Scene setter and context

Recent geopolitical disruptions, higher energy prices and increasing regulatory burden and uncertainty (e.g., REACH revision, the PFAS restriction) pose an unprecedented challenge to the EU Chemical Industry and its green and digital transition. During your previous meeting on 26/06 you discussed already REACH revision and PFAS file. This meeting was initially intended to look more at the pathway but as the REACH revision is still ongoing it can also be an opportunity to further gather insights in the light of actual developments.

Objectives

- **REACH revision**: reassure CEFIC of the Commission’s objective to continue working on a balanced and practical proposal. **Reassure that the Commission is committed to make the twin transition of the EU Chemical industry a business case and to support investments in safe and sustainable chemicals.** Regulatory predictability, policy coherence and incentives to transform the EU Chemical Industry and secure its competitiveness are part of the co-creation process by means of the transition pathway.

- **Get opinions from CEFIC** on key points still under discussion, in particular on:
  - the **timing** of the REACH revision proposal
  - polymer **notification and registration**; information requirements for low tonnage substances;
  - link to **substitution planning/transition pathways**.

Key messages

**REACH revision**

- We are continuing our work on the REACH revision, having in mind the need to balance its **multiple objectives**: increase protection of human health and the environment, but also secure EU competitive advantages and innovation (by promoting sustainable chemicals) and simplify the regulatory process.

- The main changes of the REACH revision include:
- Filling **gaps in information requirements** to enable identification and regulation of certain chemicals, in particular endocrine disruptors, persistent substances and – perhaps to an extent – polymers.

- Simplifying **authorisations** and extending the generic risk management approach for **restrictions**. The implementation of these restrictions will be done in a staggered way according to a work plan.

- Introducing the **essential use concept**, but complementary to the socio-economic analysis for the specific assessment of risk.

- Improving **enforcement and compliance** with REACH rules, especially for imported products.

**Questions to CEFIC:**
- What is your view about the best **timing** of the REACH revision?
- We want to limit additional administrative burden to the minimum that is necessary. What is your view about **polymer notification and registration**? Are there any **other requirements** that you think could be eliminated compared to the discussions so far (e.g. for low tonnage substances)?
- We think that **substitution** of the most harmful chemicals can overall bring more benefits for **investments** in Europe than harming competitiveness, providing that we set realistic timelines and give **planning security** for the transition time. What is your view? Will **high standards** in Europe in terms of substituting the most harmful chemicals **help competitiveness** or rather **deter investments**? What can we do to **attract investments**?

**Defensives on REACH revision**

**Q: How will the REACH revision simplify and reduce burden on companies?**
**A:** Authorisations are one of the most complex procedures in REACH and have created a lot of legal uncertainty for EU companies. With the REACH revision we will make sure that the future authorisation system will be more manageable and faster.

**Q: Will the generic risk management approach be disproportionately costly and disadvantage European companies?**
**A:** Restrictions based on the generic risk management approach will be implemented in a staggered way through a work plan, to ensure predictability and enough time to find alternatives. The restrictions will be much more limited than in the early projections that were reflected in CEFIC’s 2021 study
analysing impacts. We will prioritise consumer uses and focus only on professional uses with exposure patterns similar to those of consumers. Moreover, well planned substitution of the most hazardous chemicals will generate new business opportunities by safer and more sustainable chemicals and solutions, create innovation in Europe and enhance long term competitiveness.

**Q: What will the Commission propose concerning the essential use concept?**

**A:** We are preparing a Communication that provides guiding elements on the implementation of the essential use concept across different pieces of legislation. When it comes to REACH, we are still finalising discussions on how the concept will be applied. However, for the specific risk management, we envisage to make the essential use concept complementary to socio-economic analysis.

**Q: How the essential use concept can help simplifying authorisations and restrictions?**

**A:** We expect that the essential use concept will help reaching quicker decisions on clear essential (e.g. lithium batteries) and non-essential (e.g. plating of lipstick case) uses.

