

A photograph of an industrial facility, likely a refinery or chemical plant, at night. The scene is illuminated by bright artificial lights, creating a high-contrast image. Several tall, cylindrical storage tanks and distillation columns are visible, connected by a network of pipes and walkways. A large, lattice-structured tower stands prominently in the background. The sky is dark, and the overall atmosphere is one of intense industrial activity.

FAIR
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How our government and banks are trying to fill the bottomless pit of Ineos

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BankWijzer





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\ Short summary

If the chemical company Ineos gets its way, it will build a new plastic production site in the port of Antwerp under the name Project One. However, there is a lot of controversy about the ecological impact of the project. In this study, we also question its economic feasibility and reveal which investments banks in Belgium have made in Ineos since 2016.


What to remember

1. The chemical giant Ineos wants to invest in a new plastics factory in the port of Antwerp called Project One.
2. Project One's production is based on foreign shale gas, a highly polluting raw material. The production process itself also promises to be very polluting, in contrast to Ineos' assurances.
3. The project is also on unsure footing economically. There is already a worldwide overproduction of plastic. In addition, there is a good chance that new environmental regulations will significantly increase production costs.
4. Nevertheless, banks are still investing heavily in the company. BNP Paribas, ING, Deutsche Bank, KBC and have funded Ineos for more than 3 billion euros since 2016.
5. Ineos also counts on public funds, through a very high deposit and subsidies, including free allowances. The Flemish government wants taxpayers to fill an ecological and economic bottomless pit.

In January 2019, as climate movements filled the streets, Sir James ('Jim') Ratcliffe announced a plan to invest 3 billion euros in 'Project One'. Ratcliffe is the richest Briton and majority shareholder of Ineos. The goal of Project One is to make the basic raw materials for plastic in the port of Antwerp. The raw material for this is shale gas. If the project gets off the ground, it will be the largest investment in the chemical sector in the last 20 years. After a year and a half, Sir Jim Ratcliffe still does not have an environmental permit. While Ineos' lobby machine is running at full speed, social and environmental movements are organizing to expose just how unsustainable Project One is.

In this study, we look at the money flow from banks in Belgium to Ineos since 2016. In total, it concerns more than 3 billion euros. In addition to ecological arguments that have already been extensively highlighted by the climate movement, we also want to consider the economic feasibility of Project One. There is a worldwide overproduction of plastic and the basic raw materials for it. In addition, the demand for plastic looks set to decline as regulators want to curb plastic use and public pressure to use less plastic is also increasing. In addition, it is possible that industry in Europe will finally have to pay for its CO2 emissions in the coming years, just as Project One is running at full speed. The question is whether Project One can be profitable without the current emission subsidies. Finally, Ineos' business

plan itself is also fairly shaky. The debt mountain is so high that even credit rating agencies like Moody's and Fitch are skeptical.



The question is whether Project One can be profitable without the current emission subsidies.

We are not only writing this report to point out to the customers of the banks that recently financed Ineos with more than 3 billion euros that their bank is investing in this unsustainable company and therefore possibly also in Project One later. This report is also directed at the banks themselves. Further investing in Ineos and Project One is bad for the climate and not only entails a reputation risk, but also a clear financial risk. It is already clear that the company and its investors do not want to bear the economic risks of Project One. That is why Project One depends on a lot of generous lenders, who (against better judgment?) continue to supply the necessary capital. Investments in Project One are a gamble based on continuing political support for a

polluting factory, while the climate breakdown and its effect will only get worse.

We are also writing this report for citizens and policymakers. Besides the banks, the project also counts on a lot of public funds. For example, there is a guarantee from Participatiemaatschappij Vlaanderen (PMV), the public investment company of Flanders, which is valued between 250 and 500 million euros. In addition, the project will receive 16 million euros in subsidies from the Flemish government. Unfortunately the many obstacles this project faces suggest that much more tax money will need to flow into Project One to keep it afloat.

