



Cefic review 2003 - 2004

The European chemical industry at a crossroads





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The European chemical industry is at a crossroads.

A global leader for decades, the sector is seeing its position eroding dangerously fast due to the deterioration of a series of critical competitiveness factors. Industry and policymakers must act together quickly to avert decline and far-reaching, damaging consequences to Europe's society, economy and environment.



Time for joint action by policymakers and industry

Eggert Voscherau - Cefic President

Industry continues to be a vital source of prosperity for Europe. Although the services sector is showing more rapid growth in our advanced economies, it is hard to imagine a flourishing European economy in the absence of a prosperous industrial base.

Europe's chemical sector is a world leader, but this leadership – as the recent Cefic study Horizon 2015 shows – is becoming increasingly fragile. Preserving the chemical sector's global competitiveness requires urgent attention from political and industry leaders in the 25 member states of the European Union.

Innovation and Lisbon

Innovation in chemistry is the source of innovation in many other industries. This is why chemicals play such a major role in meeting the ever more demanding needs of society and contributing to sustainable growth. But such continued progress rests, first and foremost, on private and public investment in research, education and training.

If Europe's future is to depend on innovation, it must overcome its current mistrust of science and technology. It must start creating a more supportive business environment in line with the objectives identified at the EU's Lisbon summit in March 2000.

I strongly believe that Europe has the necessary skills to achieve the Lisbon objective of becoming "the most competitive and dynamic knowledge-based economy in the world." The EU's enlargement to embrace much of Eastern and Central Europe has provided a major and precious boost to this skills base.

Lagging research & development

Despite all these opportunities, the EU is losing competitive ground fast. All indicators show that research and development is falling woefully behind other regions in the world, undermining the Union's ability to remain a source of growing economic prosperity and political stability in Europe and beyond.

I am calling on Europe's political and industry leaders to take notice of this not-so-rosy picture and to take action. As French President Chirac, German Chancellor Schroeder and British Prime Minister Blair indicated in their letter to Commission President Prodi last year, this is not the time for the endorsement of stand-alone, regulatory initiatives at the expense of Europe's global competitiveness.

Ability to compete

To be competitive, European companies large and small need substantial funds to finance their innovation and growth. These funds are available on the international capital markets. To secure financing, however, companies must show a good return on invested capital. But companies cannot operate efficiently if the broader political, social and economic environment is not conducive to profitable long-term risk taking and investment. There are too many structural impediments in Europe that continue to block initiative and entrepreneurship, undermine growth and limit job creation.



This is why we, in the chemical industry, are pushing for the creation by 2005 of an EU advisory committee on chemicals to help develop a coherent industrial policy for our sector. Bringing together representatives of the European Parliament, the Commission, member states, leaders of large and small chemical companies and their customers, trade unions and academia, this advisory committee would study and make policy recommendations on the main factors driving our industry's ability to compete – innovation, regulation, market access, energy and logistics.

This will be a crucial step not only in advancing chemicals management but also in helping Europe achieve its stated ambition of becoming the world's most dynamic and competitive economy.

“I am calling on Europe's political and industry leaders to take notice and be supportive.”



Looking ahead in a spirit of renewal

Alain Perroy - Cefic Director General

This has been a busy year for Cefic in an increasingly uncertain environment

We have managed to get our views across to legislators on a number of issues such as REACH that will fundamentally affect the future of our industry. We have launched initiatives to make our industry and the many competitive challenges it is facing better understood by regulators. We have made efforts in better communicating the benefits of our products to society at large.

Cefic, meanwhile, has been continuing its internal transformation process to become ever more service and results oriented and meet the challenges that lie ahead.

Impact of REACH

REACH is perhaps the biggest single regulatory development ever to affect the European chemical industry. Cefic during 2003 has helped obtain important, positive changes to the registration and authorisation procedures proposed by the European Commission.

If managed correctly, REACH and the better regulation it potentially entails could prove an outstanding opportunity for our industry. Appropriate regulation helps instill public confidence and a secure business environment.

We nevertheless continue to harbour grave concerns about the potential impact of REACH on our international competitiveness. REACH therefore remains at the top of our advocacy agenda to ensure that competitiveness is preserved in a fast-changing global context.

The future of industry

This changing context is highlighted in a major study coordinated and published by Cefic in March, capping two years of research by 150 industry experts. Called "Horizon 2015, Perspectives for the European Chemical Industry," the study shows that Europe's position as a major production and research and development base for the global chemical industry is eroding fast.

This is why Cefic is urging the European Union to put into action an industrial policy initiative directed specifically at the chemicals industry. Over the longer term, however, ensuring such political support rests on winning the hearts and minds of the public.

Hearts and minds

Cefic in 2003 has launched the "Chemistry and You" website which has been a resounding success with educators. Thousands of European students and pupils are becoming better acquainted with what our industry does. This communications effort will continue with a major advertising campaign in Germany to promote the benefits of chemicals, which I hope will be broadened to other countries.

In further efforts to meet society's expectations, we continue striving to gain greater knowledge about chemicals under our Long-range Research Initiative. We are also making solid progress toward our target of 1,000 high-production volume substances being reviewed through the International Council of Chemical Associations voluntary initiative, and we are reviewing the European Responsible Care programme to keep it strong and attuned to society's legitimate concerns.

Organisational review

But we must go further down the path of renewal and I am dedicated to equip Cefic with the means to become an even more important service center and business tool to the benefit of our members. This is why Cefic is actively seeking to enlarge its membership to smaller companies and continue broadening its expertise. This is also why Cefic is currently participating in an in-depth study of the industry's associative system with a view to developing an organisation that is more effective and less costly – in line with an unrelenting, sector-wide productivity effort.

This organisational review will allow us to better cope with the new regulatory demands heralded by REACH, which will require companies to cooperate closely to conduct joint research, prepare registration dossiers, comply with future product legislation and obtain authorization where requested for many, often highly specialized substances. Cefic has the expertise and skills to help them in this process.

All of the developments described above would obviously have been impossible without the daily work of Cefic's dedicated sector groups, its specialised service departments and support staff. The Programme Highlights section in this report provides a detailed – and impressive – overview of their activities.

