

Discussion Paper on delivering the EU Strategic Objectives and the Green Deal

The Green Deal is an inspiring ambition to which the industry should be committed. However, it is essential that due consideration be taken of the supply chain realities to ensuring that industry can transition to the new era while it is recovering from the Covid 19 crisis and facing heightened energy costs. Otherwise, it will not be able to deliver, and the Green Deal objectives will simply not be met. Similarly, an overly restrictive approach to the Chemical Strategy for Sustainability (CSS) will also undermine progress towards the EU Strategic Autonomy objectives. The "essential use" concept and the proposed universal ban of PFAS are two examples where the balance of future regulatory proposals will need to be redressed.

The European Commission's EU industrial policy for 2030 is partly based on the experience with the pandemic which highlighted EU vulnerabilities in semiconductors and pharmaceuticals and the resulting need to foster Europe's strategic autonomy. With the challenges arising from the Russia-Ukraine war, the security of supply chains becomes even more important. To build this technology leadership, whether in raw materials, hydrogen or semiconductors and related industrial value chains, industry needs a horizon as stable as possible, conducive to innovation and long-term investment.

With this in mind, Europe should make sure to keep the manufacturing of strategically important chemicals in Europe. For example, manufacturing of semiconductors and chips requires high-performance chemicals such as PFAS. It is strategically important to have chips manufacturing in Europe, but it is also equally important to **keep the whole strategic value chain for chips manufacturing in Europe**. 3M today manufactures specialty fluids and fluoropolymers in Europe, both critical for the manufacturing of semiconductors.

CHEMICALS STRATEGY FOR SUSTAINABILITY (CSS):

It is essential **that the implementation of the EU CSS remains proportionate and science-based**, and that the Commission's commitment to support a strong EU industry is reflected in the objectives of the future revision of the REACH Regulation. The current regulatory and political sentiment around chemicals, driven solely by environmental considerations that are not fully backed by sound science, will otherwise drive investments away.

The pace of adoption of CSS measures must be reconsidered: REACH is a success story and is achieving its objectives, thanks to decades of efforts by regulators and industry. The CSS is calling for fundamental changes for which impacts have not been completely assessed or sufficiently thought through and which need to fit the objectives not just of the CSS but also other Green Deal priorities. The Commission is running at such a high speed to adopt the legislative measures proposed by the CSS that industry, even the largest companies cannot meaningfully contribute, while SMEs have no possibility to follow the pace. This might inevitably lead to unsuitable legislation and unforeseen impacts.

Our ask:

- ➔ Consider **smart sequencing of different Green Deal objectives and CSS proposals**. For example, the proposed reform of the REACH authorisation and restriction process must connect together key issues such as the Generic Approach to Risk Management and the Essential Use Concept. A generic approach to banning of substances should not jeopardize the manufacturing and use of those substances that are critical for many industries, including the automotive and energy sectors, to reduce their carbon footprint and become more resource efficient.

ESSENTIAL USE CONCEPT (EUC):

Essential use concept needs to consider the value chain implications: The debate around the 'essential use' of chemicals has so far been rather dogmatic and far from industry realities. In particular, it is missing the view of the extended value chain required for the functioning or manufacturing of the critical end-use products. There is limited attention paid to the complexity of supply streams and the understanding that the final product requires many other products along the way (all of them using chemicals in one way or another). Additionally, another aspect currently missing from the debate but just as critical is that it might not be economically viable to produce chemicals for only a few 'essential uses'. When the uses are so restricted to reduce manufacturing volume, the European producers have no scale, cannot compete and would effectively stop or cede their manufacturing.

Our ask:

- ➔ Consider a **differentiated or fast-track derogation process for sectors critical for the health, safety or the functioning of society, but also the Green Deal objectives**. Those sectors should not be subject to generic restriction mechanisms. Regulating chemicals in those sectors should take into consideration the performance requirements as well as adequate time needed for development of alternatives, testing, reformulation and recertification. They are today fundamentally essential.
- ➔ Consider developing a robust **standardized process for assessing alternatives with clear assessment criteria**, taking into account the full life-cycle impact. Availability of acceptable alternatives is critical for ensuring predictability for investments and continuity of operations. The process of analysing and determining 'essential use' therefore needs to include also a clear process with clear assessment criteria for the performance, safety and other environmental impacts of the alternatives.

PFAS RESTRICTION:

PFAS is an extremely broad and diverse group of substances with very different properties. The current intention to regulate and restrict PFAS as a group has little scientific basis and would be disproportionate. Many products need the functionality provided by individual PFAS to be durable and perform over time under demanding, sometimes extreme, conditions. Furthermore, many critical sectors rely on PFAS to contribute to the strategic objectives of the EU (e.g. automotive electrification, semiconductor manufacturing, resilient healthcare / medical devices). Despite the negative perception currently assigned to the persistent character of PFAS, persistence is often beneficial as it enables critical performance, durability and functionality of the application. Persistence can also support the circular economy's approach (performance = less materials needed, durability = less waste generated).

Regulating PFAS requires a pragmatic approach: Phasing out PFAS as a group would hinder achieving the EU policy goals (Green Deal, Digital Agenda, Resilient Healthcare) as they play a critical role in helping the industry to innovate towards a decarbonized and circular economy. The Commission should not embark into a broad restriction of PFAS without a full understanding of the phenomenal impact that a large ban of PFAS as a group would have, without closing the data gap as to which PFAS pose an unacceptable risk to the environment or health, and without ensuring that the EU industry has the time to develop suitable alternatives.

Our ask:

- ➔ Consider an alternative grouping approach for regulating PFAS. One possibility could be a decision tree based on risk assessment, starting with the analysis of (eco)toxicological profile of relevant PFAS and their use (Are emissions controlled? Is it used safely?). One example of decision tree for regulating PFAS has recently been developed by FPP4EU, a sector group at Cefic.