BNP Paribas is one of Ineos' main financiers. The Belgian state is in turn the largest shareholder of this bank. How does our government reconcile this with the ambitions to make its investments more sustainable? The key question is whether this project is worth public funds. The guarantee that PMV wants to give is exceptionally high, higher than the total amount of guarantees that PMV has provided in the past two years. Why should we as a society support a project that poses so many ecological and societal problems? Should tax money serve to cover the risks that Ineos and its financiers are unwilling to bear? Do we pay taxes to safeguard the profits of such a company?



\ How polluting is Project One?

At the time of writing, Ineos does not yet have an environmental permit to start construction of Project One. To assess Project One's environmental impact, we need to look at the entire supply line. That story starts with the raw material that Ineos wants to use: shale gas.

Project One will use ethane and propane from the unconventional, horizontal extraction of shale gas (fracking) as raw materials. This is a method of gas extraction that has emerged in the last ten to twenty years. Shale gas is trapped in deep underground rock layers. The special thing about shale gas (and shale oil) is that it is mined by making vertical drillings in the ground up to these stone layers, and then pressurizing the stone via horizontal drilling with water, sand and chemicals. This causes cracks which release the gas. This production process has many [harmful consequences](#). The chemicals pollute the groundwater and the surrounding environment, and the technology even causes frequent earthquakes. In addition, methane is also released during extraction. This gas is [up to 86 times more harmful](#) to global warming than CO₂. Gas is often presented as the more environmentally friendly fossil fuel, but if you take its entire life cycle into account,

shale gas can cause more damage than coal.

The exploitation of shale gas and oil is an American phenomenon to a large extent. The sector has grown so fast there in the last 10 years that the US started exporting oil and gas instead of having to import them. This situation made it attractive not only to use shale gas as a fuel, but also an input for plastic production. Ineos currently imports shale gas extracted by other companies from the US for its factories in Scotland and Norway. The company was keen to start a shale gas revolution and extract the gas in the United Kingdom by itself. Over the years, Ineos therefore bought the majority of the UK's fracking licenses, but amid strong public and political resistance, fracking was [temporarily banned at the end of 2019](#). Despite the great pressure from the chemicals and plastics lobby, this moratorium still stands. The question is whether Ineos will ever extract shale gas from the ground. Earlier this year, Ineos was forced to write off more than [£ 63 million in investments in fracking licenses](#) as a loss. Fracking is prohibited in many European countries, including the Netherlands, France and Luxembourg. In Belgium there was a request to mine shale gas in Limburg, where the coal mines used to be but a permit was never issued.

What does Ineos want to produce with shale gas? Ethylene and propylene are produced from shale rock using ethane and propane, two basic raw materials used to make many types of plastic. [In](#)

[its own communication](#) about Project One, Ineos emphasizes the fact that they make good use of ethane, which is otherwise simply burned during extraction. And that the ships they use to transport the gas emit less CO₂ than the traditional ships that use fuel oil. At the same time, Ineos is smart enough not to mention how polluting the extraction of shale gas is. The biggest climate problem is not ethane, but methane. The extraction, transport and processing of the ethane and propane that Project One wants to use is extremely polluting.

In addition to the supply, the production process of Project One is also important to know the environmental impact. Ineos wants to build two installations: an ethane cracker and a PDH unit (propane dehydrogenation). The cracker will make ethylene from ethane. The gas must be heated to 850°C, a very energy-intensive process. Ineos already has two squatters: one in Grangemouth (Scotland) and one in Rafnes (Norway).

[The Grangemouth site has a terrible environmental reputation](#). It is one of the most polluting plants in Scotland and has been awarded the second worst rating for pollution several times over. Between 2011 and 2014, Ineos violated the safety and health rules at this factory 34 times. Repeated security incidents also occurred at other Ineos branches. In 2017, there was an oil leak in [obsolete Ineos pipelines](#) in the North Sea off the British coast. The local population had to be evacuated. And late last year,

[Ineos announced it was closing a chemical plant](#) in the north of England because the company was unwilling to make the necessary investments to meet environmental standards. 145 employees lost their jobs.