I am confident that 2004 will prove to be yet another busy year.

“I am dedicated to equip Cefic with the means to become an important service center and business tool to the benefit of our members.”



Which road ahead for Europe's chemical industry?



The European chemical industry's emergence as a global leader has its roots in the industrialisation of Europe in the 19th century. At the beginning of the 21st century, however, our industry as a source of sustainable prosperity and far-reaching technical progress is at serious risk.

Flagging R&D investment, increasingly burdensome regulation, growing pressures on energy, inefficient transport infrastructure and services, and costly patents are a deadly combination for any industry. They are certainly undermining the chemical industry's future.

There are, however, appropriate responses to each of the above elements. At Cefic, we are convinced the time has come to act.

Lisbon commitment

At the Lisbon summit in March 2000, EU leaders adopted a plan to build "the most competitive and dynamic knowledge-based economy in the world" by 2010. Far-reaching measures such as boosting investment in research, education and training, the liberalisation of energy and transport markets, as well as labour market and pension reforms were agreed.

The Lisbon commitment to bring about economic, social and environmental renewal must be translated into reality. This is why Cefic is pressing for the establishment of a senior EU industrial policy advisory group with the mission to develop a clear, measurable and agreed long-term vision for the chemical industry.

Advances in chemistry make innovation possible in many fields, enabling the pursuit of new ideas for a prosperous and sustainable society.

EU advisory group

This proposed advisory group would bring together representatives of the EU institutions, large and small chemical companies and their customers, trade unions and academia to make policy recommendations on the main competitiveness factors: innovation, regulation, market access, energy and logistics.

Such an industrial policy initiative is vital for our industry, the European economy and society as a whole. Chemistry is part of our daily lives, at home and in the work place. It underpins the technical, health and environmental performances we seek from the many, increasingly sophisticated materials we use – whether it is the packaging protecting our food, the clothes we wear, the medicine we take or the lubricant in our car engine.

Enabling technology breakthroughs

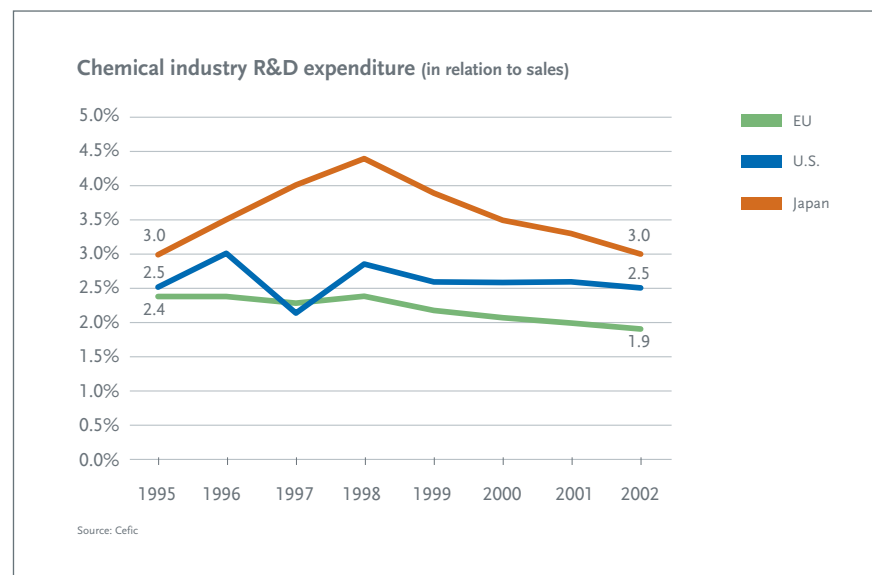
New services and goods we take for granted, such as the Internet and electronic commerce, would simply be impossible without the chemistry and advanced materials used in electronic circuit boards and semiconductors. Advances in health care rely on the development of new drugs, delivery devices and medical implants made possible thanks to biological research, engineering – and chemistry.

Chemistry is an enabling industry. Advances in chemistry make innovation possible in many other industries and the resulting breakthroughs in medicine, materials, computing, agriculture, environmental protection and many other fields. Chemistry thus enables the pursuit of new ideas for a prosperous and sustainable society.

Multidisciplinary efforts

These technical breakthroughs involve wide-ranging, multidisciplinary efforts. They require collaboration between the chemical sector and other industries, research laboratories and the academic world. The chemical industry is at the heart of some of the most cutting-edge and promising developments currently underway in the following fields:

- **Materials science:** The chemical sector is helping scientists invent radically new materials. The “smart” products of tomorrow – long-lasting and resilient coatings, functional packaging, advanced ceramics, organic electronics, flexible displays and single-molecule electronics and other materials with advanced electrical, optical or magnetic properties – are first based on advances in chemistry;
- **Nanotechnology:** Chemistry underpins research efforts into tiny nanoparticles, nanocomposites and custom-designed nanostructures. The field of research known as nanotechnology heralds huge potential advances in many fields, from drug delivery and medical devices to electronics, reinforced composite materials, electro-engineering and even cosmetics;
- **Industrial biotechnology:** The chemical sector is investing substantial efforts in the development of industrial biotechnology. These efforts focus on the development of waste-reducing manufacturing processes and the use of renewable resources such as sugars, vegetable oils and low-value biomass as raw materials – furthering the advancement of more sustainable chemistry. Such biotechnological processes can be used to make a wide variety of substances from solvents to plastics, vitamins, food additives, pesticides and bio-fuels while helping preserve natural resources and reducing the substances’ impact on the environment.



Falling behind on R&D

Europe is and must remain at the forefront of such developments. Its chemical industry must continue progress in becoming more knowledge-intensive and less resource-intensive. But this is far from being a certainty in a business environment characterised by constantly eroding competitiveness.

The industry is at a crossroads. While our society's sustainable future relies on continued innovation in chemistry, we are witnessing a worrying decrease in research and development investment in the European chemicals sector. A further, troubling sign is the fast declining number of European students graduating in chemical related disciplines.

Chemistry is an important factor of sustainable growth in Europe. But this will only remain the case if adequate resources are invested in research and innovation – and if other critical competitive factors are addressed.

