



## BLOG POST

# Propping Up a Failing Industry: How Overcapacity, Tariffs, and Subsidies Are Masking the Plastics and Petrochemical Crisis

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The petrochemical industry is facing a financial crisis that even significant government support cannot disguise. In 2024 governments spent an estimated \$80 billion (<https://quno.org/sites/default/files/resources/Plastic%20Production%20Subsidies%20Modelling%20-%20Phase%203%20summary%20report%20v2.0.pdf>) in subsidies to sustain the plastics industry, which represent the lion's share of the petrochemical industry's production — with Saudi Arabia and China contributing an estimated \$59 billion (<https://quno.org/sites/default/files/resources/Plastic%20Production%20Subsidies%20Modelling%20-%20Phase%203%20summary%20report%20v2.0.pdf>), or more than 75 percent of the total subsidies. With an estimated 24 percent of global ethylene production capacity (<https://www.woodmac.com/press-releases/global-ethylene-closure/>), now at risk of closure, analysts warn that the petrochemical industry is facing structural oversupply ([https://ieefa.org/sites/default/files/2024-09/REVISED\\_UN%20Plastics%20Briefing%20Note.pdf](https://ieefa.org/sites/default/files/2024-09/REVISED_UN%20Plastics%20Briefing%20Note.pdf)), collapsing profit margins (<https://www.woodmac.com/press-releases/global-ethylene-closure/>), and fierce global competition driving the industry's long-term stability toward decline.

Recent analysis by the Institute for Energy Economics and Financial Analysis ([https://ieefa.org/sites/default/files/2024-09/REVISED\\_UN%20Plastics%20Briefing%20Note.pdf](https://ieefa.org/sites/default/files/2024-09/REVISED_UN%20Plastics%20Briefing%20Note.pdf)) and Wood Mackenzie (<https://www.woodmac.com/press-releases/global-ethylene-closure/>) underscores the gravity of the situation. Oversupply is driving down profit margins and threatening the long-term financial viability of the sector. The imbalance between supply and demand is exacerbated by a combination of market distortions, trade barriers, and intensifying global competition, with petrochemical hubs themselves increasingly seen as credit negative. ([https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal\\_January%202024.pdf](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf)). Without structural adjustments ([https://ieefa.org/sites/default/files/2024-09/REVISED\\_UN%20Plastics%20Briefing%20Note.pdf](https://ieefa.org/sites/default/files/2024-09/REVISED_UN%20Plastics%20Briefing%20Note.pdf))—such as production caps—volatility and price instability are likely to persist. At the same time, slow global economic growth and shifting geopolitical dynamics all point to continued pressure on the sector's future prospects.

Overcapacity (<https://www.icis.com/explore/resources/european-chemical-industry-overcapacity/>), tariffs, and subsidies are not only masking this economic crisis but are also actively fueling an industry on the brink of collapse.

Despite clear market signals, ([https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal\\_January%202024.pdf](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf)) including shuttered (<https://www.petrochemistry.eu/about-petrochemistry/petrochemicals-facts-and-figures/cracker-capacity/>) facilities (<https://www.bbc.co.uk/news/articles/cjd23eggj7jo#:~:text=jobs%20to%20go,Sab%20in%20North%20Tees%20and%20Teesport,>) and collapsing margins (<https://www.woodmac.com/press-releases/global-ethylene-closure/>), the industry continues to expand, clinging to outdated assumptions that consumption will rebound (<https://carbontracker.org/reports/petrochemical-imbalance/>). Massive government subsidies continue to sustain this industry, masking a sector in decline.

## Petrochemicals' Overcapacity Crisis

Recent projections show the emerging overcapacity in global polymer markets. The ICIS Supply & Demand Database (<https://www.icis.com/asian-chemical-connections/2023/08/global-pp-crisis-why-capacity-may-need-to-be-18m-tonnes-year-lower-in-2024-2030/>) forecasts that global polypropylene (PP) production capacity will grow significantly faster than demand, with an expected average annual oversupply of 21 million metric tons between 2020 and 2030, up from 7 million metric tons during 2000-2019. This means many plants are likely to operate below full capacity, with projections putting global operating rates at exceeding demand at just 80 percent between 2020 and 2030, declining from 87 percent in the 2000-2019 period, further squeezing producer profit margins.

