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PRESS RELEASE

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Upcoming EU chemical legislation puts Europe's fourth largest manufacturing industry at crucial crossroads

Under embargo until 2 December 8am CET

Brussels, 2 December 2021 – Industry leaders today made an urgent call to the European Commission to work together to develop an EU Chemical Industry Transition Pathway to sustain the massive investments required to meet the objectives of the EU Green Deal.

This call follows the release by European Chemical Industry Council (Cefic) of the first in a series of studies, conducted by independent economic research consultancy Ricardo Energy & Environment, on the business impacts of the EU Chemicals Strategy for Sustainability (CSS). The data from more than 100 European chemical companies will be used as an input to the European Commission's impact assessments on the Classification, Packaging and Labelling Regulation (CLP) and REACH, the centrepieces of EU chemical legislation.

Dr. Martin Brudermueller, Cefic President: *"The EU chemical industry supports the goals of the Chemicals Strategy for Sustainability and we are ready to work with the Commission and Member States to deliver on the policy goals just like we are already working on our industry's climate transition. The results of the first in a series of reports show that we have an enormous challenge ahead of us. To enable industry to transform, it needs a robust Chemical Industry Transition Pathway. I am inviting European policymakers and EU Member State governments to work with us and turn the CSS into a genuine Growth and Innovation Strategy".*

According to this first study, as many as 12,000 substances could potentially be in the scope of the two upcoming legislative proposals alone - the changes to Classification, Packaging and Labelling Regulation (CLP) and the application of a Generic Risk Approach (GRA). The study found that these substances could cover up to 43% of the European chemical industry's total turnover.

After applying different weighting factors to account for uncertainty about definitions and criteria in the CSS, the consultants concluded that the most likely impacted portfolio would be as much as 28% of the industry's estimated turnover.

The companies consulted indicated that around one third of this most likely affected portfolio of 28% could potentially be substituted or reformulated. However, the ability of companies to substitute potentially affected products will largely depend on the details of the upcoming regulations, on what might be technically and economically feasible, and especially on how customers will react to the substitutes or reformulated products. The most significantly impacted downstream sectors are expected to be adhesives and sealants, paints, washing and cleaning products.

Dr. Martin Brudermueller, Cefic President: *"The role of the chemical industry is to supply downstream customers with crucial materials to meet the targets of the Green Deal. The EU chemicals industry is a major supplier of all manufacturing industries and essential and strategic value chains, including pharmaceuticals, electronics, EV batteries, construction materials. The intended policy changes coming with CSS will also create a significant "ripple effect" across many value chains relying on chemicals."*

European Chemical Industry Council - Cefic aisbl
Rue Belliard 40 b.15 B-1040 Brussels Belgium
Tel. +32.2.436.93.00 mail@cefic.be **www.cefic.org**
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The economic analysis concluded that even when derogations are taken into account, a heavy net impact remains. Regardless of the scenario considered, this would represent a net market loss of at least 12% of the industry's portfolio by 2040, according to the study.

As only two of the measures proposed by the CSS have been assessed so far, the cumulative impact of all other changes proposed by the Strategy will be bigger. The effect that these changes could have on EU chemical exports has not been examined, which could add significantly to the overall impact.

Martin Brudermueller, **Cefic President:** *"The chemical industry has always been driven by innovation, passion for new technologies and entrepreneurial spirit. The results of this study indicate that there could be an opportunity for an industry-wide substitution effort to deliver on the goals of the Chemicals Strategy for Sustainability. However, there is a lot of uncertainty as to how businesses along the value chain could achieve it under the current framework. Industry needs a predictable growth framework for economic investments in the coming two decades. For us to meet the many challenges of the Green Deal, we need a robust Chemical Industry Transition Pathway."*

The proposed Transition Pathway should include timelines and measures for the industry to develop substitutes and focus on those products where these substitutes could be available first. In this, it should build on proven and established approaches such as the risk assessment under REACH. Incentives will be needed to create markets for these new chemicals, combined with a doubling down on enforcement of REACH and product safety legislation for imports. The package should be complemented by a strong innovation agenda to accelerate the development of safe and sustainable-by-design alternatives. Finally, the Transition Pathway should also address the other three transitions that the chemical industry has to undergo - climate neutrality, digitalisation and circularity.

The next report is expected to be published in Q2 2022.

END

For more information please contact:

[redacted]@cefic.be

About Cefic

Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies in Europe, which provide 1.1 million jobs and account for 15% of world chemicals production.

Background information

This report presents the findings of the Phase 1 research which includes an analysis of the economic impacts of:

- The addition of hazards to the CLP Regulation (EC) No. 1272/2008
- The extension of the Generic Risk Approach (GRA).

The work has followed the EU Commission's Better Regulation Guidelines where possible.
Phase 1 ran from February to October 2021. The study scope is the compliance and operating costs incurred by chemicals companies which place chemical products on the market (manufacture, import, formulation and sale) in the EU-27. The study is based on the contributions from over 100 companies representing 67% of the EU chemicals output (as of 2019).

For more information about the report's methodology and findings please consult our Q&A

A factsheet about the industry's contribution to the European Green Deal and supplying key value chains can be found here

The executive summary and the report can be accessed here

About Cefic
Cefic, the European Chemical Industry Council, founded in 1972, is the voice of large, medium and small chemical companies across Europe, which provide 1.1 million jobs and account for approximately about 15% of world chemicals production.

Media contact: [redacted] +32 [redacted]@cefic.be

About Ricardo Energy&Environment

Ricardo plc is a world-class environmental, engineering and strategic consulting company listed on the London Stock Exchange. With over 100 years of engineering excellence, we provide exceptional levels of expertise in delivering leading edge and innovative cross sector sustainable products and solutions, helping our global customers increase efficiencies, achieve growth and create a clear and safer future. Our mission is clear –- to create a world fit for the future. For more information visit www.ricardo.com

Media contact: Ricardo Media Office, [redacted] Email: [redacted]@ricardo.com Telephone: [redacted]