincides with a growing body of scientific, health, environmental, and human rights reports outlining the dangers plastics pose to the climate, human health, and the environment. The world is waking up to the need to address the plastics crisis, beginning with production. The financial sector has not been immune — there have been growing calls from financiers<sup>4</sup> and investors, with one group sending a letter to governments asking them to act on the increasing volumes of plastic produced at source, including upstream measures that address plastic production.<sup>5</sup>

In March 2022, UN Member States adopted Resolution 5/146 at the United Nations Environment Assembly with the aim of establishing an intergovernmental negotiating committee (INC) to

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1. "Falling EU Competitiveness Threatens Circular Plastics Transition," Plastics Europe, accessed July 29, 2025, <https://plasticseurope.org/media/falling-eu-competitiveness-threatens-circular-plastics-transition>.
  2. BASF, "BASF Drives Forward Structural Adjustments at the Ludwigshafen Site and Closes Production Plants for Adipic Acid, CDOn and CPon," press release, August 29, 2024, <https://www.basf.com/global/en/who-we-are/organization/locations/europe/german-sites/ludwigshafen/the-site/news-and-media/news-releases/2024/08/p-24-269>; Trinseo, "Trinseo Announces Potential Closure of Stade, Germany Virgin Polycarbonate Manufacturing Facility," press release, March 15, 2024, <https://investor.trinseo.com/home/news/news-details/2024/Trinseo-Announces-Potential-Closure-of-Stade-Germany-Virgin-Polycarbonate-Manufacturing-Facility/default.aspx>; "ExxonMobil and Sabic to Mothball Ethylene Crackers in Europe," CommoPlast, accessed July 29, 2025, <https://commoplast.com/news/details/14747>.
  3. "TotalEnergies to Shut Oldest Antwerp Cracker Due to Oversupply in Europe," Independent Commodity Intelligence Services (ICIS), accessed July 29, 2025, <https://www.icis.com/explore/resources/news/2025/04/22/11094169/totalenergies-to-shut-oldest-antwerp-cracker-due-to-oversupply-in-europe>.
  4. "Investors and their Representatives Call on Petrochemical Companies Producing Plastics to Transition to Safe and Environmentally Sound Practices by Reducing Fossil Fuel Dependency and Eliminating Hazardous Chemicals," Planet Tracker, accessed July 29, 2025, <https://planet-tracker.org/petchem-investor-full-statement>; "The Economic rationale for a Global Plastics Treaty Underpinned by Mandatory and Harmonised Regulation," Business Coalition for a Global Plastic Treaty, accessed July 29, 2025, <https://www.businessforplasticstreaty.org/latest/the-economic-rationale-for-a-global-plastics-treaty>.
  5. Dutch Association of Investors for Sustainable Development, "Investors Call for Global, Binding Regulations on Plastic," press release, November 8, 2023, <https://www.vbdo.nl/en/2023/11/investors-call-for-global-binding-regulations-on-plastic>.
  6. UN Environment Assembly Resolution 5/14, End Plastic Pollution: Towards an International Legally Binding Instrument, UNEP/EA.5/Res.14 (May 10, 2022), <http://undocs.org/UNEP/EA.5/RES.14>.

develop a Global Plastics Treaty that addresses plastic pollution. The fifth scheduled round of negotiations for the Plastics Treaty, held in Busan last year, concluded without a finalized text. Now, with the resumed fifth session (INC-5.2) set to start in Geneva on August 5,<sup>7</sup> there is a new opportunity to deliver a Plastics Treaty that actually lives up to its promise to end plastic pollution. For this to happen, the Plastics Treaty will need to address the full life cycle of plastics, including plastic production. Accordingly, including caps or limits on primary plastic production<sup>8</sup> — as seen in Article 6 of the Revised Chair’s Text<sup>9</sup> dated December 1, 2024 — is a key element of ensuring the treaty’s success.

These provisions, along with those restricting chemicals of concern in plastic products, are also among the most controversial in the negotiations. The EU, together with other countries in the High Ambition Coalition,<sup>10</sup> remains supportive of such provisions,<sup>11</sup> while major oil-producing countries have been opposing them.<sup>12</sup> If included in the final treaty text, such measures would be consistent with the mandate adopted at UNEA-5.2, aiming to end plastic pollution through a comprehensive approach that addresses the full life cycle of plastics.