Another sign of oversupplied markets is a collapse in profit margins. Between 2019–2021 and 2022–2024, [China](https://www.statista.com/statistics/226239/production-of-plastic-products-in-china-by-month/) — [the world's largest plastic producer](https://www.statista.com/statistics/226239/production-of-plastic-products-in-china-by-month/) (<https://www.nature.com/articles/s43247-025-02169-5>) — saw average PP production margins collapse by more than 95 percent (<https://www.icis.com/asian-chemical-connections/2024/10/china-pp-sales-turnover-collapses-by-4-6bn-after-the-end-of-the-supercycle/>). The Principal Analyst at Wood Mackenzie (<https://www.woodmac.com/press-releases/global-ethylene-closure/>) notes that China's heavy investments from 2020 to 2027 have significantly altered global supply dynamics, creating a structural oversupply in Asia and pushing profit margins into consistently low or even negative territory. The combination of all these dynamics has resulted in [facilities](https://www.reuters.com/business/energy/petrochina-set-shut-top-north-china-refinery-2025-sources-say-2024-10-28/) (<https://www.reuters.com/business/energy/petrochina-set-shut-top-north-china-refinery-2025-sources-say-2024-10-28/>) shutting (<https://www.theguardian.com/us-news/2025/may/13/louisiana-denka-plant-cancer-alley>) down (<https://www.reuters.com/markets/commodities/global-petrochemical-firms-shape-up-oversupply-crisis-2024-08-09/>), highlighting broader challenges in ensuring a just transition for [workers](https://www.argusmedia.com/en/news-and-insights/latest-market-news/2651816-philippines-jg-summit-to-shut-petrochemical-assets) (<https://www.argusmedia.com/en/news-and-insights/latest-market-news/2651816-philippines-jg-summit-to-shut-petrochemical-assets>).

In Europe, [industry has been quick to](https://cen.acs.org/policy/legislation-/Europe-unveils-proindustry-policy2/103/web/2025/02) (<https://cen.acs.org/policy/legislation-/Europe-unveils-proindustry-policy2/103/web/2025/02>) point to the [regulatory burden of green rules](https://www.bloomberg.com/news/articles/2024-02-20/eu-industry-calls-for-green-shift-help-to-keep-up-with-china-us) (<https://www.bloomberg.com/news/articles/2024-02-20/eu-industry-calls-for-green-shift-help-to-keep-up-with-china-us>) and [decarbonization regulations](https://www.ineos.com/inch-magazine/articles/issue-29/european-chemical-sector-on-the-brink-of-extinction/) (<https://www.ineos.com/inch-magazine/articles/issue-29/european-chemical-sector-on-the-brink-of-extinction/>) for rising costs and closures, while overlooking some of the most obvious challenges: structural overcapacity coupled with muted demand. For example, overcapacity has forced [TotalEnergies to announce the closure of its oldest steam cracker in Antwerp](https://www.icis.com/explore/resources/news/2025/04/22/11094169/totalenergies-to-shut-oldest-antwerp-cracker-due-to-oversupply-in-europe/) (<https://www.icis.com/explore/resources/news/2025/04/22/11094169/totalenergies-to-shut-oldest-antwerp-cracker-due-to-oversupply-in-europe/>) by 2027. ExxonMobil and Sabic (<https://www.bbc.co.uk/news/articles/cjd23eggj7jo>) have also announced the closure of their European petrochemical facilities (<https://www.ft.com/content/5d5a4641-f066-4b4a-a596-00f5ff9f0e2d>).