Het blijft raden naar de CO₂-uitstoot van Project One

Even though Ineos says it wants to use highly economical technology, Project One's CO₂ emissions remain uncertain. Ineos also claims to want to collect and store the emissions, but nothing concrete is provided for that either. Carbon capture and storage is very expensive. You can read more about this in the attached interview with Wijnand Stoefs, policy officer at Carbon Market Watch.

Later in the production process, the ethylene is turned into polyethylene. This is the most commonly used form of plastic and looks like little pea-shaped balls. They are generally referred to as 'pellets'. Those pellets tend to get lost. You can find them in large quantities on the beaches next to the factories in Norway and Scotland, but also near the factories of

BASF, Exxon Mobil and Ineos in the port of Antwerp, where they now make all these pellets. The port of Antwerp has set itself the goal of 'Operation Clean Sweep' to no longer waste pellets during cleaning of the factories or during transport, but in recent years it removed several [tons of pellets](#) from the vicinity of the factories.

Scientists fear the consequences. The plastic spreads everywhere in nature and the food chain. For example, it was found in the stomachs of birds in Scotland. Once birds eat pellets, their digestive systems become clogged and they starve to death.



The climate and biodiversity crisis are intertwined and plastic is at one of the intersections between both of them.

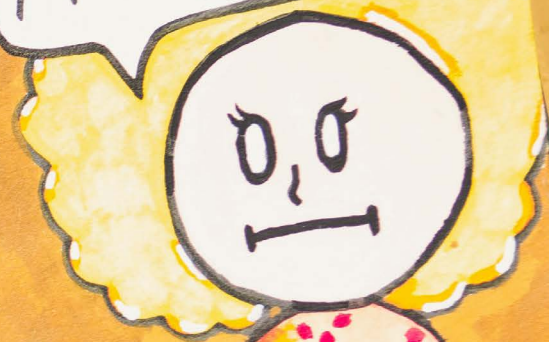
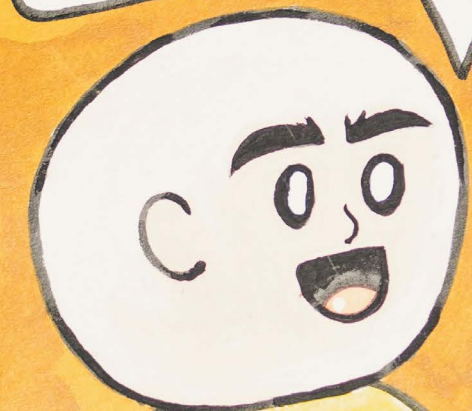
Another question is what is made from those pellets next. Ineos itself says that many things are made with it that are useful for the climate transition, such as blades and lubricating oil for wind turbines. But

[the figures from Ineos](#) show that, after lubricants (23.2%), packaging (18.5%) is the main destination of the pellets. From [figures of Plastics Europe](#), the sector federation of the plastic industry, it is clear that more than 40% of the total production of ethylene and propylene are used for the manufacture of packaging material. And that packaging often ends up in the sea. The UN predicts that if we continue to produce, use and dispose of plastic at the same rate, there will be [more plastic than fish in the sea](#) by 2050. This contributes to an enormous loss of biodiversity and is one of the reasons why today we can speak of a [sixth mass extinction event](#).

The climate and biodiversity crisis are intertwined and plastic is at one of the intersections between both of them ranging from the high emissions that accompany the entire supply and production chain to the plastic that often ends up in the sea and the rest of nature and disrupts the ecological balance.

CAN I HAVE
A PLASTIK
BAG, PLEASE?

IT'S IN THE
FISH, SIR...



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OX

\ Project One misses the boat

Despite all the ecological objections, it can be argued that there is an important economic benefit here.

