

Findings of the Economic analysis of the impacts of the Chemicals Strategy for Sustainability (CSS)



MAVESZ Chemical Industry Conference
19 October 2022

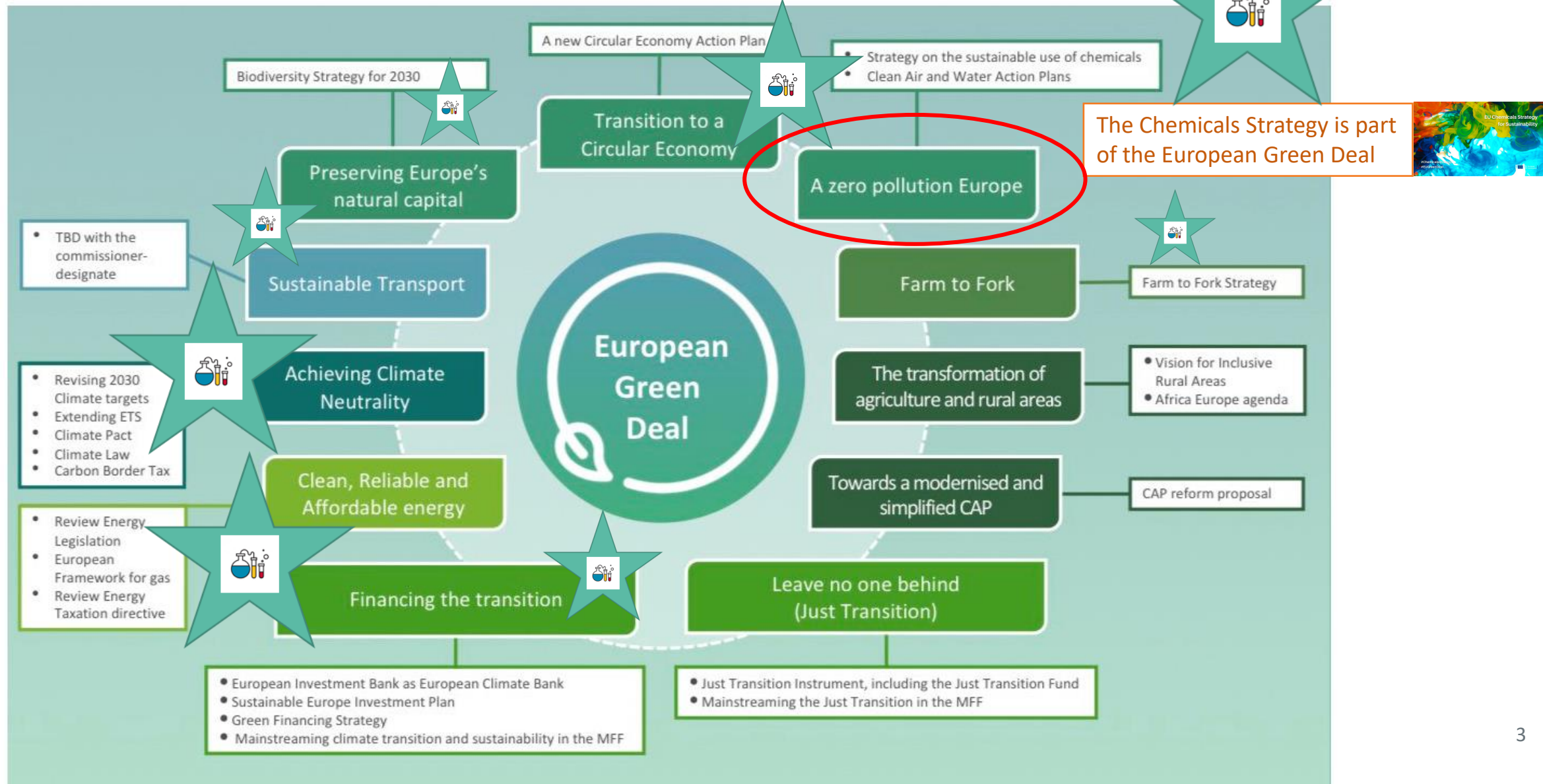


Context:



Chemicals Strategy for Sustainability (CSS)

Chemistry & the European Green Deal



The EU Commission's vision for chemical policy

Supported by the European Parliament and the Council (EU Member States)



Chemicals are produced/used in a way that maximises **their benefits to society** while **avoiding harm to planet & people**



Production and use of **safe and sustainable chemicals** becomes a benchmark worldwide



14 October 2020



cefic

We share the goals

The Chemicals Strategy is “an opportunity to *reconcile the societal value of chemicals with human health and planetary boundaries as well as to support the EU industry in producing safe and sustainable chemicals. It is also an opportunity to respond to the legitimate aspirations of EU citizens for a high level of protection from hazardous chemicals and to promote the EU industry as a global frontrunner in the production and use of safe and sustainable chemicals.*” **



European Commission's presentation from Cefic's Chemical Convention
*** European Commission Communication on the Chemicals Strategy for Sustainability*

What does this mean in practice?