## Petrochemical Demand is Not Making A Comeback

Despite [market signals](https://ieefa.org/petrochemicals-sector-secular-decline) (<https://ieefa.org/petrochemicals-sector-secular-decline>) and [warnings from](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf) ([https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal\\_January%202024.pdf](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf)) [credit rating agencies](https://www.spglobal.com/ratings/pt/regulatory/article/-/view/type/HTML/id/3080558) (<https://www.spglobal.com/ratings/pt/regulatory/article/-/view/type/HTML/id/3080558>), the petrochemical industry continues to expand, clinging to a risky bet that demand will eventually catch up. However, such a risky [bet](https://ieefa.org/petrochemicals-sector-secular-decline) (<https://ieefa.org/petrochemicals-sector-secular-decline>) ignores persistent market signals: a [projected global decline in economic growth](https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025) (<https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>), a [historic, legally binding mandate](https://www.unep.org/news-and-stories/press-release/historic-day-campaign-beat-plastic-pollution-nations-commit-develop) (<https://www.unep.org/news-and-stories/press-release/historic-day-campaign-beat-plastic-pollution-nations-commit-develop>) backed by UN Member States to tackle plastic pollution, and [changes in consumer preference for sustainable goods](https://www.pwc.com/gx/en/news-room/press-releases/2024/pwc-2024-voice-of-consumer-survey.html#:~:text=Consumers%20are%20increasingly%20prioritising%20sustainability,their%20impact%20on%20the%20environ) (<https://www.pwc.com/gx/en/news-room/press-releases/2024/pwc-2024-voice-of-consumer-survey.html#:~:text=Consumers%20are%20increasingly%20prioritising%20sustainability,their%20impact%20on%20the%20environ>). Market fundamentals suggest that the gap between supply and demand is structural — not temporary or cyclical — and the market is unlikely to rebalance on its own.

A global slowdown of GDP growth (<https://www.worldbank.org/en/news/press-release/2025/06/10/global-economic-prospects-june-2025-press-release>), [projected to slow for a third consecutive year](https://apnews.com/article/global-economy-inflation-china-federal-reserve-recession-bcfa8bc1dc2ac1f8d2680feb86497771) (<https://apnews.com/article/global-economy-inflation-china-federal-reserve-recession-bcfa8bc1dc2ac1f8d2680feb86497771>), including in leading producing countries such as China, and new regulations, including the Global Plastics Treaty under negotiation, could further stall demand growth. Furthermore, a [shift toward more sustainable commodities](https://ieefa.org/petrochemicals-sector-secular-decline) (<https://ieefa.org/petrochemicals-sector-secular-decline>) adds pressure on demand for these products, as innovative companies and industries develop alternatives that eliminate or reduce the need for fossil-based feedstocks.

[Brazil](https://www.spglobal.com/commodity-insights/en/news-research/latest-news/chemicals/022725-brazil-takes-policy-measures-to-revitalize-its-chemical-industry) (<https://www.spglobal.com/commodity-insights/en/news-research/latest-news/chemicals/022725-brazil-takes-policy-measures-to-revitalize-its-chemical-industry>), [China](https://www.bloomberg.com/news/articles/2024-07-01/china-s-plastics-boom-is-set-to-create-another-trade-headache) (<https://www.bloomberg.com/news/articles/2024-07-01/china-s-plastics-boom-is-set-to-create-another-trade-headache>), and [the European Union](https://www.bcg.com/publications/2024/petrochemicals-growth-slows-heres-how-to-win) (<https://www.bcg.com/publications/2024/petrochemicals-growth-slows-heres-how-to-win>), are experiencing weak demand growth and increased global competition, signaling a broader contraction of petrochemicals. The industry's response? [Build more anyway](https://ieefa.org/petrochemicals-sector-secular-decline). (<https://ieefa.org/petrochemicals-sector-secular-decline>) — deepening the crisis.

## Tariffs: Fuel on the Financial Risks of Overcapacity in the Industry

Tariffs have added further fuel to the fire. The [latest wave of US tariffs](https://www.reuters.com/markets/commodities/trump-tariffs-poised-exacerbate-woes-ailing-petchems-sector-2025-04-04/) (<https://www.reuters.com/markets/commodities/trump-tariffs-poised-exacerbate-woes-ailing-petchems-sector-2025-04-04/>), has intensified the petrochemical sector's instability. Global overcapacity is putting pressure on major plastic producers such as China, where domestic plastic demand is largely met and no longer growing fast enough to absorb all the output of its own producers; therefore, facilities rely heavily on exports to [remain operational](https://www.bloomberg.com/news/articles/2024-07-01/china-s-plastics-boom-is-set-to-create-another-trade-headache) (<https://www.bloomberg.com/news/articles/2024-07-01/china-s-plastics-boom-is-set-to-create-another-trade-headache>). Even before the tariffs, China was already feeling the effects of overcapacity, with some PP plants reducing their operation capacity as part of a downward trend that, after 2020, reached an [estimated low of approximately 75 percent capacity by 2025](https://www.argusmedia.com/en/news-and-insights/market-opinion-and-analysis-blog/future-of-chinese-polypropylene-market-outlook) (<https://www.argusmedia.com/en/news-and-insights/market-opinion-and-analysis-blog/future-of-chinese-polypropylene-market-outlook>), below what would be typically needed for (<https://www.deloitte.com/us/en/insights/industry/chemicals-and->

[specialty-materials/chemical-industry-outlook.html](#)), healthy margins. New US tariffs will further reduce China's access to one of its largest export markets (<https://www.reuters.com/business/energy/china-us-blossoming-petchem-ties-could-be-trade-war-casualty-bouso-2025-04-06/>), further threatening the competitiveness and viability of China's petrochemical expansion.

