

Pressure on energy-intensive industry still high

- **High energy costs weaken competitiveness and put pressure on margins, particularly for energy-intensive industries**
- **High energy taxes and CO2 levies encourage companies to become more sustainable, but also contribute to weak competitiveness**
- **Despite the pressure of higher costs for energy-intensive industries, there is only limited deindustrialisation in the Netherlands**
- **The tax relief provides financial breathing space for industry, but it slows down the energy transition in the manufacturing sector**



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Introduction

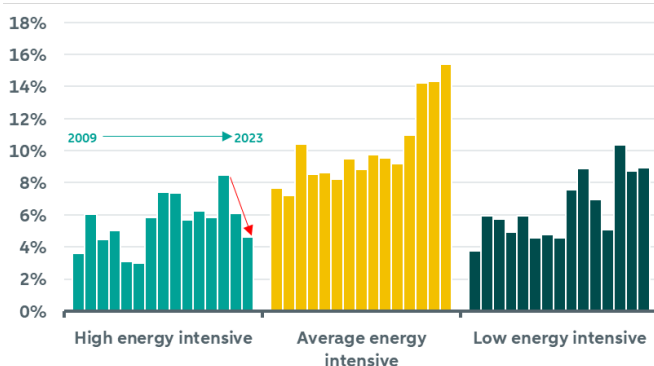
This publication focuses on three factors that increase production costs: energy prices, environmental taxes on gas and electricity, and the CO2 levy. First, we examine the trend in margins for highly energy-intensive companies and industrial companies that are less energy-intensive. We also look at the impact of fossil energy consumption versus energy prices. Next, we examine environmental taxes – including in an international context – and the impact of the CO2 levy on Dutch industry. Finally, we look at deindustrialisation in the Netherlands and the extent to which this has already become a reality. We also investigate how the government's announced relief measures could affect the sustainability of the sector. We will end this note with a conclusion.

Margins and the costs of fossil fuels

The weak competitive position of many European industrial companies – particularly energy-intensive companies – is a cause for concern. This is mainly due to the large price differences in, for example, gas prices between the European Union (EU), China and the United States (US). According to the *International Energy Agency* (IEA), gas prices for industrial consumers in Europe have been on average 30% higher than in China and five times higher than in the US since 2022.

Margins by gradation energy intensive industries

% EBIT

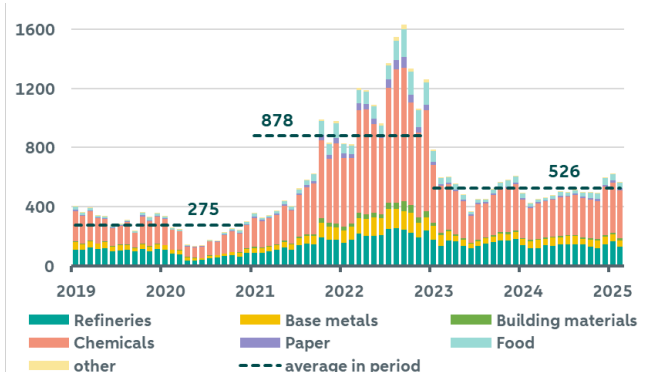


Source: CBS, ABN AMRO Group Economics

Note: **high intensive** = food, paper, petroleum, chemicals, construction materials, base metals; **medium intensive** = pharmaceuticals, rubber/plastic products, metal products, machinery, transport equipment; **low intensive** = textiles & clothing, wood, printing, electrotechnical, electrical appliances, furniture and other industries

Costs fossil final energy use (oil, gas, coal)