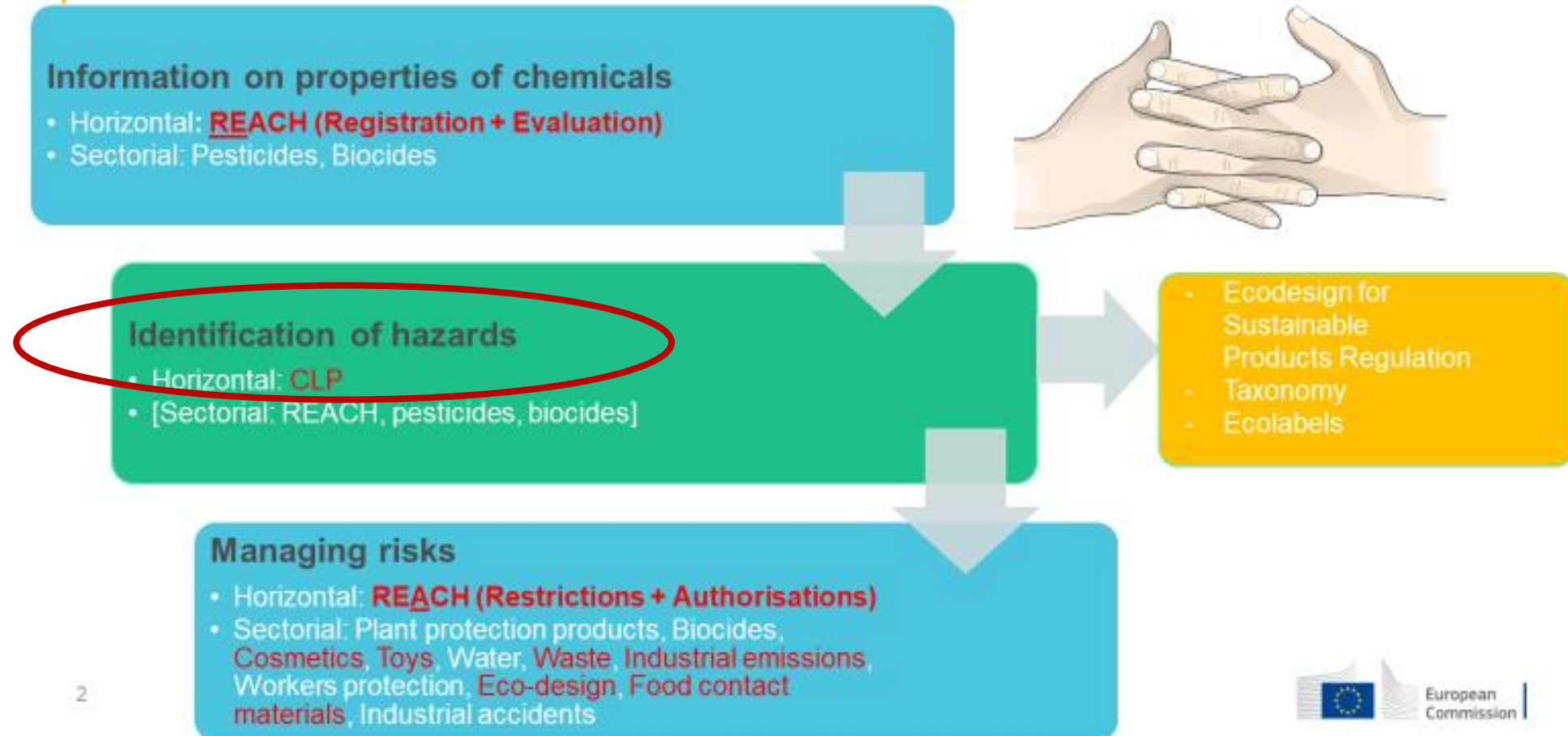
- The Chemicals Strategy is a **major, highly-ambitious initiative** which will:
 - **Prioritise prevention and substitution**
 - **Re-define EU chemicals policy**
 - **Generic restrictions** for **faster action**
- Contains **around 80 actions**, most of them legislative changes, to be implemented between 2021 – 2024
- Involves ‘targeted revision’ of **REACH and CLP**, the **pillars of EU chemicals legislation**

The European Commission’s Vision



CLP vs other legislation, according to the European Commission

CLP and other chemicals legislation



Strasbourg, 18.10.2022
COM(2022) 548 final

ANNEXES 1 to 5

ANNEXES

to the

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

Commission work programme 2023

Annex II: REFIT initiatives²

Initiative directly or indirectly following up on a proposal of the Conference on the Future of Europe

No.	Title	Simplification objective / potential (short explanation of the burden reduction and simplification objective)
A European Green Deal		
1.	REACH revision: targeted amendments of the Regulation EC/1907/2006 on the Registration, Evaluation and Authorisation of Chemicals	This targeted revision, announced in the chemical strategy for sustainability and the zero pollution action plan, has the aim of securing European competitive advantages and innovation by promoting sustainable chemicals, simplifying and streamlining the regulatory process, reducing burden and protecting human health and the environment. (legislative, incl. impact assessment, Article 114 TFEU, Q4 2023)

