



REACH Impact Assessment:
*Business will not lose essential
and safe chemicals*
EEB and WWF Briefing

27 April 2005



WWF and the European Environmental Bureau (EEB) are members of the Commission Working Group, formed in April 2004, to advise on:

1. the KPMG study, paid for by UNICE/CEFIC, to assess whether REACH would lead to product withdrawal due to registration costs as claimed by industry; and
2. the study - by the Commission's Joint Research Centre (JRC) and Centre & Institute for Prospective Technological Studies (ITPS) - on the impact of REACH on New Member States.

The Working Group held its final meeting on 13 April 2005 where the findings were presented and discussed. Despite using a biased methodology (which we do not support) - systematically excluding business benefits and using exaggerated testing cost scenarios, up to 4 times higher than Commission assumptions - KPMG did not find that important chemicals would be withdrawn for economic reasons.

Based on economic and financial data from the 19 companies visited and 74 chemicals assessed the KPMG study found:

- **no loss (withdrawal) of important chemicals due to registration costs;**
- **that registration costs are largely passed on or absorbed by the supply chain;**
- **that product reformulations are not likely;**
- **limited diversion of R&D spending; and**
- **potential loss of substances found at only one chemical importer (a sales office importing Chinese-produced chemicals).**

The IPTS/JRC study concludes "The cost impacts on the individual companies remain moderate, even under the assumption of worst case effects."

Based on the opinion of the sectors and the fears expressed by companies KPMG and IPTS/JRC find that whilst companies acknowledge the benefit of better data and management, there exists concern within industry that the economic impact of REACH will be greater than has been identified by the detailed case studies. Whilst the first point is remarkable, the second is not surprising given the significant amount of disinformation circulating within industry on REACH.

Findings of KPMG report

The KPMG study looked at a total of 152 substances. Nine of these substances were found to be vulnerable, all of which are imported substances. The KPMG study looked at four sectors – automotive, (in)organics, flexible packaging and electronics. The electronics sector findings have not been concluded, or made available to the Commission Working Group for verification and validation:

- All important substances studied were found to be 'not vulnerable' to REACH;
- There would be no withdrawal from the market of critical substances, as continuity of supply, trust, quality, customer communication are important prerequisites for suppliers;
- The direct costs get diluted down the supply chain and the case studies show a possible one-off cost increase between 6 and 20%. As these figures are based on exaggerated testing costs, 4 times higher than Commission estimates, one-off cost increases will be lower and the price increase minimal for the end product. Further cost reductions are likely through data sharing, underlying the importance of mandatory data sharing (OSOR) - which can reduce overall costs by 24.4%;

- Six SMEs participated. One potentially vulnerable substance was identified at one importing SME. At a second SME, a 10-20 person strong sales office importing Chinese-produced chemicals, 17% of the tested portfolio was found to be vulnerable. The New Member States study finds that REACH will lead to a loss of competitiveness for non-EU producers and therefore this vulnerability may be a significant potential benefit for EU chemical producers. Furthermore, the chemicals in question are not unique and therefore consortia formation is an option, underlying the importance of mandatory data sharing (OSOR) for SMEs;
- Companies do not expect to lose market share because of REACH;
- Delocalisation just because of REACH 'unlikely' to occur - capital has been invested here and proximity of customers is important;
- There will only be a 'limited diversion of R&D resources due to REACH implementation';
- General benefits recognised, such as better information and risk management; and
- Withdrawal of primary raw materials was found to be 'unlikely' due to REACH. Findings for the (in)organics sector are misleading. Implausible worst case scenarios were constructed in response to the sector's stated uncertainty about the interpretation of REACH, the case study findings being driven by the sector's political agenda.

Findings of the report by the Commission's JRC & Institute for Prospective Technological Studies (ITPS) on REACH and the New Member States (Conclusions 7 April 2005)

At the request of CEFIC & UNICE the study focussed on speciality chemicals, with 419 substances looked at in total. In contrast to the KPMG study, IPTS embedded the case study results into a detailed analysis of the chemical sector in the New Member States.

- REACH testing and registration costs will have very limited impact on the competitiveness of chemical manufacturers;
- REACH will have no significant impact on the competitiveness of formulators, as very limited increases in raw material costs could be identified;
- The cost impacts of REACH on downstream users in the manufacturing sector and consumer market are for all example preparations almost negligible. REACH will not cause considerable changes to the product portfolio of companies because identified REACH impacts are in nearly all cases limited;
- Companies are in a relatively good position for adoption of REACH with regard to their Health, Safety and Environment staff, in particular when the key element, maintenance of SDS, is taken as an indicator;
- The question of relocation to other countries or withdrawal of processes and products was not an issue for any of the companies interviewed;
- Some companies (3 of 6) see a need to improve the information exchange about handled chemicals along the supply chain. This will become one of the essential new elements companies will have to establish under REACH;
- REACH will lead to a loss of price related advantages for imported chemicals (from the Russian Federation and the Ukraine), potentially improving the competitiveness of EU producers; and
- The cost impacts on the individual companies remain moderate ("not significant"), even under the assumption of worst case effects.

A detailed critique (January 2005) of the Impact Assessment process is available upon request in which we explain our reasons for withdrawing our support for the process.

In conclusion the EEB and WWF believe that no further impact assessments are now necessary at this stage. Instead EU legislators should build on the Commission proposal to achieve a robust and transparent industry responsibility for the safe management of chemicals, taking particular account of the need for increased capacity within public authorities and rapid development of implementation guidance.