Growing regulatory pressure

One of these factors is regulation. Regulation has a major, direct influence on our industry's ability to compete on European and global markets. Europe must ensure it does not pursue a path of its own at odds with those of its main trading partners.

Cefic is continuing its efforts through impact assessments and other studies to ensure that the proposed new European chemicals policy, known as REACH, doesn't deal a crippling blow to our industry.

Proportionate to effects

Business impact assessments of proposed new regulation help determine whether the new rules are proportionate to their intended effects. They also take into account the effects on potentially more vulnerable small and medium-sized enterprises.

Cefic is promoting the widespread use of such studies to help benchmark the EU regulatory environment against other advanced economic regions of the world.

Quest for coherence

Such regulatory cost-benefit analysis is all the more crucial as the sheer amount of EU regulation affecting the industry is constantly on the increase. The rising tide of regulation makes it all the more important to ensure harmony and coherence of new and existing rules and their implementation at national and local level throughout the 25-member EU.

Cefic is therefore actively participating in the EU's campaign to introduce good governance and better lawmaking. It has made an important input into the public consultation on REACH and is currently conducting pilot trials and simulations of implementation of the proposed registration, evaluation and authorisation system.

Voluntary action

Regulation, however, is only one way of achieving change. Voluntary industry initiatives are too often overlooked as an effective way to achieve the same means. Cefic is currently spearheading a worldwide effort to revamp the chemical industry's Responsible Care program, first launched in the mid 1980s, in a bid to bring product stewardship more up to date with recent developments and findings.

Cefic continues to promote a number of other industry initiatives in the chlorine and PVC sectors, among others. These are sector-wide initiatives aimed at raising the sustainability of entire product chains from the manufacturing and transformation stages to usage and recycling or end-of-life disposal.

Under a separate, horizontal Cefic-driven voluntary initiative the chemical industry has committed to improve its overall energy efficiency by 20% between 1990 and 2005. Cefic provides yearly data on the sector's energy consumption and efficiency.

Overshooting Kyoto

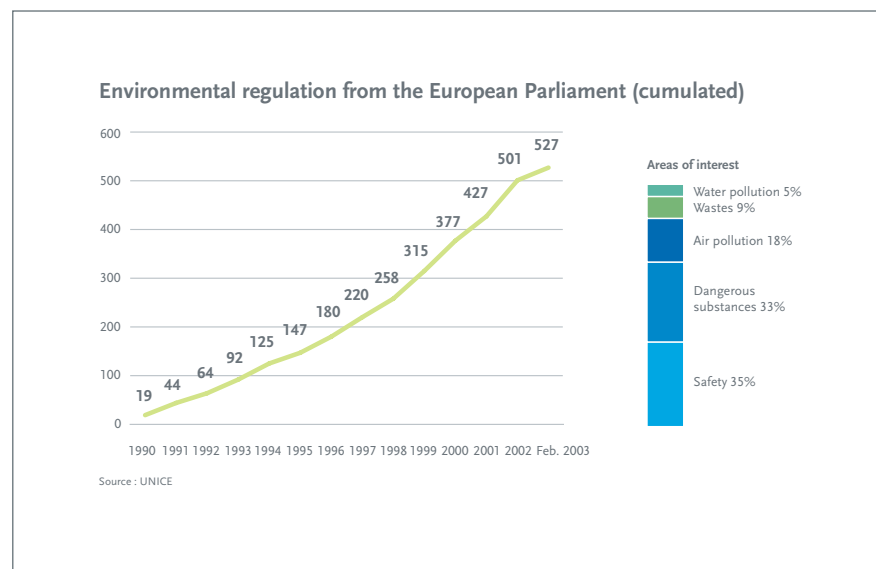
On the energy front, Europe's chemical industry is making great strides in cutting back greenhouse gas emissions, but at a substantial cost. The industry is currently exceeding EU targets under the 1997 United Nations Kyoto Protocol by a wide margin: Its emissions of greenhouse gases have decreased by more than 20% since 1990, compared to the overall EU commitment to reduce greenhouse gas emissions by 8% between 1990 and 2012.

This reduction is partly due to globalisation of chemicals production and a build-up in overseas capacity, but it also reflects technical innovation on the part of producers based in Europe. The European chemical industry's research into new catalysts makes it possible to burn less energy for the same result. Advanced catalysts also make it possible to produce chemicals from renewable raw materials such as biomass.

Global approach?

Yet the chemical sector remains an energy intensive industry. Oil and gas are important feedstock materials for many chemical producers and represent a major part of our operating costs.

Large parts of the world still lack commitments on emissions reductions and EU industry risks becoming increasingly isolated in its costly efforts to cut greenhouse gases. The EU must encourage its trading partners to adopt a truly global emissions reduction plan.



Incomplete market liberalisation

While the industry is cutting back emissions, liberalisation of the EU's natural gas and electricity markets remains far from complete, adding to Europe's cost disadvantage. This results in unjustified, wide discrepancies in prices for electricity and natural gas. Market-distorting subsidies introduced to promote the use of renewable energy sources compound the problem.

Transport infrastructure and services, meanwhile, are another area where liberalisation is unfinished and adding to European industry's cost burden. Cefic is pushing for fair competition between different transport modes and increased investment in crucial infrastructure such as rail links, inter-modal transport platforms and pipelines.

Transport gridlock

Shipments of chemicals in Europe total 1.5 billion tonnes per year, or 8% of total freight volume. The longer-term transport picture is worrisome. Freight volumes are expected to increase by 50% in the next 10 years. Major changes are required if gridlock is to be avoided.

Removing the competitive obstacles described above is all the more vital as the European chemical sector is a highly globalised industry, exporting more than a quarter of its production.

Trade surplus at threat

Chemicals accounted for an impressive 45% of the EU manufacturing surplus in 2002 and thus represent a major source of economic strength for Europe. If nothing is done to improve the industry's competitiveness, however, chemicals' healthy trade surplus will more than likely shrink dramatically over the next 10 years.

Removing competitive obstacles is vital as the European chemical sector is highly globalised and exports more than a quarter of its production.

