

The true cost of the cement, steel and chemical industries

A report authored by True Price

This report assesses the environmental and social costs of EU27's cement, steel and chemical industries. The aim of this assessment is to investigate the environmental and social costs of these industries. Furthermore, the report aims to understand whether companies in these industries upholding polluting practices are presented with unfair advantage over companies which aim to produce socially just and environmentally sustainable cement, steel and chemical products.

The European production of cement is estimated to account for 61,000 direct jobs (European Commission, n.d.-a) while the European steel industry accounted for an estimated 330,000 direct jobs in 2019 (EUROFER, 2020). The chemical industry (including pharmaceuticals, rubber and plastics) of EU28 (EU27 plus United Kingdom) was estimated to directly employ 3.3 million people in 2015 (CEFIC, 2020-b). To contrast, nearly 200 million Europeans were employed in 2019 (Eurostat, 2020). An estimated 55% of them were employed in manufacturing (16%), wholesale & retail trade (14%), human health & social work (11%), education (7%), or public administration & defence (7%) (Eurostat, 2021).

While less represented in direct employment figures, the EU's cement, steel and chemical industries are strongly interlinked with other industries, making them valuable aspects of the EU27 economy. For example, the construction sector is currently designed to rely heavily on the cement and steel industries with 35% of the EU's steel consumed being used for construction. In addition, the demand for steel from the automotive sector, responsible for 7% of the EU's GDP (European Commission, n.d.-b), makes up 19% of EU steel consumption (EUROFER, 2020). The chemical industry produces over 70,000 different products for all kinds of sectors such as in health and agriculture (CEFIC, 2020). Conclusively, the EU's cement, steel and chemical industries directly or indirectly contribute in many ways to the EU economy.

Simultaneously, these energy-intensive industries are under scrutiny due to their negative impacts on people and planet. Next to being significant, contrary to the 'polluters pay' principle, these costs are born by society and future generations rather than the industries themselves. An example of such costs to society is the contribution to climate change (for example resulting from CO₂eq emissions caused by the industries' large energy consumption and use of fossil fuels). A research study by CE Delft shows the EU ETS-system, used to regulate greenhouse gas emissions, fails to stimulate energy-intensive industries to reduce their environmental footprints (CE Delft, 2021). For the EU to reach its climate goals (European Commission, n.d.-c), the current practices of the EU's cement, steel and chemical industries must change. To reach the EU climate goals, societal needs must be met with a supply of goods and services provided by businesses and organisations which carry out risk-based due diligence to avoid and address adverse impacts

on economic, environmental and social progress associated with their operations, supply chains and other business relationships (OECD, 2018).

The Greens/EFA group in the European Parliament (Greens/EFA) wants to understand the damages caused to people and planet by energy-intensive industries and accelerate their transition to socially responsible and environmentally sustainable industries. The Greens/EFA wish to counter the argument that sustainable production is more costly than conventional production. Once negative externalities are considered, the results clearly show that statement is false. In terms of impact on people and planet, sustainable technologies are cheaper than conventional polluting practices. This report contains an assessment of the social and environmental impact caused by the EU's cement, steel, and chemical industries to underline this argument. To grasp the impact of the cement, steel and chemical industries on people and planet, True Price has performed a true cost assessment on each of these EU industries. Furthermore, it performed deep-dive studies on the most polluting value chain step for selected products for the cement, steel and chemical industries as to support the Greens/EFA's understanding of how to transform the EU's economy.

True Pricing contributes to this transition as it is a unique method to quantify and present external costs of production. The True Pricing methodology gives quantitative insights into the direct external costs which are not part of the purchasing price of a product, but which are paid by society nonetheless – for instance by local communities (air and water pollution), by future generations (climate change) or by employees (health and safety risks). The aim of True Pricing is to minimise products' external costs. This can be done by creating transparency about external costs and showing how industries can be transformed to improve their societal impact. Complementary, governing bodies can facilitate and accelerate reduction of external costs via incentives (such as taxes and subsidies).

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Contact person



Silvia Pelegrín Marugán

Economic justice Campaigner

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