For some the promise of Ratcliffe's 3 billion euros in investment is an opportunity they cannot pass up. Antwerp mayor and N-VA chairman [Bart De Wever is already a big fan](#): "Ineos wants to invest 3 billion euros for a new petrochemical installation with the very best technology




in the field of the environment. That brings a lot of jobs and prosperity. But let that just be dirty words for so-called climate activists.” Project One's negative impact is not just about ecology. The project is also economically unstable. What is the promise of a few hundred jobs worth if the project itself is not economically sustainable?

The European NGO Carbon Market Watch closely follows economic climate policy and the fossil fuel and energy intensive industry. They made some analyzes of Project One's economic prospects for ClientEarth, an NGO that employs international lawyers on environmental issues. Those reports have not yet been published, but we were already able to view them and speak to Wijnand Stoefs, policy officer at Carbon Market Watch and author of the reports. The written interview can be found in the attachment at the end of the file. Here we summarize the main findings. Some of the cited sources are not from Carbon Market Watch's report and were added by FairFin.

In essence, it is too late to build such a large plastic factory. The shale revolution has died down. Shale gas and oil were attractive as oil prices were very high after 2008. The installations for the extraction of shale gas and oil are not only harmful, but also expensive. You have to spend a lot of energy and money to get a little shale gas out of the ground. A few years ago, oil and gas prices started to fall and, partly due to overproduction and the lack of storage capacity, [the gas price even dipped below zero](#),

causing severe blows to the shale industry. When oil prices plummeted as a result of corona, [shale went into crisis](#).



What is the promise of a few hundred jobs worth if the project itself is not economically sustainable?

Even more important is the global and structural overproduction of plastic. It already started last year in 2019 and will only increase in the coming years. By 2024, the production capacity of ethylene – one of the key products that Project One will manufacture – will increase by 38 percent. That's about when Project One wants to start producing. In addition, between now and 2040, the broader plastics sector will see \$ 400 billion in investment in new manufacturing in the pipeline. This will result in a large structural surplus. As a result, Exxonmobil was already forced to shut down a plastic factory for weeks at the end of 2019. This year, factories producing ethylene could only run at 90 percent of their capacity. In November, [Ineos announced that it was considering closing its Grangemouth cracker](#) (and

an oil refinery) due to lack of demand. That capacity will only decrease further in the coming years. That is why the American think tank [Pew Research Center calculates](#) that investing in the plastics industry up to and including 2040 will entail an annual risk of more than 80 billion euros.

This overproduction can disappear by producing less by e.g. deciding not to build planned plastic factories and by simultaneously closing the most polluting factories. If that does not happen, the demand for plastic will have to increase very significantly to get that large amount of plastic sold.

However, the trend is going in exactly the opposite direction. Many people are becoming aware of the pollution caused by plastic and want to use less plastic. This also translates into reputational damage from the major plastic polluters. Many companies have promised that they will use less plastic. That alone would reduce the demand for plastic by millions of tons. Even Coca Cola will stop using shrink wrap in 2021.

It is not only the negative sentiment of the people and the market. Governments also want less plastic. The upcoming European Green Deal aims to drastically reduce the use of plastic, make producers financially responsible for waste collection and processing and recycle more. An important example is that the European Commission, European Council and European Parliament have agreed to a tax on plastic. This should be used to repay the loan from the European

Commission for the European recovery fund.

It also makes economic sense for governments to take steps to discourage the production of plastic. Carbon tracker calculated [that the plastic industry saddles society with enormous costs](#). When we factor in CO2 emissions, health costs, waste collection and pollution of the oceans, every ton of plastic that companies like Ineos produce costs more than 800 euros to society. That equates to 286 billion euros per year. A cost that these companies have so far left entirely to us.

Government policy can not only increase costs for those who produce plastic, but also for those who cause CO2 emissions. In Europe there is a system of emission rights for companies called the Emissions Trading System (ETS). These rights are tradable. Until now, industrial companies have been given a lot of free emission rights, sometimes even more than they emit. For example, [according to a report by Greenpeace, Bond Beter Leefmilieu \(BBL\) and Arbeid & Milieu](#), Ineos in Belgium received so many more free emission rights between 2013 and 2019 than they emitted CO2, that they still had a surplus of 6 million euros in emission rights.

