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## Chemicals sector struggles in recession

29 July 2009

A rash of plant closures in the chemicals hub of northeast England has raised fears that widespread restructuring during the recession could leave the UK without production capacity for vital chemicals.

Major closures in the Teesside region announced by Dow Chemical, Spanish chemicals firm La Seda de Barcelona, speciality chemicals firm Croda International and polymer and fibre specialists Invista since the start of the year have cut the UK's chemical production capacity and triggered concerns about the sector's sustainability.

The UK Chemical Industries Association (CIA) is considering joining with the trade union Unite to put pressure on the UK government to take action to save the Dow ethylene oxide and glycol facility in Wilton and prevent the closure of other chemical facilities.

Phil McNulty, national officer for the chemical sector at Unite, claims the Dow closure and the loss of the other plants could ultimately put thousands of jobs at risk, and has met with UK government officials to persuade them to take action to save the unit.

'We are worried about the future of the petrochemicals complex at Wilton and the impact any more closures would have on the whole economy of the northeast of England,' he warns. 'We are starting to see a snowball effect within the chemicals sector.'

The CIA is also concerned that the pattern of closures seen in the northeast could spread, and is anxious about the future of a number of facilities making important base chemicals in the UK.

'There is real concern about the future of production of other key building blocks in the country,' says Steve Elliott, CIA chief executive, voicing concerns about how many companies will be left in the field by the time the economic upturn arrives.

Beyond the UK

There are also worries that the closures may be mirrored across Europe during the recession, leaving whole regions without local supplies of important raw materials.

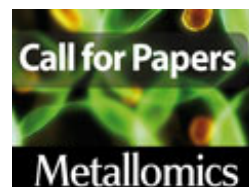
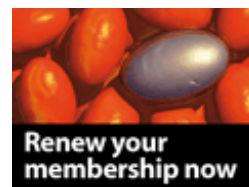
'What's happening on Teesside could be the first example of what will happen elsewhere in Europe,' says Paul Hodges, chairman of International eChem, a London-based petrochemicals consultancy. 'The European petrochemicals sector is in a vulnerable position because it faces two to three years of lost growth. Demand will be weak while large amounts of new low-cost capacity will be coming on stream in the Middle East. Further closures seem to be inevitable.'

The European Chemical Industry Council (Cefic) has emphasised that supplies of building-block chemicals are pivotal to Europe's ability to develop new technologies.

'Hydrocarbon-based molecules form the base of most modern materials, such as polymers used in all plastic devices, parts for construction materials or transport equipment, adhesive and coatings and so on,' says Pierre de Kettenis, Cefic executive director. 'Secured supply of those building blocks is therefore essential to our economy and our ability to innovate

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Out with the old

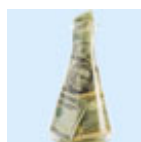
European governments are encouraging the creation of new industries to replace traditional sectors. Soon after Dow's announcement, UK business secretary Lord Mandelson revealed plans to make the northeast of England a centre for zero-carbon electric vehicle technologies. Nissan also announced it was investing in a lithium-ion battery plant at its manufacturing complex in the region.

'The government doesn't seem to understand the importance of basing new industries on the existing one,' says Hodges. 'It will be very difficult to attract investment in low-carbon technologies in the northeast if the skills and know-how in process technologies in petrochemicals are lost because of plant closures.'

Sean Milmo

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
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