X 1 mln EUR



Source: CBS, ABN AMRO Group Economics

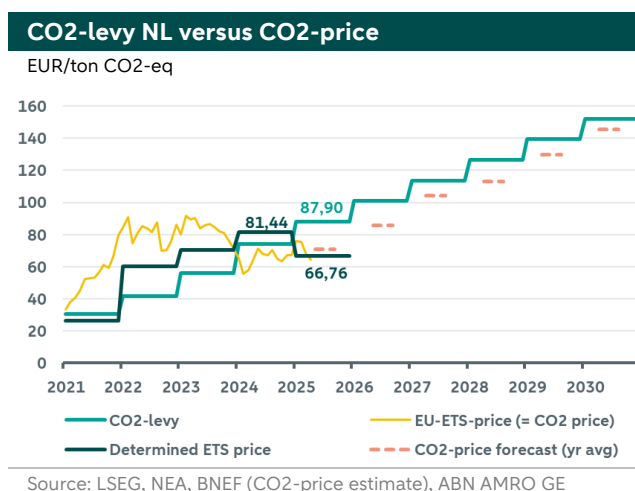
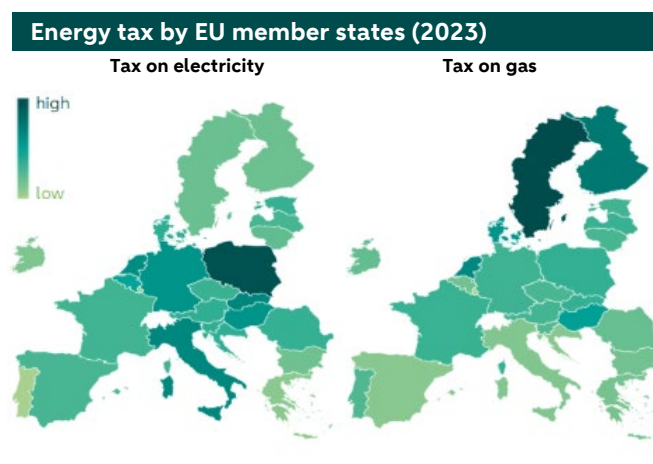
Due to the higher energy costs for especially energy-intensive industrial companies in the Netherlands, pressure on margins increased from 2021 onwards. This can be seen in the figure on the left above. The most energy-intensive industrial companies were hit particularly hard. Because the highly energy-intensive industry is a major factor in the Netherlands, accounting for approximately 50% of total industry (in terms of GDP, price level 2021), concerns are particularly high. Due to persistent margin pressure, various gas- and energy-intensive industries have been forced to scale back production in recent years, and some factories have even had to close their doors in order to reduce the costs of fossil fuel consumption.

The problem of margin pressure among highly energy-intensive industrial companies remains a pressing topic. The costs of fossil use are still relatively high, as shown in the figure on the right above. Since 2023, the costs of fossil energy consumption have been almost twice as high as in the period before the energy crisis. At the end of 2024 and beginning of 2025, the costs of fossil energy consumption for highly energy-intensive industries rose even further. On balance, the increased costs of energy consumption have had the greatest impact on the margins of companies in highly energy-intensive industries. However, the difference in environmental taxation in the EU and the CO2 levy also have an impact.

Environmental taxes and CO2-levy

EU Member States have widely varying energy tax regimes. This can be seen in the figure on the left below. The tax burden on energy (both gas and electricity) in the Netherlands is relatively high within the EU. For electricity, the Netherlands has the highest rates behind four other countries, and for gas, the Netherlands ranks third with the highest rate of all EU countries.

The large price differences at the international level and the variation in the level of energy taxes within the EU are fuelling concerns about deindustrialisation on the European continent. Companies in energy-intensive industries with high energy costs are particularly sensitive to this. With relatively high energy costs and energy taxes, they are prone to relocating (parts of) their production to regions where these are lower. This scenario is fuelling the debate on a level playing field for energy and lower tax burdens. Many EU countries have already taken measures, such as exempting certain energy taxes and levies. Such measures are also in line with the recommendations of the *Clean Industrial Deal* (CID). To accommodate energy-intensive industries, EU Member States are encouraged to reduce taxes on electricity in particular. This is not only to ease the pressure, but also to continue to encourage electrification instead of fossil fuels.

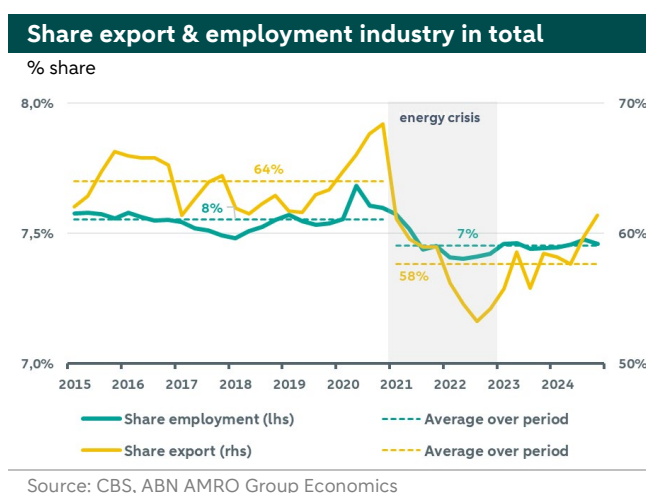
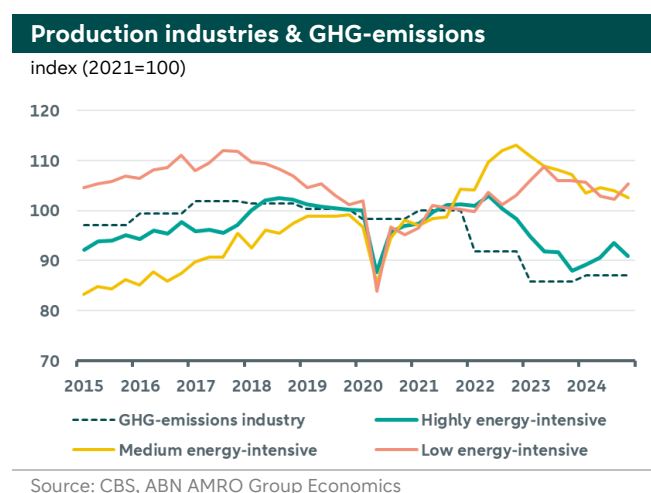


