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Dutch chemicals brace for 2026 challenges as policymakers prepare to step up

The outlook for the Dutch chemical industry in 2026 is far from rosy, with chemical companies still running up against persistent bottlenecks. All hope isn t yet lost, though, as both national and European policymakers kick efforts to support the struggling sector into a higher gear

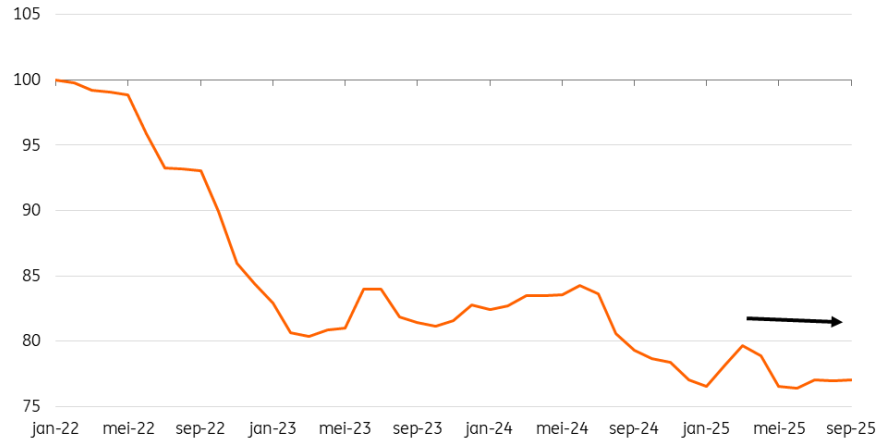
Chemical production has been stabilising since the summer, but it is still too early to speak of bottoming out – let alone growth

2026 outlook has hardly improved

The outlook for the chemical industry remains bleak following a third consecutive year of production contraction in 2025. At the beginning of the fourth quarter, chemical production was still about 23% below the peak levels of late 2017 and January 2022. Chemical production has been stabilising since the summer, but it is still too early to speak of bottoming out – let alone growth. To put it bluntly, we'd argue that 2026 doesn't promise much improvement, either.

Chemical production has not yet found an upward trend

Monthly production level of the chemical industry, January 2022 = 100*



Source: Statistics Netherlands, ING Research

*seasonally adjusted production, 2-month moving average

Low demand, high energy costs and cheap imports continue to hurt chemicals

Companies in the Dutch chemical industry will continue to face three persistent bottlenecks in 2026: low demand in the main markets, energy costs that are structurally relatively high in Europe, and an abundance of cheap imports from Asia.

US import tariffs continue to weigh on export demand. Despite the agreement on a zero tariff for chemical products in the EU-US trade deal, the US's uniform 15% tariff still applies for the time being. The relatively large number of eight large chemical plants or parts thereof that have been closed in the Netherlands this year will also have a negative impact on growth in the coming years, as part of the production (capacity) has been taken out of the market.

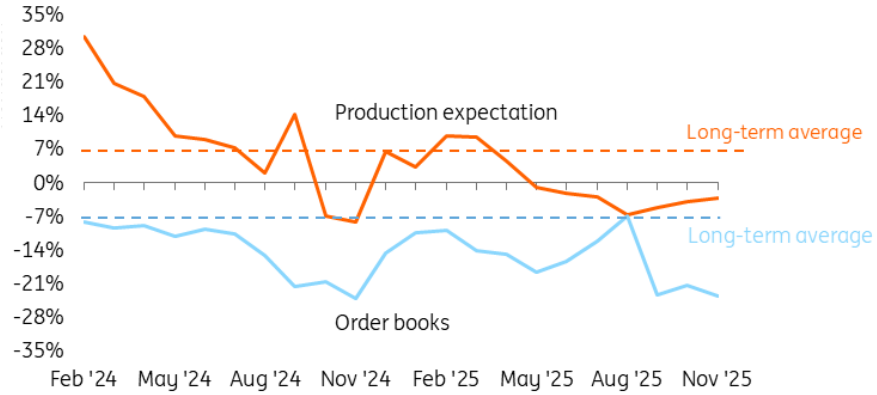
In that light, the current downward trend in energy prices is encouraging, but it is not yet sufficient for renewed growth.

Slightly more positive expectations, but order books not yet well filled

Dutch chemical producers are still not very pleased with the order intake, order books and the expected production. There is not much room for improvement in the deteriorating profitability for the time being. On the contrary, energy prices are falling but remain relatively high, wages are still rising faster than inflation, and weak demand and overcapacity are causing persistent price pressures.

Production expectations low, order books moderately filled

Chemical producers' assessment of order books and production in the next three months*



Source: Statistics Netherlands

*balance of positive-negative assessments

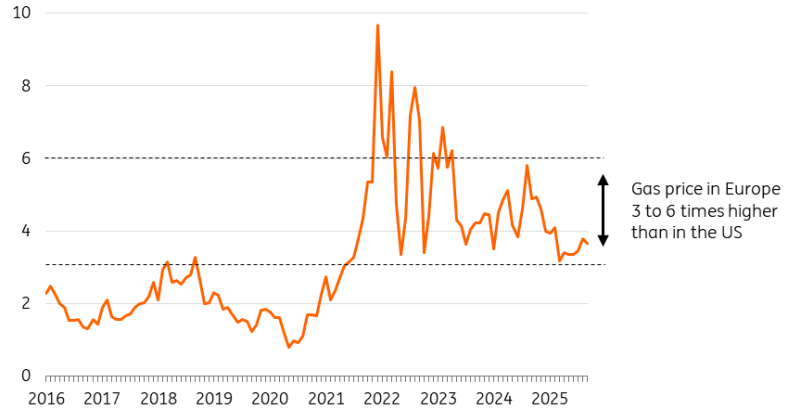
Competitive position at risk due to high energy prices

Chemical companies continue to be hampered by structurally higher energy prices that have an effect not only as a fuel but also as a chemical feedstock. The gas price in Europe is still about 3.5 times higher than in the US, while for 2021 it was on average a factor of two. The decline is expected to continue in 2026.