Recent credit rating warnings ([https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal\\_January%202024.pdf](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf)) and downgrades (<https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3377003>) highlight growing market concerns about the structural vulnerabilities within the petrochemical industry. In response to Trump's trade wars, Asian petrochemical stocks tumbled in the first quarter of 2025: LG Chem fell 6.53 percent, Mitsui Chemicals dropped 2.96 percent, and Formosa Petrochemical Corp declined 6.00 ([https://www.icis.com/explore/resources/news/2025/02/03/11071427/update-oil-gains-asia-petrochemical-shares-fall-as-trump-starts-trade-war/?utm\\_source=chatgpt.com](https://www.icis.com/explore/resources/news/2025/02/03/11071427/update-oil-gains-asia-petrochemical-shares-fall-as-trump-starts-trade-war/?utm_source=chatgpt.com)) percent, revealing vulnerability for the sector amidst rising trade tensions.

The situation is worsened by the plastics industry's dependence (<https://stand.earth/resources/fracked-plastics/>) on fracked feedstocks. Fracking — particularly in the US — yields natural gas liquids (NGLs) such as ethane and propane, crucial feedstocks for plastic production. A 2025 investigation (<https://www.ciel.org/reports/fracking-for-plastics/>) by Stand. earth Research Group (SRG) and the Center for International Environmental Law (CIEL) revealed direct supply chain links between 25 major global consumer brands (<https://stand.earth/resources/fracked-plastics/>) and fracking operations in the US, driven by their demand for plastic packaging. With US fracking operations deeply intertwined with global plastics supply chains, the industry's competitiveness is tied not only to restrictions on plastic imports but also to the uncertainty surrounding new tariffs on NGLs. As new tariffs threaten exports (<https://fortune.com/2025/04/17/crude-oil-gas-china-propane-ethane-exports-tariffs/>) of NGLs, operational costs can be expected to rise, and increased financial liability will further strain the industry.

Instead of recalibrating in response to clear market signals, such as falling profit margins, overcapacity, and sluggish demand, the industry continues to push forward with risky expansion plans. A prime example is Project One, Ineos's massive ethane cracker in Antwerp, Belgium, which is moving ahead (<https://www.dewereldmorgen.be/artikel/2025/07/03/diependaele-greenwasht-ineos-met-2-miljoen-ecosteun/>), despite overwhelming evidence of its high economic costs and environmental impacts. (<https://project-one.ineos.com/en/multimedia/flows-report-on-visit-by-sir-jim-ratcliffe-and-bart-de-wever/>). Based on past findings (<https://stand.earth/resources/fracked-plastics/>), the project will probably rely heavily on fracked ethane from the US Gulf Coast, yet this critical supply chain detail remains opaque to regulators and the public. The lack of transparency reinforces overinvestment and potentially stranded assets, obscures the true costs borne by frontline communities (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>), and weakens regulatory scrutiny. Project One is emblematic of a broader industry trend of scaling the capacity rather than adjusting to current realities.

## Subsidizing a Sinking Ship: How Subsidies Conceal a Market in Decline

Instead of responding to market warning signs, governments continue to pour public funds into the petrochemical industry. Even more ironic is Plastics Europe's call (<https://plasticseurope.org/media/falling-eu-competitiveness-threatens-circular-plastics-transition/>) for government support to weather the competitiveness crisis. If a sector that's been propped up by fossil fuel subsidies for years (<https://www.imf.org/en/Publications/WP/Issues/2023/08/22/IMF-Fossil-Fuel-Subsidies-Data-2023-Update-537281>) still cannot remain viable, the solution is not to double down — it's to help phase it out responsibly. Competitive markets reward future-fit, resilient industries. Petrochemicals are clinging to an outdated model built on environmental harm, (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>) overproduction (<https://ieefa.org/resources/once-seen-industry-savior-petrochemicals-losing-financial-appeal>), and externalized costs (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>). **Supporting the petrochemical industry under these conditions is not just bad economics, it's bad public policy.**