While pushing for free and fair trade and the elimination of all import duties in the World Trade Organisation's Doha round of trade talks, Europe's political and business decision-makers must ensure that the export potential of the chemical sector remains intact.

Patent protection

As a knowledge-intensive industry operating in a global market, the chemical sector requires adequate protection of its vital intellectual assets. Protection in infringement and litigation cases is only one side of the coin. The process of obtaining the protection in the first place must be as straightforward and inexpensive as possible.

The current system in the EU, which is largely based on national patents, is unnecessarily fragmented, costly and bureaucratic. Introducing a new chemical substance in the EU currently takes three times longer and costs 10 times as much as it does in the U.S. The introduction of a simple, affordable EU patent is of the utmost importance to support innovative enterprises in the chemical and other sectors.

Industry at a crossroads

As said above, the European chemical industry is at a crossroads. Addressing the critical factors described here is perfectly feasible. Decline is inevitable if this doesn't happen, with damaging knock-on effects on many other industries and society at large.

Cefic is urging Europe's business and political leaders to boost investment in education and R&D, improve regulation, reduce energy costs, raise transport efficiency, continue to open up trade and better protect intellectual property. A competitive chemical industry will help European society thrive in a sustainable way.

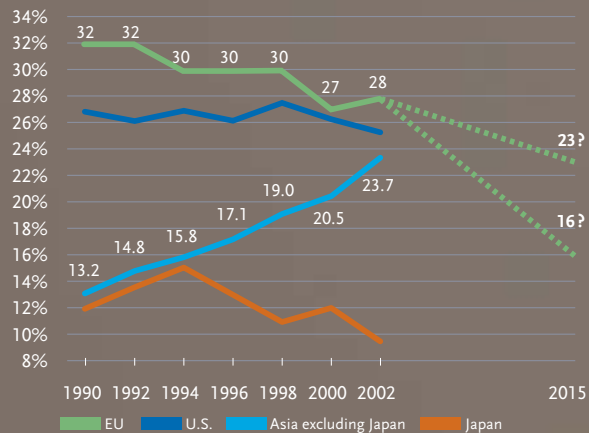




Milestones 2003 - 2004

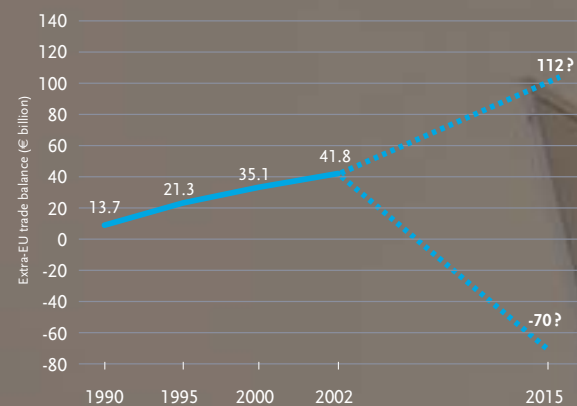
What global position by 2015? A study of the next 10 years

The EU's share of global chemicals production is dropping




Source: Cefic.
Note: figures exclude pharmaceuticals and are previous to Enlargement

EU's chemicals trade surplus in jeopardy
(Figures exclude pharmaceuticals)



Source: Cefic



In March 2004 Cefic published the conclusions of a study projecting the future state of the European chemical industry in 2015. Called Horizon 2015, Perspectives for the European Chemical Industry, and conducted by 150 experts, the study looked at several possible scenarios ranging from the more optimistic to the downright pessimistic.

The main conclusion is far from rosy: If no joint, decisive action is taken by industry and public authorities to address a series of fundamental competitiveness factors, then Europe's present position as a major production and R&D base for the global chemical industry will quickly erode. This has serious implications for the rest of the European economy, as chemistry is a source of innovation in many other sectors and chemicals are an important part of the broader industrial value chain.

The study's executive summary is available for download at www.cefic.org/horizon2015 and a copy of the full, 140-page study can be obtained from Cefic.

Here are some of the essential findings:

- In 1992, the EU was the world's largest chemicals producing region with 32% of global output. But the EU's share of the market will decrease and the drop could be dramatic: to as low as 16% by 2015;
- A shrinking chemical industry base would severely damage Europe's potential for innovation in a wide range of fields – from information technology to aerospace, medicine, hygiene, nutrition, mobility, housing, clothing and many other areas;
- Chemicals accounted for 45% of the EU manufacturing surplus in 2002. But a growing share of chemical exports are not sustainable as massive new production capacity will come on stream in Asia and other parts of the world. The chemical sector's historically robust trade surplus could swing to a deficit in matter of years;
- High regulation, energy and transport costs are increasingly undermining the European chemical industry's operating margins. The profitability gap with the U.S. has widened consistently over the past 10 years;
- Capital investment in the EU's chemical sector is shrinking steadily. The international investment picture is even more worrisome as foreign direct investment outflows in the chemical sector are five times larger than direct inflows. The capital flowing out of the EU chemical industry represents one-third of all foreign direct investment by the overall manufacturing sector;
- R&D expenditure as a percentage of sales in the chemical sector amounted to a meager 1.9% in 2002, down from 2.4% in 1998. This compares poorly with R&D spending of 2.5% in the U.S. and 3% in Japan.




REACH: Assessing and testing the system

Cefic during 2003 helped obtain important, positive changes to the registration and authorisation procedures proposed by the European Commission.

REACH – which stands for “Registration, Evaluation and Authorisation of CHemicals” – is arguably the biggest single regulatory development ever to affect the European chemical industry. As most industry sectors use chemical substances, REACH has major implications for the European industry and economy as a whole.

Cefic during 2003 has helped obtain important, positive changes to the registration and authorisation procedures as proposed by the European Commission in its White Paper “Strategy for a Future Chemicals Policy” in February 2001.

The Commission’s plan integrates several pieces of existing legislation on chemicals, with the aim of simplifying, streamlining and updating the current regulatory framework. The chemical industry supports the objectives of the proposed legislation, namely the protection of human health and the environment while ensuring the competitiveness of European industry. Appropriate regulation helps instill public confidence and a secure business environment.



