

25 February 2020

European Chemical Industry views on the future-relationship negotiations between the EU and the UK

Following the UK's departure from the European Union on 31st January 2020, both sides are expected to swiftly engage in the future-relationship negotiations during the transition period. A priority in these negotiations is the conclusion of a trade agreement that will be at the core of the future economic relationship.

With chemicals trade amounting to € 43.7 billion, UK chemical industry representing more than 7% of total EU-28 sales and EU chemical industry 52.5% of UK sales, both sides are important markets to each other with highly integrated supply chains. Our preferred option is a strong future partnership comprising a deep and comprehensive free trade agreement. While noting the challenges ahead, including the timing of the negotiations, this agreement should secure, at the minimum, frictionless trade in chemicals and a high degree of regulatory alignment between the UK and the EU-27.

Cefic and CIA consider the following key issues should be addressed during the negotiations:

- **Tariffs and Rules of Origin**

- Chemicals are traded via complex value chains and may cross the EU-27 and UK borders several times, either in the form of final chemical products or integrated in (intermediate) products made with chemicals (e.g. car parts). The imposition of tariffs would quickly translate into additional exponential costs for the chemical industry.
- Free flow of chemicals, tariff free and quota free, should be retained for all bilateral chemical trade.
- The future trade agreement should include the prohibition of export tariffs/taxes and provide for elimination of trade distorting subsidies.
- Rules of origin (RoO) for chemical products should be as flexible and simple as possible, based on the [joint approach](#) developed by Cefic and the American Chemistry Council in the context of the TTIP negotiations which also served as a basis for the negotiations on RoO in the trade agreement with Japan and Mercosur - see attached.
- Origin verification procedures should be conducted by the customs authorities of the exporting Party. In order to protect confidential business information, exporters should not be obliged to submit any confidential business information neither to the importer nor to the authorities of the importing Party. Likewise, the presence of a representative of the importing Party as an observer during the verification process should be avoided.

- **Regulatory Consistency on chemicals legislation (REACH)**

We urge for an approach that minimizes disruption to business and keeps costs, bureaucracy, technical barriers to trade and animal welfare concerns to a minimum whilst maintaining high levels of protection in the following way:

Continued UK participation in EU chemical regulations

We are convinced that the best guarantee against market disruptions, and to guarantee a level playing field in the future, is [the UK remaining in the REACH legislation](#), including activity within the European Chemicals Agency (ECHA). Our ideal scenario would be a maximum degree of cooperation implying that the UK remains part of the EU-REACH framework, still accessing the services of ECHA. The UK would continue to be an active participant in ECHA, albeit without voting rights but making an appropriate financial contribution.

Consider the need for a shared REACH database

To avoid doubling registrations and databases, access to the ECHA database for the UK regulatory authorities should be negotiated. Sharing the same database is the best guarantee to a level playing field and to keep the same high environmental, safety & health standards. Article 120 of REACH foresees the potential scenario of an agreement on access to data held by the Agency, providing the its purpose is cooperation on the implementation or management of legislation concerning chemicals and the third party protects the confidential information as mutually agreed. We believe this option should be explored during the next phase of negotiations. The UK has directly contributed to the generation of the wealth of information now available following more than 10 years of REACH implementation. Registrations, authorisations and notifications obtained by UK as well non-UK companies under EU legislation could be recognised and accepted in the UK and EU without the need of multiple registrations for the same product.

Smoothly planned transition

The timing to negotiate a deal is short and considering the importance for the sector of a good and plannable transition, we urge the negotiators to put chemical cooperation high on the agenda.

Advantages to this approach would include:

- The level of human and environmental protection is not lowered, compared to EU standard.
- The UK authority would still be able regulate chemicals of concern, separate to the EU if desired.
- Both UK and EU chemical users can continue to source from a wider portfolio/supplier market.
- Animal welfare, the removal of potential repetition of vertebrate studies.
- Reduction in cost & resource requirements for both the UK authority and chemical users.
- Reduction of supply-chain disruption compared to a dual registration scheme that would be duplicating efforts without no environmental gain.
- Securing the information chain is safeguarded through the feed-back mechanism to ECHA.
- Beyond the transition period this will limit possible divergence of regulations to a minimum.

Whatever shape the future relationship may eventually take, first and foremost we are urging negotiators to ensure that the regulatory systems of the EU-27 and the UK remain highly aligned and going beyond existing cooperation agreements between ECHA and some non-EU countries. In our view, this will not only allow for continuity and consistency for companies and regulatory bodies operating on both sides of the Channel, but also ensure a framework for the continued development and implementation of high health, safety and environmental standards in a level playing field. To avoid the risks Brexit imposes, we urge the UK to remain part of ECHA - See attached for further details.

- **Other chemicals management issues**

Besides REACH legislation, other chemicals management issues could arise in the future relationship (e.g. Prior Informed Consent Regulation concerning the export and import of hazardous chemicals, Biocidal Products Regulation, waste regulation and the dual-use goods and drug precursors legislation).

- As legislation is developed, it would be desirable that both sides establish a close cooperation and dialogue in order to get alignment.

- **Harmonization of customs procedures**

As the UK will step out of the Single Market, customs procedures will be different. Also, VAT and Excise formalities, as well as simplifications (deferrals, etc.) will cease bringing a level of increased complexity for internationally operating companies in the EU27 and the UK.

- Both sides should work towards customs procedures that are as much harmonized as possible.

- **Free movement of qualified personnel**

Within the complex supply chains of the chemical industry there are many different specialisms, and it is not possible to develop talent for all of them in one country. It is then typical to find highly skilled people of many nationalities working in chemical plants in the UK, EU27 or across the globe.

- The continued free movement of skilled labour between the EU27 and the UK is a high priority for the chemical industry given skill shortages.

Also see [REACH related issues in the future relationship between the EU-27 and the United Kingdom](#)

[Rules of Origin for Chemical Chapters 28 to 40 under Transatlantic Trade and Investment Partnership \(TTIP\)](#)