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Ladies and Gentlemen,

Let me start by expressing a word of deep thanks to DI for having invited BUSINESSEUROPE to make a contribution in this conference – REACH is indeed high on BUSINESSEUROPE's priority issue list.

When REACH was adopted in December 2006, there was a unanimous view that its implementation would be extremely challenging.

REACH has often been described as one of the most ambitious and complex pieces of EU legislation. And rightly so, because it affects nearly all substances needed for industrial activities. It goes right to the heart of industrial production, with new responsibilities not only for chemical producers but also for a wide range of sectors using chemicals in their processes and products.

Two years after its entry into force, with the pre-registration phase completed and the first stage of registrations on-going, this diagnosis is more than ever relevant.

My intention today is to move 'from speculation to reality' and to first share with you facts about challenges being faced by companies right now. In a second step, I will highlight what is key for business for stimulating efficient implementation.

So, what are the main lessons learned with REACH implementation up to now?

- Well, the first one relates to direct financial impacts.

As expected, REACH is proving to be a very time- and resource-consuming process.

Its complexity has forced many companies (mainly SMEs) to manage their responsibilities with a consultant, resulting in substantial additional costs. Still, the bulk is to come: the financial impact on industry will drastically increase in the



coming years, especially because of costs associated with animal testing and registration fees.

- A second lesson that can be drawn is that the issue of consistency of legislation is not yet addressed in a satisfactory way.

By replacing about 40 pieces of EU legislation, REACH aimed to provide a fully harmonised framework for chemicals management across the EU. However, a number of recent examples illustrate missed opportunities for establishing the desired consistency called for by industry.

For example, the Commission's proposed Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment (the so-called "RoHS" Directive) does not take full account of all REACH procedures for establishing any further chemicals restriction in this sector. This results in establishing parallel frameworks for chemical restrictions.

For example, companies could face a situation where a substance "X" is allowed in IT equipment under the REACH regime, but banned under the RoHS regime or vice versa. This is neither helpful for the environment nor fair to industry.

Inconsistencies between REACH and the newly revised Ecolabel Regulation or the Cosmetics Directive are other examples.

This problem of consistency is having less short-term impact on companies, but is likely to generate significant negative consequences in the medium to long term. There is therefore a vital need to tackle it.

- A last lesson is that industry has to live with decisions showing differences in Member States' interpretation of the REACH rules, resulting in non-harmonised REACH requirements throughout Europe. This is of great concern.

For example, some Member States maintain more stringent restrictions on manufacturing, placing on the market and use of certain dangerous substances. As you know, it is the case in Denmark with lead and lead compounds. It is also happening, for example, in the Netherlands with the prohibition of substances such as water-extractable phenols.

Of course, REACH implementation to date cannot be reduced in those three issues, but it illustrates some worrying and far-reaching trends. We need to act now to correct them.

It also reminds us of the need to think continuously about the most appropriate implementation measures to ensure that REACH ends up as an efficient tool, achieving its health and environmental objectives while safeguarding competitiveness.

Against this background, BUSINESSEUROPE advocates the following policy recommendations:

- 1) Firstly, it is of utmost importance to find solutions for reducing the REACH-related costs. We think this can be done without jeopardising the whole REACH implementation process.

Indeed, there are good arguments for considering that ECHA's revenues will greatly exceed ECHA's operational requirements in the short term, if not in the medium term.

A lever for reducing the REACH-related costs is the registration fee.

The level of the fees should be reduced and staggered payment possibilities should be introduced. We estimate that these measures are likely to result in savings of around € 200 million for industry in the first years of registrations.

This would be an important first step, but we should keep in mind that the registration fees represent only a part of the total REACH-related costs. The bulk of the costs stem from personnel costs, costs of studies and animal testing or consortium management.

Public authorities must find innovative ways for reducing the burden of REACH costs. Member States should, for example, introduce wider tax depreciation possibilities for REACH-related expenditures. We also call for the European Investment Bank to grant loans to SME projects that involve animal testing.

- 2) Our second area of policy recommendations deals with better regulation. We call on EU policy-makers and national authorities to secure a stable and clear legislative framework, and to ensure truly harmonised REACH rules across Member States.

For business it is key that the huge REACH effort results not only in improving health and the environment but also in eliminating barriers to trade throughout the EU.

Ladies and Gentlemen,

I now would like to turn to the international dimension and must insist on the vital need for global norms for chemicals regulation.

REACH sets the bar high within the EU. European companies implement very strict and demanding rules that do not exist in other parts of the world. In the absence of a global approach, the risk is high that REACH could push investments and production to countries outside the EU.

The United States, China and Japan, are monitoring REACH implementation in the EU closely, and are reviewing their own chemicals legislation. This is encouraging and should continue. This process must be pursued with a view to reaching a global level playing field and improving market access for companies. We need harmonised global requirements in order to avoid further barriers to trade.

In conclusion, Ladies and Gentlemen, companies have communicated to BUSINESSEUROPE their view that REACH implementation is currently too costly and too uncertain, but that there is still time to improve the situation.

European business is fully determined to meet the greater responsibility placed on its shoulders. We are committed to full compliance and delivery of REACH. The considerable mobilisation of company resources and companies' involvement in numerous REACH-related processes illustrate their willingness to act.

However, it must not be at the expense of the EU's competitiveness.

I hope that my contribution will help in setting the right REACH implementation conditions, delivering the right balance between health and environment protection on the one hand and competitiveness on the other hand.

Thank you.

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