In May-July 2003, the European Commission organised a wide-ranging public Internet consultation on REACH. The Commission received more than 6,400 individual comments, mostly from various industry sectors – a sure sign of the concern sparked by the far-reaching implications of this regulatory initiative.

Following the consultation, the Commission adopted a modified proposal on 29 October 2003. Some of Cefic's recommendations on the scope of the new regulation and on some important technical aspects were taken on board.

Cefic, however, continues to harbour grave concerns about the potential impact of REACH on the international competitiveness of Europe's chemical industry – and of the industrial sector in general. Despite the changes to the original plan, the proposal as submitted by the Commission to the European Parliament and to the Council of Ministers will create a bureaucratic, costly and inefficient system.

During 2003 and early 2004 Cefic took a number of important steps to recommend further changes to the REACH plan:

- **Business impact assessment**

In March 2004, Cefic and the European employer confederation UNICE agreed on a Memorandum of Understanding with the Commission on a far-reaching effort to further assess the business impact of REACH and inform lawmakers during the legislative process.

Based on concrete business cases, the study will look at the effects of REACH throughout the supply chain, including downstream users in the automotive, electronics and electrical, inorganic chemical and packaging industries. It will also look at the effects on innovation and on new EU Member States.

The business impact assessment will be overseen by a steering group with representatives from Cefic, UNICE, the Commission, the European Parliament, the Council of Ministers, trade unions and non-governmental organisations. The study's conclusions are expected in November 2004.

- **Strategic Partnership on REACH Testing**

The Commission has approved Cefic's proposal to conduct a Strategic Partnership on REACH Testing. Known as SPORT, this is a Europe-wide pilot trial involving the Commission, EU Member States and industry to:

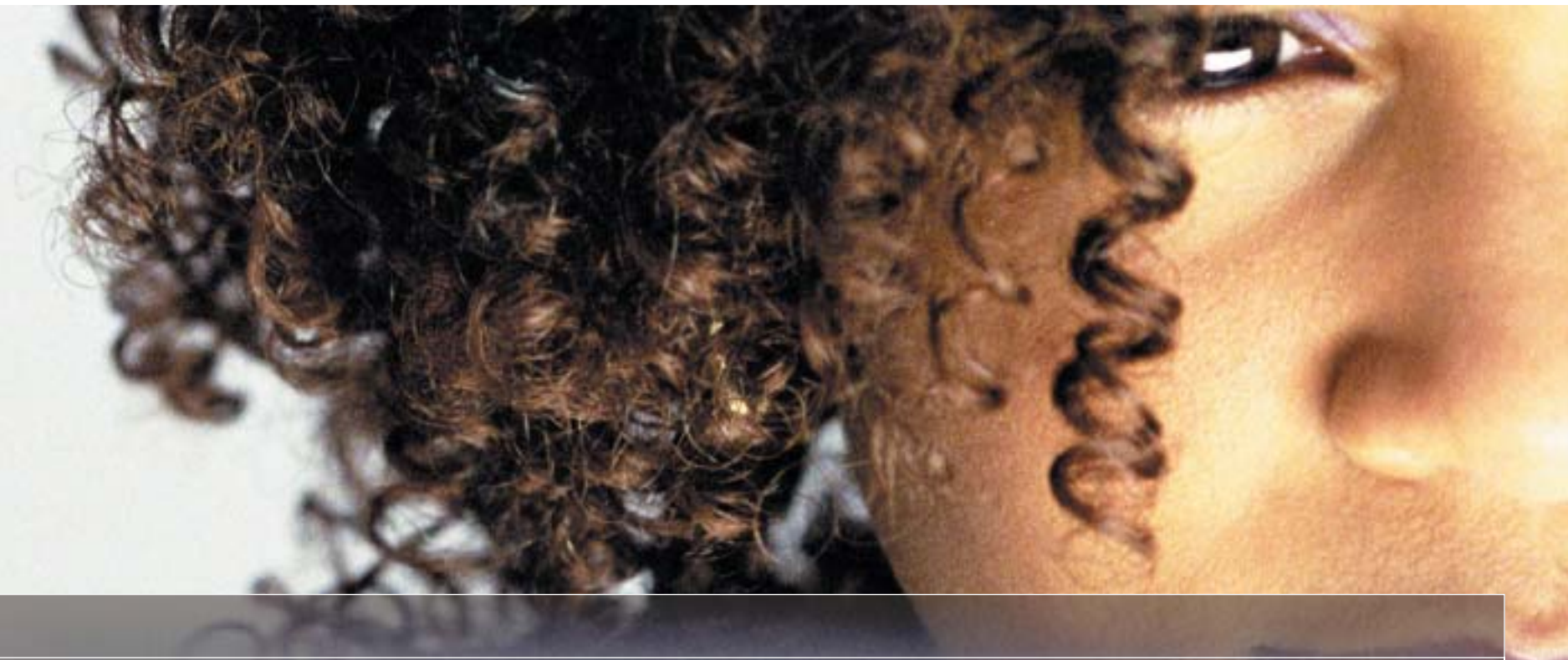
- Test the workability of REACH and alternative approaches that would lead to an equivalent regulatory outcome;
- Identify the needs for methodology, tools and guidance;
- Gather information about possible business consequences such as de-selection and substitution;
- Gain practical experience with consortia formation and management.

The exercise will expand on the REACH pilot trial conducted by the government of North Rhine-Westphalia in Germany. It will involve manufacturers, importers, downstream users and independent consultants.

The aim is to publish a final report in mid-2005. Interim findings, however, may be communicated earlier.

Chemistry in the classroom: Firing up interest





Cefic launched the chemistry and you website in a bid to help fire up interest in chemistry among younger people. Launched on the occasion of the European Science and Technology Week in November 2003, www.chemistryandyou.org was marketed with the help of a promotional poster to 30,000 secondary schools throughout Europe. The response was overwhelming.

In six month's time the site has received more than 50,000 visits and the number of daily visitors is rising. Enthusiastic teachers from all over Europe have requested thousands of additional posters to help them with their classroom work.