However, it looks like the policy will change. Many European politicians are pulling out all the stops to end free emission rights. They want this system to end by 2030 at the latest. If this succeeds, it looks like Ineos will have to pay for its emissions. Other changes in emission trading rules also indicate that

the costs for major polluters will increase. At the time of writing, the price of CO2 is already at its highest point since 2006 and market analysts expect that price will only increase.

Why they do not want to make any promises about CCS yet is clear. It is far too expensive.

It is not easy to estimate exactly what this means for Project One, partly because Ineos does not provide any information about the project's CO2 emissions. Wijnand therefore made some rough future scenarios. If Europe slowly or only slightly makes the major polluters pay, Project One would make more than 20 million euros in profit from the conservation measures over the period 2025-

2030, but lose more than 40 million euros every year from 2031. If the policy becomes even more ambitious, Project One will have to pay almost 400 million euros for its CO2 emissions between 2025 and 2030.

Ineos also knows that the costs of CO2 emissions will

increase rapidly but pretends to the outside world that nothing is wrong and everything will be fine. They want to build a carbon capture and storage (CCS) installation to offset their emissions and to not cost them money but paradoxically they also indicate that they are not ready for CCS. They do not want to invest in it yet. Basically, the only thing they will do is leave space for a CCS installation, which can then be constructed later at Project One.

Why they do not want to make any promises about CCS yet is clear. At three to four times more than the current price of CO2 (which Ineos does not pay), it is far too expensive. Ineos seems to expect that the government will use tax money to build such an expensive installation for them. It is completely irresponsible and unethical to cover such a high risk with public money. Especially since Project One has not even been built and CCS has never been tested on such an installation.

The more Project One wants to reduce CO2 costs and enjoy free emission rights (in the short term), the more it will have to keep investing in the factory to make and keep it as sustainable and efficient as possible. However, with the other Ineos factories as case studies, it is clear they have little money left to invest in the safety and sustainability of their operations. Their track record is an argument against Project One. Why should it be any different this time?

According to Wijnand, there are only two scenarios in which Project One becomes profitable in the

context of such a large overproduction of plastic and rising emissions costs. Either global overproduction will decrease drastically after 2024. That is very unlikely. The other option is that Project One can out-compete other plastic producers in Antwerp and the EU. But then the story that Project One will provide extra jobs is invalid as the jobs Ineos creates will cause others in Europe (and especially in the port of Antwerp) to disappear. And even this undesirable scenario does not provide a solution yet for the cost of CO2 emissions.

In the examples above, we see that Ineos mainly aims for short-term profit. This clashes with a sustainable business model that looks at jobs, health, and the environment in the long term.

We also see Ineos' short-term vision in other matters. Ineos already announced [after the first quarter of 2020](#) that in order to be able to repay their loans, they will have to cut a lot of costs, put projects on the back burner where possible, stop maintenance work and only recruit strictly necessary staff. Even though the company is in financial difficulties, Ineos uses borrowed money to pay dividends to Jim Ratcliffe and the two other shareholders. That is what two of the main credit rating agencies Moody's and [Fitch](#) indicate. It is therefore not surprising that the two credit rating agencies are negative about the bond loan that Ineos issued in October and in which both BNP Paribas and Deutsche Bank participated. Almost half of that loan, [300 million euros, is used](#)

[to pay dividends to the three shareholders](#). The rating given by Fitch (BBB) [means that they think](#) the company "is able to repay its loans, but that negative economic developments are more likely to change this".



THERE ARE
NO JOBS
ON A
DEAD PLANET.

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\ More than 3
billion euros
from banks
to Ineos
since
2016

To get an idea of whether banks in Belgium are major financiers of Ineos and to get an idea of whether there is a high chance that they would co-finance Project One, we examined how much money these banks put into Ineos during the last five years. Since 2016, the major banks in Belgium have provided more than 3 billion euros in loans and bond issues to Ineos. Almost all funding comes from BNP Paribas, ING and Deutsche Bank, each with around 1 billion euros in funding.

