

Analysis of Alternatives and Socio-Economic Analysis

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Context and aim of the presentation

- An important aim of REACH is 'to encourage and in certain cases to ensure that substances of high concern are eventually replaced' (Recital 12)
- The REACH world is one where trends in the use of hazardous chemicals are downwards, and firms are expected to switch to alternatives
- Authorisation permits the use of hazardous substances to continue temporarily until you switch to an alternative, or you get a further authorisation granted; it is a continuous process, not a one-off hurdle
- This presentation is about how you need to think to understand what Annex XIV and authorisation mean for your business

The key question

- For identifying the impacts of a substance being listed in Annex XIV and being subject to authorisation
 - For assessing whether the impacts of authorisation would be bigger or smaller than the benefits
 - For deciding whether you should apply for authorisation or not
 - If you manufacture the substance, import it, use it in your processes, if it is present in the products you produce, or in products you use
- ⇒ **What will be the impact on my business if the substance can no longer be used in the EU?**

What are your options?

- Switch substances
- Adapt technologies or processes, develop new ones
- Use additional inputs
- Switch products
- Import products
- Change product specification
- Stop producing, using

What would the impacts be?

- Technical performance
- Product performance
- Efficiency, resource requirements
- Quality, aesthetics
- Costs, revenues, profits
- Commercial performance, investment, employment
- Competitive position
- Environmental and health risks

These are core business issues: commercial, technical, strategic, not just environmental or H&S compliance

Case for authorisation if benefits > risks

Benefits

- Avoided cost increases and/or reductions in profit
- Avoided reductions in economic performance, employment, investment
- Avoided environmental impacts (e.g. energy use, transport)

Current risks

- Environmental and health impacts from using the substance

(Can be zero if risks are adequately controlled)

⇒ Authorisation more likely when costs of the alternatives are higher and/or current risks are more controlled

⇒ **Authorisation more likely when the case is clearer – a stronger case is likely to be a simpler case**

Analysing options and impacts tells you whether you need to apply for authorisation

- You might estimate that existing environmental and health risks are greater than the costs of alternative options
 - ⇒ You have found that authorisation is unlikely to be granted and you have saved the application costs
- You might identify viable alternatives
 - ⇒ You have found an option which is cheaper and/or better than authorisation (and saved the application costs)
- You might find that the costs of alternatives exceed the current risks
 - ⇒ You have a case for authorisation
 - ⇒ **And you have done the analysis you need for your application**

Analysis of alternatives template

- List of possible alternatives
- Description of efforts made to identify possible alternatives
- Research and development
- Data searches
- Consultations
- Alternative 1: Substance ID and properties/Description of technique
 - Technical feasibility
 - Economic feasibility
 - Availability
 - Reduction in overall risk

Socio-economic analysis template

- Definition of “applied for use” scenario
- Definition of “non-use” scenario
- Human health and environmental impacts
- Economic impacts
- Social impacts
- Wider economic impacts
- Comparison of impacts
- Distributional impacts
- Uncertainty analysis

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- You might find that the costs of alternatives exceed the current risks
 - ⇒ You have a case for authorisation
 - ⇒ And you have the analysis you need for your application
 - ⇒ **And if you have done your analysis right, RAC and SEAC should agree with your assessment**

BUT, it's not quite as simple as that...

The world is bigger than your business

- A substance might be critical to your business, but is it also critical for your suppliers, customers, competitors?
 - You might not identify any viable alternatives, but third parties might (through public consultation)
 - You might control risks to your environment and health, but the substance might also generate risks to your downstream users and customers
- ⇒ **You need to look wider than your immediate (commercial, technical, environmental) context**
- ⇒ But it might help your case as well (e.g. higher costs for downstream users)

Other factors affecting the application decision

- Compiling an application might still require significant staff and other resources
- The application fee is not insignificant and only guarantees an opinion, not authorisation
- Only temporary authorisation can be granted – application costs have to be incurred again and again, and justifying the authorisation might get harder over time
- Competitor, supplier and market trends – if everyone else is substituting, will you get left behind?

Key messages

- The first question is not *how* you apply for authorisation; it is *what will happen to my business if the Annex XIV substance can no longer be used in the EU?*
- Authorisation concerns your 'core business': you need to own it, not just leave it to your environment department or some consultants
- You need to think outside your business to find the right scope for your assessment: commercially, economically and environmentally
- A strong case for authorisation probably means an easier application; the more marginal the case becomes, the more resources, time, analysis etc the application will need

Thank you.

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