Increasing global LNG production capacity (especially in the US and Qatar), in particular, will structurally expand the gas market. This reduces the chance of extreme price peaks and supply problems. The high transport and processing costs of LNG also ensure that energy in Europe remains relatively expensive. There is a natural deficit, and LNG imports will continue to prove necessary for the time being to meet energy needs and completely decouple from gas supplies from Russia.

Falling European gas price remain much higher than US gas price

Ratio between gas price Europe (Dutch TTF) and US (Henry Hub), in MMBTU



Source: Macrobond, ING Research

Demand may pick up gradually, but no substantial production growth for the time being

The expensive euro (in dollar terms) and global overcapacity are also putting pressure on the competitive position of the Dutch chemical industry, especially in basic chemicals. As European demand and industrial production gradually pick up as a result of the rapid growth in defence spending, German government investment, and improved consumer purchasing power, demand for Dutch chemical products may pick up somewhat. But this does not seem to be enough for substantial production growth, especially in the first half of 2026.

Increased competition and price pressure due to significant global overcapacity

The global production capacity of the main petrochemical building blocks (ethylene, propylene, butadiene, benzene, toluene and mixed xylenes) grew by 62% between 2010 and 2024, while European capacity decreased by 14%. In Asia, capacity has roughly doubled. China is responsible for the vast majority of this. This not only concerns upscaling by Chinese companies, but European groups such as BASF have also invested heavily in China in recent years. North America has expanded its capacity by 25% since 2010, mainly due to the shale gas revolution in the US. China will also continue to scale up for the time being, as indicated in its new five-year plan.

European Commission takes action for competitiveness and greening of chemistry

New measures by the European Commission (EC) offer energy-intensive industries more prospects for the near future. The Clean Industrial Deal and its elaboration in the action plan for the chemical industry should enable lower energy prices and encourage the greening of production processes. The CO_2 border tax (Carbon Border Adjustment Mechanism, or CBAM) will come into force in 2026.

In the future, more chemical products may be included, but for the time being, the protection against CO_2-intensive imports applies to cement, aluminium, iron, steel, fertiliser, hydrogen and electricity. This means that producers of chemical products that are difficult to green (other than artificial fertiliser) are not yet protected against the phasing out of free emission allowances under the emissions trading system (ETS). As a result, profit margins in the chemical industry are coming under further pressure.

US import tariffs weigh directly and indirectly on demand and margins

A limited, but until recently growing part of the chemical production is destined for the US. About 5% of production is affected by the higher import tariffs. The majority of the products are sold by the Dutch chemical industry on the European market. About 80% of the chemical products in the Netherlands cross the border, and 82% of them remain within Europe.

However, this offers little solace this year. The excess Chinese chemical production is finding its way to the European market due to the high US tariffs and is putting further pressure on sales prices and margins. The provisional truce between China and the US (for one year) may dampen this effect somewhat, but the global playing field remains more challenging than before.

Dutch government reduces cost disadvantages with neighbouring countries

In order to level the playing field with other European countries, the Dutch government has accommodated the basic industry. For the next three years, the Indirect Cost Compensation (IKC) for large consumers of electricity has been reintroduced. This dampens the high Dutch electricity costs and thus reduces the cost disadvantage with neighbouring countries to some extent (under the condition of sustainability). The German plan for an energy price subsidy for energy-intensive industries goes far further, though, and will deteriorate the level-playing field again if it is approved.

The plastic levy will also be adjusted, and the use of green hydrogen will be made more

attractive. Plus, following the fall of the cabinet, the House of Representatives passed a motion to suspend the CO_2 tax as a national head of European emissions trading. Politicians Rob Jetten and Henri Bontenbal have included the abolition of this instrument in their agenda for a new cabinet.

Plenty of sustainability plans, but rollout delayed

Bottlenecks in the field of regulations, infrastructure and returns mean that sustainability remains difficult for the industry. Examples include the nitrogen impasse, grid congestion, the delayed delivery of CO_2 storage and pipelines, delays in the hydrogen supply and high investment sums and cost prices. As a result, Shell, BP, and Finnish firm UPM have halted plans to build a biofuel plant in the Port of Rotterdam.

Meanwhile, Air Products and Yara will work together on low-emission ammonia, and OCI will make its fertiliser production in Geleen more sustainable by using renewable ammonia from BASF. Gunvor is building a biofuel plant together with VARO Energy on the site where it has shut down its oil refining. Finally, Shell is building a plant in Moerdijk that converts waste plastic into pyrolysis oil and the largest green hydrogen plant in Europe on the Rotterdam Maasvlakte II.

Read the full version of the report in Dutch here.

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