If we look in more detail at loans and bond issues, a few things stand out.

- Some of the loans and bond issues of BNP, ING and Deutsche Bank go through Ineos financial holdings. After that it is sometimes unclear where this money ends up in the complex structure of Ineos. Ineos has more than 450 companies in more than 34 different jurisdictions.
- We also recovered 2019 loans from ING and BNP Paribas to the Scottish subsidiary in Grangemouth and the Norwegian subsidiary Rafnes, where Ineos also uses squatters to turn ethane from shale gas into raw materials for plastic. This shows that [BNP Paribas' policy on unconventional oil and gas \(including shale gas\) does not make it impossible to finance the shale gas-based plastics industry.](#)

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- Several loans and bond issues in which BNP Paribas and Deutsche Bank have participated serve to pay dividends significantly, while the company is in bad shape.

Here we draw some conclusions:

- Banks in Belgium are already financing Ineos subsidiaries that turn ethane from shale gas into raw materials for plastic, just as Project One wants to do. These banks also have no problem financing Ineos financial holding companies for which it is not clear afterwards where the money will end up.
- BNP Paribas and Deutsche Bank lend money to Ineos to pay dividends to Jim Ratcliffe and the two minority shareholders (Andy Currie and John Reece) at a time when the company is in financial difficulties.
- BNP Paribas and Deutsche Bank participate in a bond issue of Ineos, while it is clear that they are in bad shape.

We call on readers who are customers of these banks to inform their bank that financing Ineos is fueling the biodiversity and climate breakdown and is also economically unsustainable.

We call on BNP Paribas, ING, Deutsche Bank and KBC to refrain from financing Ineos (or Project One, if an environmental permit would be to be granted in the future).

Summary table (in million euros)

	Loans	Issue of bonds	Total
BNP	935	291	1226
ING	796	242	1038
Deutsche Bank	669	318	987
KBC	143	/	143
Total	2543	851	3394

Source: Profundo research in Bloomberg, Refinitiv and Trade Finance Analytics databases. [A bond issue of 700 million euros](#) in which BNP Paribas and Deutsche Bank participated dates from after Profundo's investigation.

IF THE CLIMATE
WAS A BANK
~
YOU WOULD HAVE
SAVED IT ALREADY

\ Project One lives on public money

The weak economic fundamentals on which Project One balances and Ineos' debt and dividend-dominated short-term profit model raise many questions. Foremost, who will pay for all that if things go wrong? Here we should especially look at the public money that goes to Project One. [In a recent report](#) we already discussed the inadequate climate policy of the investment company of the Flemish government PMV. The guarantee that PMV promises for the loans to Project One is clear proof of this. It has freed up between [250 and 500 million euros](#) for it. In addition, the project would also receive [16 million euros in subsidies](#). Especially that guarantee is worth considering. Even if it were only 250 million euros, the guarantee for Project One is [higher than the total amount of guarantees that PMV granted in the years before](#). Given the precarious situation in which Ineos finds itself and the circumstances in which Project One wants to realize, it should not surprise us if that

guarantee is actually used.

If we look at the story from the point of view of the investors, we see that the taxpayer is drawing the short straw here. The high guarantee of the Flemish government via PMV indicates that Ineos and its financiers are aware of the risks of the project and do not want to bear them themselves. After everything we have seen about Project One and the company, we can only agree with them. But why should we spend our scarce public resources on it?

Why would we use such a large amount of public money to make a project possible that has so many ecological problems? Spending tax money to ensure that Ineos and its financiers can still make a profit despite their economically and ecologically faulty plan? Once we grant that guarantee to Project One, Stockholm syndrome will occur, the phenomenon whereby the hostage becomes sympathetic to the hostage taker. The Flemish taxpayer then has an economic interest in Project One being profitable and would identify with Ineos and other major polluters and their lobby against good climate policy. We would hope that in the future Ineos would not have to pay for its CO2 emissions, that we would ignore the European rules that oblige us to recycle much more and that as much new plastic as possible is made. That's really the last thing we need. Luckily we are not held hostage yet, although the possibility is there. The solution is therefore not to close Ineos' financial hole with our tax money, but to ignore

Project One and reject it while it is still possible now.