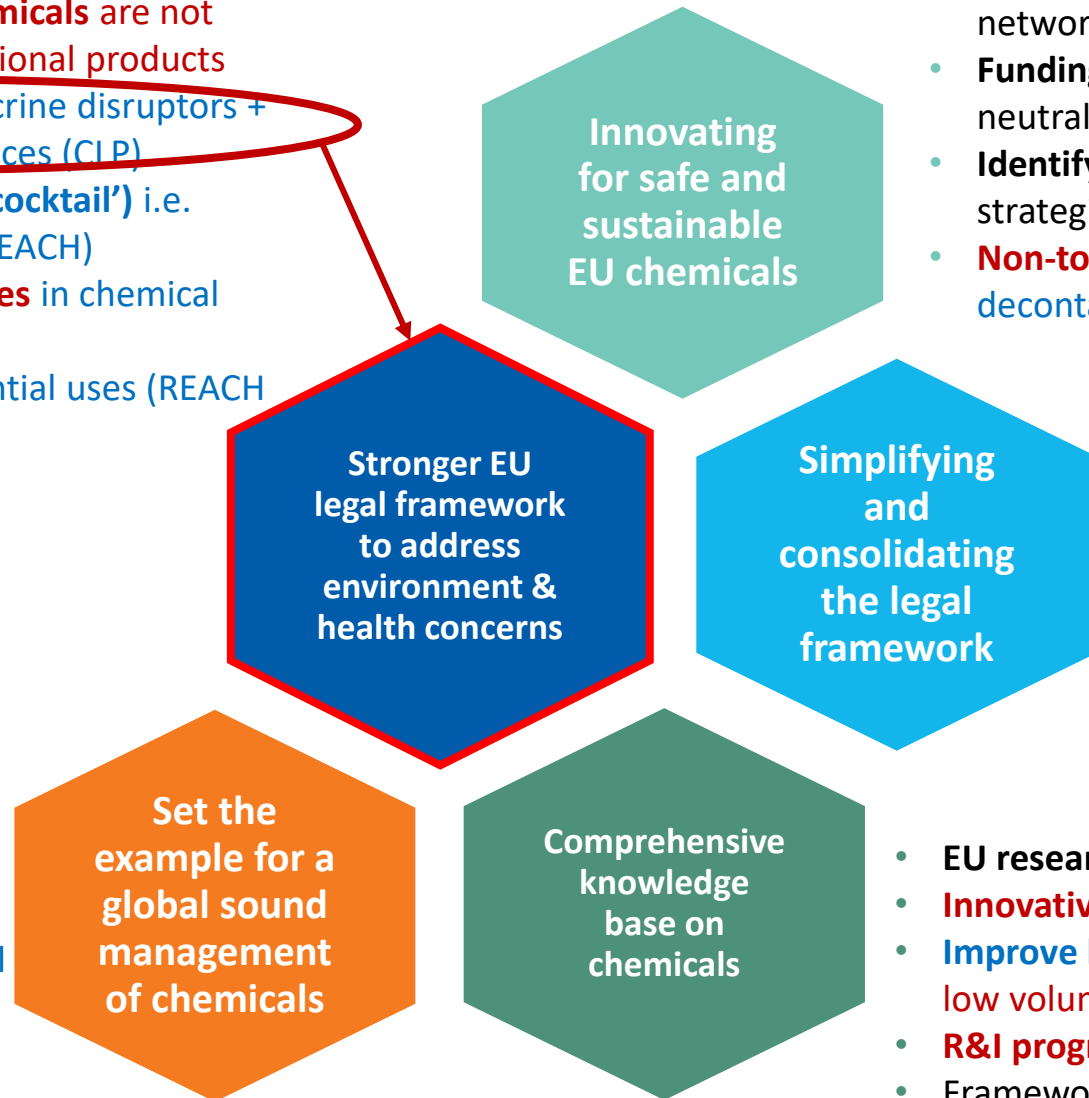


Overview of the main policy changes towards faster, stricter and more preventive regulatory action



- Ensure the **most harmful chemicals** are not used in consumer and professional products
- **New hazard classes:** on endocrine disruptors + persistent and mobile substances (CLP)
- **Address chemical mixtures ('cocktail')** i.e. Mixture Assessment Factor (REACH)
- **Apply concept of essential uses** in chemical legislation (REACH and more)
- **PFAS:** phase out for non-essential uses (REACH and more)

- **Global targets** beyond 2020
- **Chemicals banned in the EU** not produced for export
- **Common standards & innovative assessment tools** internationally (GHS)
- **Sound chemicals management** in international cooperation



- **Safe and sustainable by design:** criteria and support network
- **Funding to support industrial innovation :** climate neutral and clean production
- **Identify key chemical value chains:** to strengthen EU's strategic autonomy
- **Non-toxic material cycles** in products and waste decontamination solutions (ESPR)

- **One substance, one assessment:** improve transparency, reallocation of scientific work, coordination between agencies, **data interoperability & re-use** (new legislation)
- **Reform Authorisation & Restriction processes** (REACH)
- **Strengthen compliance, enforcement, market surveillance**

- **EU research & innovation (R&I) agenda for chemicals**
- **Innovative testing and risk assessment methods**
- **Improve knowledge on chemical properties** (polymers, low volume, etc) REACH
- **R&I programmes:** (bio)monitoring
- Framework of **indicators** to assess policies