"Chemistry and You is proving very useful in making my pupils understand how chemistry is present everywhere we are," said Ma Jesus Borrego Vaquero, who teaches at the Colegio Divino Maestro in Lugo, Spain.

The website and associated teaching tools disseminated by Cefic show the benefits chemistry brings to our daily lives: Whoever we are, wherever we live, chemistry is present in everything we do. This is in line with the European Commission's yearly Science and Technology Week initiative, which puts the

emphasis on showing rather than telling young Europeans how science and technology can have a very real and rewarding effect on their daily lives.

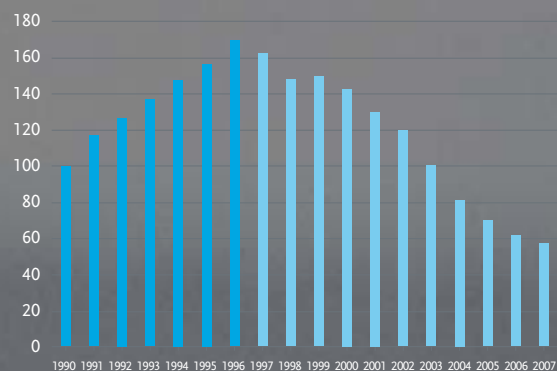
The website has been tailored to be attractive to young people while meeting the needs of secondary-school teachers. It shows how chemistry is part of the lives of ordinary people, young and old. Using scores of concrete examples, the visitor can see how chemicals are present in commonplace consumer goods in the home, at the supermarket and in many day-to-day tasks and experiences.

"I am sure the pupils will find something there to stimulate their interest in sciences and chemistry in particular," said Patrice Goderniaux, a teacher at the Institut Notre-Dame Bertrix in Gedinne, Belgium.

Indeed, preserving the chemical sector's long-term but critical ability to innovate begins in the classroom. It rests on human skills and sustained investment in education and research. Not only does R&D spending by the chemical sector in the EU compare unfavourably with other regions, the number of students in chemical-related disciplines in Europe is dwindling fast: The number of European

graduates in chemical-related sciences is expected to drop by 10% each year in the 10 years to 2007. If the current trend isn't reversed, Europe may be left with virtually no new chemistry graduates in another 10 years' time.

Chemical and industrial chemicals* graduates in Germany, Italy, UK** and the Netherlands



Source: Cefic * Including pharmaceutical ** estimated data for UK: 1990-1995 2004 - 2007: estimated



Programme highlights



2003: A busy year addressing competitive issues in a fast-changing environment.

Chlorine

Leader in sustainability

Publication of long-term sustainability targets represents a major milestone in the European chlor-alkali sector's responsible production programme.

Over the past 15 years, producers have steadily worked together through Euro Chlor to respond to environmental concerns and improve public acceptability of chlorine. Now, publication of measurable 2010 indicators in areas such as energy efficiency, emissions and the use of resources provide solid evidence of the sector's commitment to transparency and openness backed up by performance. All the members, representing 97% of the EU-25 chlorine capacity, are fully committed to this strategy, which is one of the first comprehensive approaches to sustainability within a major chemical sector.

Euro Chlor unveiled its targets and results for the first two years at a sustainable chemistry workshop held by the German Federal Environmental Agency (UBA) in Dessau in January 2004. The federation will report annually on its progress so that stakeholders can assess the sector's performance against commitments. The next stage will be to link to downstream producers' programmes.

Energy costs

Having been successful in ensuring that energy used for electrolysis is excluded from the Energy Taxation Directive that entered into force on 1 January 2004, the chlorine sector now faces another potential increase in energy costs as a result of the EU European Emissions Trading Scheme starting in 2005.

The marginal cost mechanism used for electricity pricing could provide power generators with an unintended and unanticipated windfall profit that would cost the chlorine sector alone an additional €250 million for energy. Power prices are important to the competitiveness of the chemical industry; In the production of chlorine and caustic soda by electrolysis, electricity typically represents some 60% of the cost of production.

Euro Chlor has joined an alliance of seven other energy-intensive industries that have proposed a solution decoupling the electricity and CO₂ markets. This does not require any amendment to the Directive on Emissions Trading, which Euro Chlor aims to further.

Mercury conversion

Measures that could affect up to 50% of European chlor-alkali capacity may result from the outcome this year of a wide-ranging EU strategy for mercury emissions. Euro Chlor has been deeply involved in the relevant issues related to mercury cell technology.

The main challenge faced by the chlorine sector does not centre on manufacturing emissions, which reached a record low in 2003, but on the future of the large amount of mercury used within the existing 53 mercury-based European plants. About 11,600 tonnes of this metal – equivalent to several years of global mercury demand – will become available as producers fulfil an industry

commitment to convert to alternative technology by 2020.

Because of concerns about a possible collapse of global mercury market prices leading to an increased demand for mercury in non-sustainable applications, European producers signed an agreement three years ago to return all residual mercury to a Spanish mining company, Minās de Almadén. Tonne-for-tonne, it replaces metal that would otherwise be newly mined. Since 2001 almost 1,000 tonnes have been returned and market prices have actually risen by more than 50%, thus disproving earlier fears about possible market disruption leading to more widespread use of mercury.

During 2003, in addition to Western European producers, all seven companies with mercury-based chlorine plants in the 2004 EU accession countries agreed to join the scheme.

Electromagnetic fields

Intensive advocacy efforts during 2003 undoubtedly had a positive impact on discussions regarding the EU draft directive on workplace exposure to electromagnetic fields. Although the directive is expected to be adopted in 2004, international guidelines on how to measure worker exposure to EMFs do not exist and determining this could take 3 to 4 years. The chlorine industry's principal concern is that the directive could unnecessarily impact the small number of specialised workers active around the transformers and rectifiers. One hundred years of safe operation leads Euro Chlor to believe there are no health implications for these employees.

Chlorine assessment

The initial hazard assessment for chlorine compiled under the ICCA High Production Volume (HPV) programme was endorsed in May 2003 at an OECD meeting with agreement that it poses no environmental or human health concerns. A more extensive assessment under the EU Existing Chemicals programme will also include potential environmental risks from various by-products created during use.