\ Appendix:

Interview with Wijnand Stoefs, policy officer at Carbon Market Watch.

He studied Project One's economic viability for ClientEarth, the NGO that leads legal proceedings against Project One in which FairFin also participates. The reports have not yet been published, but we were able to review them and interview Wijnand to explain more about Project One's economic risks.

In your report you write that factories here and in the rest of the world produce much more plastic than there is demand for it. Is that a normal, transient phenomenon or is there more to it?

Wijnand: It is the first time in decades that there has been such a large overproduction in the sector. And it's not all due to the shock from Corona. There was already overcapacity in 2019 and it was assumed that it would increase even further. By 2040, there will be \$ 400 billion in plastic investments in the pipeline. For one of the main raw materials for plastic (ethylene) that Project One wants to make, global

production will increase by 38 percent by 2024. That is a large structural surplus which coincides with when Ineos wants to start the factory.

Can we already see the consequences of this overproduction?

Wijnand: The price of plastic has plummeted. We have not seen this since the financial crisis of 2008. That also has consequences here. For example, ExxonMobil was forced to shut down a plastics factory in France for several weeks because "external factors were causing great financial pressure." It looks like a lot of plastic factories will not be running at full capacity. Even before the pandemic, it was estimated that globally only 90% of ethylene production capacity would be utilized by 2020 – that forecast is likely to deteriorate in the coming years.

Not exactly a happy prospect if you have just put your money into a new plastic factory, I think. But what will the long-term consequences be?

Wijnand: That depends on the decisions we are making now. The Pew Research Center, a major American think tank, published a report warning of new investments in plastic. They estimate that there is a risk of \$ 100 billion annually up to 2040.

And can something be done to get rid of that overproduction?

Wijnand: This overproduction can disappear by producing less, for example by deciding not to install planned plastic factories now, and to close the most

polluting factories in the coming decades. Otherwise, the demand for plastic must increase enough to get that large amount of plastic sold.

But people want less plastic. Many people are becoming aware of the pollution caused by plastic and want to use less plastic. This also translates into reputational damage from the major plastic polluters. Many companies therefore promise that they will use less plastic. That alone would reduce the demand for plastic by millions of tons. Even Coca Cola will stop using shrink wrap in 2021.

But it is not only the sentiment of the people and the market that is against it. Governments in Europe and worldwide also want less plastic. Regulations under the European Green Deal are due in the coming years to drastically reduce the use of plastic, make producers financially responsible for waste collection and processing, and to recycle more. The fact that the European Commission, European Council and European Parliament agree to a levy on plastic to repay the money they will borrow for the European recovery fund is just one – but important – example of this.

The fact that governments are taking steps to discourage the production of plastic also makes economic sense. Carbon tracker calculated that the plastics industry is currently burdening society with enormous costs. Plastic has massive untaxed externalities of at least \$ 1,000 per ton (\$ 350 billion per year) from CO2 emissions, health costs, waste

collection and ocean pollution. If we don't turn the tide, the UN predicts that there will be more plastic than fish in the sea by 2050.

Regulation will also affect how profitable it is to put billions into a plastic factory in another way: the EU's emission rights system. What I especially remember about this is that there is a lot of emissions trading, but little limitation of emissions. Can you say more about that?

Wijnand: Currently, the energy-intensive industry in Europe (including plastics) does not yet have to pay for the vast majority of their CO₂ emissions. They receive their allowances for free, unlike the electricity sector where auctioning of allowances has long been the norm. As a result, these companies do not pay for the environmental damage they cause, and Belgian and European governments lose billions in auction revenues. The polluter is being paid here, instead of paying for the damage they cause. This expensive and inefficient overprotection is anachronistic and will cease completely after 2030. As far as I am concerned, European industry would have to pay a price for its climate pollution much earlier.