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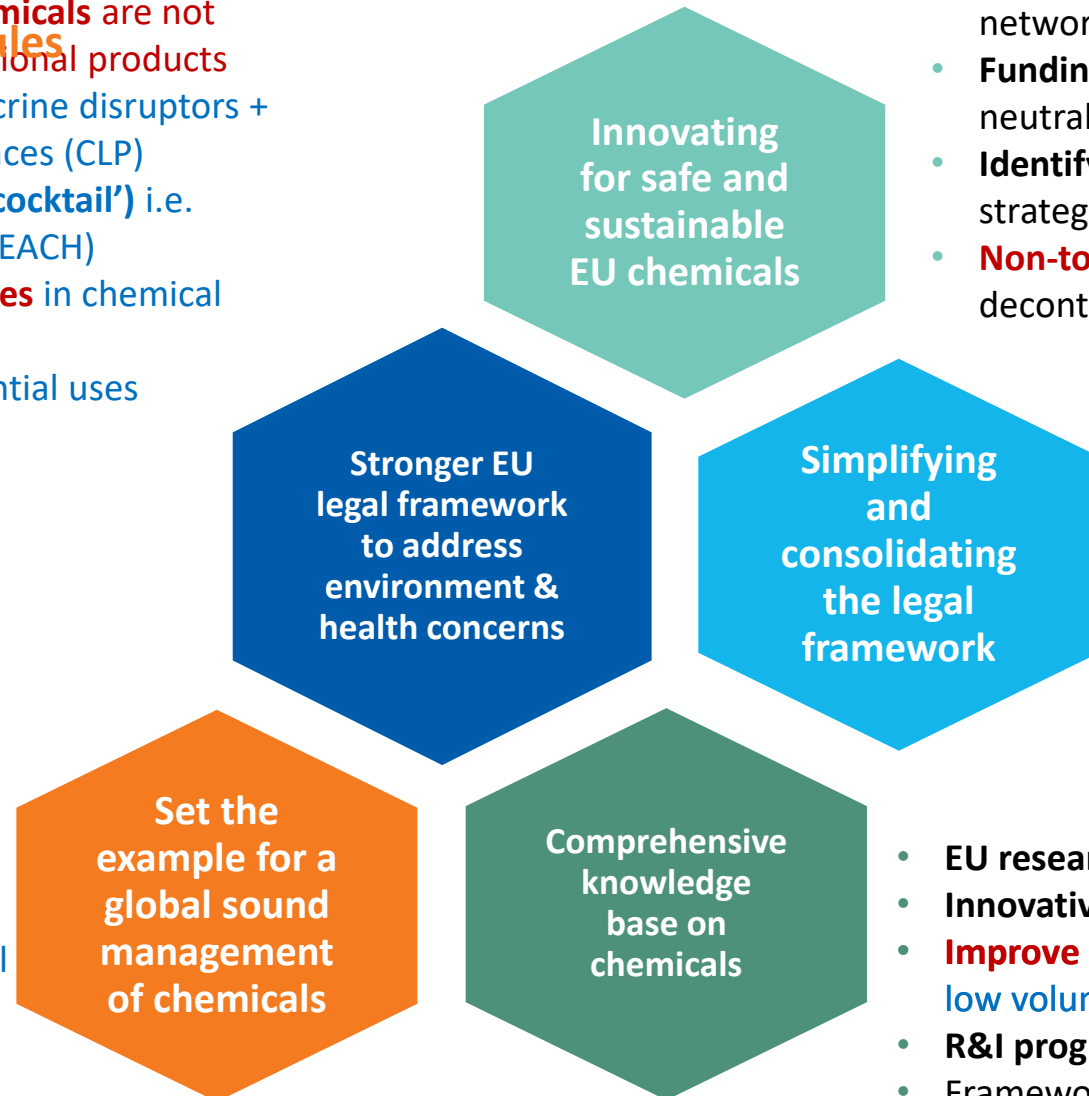
Economic analysis of the business impacts of CSS

Overview of the main policy changes towards faster, stronger and more ambitious EU chemical regulation



- Phase 1 Modules**
- Ensure the **most harmful chemicals** are not used in consumer and professional products
 - **New hazard classes:** on endocrine disruptors + persistent and mobile substances (CLP)
 - **Address chemical mixtures ('cocktail')** i.e. Mixture Assessment Factor (REACH)
 - **Apply concept of essential uses** in chemical legislation
 - **PFAS:** phase out for non-essential uses

- **Global targets** beyond 2020
- **Chemicals banned in the EU not produced for export**
- **Common standards & innovative assessment tools** internationally
- **Sound chemicals management** in international cooperation



- Phase 2 Modules**
- **Safe and sustainable by design:** criteria and support network
 - **Funding to support industrial innovation :** climate neutral and clean production
 - **Identify key chemical value chains:** to strengthen EU's strategic autonomy
 - **Non-toxic material cycles** in products and waste decontamination solutions

- **One substance, one assessment:** improve transparency, reallocation of scientific work, coordination between agencies, **data interoperability & re-use**
- **Reform Authorisation & Restriction processes** (REACH)
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- **EU research & innovation (R&I) agenda for chemicals**
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Modules

Phase 1	Phase 2
<i>February 2021 – December 2021</i>	2022
Addition of hazards to the CLP Regulation (EC) No. 1272/2009	Ban on exports
Extension of the Generic Risk Approach (GRA)	Requirements for Polymer Registration
	Essential Use (Qualitative)
Mixture Assessment Factor (MAF) Qualitative	<i>REACH restriction on PFAS</i>

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Phase 1: Scenarios and Results



Objectives of the Economic Analysis of the Impacts of the CSS

- Provide input to the European Commission's own Impact Assessment on CLP and REACH
- The work has followed the European Commission's own [Better Regulation Guidelines](#) where possible
 - Experienced and independent economic research consultancy [Ricardo Energy & Environment](#)
- This report only assesses business impacts
- Representative of the sector : Contributions from over 100 companies representing 67% of the EU-27 chemicals output



CLP and REACH Changes so far

• CLP

- New hazard classes (ED, PBT, vPvB, PMT, vPvM, Immunotoxicants and Neurotoxicants) will be included as part of CLP.
- Direct impacts: **increase in administrative or compliance activities**, i.e. additional costs.
- Indirect impacts: **product discontinuation or substitution** trigger, driven by non-legislative pressures (Ecolabel, product image, retailers etc)

CHEMICAL POLLUTION IN NATURAL ENVIRONMENT

The Commission will:

- propose new hazard classes and criteria in the CLP Regulation to fully address **environmental toxicity, persistency, mobility and bioaccumulation**;
- introduce **endocrine disruptors, persistent, mobile and toxic and very persistent and very mobile substances** as categories of substances of very high concern;
- ensure that the information made available to authorities on substances allows comprehensive **environmental risk assessments** by strengthening requirements across legislation;
- address the **impact** on the environment of the production and use of **pharmaceuticals** in the upcoming pharmaceuticals strategy for Europe³⁸;
- support research and development for **decontamination solutions** in terrestrial and aquatic environments;
- reinforce the regulation of **chemical contaminants in food** to ensure a high level of human health protection.



