

EEB AND WWF

BUSINESS IMPACT ASSESSMENTS AND THE WORK BY KPMG FOR UNICE AND CEFIC

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It is 6 years now since the debate on a new European chemicals policy began. After several dozen impact assessments and 9 months of debate in a European Commission Working Group on "Further Impact Assessments" EEB and WWF believe it is time to explain our position so as to avoid any misrepresentation or misinterpretation of our participation in the process.

We have been participants in the Commission Working Group, set up to advise on (1) a study - commissioned by UNICE/CEFIC, and carried out by KPMG - on case studies and innovation and (2) a study by the Commission's research services on New Member States. In July 2003 we withdrew our support for the KPMG case study:

- We were refused access to key parts of the study – necessary to verify the accuracy of the work.
- The methodology is biased towards individual negative business impact cases, and therefore not representative of the industry as a whole.

Nevertheless, the industry study has been wrongly presented as based on jointly developed and agreed methodology. Furthermore, the study does not analyse the innovation effects as foreseen in the work programme.

Therefore we do not believe that the study – the results of which are expected in March – will produce new insights in order to improve REACH so as to increase benefits AND reduce costs.

The case study from KPMG – lacking transparency and focussing on the losers

The Commission estimated in its Extended Impact Assessment that their REACH proposal from October 2003 would cost companies a total of approximately 2.3 billion Euros over an 11 year transposition period. Further economic consequences from these costs are judged to be "very limited", whereas REACH will contribute to pronounced business benefits such as enhanced innovation, improved worker safety and maintained competitiveness of chemical industry, as well as significant health cost savings.

Due to intense industry lobbying, the Commission, CEFIC and UNICE decided to commission a further Impact Assessment study. They endorsed the Memorandum of Understanding of 3 March 2004 in order to "provide a framework for the efficient undertaking of further investigations on business impacts of REACH." By using case studies, factual evidence on how REACH affects enterprises was to be collected, particularly with regard to the mass disappearance of chemicals predicted by industry. Through the involvement of key stakeholder groups broad-based acceptance of the results should be achieved.

EEB and WWF have been working intensively in the subsequently established Commission working group. Here the opportunity presented itself for a joint learning process to assess business impacts in practice. Unfortunately, the mistakes of previous studies conducted by industry are being repeated. The consultant KPMG was commissioned by industry to assess business cases and innovation impacts. As pointed out by EEB and WWF in a number of submissions, their study method lacks transparency, is inconsistent and imbalanced, with a clear focus on business risks as opposed to opportunities. Furthermore, it is not a study on innovation as foreseen in the Memorandum of Understanding. Moreover, we have received no access to raw data. Several attempts to convince industry and KPMG to resolve these shortcomings failed. Hence EEB and

WWF have withdrawn our support for the KPMG work. Representatives of trade-unions, consumer NGOs and Commission consultants in the Working Group have also expressed concerns about the credibility of the anticipated results.

Despite this obvious disagreement KPMG claimed that the methodology was developed jointly and based on mutual agreement between stakeholders. The only visible result of our input has been that the questionnaire for the company interviews now contains some questions about health and safety benefits. But those questions are pure green-washing without being integrated into the methodology and not addressing the correct business actors, i.e. systematically excluding companies producing alternatives or insurance providers. They are therefore insufficient to guarantee a balanced view on the impact of REACH across businesses.

Business Impact Assessments and their blind eye on benefits

Considering the limited scope and methodological problems of the KPMG study, the question arises as to whether the study is necessary at all. Meanwhile more than 30 national and international studies have made further appraisals of the anticipated business impacts of REACH. The Dutch presidency presented in October 2004 an overview study of 36 impact assessments. This compilation shows wide consensus on direct costs. Regarding overall economic effects it highlights “unrealistic high estimates” in some studies due to “non-realistic assumptions”. In particular, the industry-sponsored studies are rightly characterised as turning a blind eye to the economic benefits of REACH and by the idea that the production of many chemicals would cease due to registration costs. This would – claim the industry-sponsored studies – create massive additional costs for chemical users further down the value chain. While the Commission – and also the Nordic Council of Environment Ministers – anticipate these additional costs to be on roughly the same scale of magnitude as the direct registration costs, studies commissioned by industry magnify additional costs as being up to 650 times the direct costs. These figures are then converted directly into figures for job losses. In the scientific community some of these studies were perceived as partisan studies.

Environmental NGOs argue that registration costs have to be viewed in relation to overall costs. The 2.3 billion Euro estimated by the Commission translates into 0.48 Euro per EU inhabitant per year over the 11 year phase in period, or into 0.04 % of the yearly turnover of the European chemical industry. Furthermore a number of important business benefits can be highlighted: in particular a reduction in occupational illness, clear safety responsibility on chemical producers and importers, and the availability of chemical safety data for downstream users and retailers. Those benefits have been supported by a number of studies. The Dutch report states benefits and positive effects in the long run concerning innovation, reputation and opportunities for export due to safer chemicals.

Increase benefits and reduce costs – it is time to take political responsibility

While it is not possible to estimate the overall impact of REACH on business with certainty, it is useful to explore which costs can be reduced and which benefits can be improved. Studies carried out by member states who have examined closely the mechanism of REACH upon selected industry sectors and companies resulted in a number of useful proposals to improve and support REACH implementation, e.g. developing guidance for the application of the technical Annexes and other support measures by authorities. One important proposed change in legislation is mandatory data sharing in order to ease the burden for SMEs.

We support such improvements. But we are concerned that too much focus is being placed on exaggerated negative impacts on isolated cases and too little work is being done on ways to improve the benefits of REACH - for both business and the environment.