To respond to allegations of a lack of data on hazardous substances, Euro Chlor has published information on its website www.eurochlor.org on 38 chlorinated chemicals of concern. Data can be accessed through hot links, whether the source is OECD SIDS/SIARs, EU existing chemicals risk assessments or industry HPV data.

Euro Chlor has followed a similarly transparent approach to data with regard to publication by the European Environment Agency of the European Pollutant Emission Register (EPER). Since a third of the chemicals listed are chlorine related, the industry has also posted on the federation's website additional complementary data on the emissions to air and water of 22 chlorinated organic compounds spanning the 17 years from 1985 to 2002 – more than the EPER annual data for 2001.

Water Framework Directive

The marine risk assessments of various chlorinated substances carried out by Euro Chlor between 1995 and 2001 proved to be of great use in helping to agree environmental quality objectives under the Water Framework Directive. Standards remain to be agreed for some substances, including mercury, and work on emission limit values will start in earnest in 2004.

Plastics

New European plastics group

Increasingly strong bonds with CEFIC and National Plastics Associations led to a fundamental review of APME during 2004 and how it interacts with its partners in the context of a dynamic and changing business environment.

A new, streamlined organisation will be formed to represent the European plastics industry, replacing APME by the end of 2004. This new organisation will balance national and European considerations on behalf of its member companies and will address the many challenges and opportunities facing the industry with a single voice.

Proactive policy role

European legislators are increasingly seeing APME as a valuable source in framing environmental policies in a wider context.

The debate is now broadening from waste management and resources to look at the role played by plastics in sustainable development. It is in this context that APME is increasingly taking a pro-active role in policy developments.

For example, APME is involved in framing discussion papers on new Thematic Strategies being developed by the EU, strategies which will shape future resource and energy policies.

www.apme.org

TEC research

Research by the Technical & Environmental Centre in 2003 was vital in helping provide meaningful input to the European legislative debate on sustainable development.

TEC studies played an essential role in persuading the Commission to consider the whole life cycle of products, not just end-of-life management. APME was involved with the European Commission's Environmental Technical Action Plan adopted in January 2004 and which seeks to address the issues of sustainable production and consumption.

Waste directives

The targets of the EU's Packaging & Packaging Waste Directive were revised in 2003. Thanks partly to input from APME's eco-efficiency studies, the increases in plastics' recycling targets were kept at a realistic and achievable level.

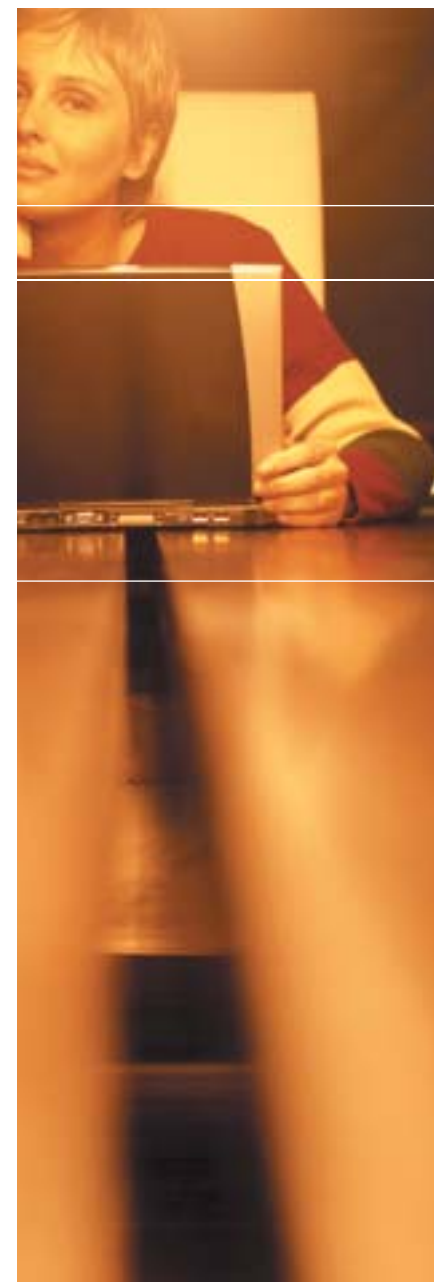
Meanwhile, the electronics (WEEE) and vehicle (ELV) waste directives also came into force. APME is actively involved in industry-wide efforts to improve end-of-life recovery techniques – in particular feedstock, gasification and shredder residue treatment.

Water to Africa

APME's 'click to give' Internet campaign, set up jointly with U.K.-based non-governmental organisation WaterAid, came to fruition in 2003 and hit its target of 1.5 million clicks within three months. As a result, €150,000 was donated to WaterAid projects to provide clean water and sanitation in Nigeria and Mali.

With the success of APME's Aquaplastics campaign, a second charity initiative with WaterAid will be launched in 2004, aimed at funding aid projects in Malawi and Madagascar.

www.aquaplastics.org www.wateraid.org



Petrochemistry

Olefins pipelines

The Association of Petrochemical Producers in Europe (Appe) has been working with the European Commission for several years to get olefins pipelines recognised as an infrastructure of European interest. In 2004, olefins pipelines were included in the Commission's proposed revision of the TEN-E guidelines. Following the European legislative process, Appe is now explaining its Trans European Olefins Pipelines Project to members of the European Parliament and Council. See the full information package in the pressroom of www.petrochemistry.net

Petrochemistry.net

Petrochemistry.net has turned out to fulfil its role as the voice of European petrochemistry on the web. Traffic has increased 125% in the second half of 2003. It now comes first in the top-ten results of major search engines and the feedback of stakeholders, such as the press, the educational community and the financial world, is extremely encouraging.

This can be ascribed to the targeted method used to promote the website and to the launch of an interactive product flowchart tracing the steps from crude oil through petrochemicals to consumer products. Visitors' feedback will be used to revisit the structure and contents of the website in 2004. See www.petrochemistry.net

Solvents safety

The 2003 European Week for Safety and Health at Work focused on dangerous substances in the workplace. In that context, the European Solvents Industry Group provided advice to over 400,000 solvent-using companies in Europe, most of them small and medium-sized enterprises. The campaign was developed in co-operation with national health and safety authorities, as well as with national industry associations; the aim was to offer concrete solutions on the safe use of solvents at work – an objective that features strongly in the European Solvents Industry Group's work programme with downstream industry. For more information on ESIG's health and safety best practices, visit www.esig.org

Single assessment document

As solvents distributors and suppliers face multiple assessments to meet specific company requirements, a harmonized assessment system such as the European single assessment document could save significant resources in both time and manpower.

