

The elastomer industry considerably contributes to a sustainable economy

Interview with wdk-President Anish K. Taneja

Anish K. Taneja, President Michelin Region Europe North, has been appointed as the new President of the Wirtschaftsverband der deutschen Kautschukindustrie e. V., wdk, the German Rubber Industry Association in November 2020. In the interview on the occasion of taking office, he talks about the role of the rubber industry in dealing with challenges such as the transformation of mobility, the energy transition and the circular economy, the impact of the pandemic on the rubber industry, and the necessary framework to enable a sustainable industry and the position of TPEs within the wdk.

Mr. Taneja, as you made clear when you were appointed, megatrends such as climate protection, the energy transition or the circular economy pose major challenges for the rubber industry. Which of these trends will have the greatest impact on the sector?

Anish K. Taneja:

The trends mentioned are all part of a bigger picture. The EU calls it the 'Green Deal', the new US president, Joe Biden, introduced the term 'Green New Deal' during the election campaign. The EU wants to be climate neutral in 2050. China, through its President Xi, has declared to achieve climate neutrality by 2060. This goal can only be achieved with new energy policy and resource efficiency. To this end, we need an ambitious circular economy and new mobility policy. And with this topic, we are right at the heart of the rubber industry and its products at the latest. All of this massively affects the rubber industry.

Where do you see the main areas of action for the wdk in this context?

Anish K. Taneja:

In 2021, we will experience an unprecedented flood of regulations on the part of the European Commission and the EU Parliament that will affect all areas of our business activities: bans, restrictions, directives, regulations and incentive systems. And this is where we need wdk to represent German industry – in Germany as well as in Brussels. Our main areas of action are, for ex-

Anish K. Taneja



Source: wdk

ample, ensuring technological openness in drive systems in government regulation or securing the location of our medium-sized industry in the face of government-driven increases in energy costs. But also to avert unrealistic new liability of companies for legal infringements by third parties in the course of global supply chains. In addition, the new documentation requirements associated with the new government regulations are pushing many smaller companies to the limits. In general, we need to raise awareness in the EU that it is not acceptable that the state, due to a lack of its own capacity to monitor its new laws, is now resorting to holding the business community liable for

monitoring the compliance of third parties with the law.

Europe is setting stricter and stricter climate targets, which will also have a far-reaching impact on the automotive industry. What are the most important initiatives of the industries represented by wdk to make a significant and sustainable contribution here?

Anish K. Taneja:

We are currently experiencing a green transformation of the mobility sector. This is also the aim of the European Union's Green Deal. The wdk supports this goal in general, and the tire industry is also strongly in favor of the mobile transformation associated with this objective. Thanks to the innovative strength of the rubber industry, tires have considerable potential to reduce fuel consumption and increase the range of electric vehicles. We can therefore make an important contribution to the sustainable paradigm shift in the German and European transport system and to its safety. Still, we could use political support in the process. The German government could, for example, create incentives for the purchase of sustainable, safe and thus ecologically beneficial tires or tire-related solutions.

What do you consider to be the hallmarks of strategic sustainability?

Anish K. Taneja:

For me, strategic sustainability means that we as the German rubber industry contribute

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to a sustainable economy. In Germany, we focus on quality products and pay particular attention to their longevity. In fact, our industry recognized the writing on the wall at an early stage and positioned itself accordingly. More than six years ago, we committed ourselves to a binding sustainability charter as a voluntary commitment. The wdk also participates in the Global Platform for Sustainable Natural Rubber, or GPSNR for short, which is working on global improvements in the sustainable production of natural rubber. Finally, we support our members with guidelines for their sustainability reporting or corporate due diligence. Last but not least, we present successful sustainability projects of our companies in our online documentation "Acting Sustainably". What is strategic sustainability characterized by for you?

What significance will TPEs hold in the structure of wdk?

Anish K. Taneja:

TPE is an extremely exciting group of materials that is closely linked to the rubber industry. This is made clear by the name thermoplastic elastomers. Our member companies are developing, compounding and processing an increasing number of TPEs. As a result, TPEs are also playing an more and more important role within the activities of the wdk and its members. The wdk's expert circles are structured on a product-related basis, and the focus here is on both technical elastomer products and TPE products according to their respective material properties, in particular, technical regulation at national and European level as well as international level. Many products now also contain hybrid systems based on elastomers and TPE. I think this is a good example of the innovative capacity and flexibility of the rubber industry, which in this way also makes new products available to the market that have been optimized with a view to climate protection and the circular economy.

The Corona pandemic also had an impact on the economy in 2020. How did it affect the tire business in particular from the point of view of the German rubber industry, and how do you expect it to develop in 2021?

Anish K. Taneja:

The year 2020 was characterized by declining sales and volumes for all industrial sectors. The German rubber industry was no exception. In the tire sector, the one-quarter drop in car production had a noticeable impact and contributed to a corresponding

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decline in the related original equipment deliveries. We also recorded a low double-digit decline in the replacement business. We are now more optimistic about the new year. We currently expect 2021 to be noticeably better than the previous year.

Against this backdrop, is tire production in Germany still competitive, or can we expect further plant closures in this country in the near future, as was recently the case with Goodyear (Philippsburg), Michelin (Hallstadt) or Continental (Aachen)?