Globally, plastics receive an estimated amount of \$43 billion in subsidies each year across the top 15 producing countries. (<https://quno.org/timeline/2024/11/release-plastic-money-turning-subsidies-tap-phase-2>). Saudi Arabia alone is estimated to be the largest contributor to the majority of these subsidies, with \$38 billion of this amount, or over 80 percent of the total. These 15 countries together represent roughly 85 percent of global commodity plastic production capacity. ([https://quno.org/sites/default/files/timeline/files/2024/Plastic%20Production%20Subsidies%20Modelling%20-%20Phase%20%20summary%20report\\_Final.pdf](https://quno.org/sites/default/files/timeline/files/2024/Plastic%20Production%20Subsidies%20Modelling%20-%20Phase%20%20summary%20report_Final.pdf)).

To put this into perspective, Saudi Arabia's plastics subsidies amount to more than 20 times the combined 2024 GDP of Kiribati (2024). (<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=KI>), Tuvalu (2023). (<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=TV>), Vanuatu (2024). ([https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=VU&utm\\_source](https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=VU&utm_source)), and the Marshall Islands (2024). (<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=MH>) — several Pacific Island nations whose very existence is under threat from climate change. (<https://wmo.int/news/media-centre/climate-change-transforms-pacific-islands>) While GDP represents total national economic output and subsidies reflect public financial support to a single sector, the comparison highlights the scale of investment being directed toward an industry facing both structural decline and environmental challenges globally. This raises a fundamental question: **Is an industry that depends on this level of public support economically viable at all?**

These subsidies represent only direct subsidies for plastic production, not accounting at all for the financial benefit of fossil fuel subsidies (<https://www.imf.org/en/Topics/climate-change/energy-subsidies>) or other financial support — such as free emission allowances under the EU Emissions Trading System (ETS) ([https://www.feu.awsassets.panda.org/downloads/cmw\\_wwf\\_a-clean-industrial-revolution.pdf](https://www.feu.awsassets.panda.org/downloads/cmw_wwf_a-clean-industrial-revolution.pdf)), — which further distort the true cost of plastic production. In one example, the UK government (<https://www.gov.uk/government/publications/category-a-project-supported-ineos-project-one-belgium/category-a-project-supported-ineos-project-one-belgium#:~:text=and%20Investment%20Bank-6,is%20EUR%E2%82%AC%20700%20million.>) handed out €700 million (US\$760 million) in loan guarantees (<https://www.packaginginsights.com/news/ill-informed-uk-government-backs-ineos-with-%E2%82%AC700m-as-project-one-struggles-sparking-eu-backlash.html>) to Ineos for its Project One ethane cracker and plastic production plant in Antwerp, Belgium. Additional financial backing through ECAs (Export Credit Agencies) (<https://www.ineos.com/news/ineos-group/ineos-secures-3.5-billion-financing-for-project-one---the-greenest-cracker-in-europe/#>) for this project from Spain (Cesce ([https://administracion.gob.es/pag\\_Home/en/Tu-espacio-europeo/derechos-obligaciones/empresas/inicio-gestion-cierre/seguro-credito.html](https://administracion.gob.es/pag_Home/en/Tu-espacio-europeo/derechos-obligaciones/empresas/inicio-gestion-cierre/seguro-credito.html))), Italy (SACE (<https://www.sace.it/en/about-us/the-companies/sace>)), and Belgium (Gigant) reveals deep contradictions between climate policy within the UK (<https://www.gov.uk/government/publications/climate-change-and-sustainability-strategy-moj/climate-change-and-sustainability-strategy#:~:text=Climate%20change%20mitigation:%20working%20towards%20net%20zero,and%2075%25%20by%202037%2C%20the%20EU>) and their economic commitments.

