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MV/gk

Mr Walter Zeschky
Chairman of the Board

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By e-mail only: mail@zvo.org

Subject: A response to the comments from ZVO on the study on the impacts of REACH Authorisation and Restriction on substitution in the EU

Dear Mr Zeschky and Mr Matheis,

Thank you for your letter dated 3 September 2020 to Bjorn Hansen on the recently published study on *the Impacts of REACH Authorisation and Restriction on substitution in the EU* (referred to as "Impacts study" below). He asked me to reply on his behalf.

We appreciate your interest in the study, your support for its objectives and the thoughtful comments provided. Please find below our response, with specific comments in the Annex.

You made two separate, but possibly interlinked comments on the 'grouping approach'. On the one hand, you argued that the grouping approach was not part of the investigation and as such its benefits could not be derived from the study. On the other hand, you stated that the approach was "chemically and technically questionable". Indeed the grouping approach was not integrated into the study and only suggested summarily in the *Section 9* on 'Recommendations'. While the credibility of the grouping approach is outside the remit of the Impacts study, ECHA strongly believes that the grouping approach is very important to achieving a more comprehensive and integrated risk management of chemicals.

You commented correctly that "the study contains no data on the role of networks and technical cooperation". The Impacts study did not examine how the supply chain networks would boost companies' substitution activities. However, in *ECHA's Strategy to promote substitution to safer chemicals through innovation* (January 2018)[1], collaborative networks for innovation and substitution are deemed to 'play an important role in coordinating and advancing the practice of informed substitution', as they tend to:

- Improve coordination among various stakeholders
- Connect often disconnected knowledge and expertise
- Increase capacity through collaborative learning
- Help implement specific new collaborative initiatives to overcome barriers to substitution

It was precisely in view of these benefits that the establishment of supply chain specific collaborative networks was recommended as a means for overcoming barriers to substitution.

1 https://echa.europa.eu/documents/10162/13630/250118_substitution_strategy_en.pdf/bce91d57-9dfc-2a46-4afd-5998dbb88500

We welcome your comment about the need for further independent research corroborating the findings. We had no intention to use the findings of this study to justify the measures regulators have taken on chemicals. The Impacts study merely served the purpose of examining the real-life effects of the regulatory measures on substitution.

Concerning your comments on the representativeness of the respondents, please note that the survey was sent to 554 companies of which 96 responded. The relatively low response rate needs to be taken into account when reading the report and the number of respondents were therefore reported as part of the results.

The methodology applied in the study included a combination of an online questionnaire and in-depth telephone interviews. This allowed distilling commonly-shared experiences in various companies on costs, drivers, challenges and the benefits of substitution. In the report (page 8) we pointed out that we had addressed industries that are potentially impacted by regulatory measures taken under REACH, i.e. a subset of companies that may not be representative of all the EU industries. Thus, we called for caution in interpreting the findings of the study.

We made every reasonable effort to increase the sample size and requested more than 60 EU-wide industry associations to distribute the online survey to their members. However, these efforts unfortunately yielded only limited results.

We would like to thank you for your recommendations and welcome your call to have further independent studies conducted on the impact of REACH authorisation and restriction on substitution. Your recommendation on improving the financing possibilities for research facilities is quite lengthily addressed in Chapter 3.2 of ECHA's *Strategy to promote substitution to safer chemicals through innovation* (January 2018). Finally, we concur with your recommendation on better integrating economic considerations in substitution for instance by being as clear as possible about the economic feasibility of the alternatives. We certainly welcome your offer for active participation, as these studies very much depend on the quality and extent of information we can get from different industries and stakeholders.

I wish to reiterate our appreciation of your comments and look forward to cooperating with you in the future. For possible follow up, please liaise with Matti Vainio, Head of Risk Management Unit II (matti.vainio@echa.europa.eu).

Yours sincerely,

(e-signed)[2]

Peter van der Zandt
Director of Risk Management

Annex Responses to specific comments

[2] As this is an electronic document, it is not physically signed. This communication has been approved according to ECHA's internal decision approval process.

Annex

Responses to specific comments

Comment – *"Example in Figure 18. The author of the study draws the conclusion that companies see substitution as a way to improve their "public image". However, this aspect is not included in the evaluation"*

Response – Figure 18 contained information on annual costs of substitution and did not mention 'public image'. You may be referring to Figure 6, which lists 'public image' as one of the drivers for substitution indicated by 8% of the respondents. In Figure 7, public image is coupled with sustainability concerns and analysed per type of actor (Distributors, downstream users, manufacturers/importers, and other). In Chapter 4.9 (page 23), we further describe and analyse public image and sustainability concerns. Our conclusion that companies see substitution as a way to improve their public image derives from the responses displayed in the aforementioned figures.

Comment – "*Secondly, the study contains arbitrary assumptions. Example Figure 18: It is not understandable why an "increase in the number of employees" would represent a benefit. Experience has shown that increasing the number of employees with the same production is an economic disadvantage, especially since personnel usually represent the largest costs in a surface technology company!"*

Response – Figure 18 addresses the annual costs of substitution taking less than three years. You might be referring to Figure 19, in which the benefits of substitution were outlined, of which one benefit listed was indeed an increase in the number of people employed. You are right in suggesting that employees are a "cost" to a company. Still the very reason why they have been employed is to generate revenue to the same companies. There might be an inverse relationship between the number of people employed and the companies' net income in some cases. In the Impact study we regarded an increase in the employee count as a benefit in view of the larger societal impact as well as a host of firm-specific advantages brought about by hiring new skilled and experienced employees.

Comment – "*Thirdly, significant results are not thoroughly evaluated and are not included in the conclusions or recommendations. Page 43 and 44 reports significant one-off and annual cost increases and generates a significant result from this finding. However, this is not reflected in the conclusions."*

Response – *In Chapter 8 – Summary and conclusions* we address one-off and annual costs separately on page 43, and in the context of 'economic barriers' (somewhat indirectly) throughout the whole chapter. Still more emphasis could have been laid upon this specific issue.

Comment – *The accuracy of the study is low. Example Figure 3: A percentage representation as depicted here creates a wrong picture and suggests apparent accuracy. A total of four distributors responded to questions about seven substances or uses. Since the study was based on nine substances with 12 uses, it is not possible to make quantitative statements based on these findings.*

Response – We do not consider that Figure 3 provides an inaccurate picture. The figure reports that four distributors responded to that specific question and indicated the substitution status (completed, in progress, or planned) for seven substance/uses applicable to them. Out of these seven substances, for four substances (57%) substitution was reported to be completed, whilst two other substances (29%) were in the process of phase-out. Furthermore, for one substance

no substitution activities were planned. Despite the fact that indeed the distributors' responses did not encompass all 9 substances and their 12 corresponding uses targeted in the study under Authorizations, the findings are still valuable and factual. We consider that the findings were afforded commensurate and warranted attention in the report. The chart itself could perhaps have been clearer.