Anish K. Taneja:

The question of the competitiveness of tire production in Germany affects the future viability of the entire industry in the country. Like companies from other industries, we are also dealing with increasing regulation, bureaucracy or far too high energy and labour costs. Let me cite just one example: the Fuel Emissions Trading Act (Brennstoffemissionshandelsgesetz), which introduced a national emissions trading system this year. Originally, this expansion of CO2 pricing for heating and fuels was aimed at the transport and buildings sectors. However, there is collateral damage in the process: German industry, which is being charged an addi-

tional national cost that its global competitors are not. The German government had announced that the burden on companies would be eased by the end of 2020. But so far we have waited in vain for this. This is a clear competitive disadvantage for companies in the German rubber industry. What we are currently missing is political understanding and support for industrial production in Germany, in short: appreciation for our value creation. Incidentally, this is also the title of the wdk's current Twitter campaign, with which the association is promoting greater understanding of the economy. One tweet reads: The best climate protection is industrial production in Germany. There is nothing to add to that.

The topic of end-of-life tire disposal remains relevant. The wdk recorded 571,000 tons last year. The recycling rate rose to a record level, it said. Other industry experts see the industry as having an even greater obligation. How do you assess the issue as the new wdk president?

Anish K. Taneja:

As wdk president, I note: The circular economy for end-of-life tires is working well. Both in terms of the tire and its components, where there are various projects and initiatives. As the record high in the recycling rate shows, material recycling is still on the rise. More than a quarter of a million end-of-life tires were processed into rubber powder in 2019. That's a robust increase of six percent. These secondary raw materials are in turn used to manufacture high-quality technical products. So we're talking about a virtually exemplary cycle here. In addition, the figures show a trend towards long-lasting tires which I, as wdk president, expressly welcome. Incidentally, the wdk's secondary raw materials panel has given rise to the "New Life" initiative, which provides information on the proper recycling of end-of-

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life tires. The association rightly emphasizes that the recycling of end-of-life tires makes an important contribution to sustainability in the German rubber industry. Tire manufacturers are aware of the challenges arising from the life cycle of their products, and the wdk is involved in all committees that

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discuss this topic. But the circular economy in the rubber industry does not only include tires. In our survey "Moving in Circles" last year, we presented the national circular economy system for rubber and elastomers and quantified the corresponding material flows for the first time. The leitmotif is "from energy to energy." Energy is needed to manufacture the products, and at the end of their service life – and perhaps also after interim recycling – energy is produced from them again.

How do you think the transformation of mobility will affect the rubber industry and what are the opportunities for the industry in terms of shaping it?

Anish K. Taneja:

We are at a turning point that we want to actively shape. The increased use of bio-based raw materials and the design of today's rubber products with a view to ensuring longevity are really exciting for us, for example. These are new perspectives and an interesting field of research with regard to recyclability. We are already active in this area in each individual company, but also in the association. It is not yet possible to predict conclusively where the mobility transition will lead. Whereas before COVID we were still musing about the declining interest of "millennials" in owning a car, recent surveys

show a completely different picture. Individual mobility is now seen as very important in the corresponding age group. And this is not limited to the bicycle. Rubber products are indispensable for all forms of mobility. And rubber, with its very specific technical properties, is not replaceable either. New studies on the contribution of product lines to the CO₂ footprint of a battery-electric car also show that the CO₂ contribution of rubber products – 100 kg after all – is extremely low. Besides, replacing it would be extremely expensive. So: rubber will continue to play a decisive role in and on cars in the future. At wdk, we have been looking at the very specific effects on the various types of rubber for several years now, and we have a pretty good idea of the situation.

What are the skills players in the German rubber industry need to demonstrate to cope with industry transformation?

Anish K. Taneja:

One of the key competencies of our companies is flexibility. And this ability to adapt pragmatically to changes, anticipate them in good time and implement appropriate measures will be of outstanding importance in the coming years. After all, we like to think of ourselves as a medium-sized reference in-

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dustry, because the German rubber industry is in some ways typical of the German SME sector as a whole. In other words, everything that characterizes it applies to us in a special way: we are dynamic, innovative, take our social responsibility seriously, have flat hierarchies and offer top quality and a high level of vertical integration. These characteristics will certainly help us to successfully master the industry transformation.

In your view, what general conditions need to be created and improved in Germany so that the German rubber industry can hold its own in a globally competitive environment?

Anish K. Taneja:

First of all, we need a willingness to talk again: with politics and with the parties. We are currently seeing a wide range of important and appropriate government aid programs for industry. But for a few years now, we have also been observing an emotional turning away from industry by political decision-makers in Germany. How else can we explain the fact that in the middle of the pandemic economic crisis, the German government is presenting us with a completely new corporate sanctions law? Or a due diligence law for supply chains. Or a new national emissions trading law, and the relief regulation for Germany as an industrial location that was promised in parallel is treated as a lower priority. Or that the national regulation of the Federal Ministry for the Environment will de facto limit the top automotive position of German companies.

Yes, there have certainly been omissions on the part of certain industrial company managements, especially in the mobility sector. But we must not overshoot the mark. The many technically leading small and medium-sized companies around the world must not be left behind. This also applies to the rubber industry in particular. With regard to energy costs, we were promised a "carbon leakage regulation". In other words, a reduction in energy costs so that industry in Germany can continue to produce competitively on a global scale and not break up camp here. So far, we have waited in vain for this. Just look at our European neighbours: When industry leaves, it doesn't come back. And industry is a guarantee of economic and social stability. Especially in times of crisis. So my offer to our political decision-makers in Berlin: Talk to us. We are ready for dialog. We are part of society.