Importantly, subsidies can be in the public interest. Governments rightly subsidize sectors critical for innovation and the climate transition, (<https://www.worldbank.org/en/topic/trade/brief/subsidies-and-trade>) such as renewable energy ([https://www.eumonitor.eu/9353000/1/j4nvhdsc8bljza\\_j9vvik7m1c3gyxp/vmkfk2wjegzh](https://www.eumonitor.eu/9353000/1/j4nvhdsc8bljza_j9vvik7m1c3gyxp/vmkfk2wjegzh)) or green jobs ([https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed\\_emp/@emp\\_ent/documents/publication/wcms\\_158727.pdf](https://www.ilo.org/sites/default/files/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/publication/wcms_158727.pdf)), such as efficient technologies, and clean production. However, continued financial support for petrochemicals increasingly resembles an effort to support an industry not fit for the future, especially as global decarbonization efforts accelerate, and new materials (<https://www.deloitte.com/us/en/insights/industry/oil-and-gas/the-future-of-materials.html>) and technologies (<https://www.deloitte.com/us/en/insights/industry/chemicals-and-specialty-materials/chemical-industry-outlook.html>) emerge. According to analysis by IEEFA, ([https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal\\_January%202024.pdf](https://ieefa.org/sites/default/files/2024-01/Petrochemicals%20Losing%20Financial%20Appeal_January%202024.pdf)), many of the largest producers of single-use plastic components and products are expanding capacity, even while publicly committing to climate and environmental goals. This disconnect between stated ambitions and continued investment in infrastructure that entrenches business as usual exposes governments subsidising this industry as well as investors to long-term risks, including declining profitability and the growing likelihood of stranded assets.

By continuing to subsidize this industry, governments may inadvertently support the continued pollution of our air, water, and land (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>). Public funds are used to prop up and maintain a market that no longer functions sustainably and threatens human rights. (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>). Without careful evaluation, such subsidies could expose governments to fiscal risks and reinforce systemic threats.

## Global Regulation for Plastic Production as an Ally for Competitiveness and Pathway to a Just Transition

IEEFA ([https://ieefa.org/sites/default/files/2024-09/REVISED\\_UN%20Plastics%20Briefing%20Note.pdf](https://ieefa.org/sites/default/files/2024-09/REVISED_UN%20Plastics%20Briefing%20Note.pdf)) and other financial experts (<https://www.spglobal.com/ratings/pt/regulatory/article/-/view/type/HTML/id/3080558>) have sounded the alarm: the market is under pressure with rising debt, weak profits, and too much supply in the market. To minimize this industry's unmanageable risk, a minimum level of global regulation (<https://ieefa.org/resources/un-plastics-treaty-regulation-required-address-financial-risks-polymer-markets>) is needed, including the institution of a cap on uncontrolled (<https://ieefa.org/resources/why-production-cap-plastics-makes-financial-sense>), plastic production (<https://ieefa.org/resources/why-production-cap-plastics-makes-financial-sense>), especially for short-lived plastics.

The Global Plastics Treaty negotiations (<https://www.ciel.org/things-to-know-plastics-treaty-geneva/>) — happening in August — offer a critical opportunity. A global cap on plastic production, currently under discussion, would send a strong signal to markets and investors to halt unsustainable petrochemical expansion. Such a cap would need to be paired with concrete national actions across the entire plastic supply chain, with mechanisms to enforce mandatory production reductions.

But a cap alone is not enough. The treaty must also increase supply chain transparency, prevent the addition of new production capacity, ensure a just transition for impacted workers and communities, and deliver adequate and predictable resources to support the transition.

The economic and (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>) environmental costs (<https://www.ciel.org/wp-content/uploads/2024/10/Exiting-Petrochemicals-Policy-Guide.pdf>)

[Guide.pdf](#)), of the petrochemical industry can no longer be endured, and continuous investments in this industry are unjustifiable. It is time for governments to acknowledge the true environmental and economic costs of petrochemicals, stop providing subsidies, and commit to halting the expansion of this industry.

Governments must stop propping up a failing industry. Public funds and effort should support the transition to sustainable materials and real climate solutions — not continue to subsidize pollution and economic instability. The future must be built on proven solutions, not endless investments in an industry on the brink of collapse.

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10 Things To Know About INC-5.2, The Final Stretch in the Fight For a Global Plastics Treaty  
(<https://www.ciel.org/things-to-know-plastics-treaty-geneva/>)

### REPORTS

Preparatory Materials for the Resumed Fifth Session of the Plastics Treaty Negotiations (INC-5.2) (<https://www.ciel.org/reports/materials-for-plastics-treaty-inc-5-2/>)

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