• REACH : Generic Approach to Risk Management ('GRA')

- The Generic Risk Approach will result in the **banning of products with certain hazard classes in consumer and professional uses**
- The impact will occur as a result of implementation through **REACH and sectoral legislation**.

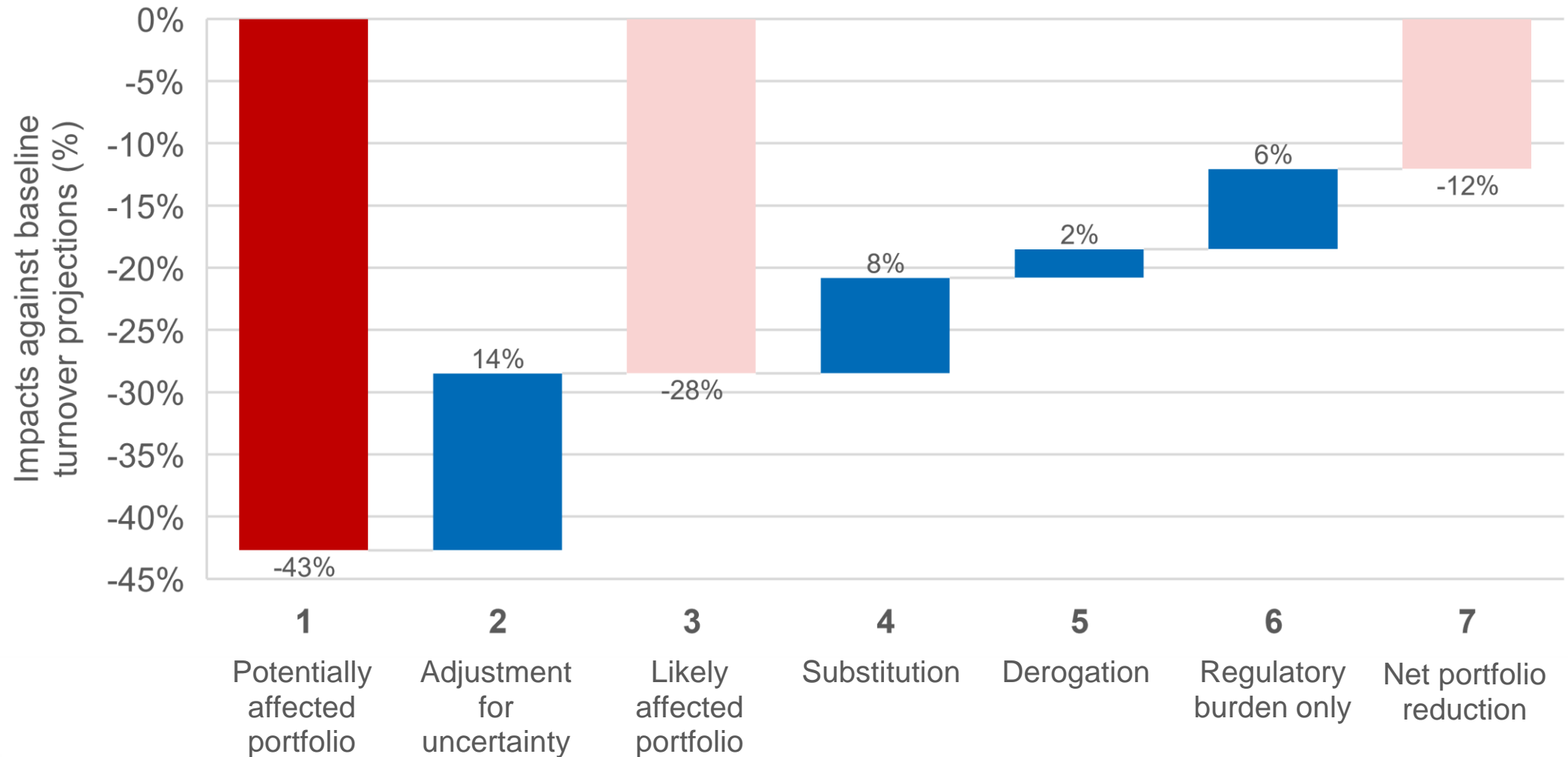
PROTECTION AGAINST MOST HARMFUL CHEMICALS

The Commission will:

- extend the generic approach to risk management to ensure that **consumer products** – including, among other things, food contact materials, toys, childcare articles, cosmetics, detergents, furniture and textiles - do not contain chemicals that cause **cancers, gene mutations, affect the reproductive or the endocrine system, or are persistent and bioaccumulative**. In addition, immediately launch a comprehensive impact assessment to define the modalities and timing for extending the same generic approach, with regard to consumer products, to further harmful chemicals, including those affecting the **immune, neurological or respiratory systems and chemicals toxic to a specific organ**;
- in the meantime, while the generic approach to risk management is not in place, **prioritise all the above-listed substances for restrictions** for all uses and through grouping, instead of regulating them one by one;
- ensure the safety of children⁴³ from hazardous chemicals in **childcare articles** and other products for children (other than toys) to provide the same level of protection as in toys, through the mandatory legal requirements of the General Product Safety Directive and restrictions in REACH;
- define **criteria for essential uses**⁴⁴ to ensure that the most harmful chemicals are only allowed if their use is necessary for health, safety or is critical for the functioning of society and if there are no alternatives that are acceptable from the standpoint of environment and health. These criteria will guide the application of essential uses in all relevant EU legislation for both generic and specific risk assessments;
- extend to **professional users** under REACH the level of protection granted to consumers;



Turnover - Size of the potentially affected product portfolio



Source: Ricardo analysis based on Eurostat data and a bespoke survey to chemical companies.