**Q: What will the Commission do to ensure proper enforcement of REACH?**

**A:** We plan to improve the tools for customs authorities to enforce REACH, e.g. by improving the access of customs authorities to chemicals databases. We also want to clarify responsibilities for compliance of products sold through online platforms such as Amazon.

**Q: What will the Commission do to avoid negative impacts on Green Deal objectives due to the PFAS restriction?**

**A:** We know the upcoming PFAS restriction causes a lot of nervousness. In view of the investment uncertainty that the long-running process of the planned restriction can create, the Commission intends to prevent unduly upsetting the markets and discouraging investments key for the twin transition and strategic autonomy by envisaging a balanced restriction of PFAS that takes into account all EU policy objectives holistically. Moreover, the Commission is also exploring means to simplify and accelerate the procedure, having regard, for example, to different degrees of risk or of use criticality.
The Transition Pathway for the Chemical Industry

- I welcome your active participation and involvement in this process.

- Following the publication of the Pathway in January of this year, we are holding several discussions with stakeholders on the co-implementation. As part of this process, we also launched a call for Transition Initiatives this summer.

- The call provides companies, public administrations, and other organisations with the opportunity to inform us about their current and future projects for a greener and more digital EU Chemical industry.

- This call is fundamental to understanding how the EU Chemical Industry is progressing towards its twin transition, what has been achieved and what needs to be done. Therefore, we encourage participation.

- In addition, we intend to publish an Annual Progress Report in Q1 2024 to better outline where we stand with the co-implementation.

- In the meantime, we are committed to considering how relevant Commission’s policies and legislative proposals will relate to the co-implementation process.
**Background**

The Transition Pathway aims to solve the two-fold challenge of the EU Chemical Industry: sustainability and competitiveness. It provides a well-defined action plan to start increasing the resilience of the EU Chemical Industry and make its twin transition a business case. We need to work hand in hand with the EU Chemical Industry, Member States and all stakeholders to build upon the Pathway to ensure a predictable and conducive business environment for investments in safe and sustainable chemicals.

**Key figures**

- **EU 27 Chemicals output declined by 11.9%** in the first seven months of 2023 compared to the same period of the same year.

- In parallel, **EU 27 chemical sales displayed a decline of 13.8%**, whereas **chemical selling prices were down by about 2%** in Jan-July 2023 vs the same period of 2022.

- In terms of output, **the chemical industry experienced the largest decline among several EU manufacturing sectors** (e.g. paper, basic metals, textiles) in Jan-July 2023 vs the same period in 2022.

- Moreover, both **EU 27 exports and imports went down by 7% and 13%** respectively (in Jan-June 2023 compared to the same period in 2022).
• On the cost side, **natural gas prices in Europe stood at 35 EUR/MWh in August 2023, 85% below the 2022’s level** (239.9 EUR/MWh) and 30% lower than in 2021. Gas prices in Europe are still **3.5 times higher than in the US** (35 vs 9.9 EUR/MWh). Although European gas prices have eased significantly, they are 60% above their average 2015-19 level\(^1\).

• At sub-sector level, a downturn in production was recorded for petrochemicals (-18%), polymers (-15.2%), basic inorganics (-11.4%) and specialty chemicals (-7.5%) (Jan-July 2023 vs 2022). Instead, consumer chemicals (including soaps, detergents and cosmetics) are performing well compared to other sub-sectors.

• At country level, **Germany, Poland, and the Netherlands were amongst the EU 27 countries showing the highest output declines** in Jan-July 23 compared to the same period of the previous year.

\[\text{Source: Eurostat and Cefic Analysis (2023)}\]

• At company level, **the top 12 (by turnover) EU headquartered chemical companies show in most cases double-digit reductions of sales and profits** in H1 2023 compared to the same period in 2022.

polymers business.

Note: The discrepancy between the dynamic of sales in value terms and the combined dynamic of volumes and prices is explainable by the existence of other effects, namely exchange rate and portfolio (primarily, changes in the product structure of sales), which are less relevant.