When UN Member States convene for INC-5.2, Denmark will hold the Presidency of the Council of the European Union. The Danish government has already indicated that leading the EU to deliver on a Plastic Treaty is among its priorities.<sup>13</sup> Therefore, it is essential to examine the EU’s potential leadership role in the negotiations, as well as to gain a better understanding of the EU’s plastics production landscape.

## Bursting the Competitiveness Bubble

Plastic production is expected to increase by 70 percent by 2040 compared to 2020 globally, with much of that growth occurring in the Global South.<sup>14</sup> Still, the petrochemical industry is far from financially healthy, and signs of a market slowdown have been evident for some time. Projects that were planned during periods of growth now appear far less economically attractive as the industry

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7. “Second Part of the Fifth Session (INC-5.2),” United Nations Environment Programme (UNEP), accessed July 29, 2025, <https://www.unep.org/inc-plastic-pollution/session-5.2>.
  8. Daniela Durán González, *Reducing Plastic Production to Achieve Climate Goals: Key Considerations for the Plastics Treaty Negotiations*, (Center for International Environmental Law [CIEL], 2023), [https://www.ciel.org/wp-content/uploads/2023/09/Reducing-Plastic-Production-to-Achieve-Climate-Goals\\_Sept21\\_V5.pdf](https://www.ciel.org/wp-content/uploads/2023/09/Reducing-Plastic-Production-to-Achieve-Climate-Goals_Sept21_V5.pdf).
  9. Intergovernmental Negotiating Committee to Develop an International Legally Binding Instrument on Plastic Pollution, Including in the Marine Environment, Chair’s Text, December 1, 2024, art. 6, [https://wedocs.unep.org/bitstream/handle/20.500.11822/46710/Chairs\\_Text.pdf](https://wedocs.unep.org/bitstream/handle/20.500.11822/46710/Chairs_Text.pdf) [hereinafter Chair’s Text].
  10. “End Plastic Pollution by 2040,” High Ambition Coalition to End Plastic Pollution, accessed July 29, 2025, <https://hactoendplasticpollution.org>.
  11. European Commission, “EU Regrets Lack of Conclusion on Global Plastics Agreement,” press release, December 2, 2024, [https://environment.ec.europa.eu/news/eu-regrets-inconclusive-global-plastics-treaty-2024-12-02\\_en](https://environment.ec.europa.eu/news/eu-regrets-inconclusive-global-plastics-treaty-2024-12-02_en); French Ministry for Ecological Transition, Biodiversity, Forests, Marine Affairs and Fisheries, “Global Plastics Treaty: 96 States Endorsed the Nice Wake Up Call,” press release, June 10, 2025, <https://www.ecologie.gouv.fr/en/rendez-vous/nice-wake-up-call-for-an-ambitious-plastics-treaty>.
  12. Hiroko Tabuchi, “Saudi Arabia Leads Pushback Against Global Plastic Treaty,” *New York Times*, November 30, 2024, <https://www.nytimes.com/2024/11/30/climate/saudi-arabia-global-plastic-treaty.html>.
  13. “Programme of the Danish EU Presidency,” Danish Presidency — Council of the European Union, accessed July 29, 2025, <https://danish-presidency.consilium.europa.eu/en/programme-for-the-danish-eu-presidency/programme-of-the-danish-eu-presidency>.
  14. “Plastics,” Organisation for Economic Cooperation and Development (OECD), accessed July 29, 2025, <https://www.oecd.org/en/topics/plastics.html>.

is showing signs of a sector-wide decline.<sup>15</sup> In an October 2024 analysis, the Institute for Energy Economics and Financial Analysis (IEEFA) attributes this to a few key factors:<sup>16</sup>

- Slower economic and GDP growth, including in China, India, and the US — all sector leaders
- An aging and poorer population in China, which had previously been driving demand
- The increased availability of sustainable product alternatives is taking a larger share of the market

Globally, polypropylene demand growth has also been slowing down.<sup>17</sup> At the same time, European polymer production facilities are operating at unsustainably low capacity rates,<sup>18</sup> thus increasing operational costs and shrinking profit margins.

The European chemical industry trade association, Cefic, has identified ongoing weak demand as a top problem.<sup>19</sup> However, a lack of demand cannot be addressed by increasing production or building more facilities. Reducing production is the most sensible economic approach, as overcapacity is already harming profit margins and straining infrastructure.