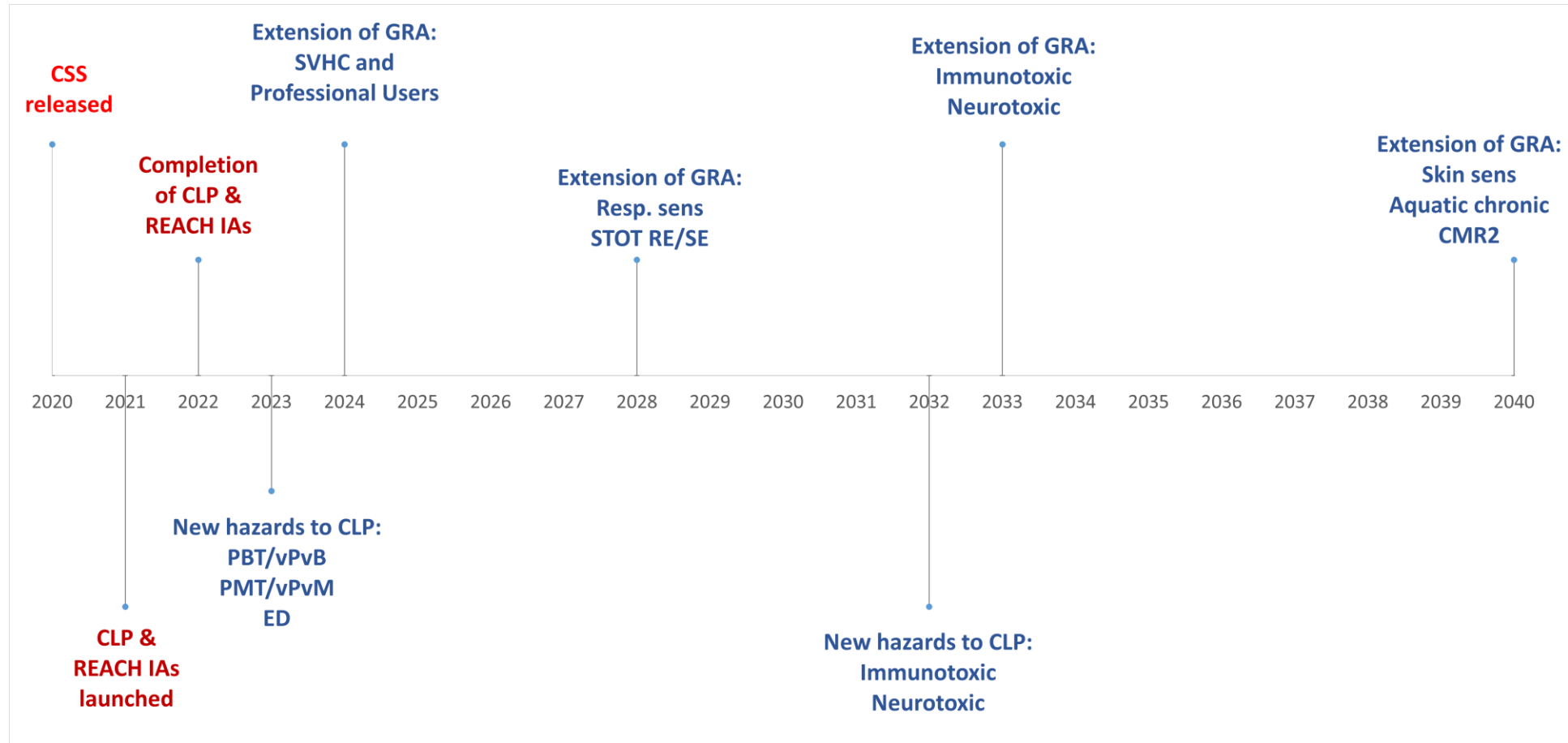


Estimated impacts on the turnover of the EU Chemical Sector

- The size of the potentially affected product portfolio was estimated to be around **43% of sectoral turnover or over 12,000 substances**
- After applying different weighting factors to account for uncertainty about definitions and criteria in the CSS, Ricardo estimated that the size of products in scope of being affected by the policy changes by 2040 would be lower and around **28% of the estimated sectoral turnover.**
- Changes to CLP and GRA, **when accounting for potential business responses**, could lead to a reduction in product portfolio and business (in turnover terms) of around 12%



