

HOW THE COMMISSION COULD SUPPORT SMEs UNDER THE REACH REVISION

On 21 March, Cefic organised a meeting between the European Commission services and 11 representatives from SMEs active in the chemical sector. During an open discussion, a number of suggestions were made on how the European Commission may support SMEs understand and implement chemicals legislation. A series of case studies were developed (sent to the Commission on 27 April): they illustrate the main difficulties SMEs face (today) with EU chemicals legislation. Building on this, this document makes a number of proposals on how Commission could support SMEs in the context of the REACH revision.

- 1. Adjust the SME definition in EU Recommendation 2003/ 361.** This definition developed 20 years ago sets two main criteria determining if a company is an SME or not: headcount (< 250 staff for M, < 50 staff for S), and either turnover (\leq € 50M for M, \leq € 10M for S) or balance sheet total (\leq € 43M for M, \leq € 10M for S). We believe the turnover/balance sheet figures should be adjusted, since €50M in 2003 is not the same as €50M in 2023 anymore. The definition is important because it determines
 - if a company is eligible for business and financial support (research funding, innovation funding and national support programmes specifically targeted at these enterprises) that would otherwise be banned under state aid rules, and
 - Reduction of REACH-compliance fees SMEs are entitled to.
- 2. Assess whether state aid rules could allow financial support for REACH testing for new chemicals developed as substitutes to restricted chemicals.** While registration and (eco)toxicity testing according to REACH requirements is considered as regulatory compliance, the development of new chemicals is primarily an R&D / innovation activity. There is a trend in the market for customers to request higher-tier testing to be available before committing to switch to a new alternative, regardless of the volume produced (in order to avoid that the alternative is found at a later stage as having undesired hazardous properties). Depending on the amount of testing needed (range: € 250k-3M), regulatory testing may be a 'killer' and prevent safer and more sustainable chemicals to be successfully launched in the market. Such spending before any income is generated is uneconomical, particularly for SMEs.
Therefore, we invite the Commission services to run an assessment of whether / under which conditions financial (or other type of) support could be allowed to enable (eco)toxicity testing on alternatives. This could enable SMEs to benefit from government support under specific circumstances.
- 3. Training programmes for SMEs:** it is well known that REACH is complex, expensive and time-consuming. It requires expertise to ensure compliance. While access to expertise is a general issue in the highly-regulated chemical industry sector, SMEs often rely only on one or two experts for all their regulatory compliance activities. Staff turnover can easily put their business at risk. In addition, it takes years and high training budgets to make new recruits regulatory experts. SMEs often rely on external consultants and labs to fulfill their legal obligations. Some (medium-size)

companies would be willing to develop expertise internally, but they need support, particularly in the following areas:

- New testing requirements (REACH Revision)
- Use of in-vitro and NAMs to fulfill REACH data requirements
- Better application of read-across and grouping
- Running risk assessment, using ECHA tools such as Chesar
- Access to testing labs (e.g. for polymers in the future)
- Interaction with ECHA (e.g. for testing advice)

Such support could take the form of training, external dedicated support 'lended' to SMEs for some time, reduced testing costs, financial support.

4. **Proportionate fee system for future polymer registration:** even if administrative fees are only the tip of the iceberg of overall REACH compliance costs, we call on establishing reduced fees for SMEs (as currently exist for registration).
5. **Facilitate access to EU funding:** it is too complicated administratively to access EU funding for SMEs. Red tape in the application process needs to be cut. An action to this effect has been captured in the Transition Pathway for the Chemical Industry (Action under Topic 7.2.: *"consider cutting red-tape (at EU and national level), and improve coordination to facilitate access to funding for industry through a 'single window' approach"*).

In addition, the European Innovation Council allocates at least 70% of its budget (EIC funding for 2021-2027 is EUR 10.1 billion) to SMEs to support breakthrough and transformative innovation under the Horizon Europe programme. The Transition Pathway echoes the fact that those funding mechanisms need to be made easier and subsidies linked to the EU Green Deal increased. It also confirms that *"excessively high investment costs are the most frequent barrier preventing SMEs from adopting new environmental technologies, followed by a lack of finance. SMEs tend to access less favourable borrowing terms than larger companies in the same industry and are often exposed to greater risk of failure, particularly when they attempt to pioneer new products and processes"*. More support from local and regional authorities is needed to facilitate access to public funding for SMEs. See Action under Topic 7.1.: *"increase skills-building at local and regional levels to support SMEs in funding opportunities"*.

We urge the EU and Member States to pursue those actions from the Transition Pathway swiftly.