## The Cost of Doing Business: Regulation

The European plastic and chemicals industries have been vocal about the loss of business and competitiveness,<sup>20</sup> arguing that the EU's heavy regulatory burden, as well as the lack of a single EU market, were largely to blame.<sup>21</sup> Going far beyond its initial recommendations, businesses across the EU have used the arguments in the Draghi Report<sup>22</sup> to support demands for regulatory cuts across several sectors and calls for policymakers to “get rid of excessive bureaucracy.”<sup>23</sup>

When examining competitiveness across regions and sectors, Cefic highlights the loss of competitiveness vis-à-vis other countries and regions, such as the US or China.<sup>24</sup> True

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15. Abhishek Sinha, *Formosa's Proposed Petrochemical Complex in Louisiana Faces Bad News*, (IEEFA, 2025), 5, [https://ieefa.org/sites/default/files/2025-03/Formosa%20Proposed%20Petrochem%20Complex%20Louisiana\\_April%202025.pdf](https://ieefa.org/sites/default/files/2025-03/Formosa%20Proposed%20Petrochem%20Complex%20Louisiana_April%202025.pdf); Tom Sanzillo, Suzanne Mattei et al., *Petrochemicals: Rising Signs of a Secular Decline?*, (IEEFA, 2024), 3, [https://ieefa.org/sites/default/files/2024-10/REVISED\\_Petrochemicals-%20Rising%20Signs%20of%20a%20Secular%20Decline\\_%20Briefing%20Note%20%282%29.pdf](https://ieefa.org/sites/default/files/2024-10/REVISED_Petrochemicals-%20Rising%20Signs%20of%20a%20Secular%20Decline_%20Briefing%20Note%20%282%29.pdf).
  16. Sanzillo, Mattei, et al., *Petrochemicals: Rising Signs of a Secular Decline?*, 3,5, [https://ieefa.org/sites/default/files/2024-10/REVISED\\_Petrochemicals-%20Rising%20Signs%20of%20a%20Secular%20Decline\\_%20Briefing%20Note%20%282%29.pdf](https://ieefa.org/sites/default/files/2024-10/REVISED_Petrochemicals-%20Rising%20Signs%20of%20a%20Secular%20Decline_%20Briefing%20Note%20%282%29.pdf).
  17. “2023 Global Market Outlook: Polypropylene,” Independent Commodity Intelligence Service (ICIS), accessed July 29, 2025, <https://icis.shorthandstories.com/2023-global-market-outlook-polypropylene/index.html>; “Overcapacity puts pressure on propylene markets,” Woodmac, accessed July 29, 2025, <http://woodmac.com/news/opinion/overcapacity-puts-pressure-on-polypropylene-markets>.
  18. Cefic and Advancy, *The Competitiveness of the European Chemical Industry*, (Cefic and Advancy 2025), 7, <https://cefic.org/app/uploads/2025/05/Cefic-Advancy-study-The-Competitiveness-of-the-European-Chemical-Industry.pdf>.
  19. Cefic, *Chemical Monthly Report — Ongoing Weak Demand, Export Improvement, But Low Chemical Business Confidence*, (Cefic, 2024), <https://cefic.org/app/uploads/2024/10/EU27-Chemical-Monthly-Report-September-2024.pdf>.
  20. “Falling EU Competitiveness Threatens Circular Plastics Transition,” *Plastics Europe*, November 18, 2024, <https://plasticseurope.org/media/falling-eu-competitiveness-threatens-circular-plastics-transition>.
  21. Cefic, “Europe's Chemical Industry at a Crossroads: Time for Action over Ambition,” press release, February 2025, <https://cefic.org/news/europes-chemical-industry-at-a-crossroads-time-for-action-over-ambition>.
  22. European Commission, “The Draghi Report on EU Competitiveness,” accessed July 29, 2025, [https://commission.europa.eu/topics/eu-competitiveness/draghi-report\\_en#paragraph\\_47059](https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en#paragraph_47059). The Draghi report aimed to give an overview of the EU's industries competitiveness, the challenges they face, and possible avenues to overcome them.
  23. Business Europe, “Reducing Regulatory Burden to Restore the EU's Competitive Edge,” accessed July 29, 2025, <https://www.businesseurope.eu/publications/reducing-regulatory-burden-to-restore-the-eus-competitive-edge>.
  24. Cefic and Advancy, *European Chemical Industry*, 9.

competitiveness, however, should not be considered independently from externalities or other associated costs.