The CO2 levy in the Netherlands will also eventually affect the cost level of industrial companies. This levy was introduced in 2021. Companies subject to the levy will receive annual exemption rights. These are untaxed emission rights. For every tonne of CO2 that a company emits in excess of its exemption rights, it must pay a fee. The CO2 levy is therefore the minimum price for each tonne of CO2. If the levy amount is lower than the set CO2 price, the CO2 price applies as a penalty. The set CO2 price in a given year is an average of the CO2 price over the period from 1 September to 31 October in the previous calendar year. However, if the levy amount is higher than the CO2 price, the CO2 levy applies as a penalty. In this way, industrial companies with high CO2 emissions are continuously encouraged to take sustainability more into account more in their investment decisions. This year, the CO2 price is below the CO2 levy for the first time, which means that companies will have to pay an amount per tonne of CO2 above the exemption rights. However, the total costs this year are not too high. The Ministry of Climate & Green Growth (KGG) estimates that the total revenue from the CO2 levy will amount to around EUR 17 million in 2025. This would mean an average of around EUR 50,000 per ETS company in 2025. However, the costs for companies will continue to rise in the coming years.

The CO2 price has been volatile over time and the trend is influenced by various factors (see our analysis [here](#) and [here](#)). The CO2 price is expected to rise annually until 2030. Based on the trend in this price forecast and the annual increase in the CO2 levy, it can be concluded that this levy will have a greater impact each year and that the revenues for the government and the CO2 costs for companies will continue to rise. By putting a price on CO2, the intention is that clean alternatives will ultimately become much more attractive to companies and that they will invest more in low-carbon technologies. However, having a CO2 levy is no guarantee of effectiveness. The level of the CO2 levy is important in this respect. See also the publication [here](#). The levy must be high enough to discourage CO2 emissions and encourage investment in low-carbon activities.

GHG emission trend and deindustrialisation

The higher costs create a lot of pressure on energy-intensive industries. This sometimes forces companies to shut down production lines or even stop production altogether. This was especially true from 2022 onwards, when the energy crisis hit its peak. Output fell mainly in energy-intensive industries, while it rose in less energy-intensive industries (see also figure below left). With the decline in energy-intensive output, greenhouse gas emissions in total industry also fell. The major impact that this part of industry has – on the environment and on the economy – emphasises the need for tailored climate policy to address the challenges facing energy-intensive industries.



Due to the challenges for energy-intensive industries identified in this analysis, industrial stakeholders and companies are increasingly signalling that there is a risk of deindustrialisation. To address this, the *European Commission* (EC) has placed the competitiveness of European industry at the heart of the economic agenda, with the *Clean Industrial Deal* (CID) among other measures designed to support this.

Deindustrialisation is a decline in the manufacturing industry in an economy. It involves the relocation or closure of industrial sites. Deindustrialisation can be measured in various ways. The share of industry in the total economy is one indicator, for example. In the Netherlands, the share of industry has declined from 16% to 12% over the past 29 years (since 1995), while the share of commercial services has increased by 6 percentage points over the same period. This trend is in line with the evolution of a developed economy. However, since 2008, the share of Dutch industry in the economy has remained virtually stable at 11-12%. This means that there has been no acceleration of deindustrialisation in the Netherlands since 2008.