After all, the emissions trading system will also be reformed in the coming years to meet the EU's higher climate ambitions. In a recent report, the European Court of Auditors made a clear recommendation that free emission rights should be used much more effectively.

The price of CO₂, just like the signal that is given to the industry, depends on political will. And most market analysts expect the price of CO₂ to continue to rise steadily over the next 10 years, mainly due to the urgency to address the climate crisis. In addition, the price will also rise because it has already been decided to remove large amounts of surplus emission allowances from the emissions trading market and destroy them for good every year from 2023 – and it is expected that this will be reinforced in the upcoming reforms. In short, in any case, CO₂ emissions will become more expensive for European industry in the coming years. In mid-December 2020, the European CO₂ price will be above € 31 / tonne – the highest point ever since 2006.

Do you have an idea what impact this would have on Project One should the factory be built?

Wijnand: It's not entirely clear how much CO₂ the plant would emit – and Ineos clearly doesn't want to make that information public, but I've made rough estimates based on the information available to test a number of policy scenarios with fewer and more ambitious reforms of the emissions trading system. Costs add up in each scenario. In the least ambitious scenario, Project One would make more than € 20 million profit from the conservation measures over the period 2025–2030 but would have to pay more than € 40 million every year from 2031. In the most climate-ambitious scenario, Project One would already have to pay almost 400 million euros under

the emissions trading system for its CO₂ emissions between 2025 and 2030.

Does Project One take into account the costs of emitting CO₂?

Wijnand: Ineos is sticking its head in the sand. They pretend that their significant CO₂ emissions will not cost them money because they want an installation to capture CO₂ and store it elsewhere (Carbon Capture and Storage or CCS). But at the same time, they also indicate that they are not ready for CCS and that they do not want to invest in it yet – in fact, all they are going to do is leave

room for a 'carbon capture' installation to build for Project One later. What that installation will look like and who will pay for it is completely unclear. Importantly, CCS is currently mainly tested on fossil fuel power plants – Project One should use new, untested, and risky technologies.

Why they don't want to promise anything about CCS yet is clear: it will cost people a lot. A conservative expectation is that CCS would cost them \$ 80 to \$ 121 per ton of CO₂ emissions. That is about 3 to 4 times more than the current carbon price. It seems to be expected that the government will use tax money to build and run such an expensive installation for them. But it is totally irresponsible to cover such a high risk with public money – especially since Project One has not even been built and CCS has never been tested on such an installation.

I will come back to Ineos' reluctance to invest in CCS. The more Project One wants to reduce their CO2 costs and (in the short term) wants to enjoy free emission rights, the more it will have to continue to invest in the factory to make and keep it as sustainable and efficient as possible. But we often see at other Ineos factories that they have little money to spare to invest in the safety and sustainability of their operations.

Taking it all together, what does all of this mean for Project One's economic viability?

Wijnand: There are only two hypothetical ways in which Project One can become profitable in the context of such a large overproduction of plastic. Either global overproduction will decrease drastically after 2024. But that is very unlikely. The other option is that Project One can outcompete other plastic producers in Antwerp and the EU and drive them out of the market. But then the story that Project One will provide extra jobs falls apart. Because for the jobs they create, others in Europe (and especially in the port of Antwerp) will most likely disappear. But even then, the cost of CO2 emissions is not finalized. Emitting or capturing CO2 will be expensive, and it is unclear whether Ineos sees these financial problems and how they think they can solve them.

Actually, the only hope is that they will first get that big guarantee from the Flemish government. And that very expensive CCS - both the carbon capture installation and the infrastructure to transport and

store the captured CO2 - is made possible by hundreds of millions of Belgian and European tax money. That would be a disastrous investment. It is best simply not to let the project go ahead and rely on available alternatives such as recycling.



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