

Reaction

Chemicals, materials and agricultural inputs magazine

Thirty-ninth edition



In times of economic uncertainty, the chemicals, materials and Ag inputs industry faces unique challenges that demand innovative approaches and steadfast leadership. This edition of Reaction delves deep into the strategies that set apart organizations not just surviving but thriving amidst recessionary pressures.

While leveraging technology, cost optimization, mergers and acquisitions (M&A), diversity, and regulatory compliance remain crucial pillars, the focus extends beyond mere adherence. This edition explores how visionary leaders are redefining resilience, embracing disruption as an opportunity for transformation.



Market outlook: Finding ways to rebound from recession

2023 posed significant challenges for the global economy and the chemicals, materials and Ag inputs industry alike. Economic growth stagnated, leading to weak demand across key industries and a downturn in chemicals businesses' sales and profitability. Despite efforts to stabilize, the outlook for 2024 remains bleak, with forecasts indicating continued economic sluggishness in major markets like the US and China.

The chemicals sector witnessed a recession in various regions, with pricing and volume declines evident throughout 2023. Particularly in the US, organic sales suffered consecutive quarters of decline, reflecting the broader economic challenges.

Despite the gloomy outlook, there are avenues for potential recovery. Companies can focus on performance improvement, including integrating past acquisitions for synergies and cost reduction. Embracing an "asset-lite" approach, where firms concentrate on product innovation rather than extensive production operations, could also boost efficiency. Additionally, preparing for mergers and acquisitions (M&A) opportunities, exploring new markets, and leveraging digital technologies like AI offer avenues for growth and adaptation in a challenging landscape. Strategic planning for long-term sustainability and growth, rather than reacting to short-term fluctuations, is crucial for navigating the uncertainties ahead.



Artificial Intelligence: A powerful catalyst for chemicals?

Across various industries, including chemicals, materials, and agriculture, the increasing utilization of artificial intelligence (AI) is evident, with a particular focus on the potential of generative AI. While AI adoption in the chemical industry is not as widespread as in other sectors, such as oil and gas or heavy manufacturing, there is significant untapped potential. Key areas where AI can drive value include supply chain optimization, energy management, R&D acceleration, safety, and compliance.

In addition to traditional AI applications, emerging use cases for generative AI in the chemical industry include contract management, standard operating procedures (SOPs), and market research. A comprehensive AI strategy is needed, that prioritizes value-oriented, practical, responsible, and trusted approaches. This involves identifying specific use cases, investing in data infrastructure, setting budgets, and gaining board buy-in.

Addressing risks and barriers associated with AI adoption, including cybersecurity concerns, the need for rigorous training and testing of AI models, and ensuring trust, ethics, and responsibility in AI use, is essential. The discussion concludes with key principles for successfully embarking on an AI journey, including recognizing it as a gradual process, prioritizing data quality and governance, developing a clear AI strategy with ethical considerations, investing in talent, and integrating AI efforts with broader business initiatives.



Harnessing diversity: A leader's journey at DuPont

This interview delves into the dynamic career journey of Ann Giancristoforo, a seasoned finance executive currently serving as the Vice President, Chief Financial Officer for DuPont's Electronics & Industrial business. With over 25 years of experience, she shares insights on leveraging diversity for growth and innovation. From navigating significant industry transformations to championing diversity and inclusion, we explore her proudest accomplishments, the impact of mentorship, strategies for fostering diversity, and the crucial role of leadership in driving meaningful change.



Internal carbon pricing for chemicals companies

As global tax regimes and decarbonization policies evolve, more corporations, especially those in heavy-emitting sectors like chemicals, are adopting Internal Carbon Pricing (ICP) strategies to stay ahead of regulatory changes. The chemicals industry stands as the third-largest emitter of carbon dioxide globally, contributing between 5 and 6 percent of total emissions. Recent data from the CDP global disclosure system indicates a significant uptick in the adoption of ICP among companies, with a 67 percent increase over the past three years. This trend underscores a growing recognition of the importance of carbon pricing as a tool for managing emissions, reducing operational costs, and promoting environmentally responsible behavior.

ICP typically takes two main forms: shadow pricing and internal carbon fees. Shadow pricing involves estimating the cost of emissions for management purposes, helping companies evaluate the impact of carbon on various business decisions. On the other hand, internal carbon fees are self-assessed charges levied by companies to incentivize emission reduction efforts internally. These fees can influence financial statements and taxable profits, exerting a significant influence on corporate behavior. Beyond regulatory compliance, ICP offers several benefits for chemicals companies, including accelerating emission reduction efforts, incentivizing low-carbon decision-making, and enhancing climate-related disclosures. Companies adopt ICP to prepare for future climate policies, attract environmentally conscious investors, and integrate carbon considerations into their business strategies. Aligning ICP with cost-saving measures and value creation opportunities is crucial for successful implementation and stakeholder acceptance.

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