For instance, US federal regulatory costs are substantial, reaching approximately \$3 trillion in 2022, which accounts for roughly 12 percent of the US GDP, according to a recent industry estimate.<sup>25</sup> This figure does not account for specific costs associated with petrochemicals, particularly plastic production, such as plastic pollution<sup>26</sup> or greenhouse gas emissions,<sup>27</sup> whose impacts on climate, the environment, and human health<sup>28</sup> are often difficult to quantify. In the US, the disease and social costs associated with plastic are estimated to account for 1.22 percent of GDP.<sup>29</sup> A study conducted by Cefic, comparing factors affecting the sector in different regions, shows that there is not a wide difference in regulatory costs between the EU and the US. It confirms that one of the main issues for European companies remains weak demand while global capacity continues to expand, despite low profitability, generating uncertainty.<sup>30</sup>

While implementing the EU's environmental legislation may be costly, it also means that social and environmental externalities are better integrated into legislation. Failure to implement EU rules properly creates additional environmental, economic, and social costs.<sup>31</sup>

## The World is Moving on: Declining Demand

At the EU level, the European Commission has placed a strong emphasis on competitiveness in its work program and has clearly stated the intention to support European industries in the decarbonization process,<sup>32</sup> especially following the Antwerp Declaration.<sup>33</sup>

The European Commission has also recognized low demand as one of the key issues impacting the sector in their European Chemicals Industry Action Plan.<sup>34</sup> However, the proposed set of actions goes in the wrong direction by aiming to revive the European industry.<sup>35</sup> The chemical industry itself acknowledges that increasing utilization rates without additional plant closures is challenging.<sup>36</sup> However, the Action Plan does not mention the possibility of managed downscaling

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25. National Associations of Manufacturers (NAM), *The Cost of Federal Regulation to the US Economy, Manufacturing and Small Business*, (NAM 2023), 1, <https://nam.org/wp-content/uploads/2023/10/Regulations-Exec-Summary.pdf>.
  26. Lisa Anne Hamilton and Steven Feit, *Plastics and Climate: the Hidden Costs of a Plastic Planet*, (CIEL, 2019), 3, <https://www.ciel.org/wp-content/uploads/2019/05/Plastic-and-Climate-FINAL-2019.pdf>.
  27. Hamilton and Feit, *Plastics and Climate*, 3.
  28. Amnesty International, *The Cost of Doing Business? The Petrochemical Industry's Toxic Pollution in the USA*, (Amnesty International, 2024), 9, <https://www.amnestyusa.org/reports/the-cost-of-doing-business-the-petrochemical-industrys-toxic-pollution-in-the-usa>.
  29. Leonardo Trasande et al., "Chemicals Used in Plastic Materials: An Estimate of the Attributable Disease Burden and Costs in the United States," *Journal of Endocrine Society* 8, no. 2 (2024), 1, <http://doi.org/10.1210/je-dso/bvad163>.
  30. Cefic and Advancy, *European Chemical Industry*, 7-8.
  31. "Legal provisions of COM(2016)316 — Delivering the Benefits of EU environmental Policies Through a Regular Environmental Implementation Review," *EU Monitor*, accessed May 17, 2026, [https://www.eumonitor.eu/9353000/1/j4nvhdhfc8bljza\\_j9vvik7mlc3gyxp/vk4k6uajrhzp](https://www.eumonitor.eu/9353000/1/j4nvhdhfc8bljza_j9vvik7mlc3gyxp/vk4k6uajrhzp).
  32. "A New Plan for Europe's Sustainable Prosperity and Competitiveness," *European Commission*, accessed July 29, 2025, [https://commission.europa.eu/priorities-2024-2029/competitiveness\\_en](https://commission.europa.eu/priorities-2024-2029/competitiveness_en).
  33. *Antwerp Declaration for a European Industrial Deal*, *Antwerp Declaration*, accessed July 29, 2025, <https://antwerp-declaration.eu>. The Antwerp Declaration, signed by 73 business leaders called for a European Industrial Deal to revive the EU industrial sector.
  34. *European Commission, European Chemical Industry Action Plan*, (European Commission, 2025), 1, [https://single-market-economy.ec.europa.eu/publications/european-chemicals-industry-action-plan\\_en](https://single-market-economy.ec.europa.eu/publications/european-chemicals-industry-action-plan_en).
  35. *European Commission, European Action Plan*, 1.
  36. Cefic and Advancy, *European Chemical Industry*, 7.

of production or a roadmap for a just transition of the sector's workers, but instead aims to maintain current production levels.

