

Press

Cautious Optimism

The state of the European plastics industry

Despite a host of issues to tackle that range from marine waste to multiple force majeure at materials suppliers, the European plastics industry approaches K 2016 in a good state of health and with cautious optimism. But there are still many hills to climb.

Plastics industry consultant Applied Market Information (AMI) said recently that the European plastics industry “finds itself in another period of upheaval and change as it struggles to pull out of the stagnation caused first by the Great Recession in 2008-2009 and the subsequent Euro zone crisis in 2012-2013.” AMI predicts polymer demand to grow at just over 1% per year up to 2019.

Supply side is content

Overall, polymer producers in Europe appear to be upbeat. At Borealis, for example, CEO Mark Garrett says integrated polyolefin industry margins were at historic highs. He notes that polyolefin prices were affected by solid demand combined with a supply shortfall, in particular resulting from unplanned production stops.

Processors are busier

Prospects for the plastics processing industry across Europe appear to be improving, with trade associations in several countries reporting growth. Even in Italy, where consumption has been flat at best for some time, equipment association Assocomaplast reports a strong upward trend in orders. In Germany, even after a record year in 2014, the sector still managed to post moderate growth last year. But Dirk Westerheide, president of the country's plastics processing sector association GKV, has lamented major hiccups in supply and very volatile price development of raw materials, particularly polyethylene and polypropylene.

Materials supply has been unstable

Plastics processors across the continent last year found difficulties in obtaining raw materials. Several major polyolefin plants in Europe stood still for extended periods, and global economic and trade framework conditions made it difficult for processors to obtain materials on international markets. These factors included not only the relative weak Euro against the US dollar, but also continued strong demand for plastics in Asia and the US. Indications are that price volatility should be lower this year, however.

The situation led to umbrella trade association European Plastics Converters (EuPC) establishing the Alliance for Polymers for Europe, to “provide detailed information on the current polymer market and help assist raw material users through its network of national plastics associations, as well as assist companies in requesting suspension of certain EU import duties to relieve shortages on polymer markets,” according to EuPC President Michael Kundel.

In February, The Polymers for Europe Alliance launched its online Europe-wide customers’ satisfaction survey to award the best polymer producers for Europe. “We decided to start the Best Polymer Producers Awards for Europe in order to re-establish a good communication between users of polymers and their suppliers, which has obviously suffered lately,” says Ron Marsh, chairman of the Alliance.

Energy still costs too much

Energy costs are very important for the whole of the plastics industry. Companies across German industry have been particularly vocal in their complaints – prices are among the highest in Europe – and the German chemical industry is also concerned about its falling international competitiveness, especially versus North American companies who have the advantage of shale gas.

So many eyes are now on petrochemical giant Ineos, which recently began importing ethane from the Marcellus shale field in the USA into Norway. Europe’s first shale-based polyethylene should come onto the market in a few months. Ineos is also set to begin exploration of shale gas in the UK, although it does not plan any fracking in 2016. It wants to use shale gas for energy as well as a polymer feedstock.

The circular economy

On top of concerns about materials and energy supply, there is also growing awareness in Europe that more needs to be done about use, re-use, and preservation of precious plastics. Late last year, the European Commission adopted what it says is an ambitious new “Circular Economy Package” (CEP), which it says will “contribute to closing the loop of product lifecycles through greater recycling and re-use, and bring benefits for both the environment and the economy.”

The Commission has proposed revisions to legislation on waste. Key elements include a common EU target for recycling 75% of packaging waste by 2030 and a ban on landfilling of separately collected waste. “Less than 25% of plastic waste collected is recycled, and about 50% goes to landfill,” says the Commission.

The PlasticsEurope trade association for plastics manufacturers has welcomed the CEP “as a step closer to resource efficiency,” but it has expressed concerns. “The European plastics industry has been calling for a legally binding landfill restriction on all recyclable as well as other recoverable post-consumer waste by 2025,” it says. “Although a 10% target constitutes a step in the right direction, it remains a timid attempt to put an end to the landfilling of all waste which can be used a resource.”

European Bioplastics (EUBP), the trade association for suppliers of bio-based plastics, was more enthusiastic about the report. It says that “forward looking sectors with strong environmental credentials and growth potential, such as bioplastics, need to be promoted.” It predicts that by 2025 production capacities of bioplastics within the EU will have grown twentyfold to 5.7 million tonnes.

A new industrial revolution?

Despite all these concerns, the European plastics industry has its eyes firmly fixed on the future. Many European machinery companies are likely to have the number 4.0 highly visible on their stands at K 2016, as they push their solutions for “smart” factories that operate within the Industrial Internet of Things (IIoT). The 4.0 refers to Industry 4.0, a term invented in Germany in reference to what is perceived as the fourth industrial revolution – and the German government’s plan to make sure German industry is at its forefront. Proponents of Industry 4.0 say it represents a paradigm shift from centralized to decentralized production.

"Industry 4.0 is above all one thing: a tremendous opportunity that we want to take advantage of together with our customers," says Dr Stefan Engleder, CTO of injection technology specialist Engel. He says he does not consider the word "revolution" to be very appropriate, however. "The changes that we are currently experiencing are more like an evolution," he says. "For us, Industry 4.0 is not a new idea, but is already long-established daily practice in many areas." Others in the sector will doubtless agree.

For plastics processors too, new digital technologies offer new perspectives, says the GKV's Westerheide. "K 2016 will provide an excellent opportunity to explore the advantages offered by the digitization of our industry," he says.

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