Considered timeline applied

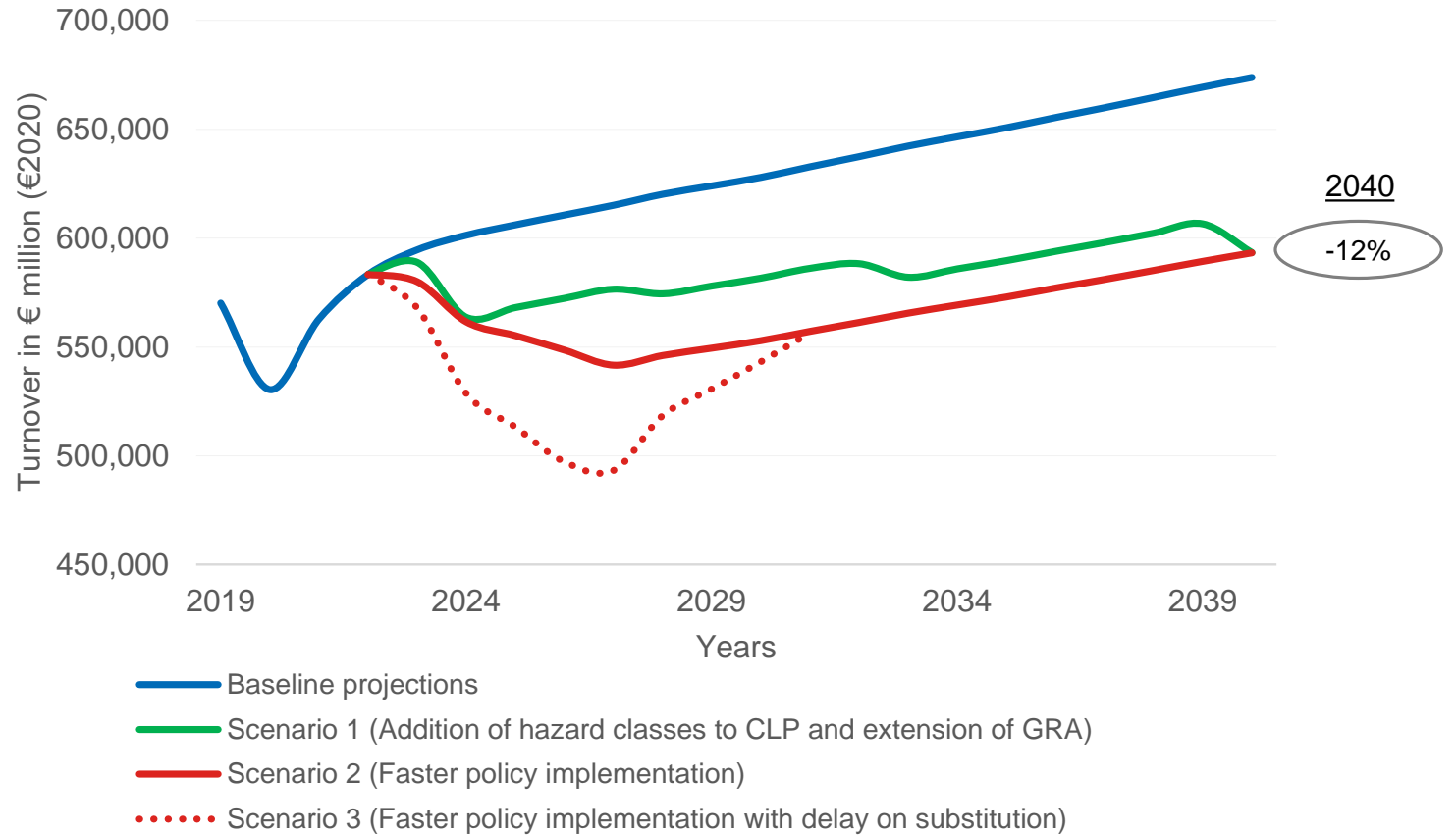




- Baseline scenario**
Business as usual – i.e., CSS is not applied, CLP remains the same and GRA is not extended.
- Scenario 1**
Scenario 1 considers the **addition of hazard classes to CLP and extension of the GRA** over a gradual implementation timetable (market withdrawal except where substitution / derogation is possible).
- Scenario 2**
Scenario 2 assumes a 5-year implementation timetable of the GRA and CLP changes to the GRA and CLP (as per CSS Action Plan) and assumes businesses can respond immediately.
- Scenario 3**
Scenario 3 considers policy changes are implemented quickly such as in Scenario 2, but reflects time needed for businesses to respond

Source: Economic Analysis of the Impacts of the Chemicals Strategy for Sustainability Phase 1 Report

Mitigation measures applied by companies(substitution/reformulation) is included in the scenarios