Deindustrialisation can also be measured by comparing production with the number of people employed in industry. If production falls while the number of people employed declines, the industry is shrinking. However, this has not been the case in recent years. Although industrial output in the Netherlands is on a downward trend, the number of people employed remains stable or is even increasing slightly. Deindustrialisation can also be viewed in terms of the share of industrial exports in total exports or the share of industrial workers in total employment. These two indicators are shown in the figure on the right above. This shows that the share of industrial goods exports declined significantly between 2021 and 2023. The main causes of this were the systemic shocks – the COVID-19 pandemic and the energy crisis. However, the share of exports started to increase again at the end of 2024. The trend in the share of industrial workers in total employment also shows a slight decline due to the systemic shocks, after which it remains virtually stable. On the basis of both indicators, it can be concluded with some caution that deindustrialisation is occurring, but only to a limited extent.

Relief package and sustainable industry

The Dutch Cabinet recently presented its “Green Growth Package: for a resilient energy system and a future-proof industry”. This package contains several policy measures that will reduce the burden on industrial companies. For example, the CO₂ levy will be adjusted in various ways: by increasing the free emission allowance (on balance more exemption rights) and by maintaining the current CO₂ levy path until 2030. With the increase in the number of exemption rights, companies subject to the CO₂ levy will have the option of meeting the emission reduction target in 2032 instead of 2030. This will reduce the costs of carbon emissions on balance. However, the level of the CO₂ levy will be maintained in order to retain the incentive to become more sustainable. After 2030, the levy will be increased more rapidly. But the government remains open to alternative proposals from the sector, provided they are “feasible and widely supported”. In concrete terms, this means that there is still some flexibility in the policy. This makes it much more difficult for entrepreneurs to anticipate what is to come.

In addition, the *Indirect Cost Compensation* (IKC) scheme, which was discontinued in 2023, will be reinstated. This scheme compensates large energy consumers for their relatively high electricity bills due to their high consumption. This will partly prevent companies from relocating outside the EU. After all, the threat of deindustrialisation is relatively high. However, this subsidy on fossil fuel consumption has also partially removed the incentive to become more sustainable more quickly.

For companies with relatively low gas consumption, the tax on gas will be reduced in the coming years. This will reduce the incentive for small consumers to become more sustainable and reduce their gas consumption. Little will change for large gas consumers. The tax on electricity will remain unchanged. Investments will also be made in a more sustainable industry by making funds available for CCS projects (such as Aramis), subsidy schemes for new CCS applications and for infrastructure projects.

Throughout the debate on making industry more sustainable, there remains a conflict between economic and ecological interests. Industry brings us great prosperity, but at the same time causes considerable concern with its negative impact on the environment. With the current course, the choice is being made to prioritise prosperity and the preservation of industry. This is partly because accelerating the transition to a more sustainable industry still faces obstacles, which can not be resolved on the short term. These include missing preconditions or other bottlenecks, such as the complexity of permit procedures, limited access to network infrastructure and limited availability of renewable hydrogen and CO₂ capture and storage (CCS). Plans have also been made to address these issues, but it will take a long time to find a solution.

Conclusion

This analysis shows that pressure on energy-intensive industries in particular has increased. High energy prices are the main factor driving up costs and reducing margins. Environmental taxes and the CO₂ levy are also contributing to the problem, albeit to a lesser extent. The impact of the CO₂ levy will increase significantly in the coming years. On balance, this puts energy-intensive industrial companies at a disadvantage in an international context. Moreover, the risk of disinvestment is increasing. Ultimately, this could force companies to (temporarily) shut down production lines or close down altogether. In the long term, relocating (parts of) production to regions with less stringent climate policies could become an option. However, this deindustrialisation is currently limited, but it could accelerate if pressure continues. The measures announced by the government in its Spring Memorandum will ease the pressure on industrial companies somewhat. This will also reduce the risk of deindustrialization to some extent. The disadvantage of the measures, however, is that on balance they weaken the emphasis on sustainability. With a postponement of climate targets, a return to fossil fuel subsidies and a reduction in gas taxes, the incentives to accelerate sustainability are considerably reduced. Moreover, large consumers of fossil fuels are favoured, while (now) sustainable industrial companies will not notice any difference.

The government's emission reduction targets imply that demand for fossil fuels needs to be reduced at a faster pace. To this end, companies need to take decarbonisation measures. Reducing dependence on fossil fuels lowers dependence on imports and makes EU industry less vulnerable to energy price volatility. With the measures set out in the Spring Memorandum, the Cabinet has taken a first step towards tackling the most urgent problems in industry. This addresses the pain of relatively high production costs and competitive disadvantages. It gives entrepreneurs a little more room to ensure business continuity. However, it is also important not to lose sight of sustainability. This means that investments by industrial companies in sustainability must be stimulated more strongly in the coming years.

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