

Brexit and UK chemicals legislation

Steve Elliott, CIA's Chief Executive

**Post-Brexit options for UK chemicals law seminar
29 September 2017, London**

- Contributes £15bn annually to UK economy
- Leading manufacturing exporter with annual trade surplus of £3 billion
- R&D annual spend around £5 billion (23% of the UK total)
- Provides 500,000 jobs (direct and indirect)
- Pay levels 30% more than the manufacturing average (often in economically challenged areas)
- 60% of exports to the EU and 75% of imports from the EU
- 70% CIA members overseas headquartered

Chemical sector registered 0% appetite for leaving the EU
EU exit terms and future relationship with EU critically important

JUNE – DECEMBER 2016

- Tariff-free access to the single market
- The availability of skilled people
- The supply of competitive and secure energy *
- A science-friendly policy framework that encourages innovation and growth *

JULY 2017 – UPDATED MANIFESTO

- ***Tariff-free access to the single market/Prevention of non-tariff barriers to trade***
- ***Regulatory consistency/continuity***
- ***Access to skilled people***

*Now part of our industrial strategy work

The Chemical Industry – Brexit priorities for UK growth

Your chemical industry exports are destined for the European Union (EU), whilst 75% of chemical imports, many of which are essential raw materials, arrive from the EU. Our country's exit terms from the EU are, therefore, critically important for our sector.

1 Frictionless tariff-free trade

With 60% of UK chemical exports destined for the European Union and 75% of chemical imports coming from the European Union the imposition of tariffs and related non-tariff barriers will negatively impact trade in both directions, especially exports as most value added activities are subject to higher tariffs than raw materials.

- Maintain tariff-free access to the single market, including EU trade deals.
- Avoid border controls for the movement of products as these will cause additional delays, wastage and cost for businesses, governments and consumers.
- Minimise disruption to established supply chains for both UK and continental European chemical businesses and their customers.

2 Regulatory consistency

The chemical industry is highly regulated so we need to give confidence to communities around our plants and the consumers of our products. In leaving the EU we do not argue for lower regulatory standards but regulatory consistency and continuity in many areas, to ensure continued access to the market place.

- Develop a UK alternative to the European Union Emissions Trading Scheme that not only delivers CO₂ emissions reductions but supports the ability of UK chemical businesses to compete on a global basis.
- Secure access to the EU market place by remaining as close as possible to the existing REACH regime, ensuring any post-Brexit future protects UK industry's existing compliance commitments, avoids duplication of cost and assists our ability to negotiate other free trade deals.
- Retain a risk-based approach to industrial emissions regulation, working with the UK Government and regulators to deliver an outcome that protects both the environment and competitiveness.

3 Access to skilled people

Chemical businesses rely on skilled people. Some of the specialist skills required are not yet available in the UK. We need to achieve as near as practically possible freedom of movement for certain jobs within the overall workforce. Getting the best can help secure employment for the rest.

- Allow chemical businesses to bring in specialist contractor teams for a limited period to undertake essential maintenance and overhaul activity in shutdown and turnaround situations.
- Agree to scientists who are employees of companies moving freely between the EU and UK. Chemical businesses need scientists and engineers. Movement of scientific and engineering skills around companies delivers growth.
- Ensure multi-national companies can move their staff – particularly graduates and management – between different countries to gain experience and develop skills. Brexit should not stand in the way of development experience.

- Most CIA members want the UK to fully stay within EU REACH
 - Would guarantee consistency and continuity, no changes for businesses
 - To continue to use the services provided by ECHA rather than setting up parallel institutions in the UK
 - UK authority could still provide a voice in ECHA Committees
 - No divergence going forward
- Any other option likely to generate extra costs and administrative burden to businesses that trade with the EU
- Is this a feasible option considering both UK's and EU's red lines in Brexit negotiations? Should not be dismissed at this stage
 - Could be considered as part of trade discussions during 2nd phase?
- Necessary as part of a transition arrangement

- Need clarity *as soon as possible* on the status of existing REACH registrations and authorisations from 30 March 2019:
 - If UK is out of EU REACH, a process needs to be established to facilitate continued trade between EU and UK without the need to **re-register** substances
 - Great level of uncertainty at present about what will happen
 - Supply chains disruption expected if no agreement in place
- CIA welcomed UK paper on *availability of goods on the market*
 - Chemicals mentioned as example where “companies should not be required to duplicate compliance activities in order to place goods on the UK and the EU market after exit. This includes recognising the validity of type approvals, certificates and registrations issued prior to exit”

- REACH and other EU chemicals related legislation expected to be converted into UK law through Repeal Bill
 - To give certainty, continuity to businesses - *not to deregulate*
- CIA members are however concerned about potential duplication of costs that may arise post Brexit, when e.g.
 - Planning to increase production of substances already registered
 - Seeking true commercialisation of any new product in both UK and EU
 - Registering any existing substance above 1 tonne per year where business opportunities may arise in future
- If out of REACH, many companies would hope for mutual recognition with EU REACH to be agreed – *politically feasible?*
- Essential that competitiveness of UK chemical sector is preserved as part of UK government industrial strategy

- Companies indicate opportunities to shape a more risk based legislation in the UK exist
- CIA reviewing national chemicals management regimes (e.g. US, Canada, Korea) to help inform post-Brexit options
- Priority is that divergence does not come at the cost of:
 - Future preferential trade agreement between the UK and EU.
 - Accessing the EU market

Also need to consider...

- No benefit in re-inventing the wheel
- Global outlook and ensuring UK is in line with the international chemicals policy agenda
- Benefits may be relatively small and likely to be significantly outweighed by the additional costs two legislative systems would bring.

- **CLP**

- Based on an international framework – GHS
- Maintain regulatory consistency between EU and UK CLP
- Issues needing further consideration before the UK's exit
 - *Harmonised classification and labelling*
 - *Notification to the classification and labelling inventory*
 - *Notification of information on hazardous mixtures to poison centres*

- **Biocides**

- Article 95 listing for active substances
- Mutual recognition of product authorisations
- Current mutual recognition agreement between EU and Switzerland in the area of biocides should be considered

- CIA does not argue for lower regulatory standards but regulatory consistency and continuity to ensure continued access to the market place
- Need to ensure chemicals legislation does not hamper trade by creating non-tariff barriers for companies post Brexit
- Any post-Brexit future needs to protect UK industry's existing compliance commitments, avoids duplication of cost and assists UK ability to negotiate free trade deal with EU and beyond