While the global plastic market might still experience some growth in the long term, the EU is the proverbial canary in the coal mine, finding itself ahead of the trend. Between overcapacity and shifting demands, the global plastic market is entering a new phase of structural decline. On its own, the market cannot self-regulate, and the industry's demands<sup>37</sup> on the EU and its national governments to support continued production are disconnected from the economic and market realities.

The Global Plastics Treaty presents an opportunity to stabilize markets by aligning production with realistic demand forecasts, thereby mitigating the risks associated with continued expansion and low utilization rates.

## The Real Competitive Move: A Precautionary Pause on New Production Facilities

UNEA Resolution 5/1438 recognizes that the goal of the scope of the future plastics treaty involves a holistic approach that addresses the full life cycle of plastics, including primary plastic production. However, addressing the pollution problem is impossible without tackling the issues of overproduction and overcapacity. If the provisions are designed in a sound and ambitious manner, the Plastics Treaty could be a significant opportunity to develop mechanisms that manage production levels in a fair and transparent manner, thereby avoiding protectionist responses and promoting a stable and equitable global trading environment.

Even if the text is finalized in Geneva, it will be some time before the Plastics Treaty opens for adoption, enters into force, and countries begin to implement its provisions. In the meantime, instituting a precautionary pause on expanding production capacity through new or enlarged plastic production facilities will be essential for meeting the treaty's objectives and aligns with potential future requirements for freezing and gradually reducing production levels.

## EU and Member State Recommendations: INC-5.2 and EU Policy

With the recent Chemicals Industry Action Plan, the European Commission has clearly stated its intention to support the sector in regaining ground. Supporting a strong and legally binding Global Plastic Treaty that includes supply-side measures (Article 6 of the Revised Chair's Text<sup>39</sup>) and other

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37. INEOS, "INEOS Secures €3.5 Billion Financing for Project One — The Greenest Cracker in Europe," press release, February 13, 2023, <https://www.ineos.com/news/ineos-group/ineos-secures-3.5-billion-financing-for-project-one--the-greenest-cracker-in-europe>; INEOS, "INEOS Response to the European Industrial Strategy," press release, July 15, 2025, <https://www.ineos.com/news/ineos-group/ineos-response-to-the-european-industrial-strategy>.

38. UN Environment Assembly Resolution 5/14, 2.

39. Chair's Text, article 6.

plastic product and chemicals restrictions (Article 3 of the Revised Chair’s Text<sup>40</sup>) would positively impact the industry and beyond.

To advance a Plastics Treaty that meaningfully addresses plastic pollution across the life cycle — while supporting the EU’s objectives of reducing plastic pollution, implementing a circular economy, and rebalancing supply and demand in the market — we recommend the following actions:

- Support a **strong, dedicated provision**<sup>41</sup> to control and eventually reduce primary plastic production in the Global Plastics Treaty.
- Develop a **managed phasedown to sustainable levels**. A carefully managed phasedown will enable effective measures throughout the rest of the plastic life cycle, particularly in supporting circular products and systems, reducing dependence on virgin plastic, and lowering waste management costs.
- Create conditions that **foster more stable prices and avoid protectionist measures** with countries such as China,<sup>42</sup> whose production currently competes with EU production.
- **Avoid any new direct or indirect petrochemical buildouts**. No additional petrochemical capacity should be added to the EU, and the EU should avoid subsidizing buildouts abroad to prevent further overcapacity, meet climate targets, and support the transition away from fossil fuels.
- Implement a **precautionary pause on expanding production capacity** through new or enlarged plastic production facilities ahead of full implementation of the Plastics Treaty.
- Look beyond measures that address plastic production to other measures along the full life cycle by **advocating for a coordinated global phaseout of single-use plastics in the Plastics Treaty**. Such a step aligns with the EU’s existing regulations and would help consolidate the transition towards a circular economy, while also addressing the global plastic pollution crisis.

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40. Chair’s Text, article 3.

41. Chair’s Text, article 6.

42. European Commission, “Statement by President von der Leyen at the Joint Press Conference with President Michel Following the EU-China Summit,” press release, December 7, 2023, [https://ec.europa.eu/commission/presscorner/detail/it/statement\\_23\\_6409](https://ec.europa.eu/commission/presscorner/detail/it/statement_23_6409).

## About CIEL

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