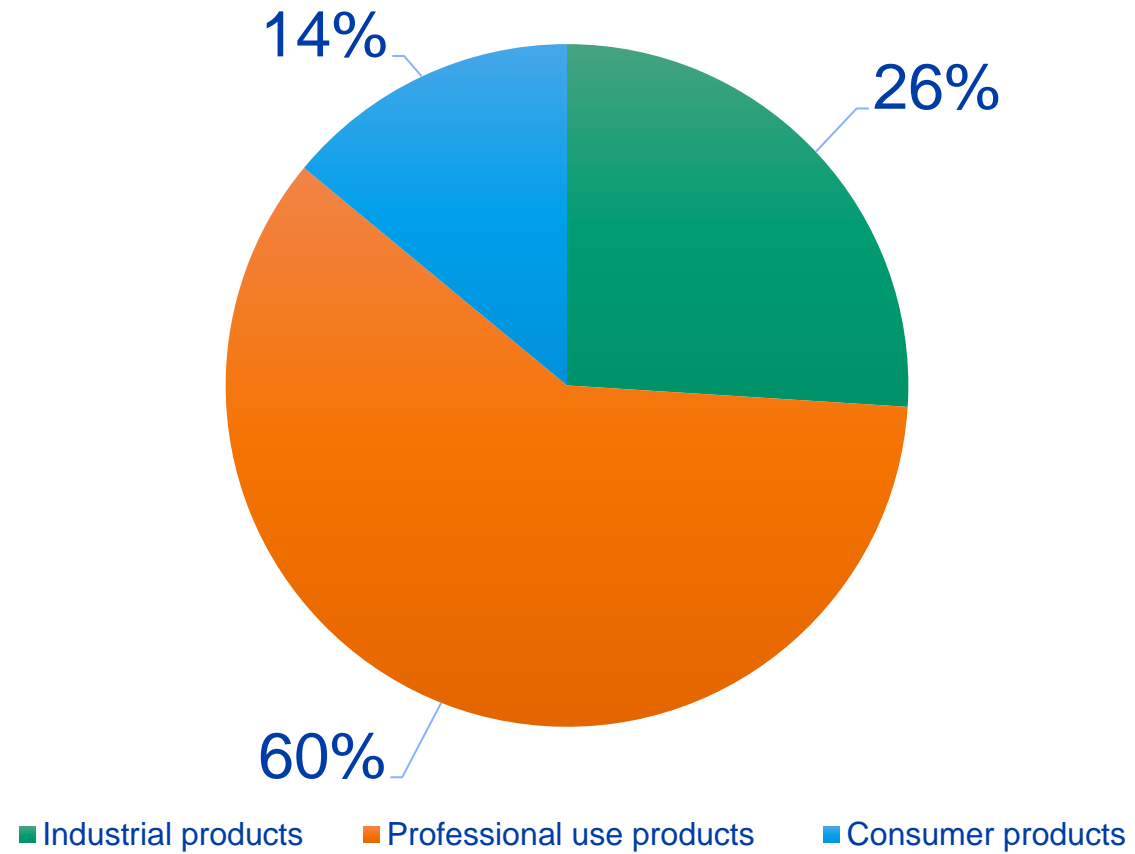
Source: Ricardo analysis based on Eurostat data and a bespoke survey to chemical companies.
Note: The Y-axis has been truncated for ease of observation of differences between impact scenarios.

Annualised impacts on selected business and economic indicator of the EU chemicals sector, against the baseline scenario (%)

Themes (business or economic indicators)	Scenario 1 (Addition of hazard classes to CLP and extension of the GRA)	Scenario 2 (Faster, 5-year implementation timetable)	Scenario 3 (Faster implementation timetable with delay on substitution/reformulation)
Turnover (first order effects)	A loss of €47 billion per year on average against the baseline	A loss of €67 billion per year on average against the baseline	A loss of €81 billion per year on average against the baseline
Total GVA contribution (direct, indirect, induced)	A loss of €40 billion per year on average against the baseline	A loss of €57 billion per year on average against the baseline	A loss of €68 billion per year on average against the baseline
Regulatory burden	An additional annualised burden of €434 million each year over the period	An additional annualised burden of €518 million each year over the period	An additional annualised burden of €518 million each year with a delay
Total employment contribution (direct, indirect, induced)	77,000 fewer jobs, on average, when compared to the baseline in any given year	106,000 fewer jobs, on average, when compared to the baseline in any given year	126,000 fewer jobs, on average, when compared to the baseline in any given year



Potentially affected products by user group

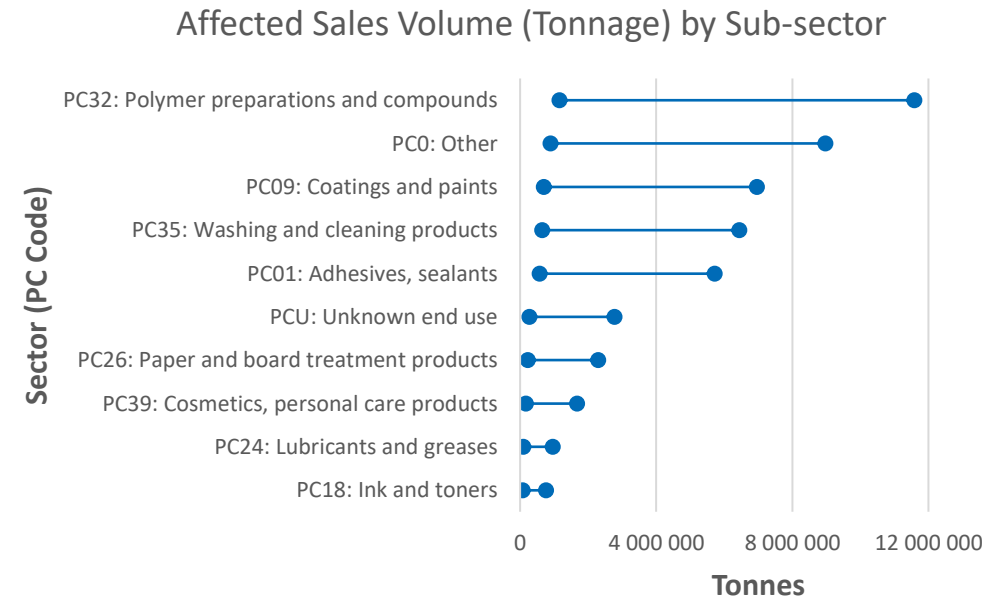


Effect on DU industries

Professional and consumer products represent 74% of all products potentially impacted (the rest are industrial use products): 60% professional uses and 14% consumer uses.

The results suggest that the downstream user sectors that could be most significantly impacted are:

- Polymer preparations and compounds (used in various value chains – from pharmaceuticals to construction)
- Paints and coatings;
- Washing and cleaning products;
- Paper and board treatment products;
- Adhesives and sealants;
- Cosmetics and personal care products;
- Lubricants and greases;
- Biocidal products and plant protection products;
- Ink and toners.



Aggregated report – early findings on CSS impact