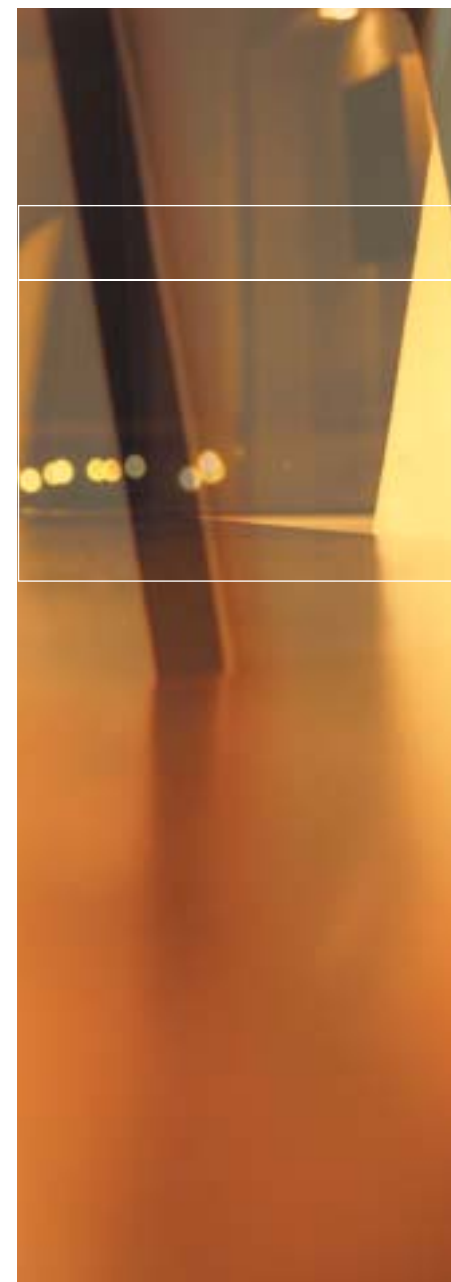
The European single assessment document is an audit scheme to assess the HSE performance of distributors. Built as a joint project by the European Association of Chemical Distributors and Cefic, it was integrated as a module of the Cefic Safety and Quality Assessment System package and as a service to members. Appe members were invited to join Cefic SQAS and ESAD, as well as to advocate its implementation through the business lines, outlets and distributors. For more information, see www.sqas.org

Dry disconnect couplings

In their drive to improve the HSE standards in the propylene oxide distribution chain, member companies of the PO sector group issued a recommendation to use dry disconnect couplings for PO distribution transport equipment. For more information, see the pressroom of www.petrochemistry.net

Glycol risk assessments

An expert panel, convened by the US National Toxicology Programme Center for the Evaluation of Risks to Human Reproduction, concluded in February 2003 that developmental and reproductive risks stemming from exposure to the chemicals propylene glycol and ethylene glycol are "negligible." This conclusion is viewed as a victory for science-based risk assessment, and represents a major success for the scientific and advocacy work performed over several years by the Ethylene Oxide & Glycols and the Propylene Oxide & Glycols Sector Groups in collaboration with the respective ACC Panels. The full report can be accessed at http://cerhr.niehs.nih.gov/news/egpg/EG_Monograph.pdf





Specialty Chemicals

Cefic decided in June 2003 to create a Specialty Chemicals Programme under the chairmanship of Lanxess Member of the Board Dr. Ulrich Koemm to provide a common platform for this diverse but important business sector – 10,000 companies in Europe with €100 billion in annual sales – and help raise its visibility.

Members of the Specialty Chemicals Programme include small and large producing companies and their national sectoral trade associations. The areas covered by the programme are:

Fine chemicals

The European Fine Chemicals Group (EFCC) was set up in October 2003.

Fine chemicals are unique, high added value substances manufactured to an agreed technical specification in relatively small volumes. Innovation, developments in the pharmaceuticals sector, competition from Asia and the increasing EU regulatory burden – such as REACH – are important issues affecting the industry. The majority of fine chemicals producers are small and medium-sized enterprises and the sector has annual sales of about €30 billion.

A steering group of 7 senior executives met twice during the year to develop the group's vision, aims and objectives under the chairmanship of Dr. Peter Nagler of Degussa. Tony Scott of the U.K.'s Specialised Organic Chemicals Sector Association was appointed to work part time as EFCC's manager. The group is aiming for membership of 100 companies and is investigating possible alliances with other sector groups and associations – such as APIC, the European Pharmaceutical Ingredients Committee – to minimise duplication of efforts.

Eurocolour launched

Eurocolour was officially established in March 2003. A press conference provided customer associations and product related press with the remits of the association. Eurocolour represents eight national and multinational associations and eight major producers of pigments, dyes and fillers.

Eurocolour took part in a technical meeting for associations from the U.S. and Europe to exchange information. Aside from REACH, the group has focused its efforts during 2003 on the Integrated Pollution Prevention and Control Directive and food contact legislation. In addition, a brochure on "Colourants for Food Contact Plastics" has been posted on the Cefic website.

Plastic additives

The plastic additives producers are concerned about the potential impact of REACH, which could force many additives out of the EU market because testing costs risk being disproportionately high compared to sales volumes. This would have serious effects not only for the chemicals industry, but also for compounders who mix plastic formulations and the manufacturers of plastic goods and parts. They risk losing access to many additives that are required to develop and make products providing the specific properties and performance required by their customers. The plastic additives group is currently developing a joint position with the plastics industry on REACH.

Flame retardants

All sectors of the European flame retardants industry have been increasingly active in 2002-2003 on topics such as eco-labelling, chemical risk assessments, fire statistics and fire safety promotion, life cycle assessments, studies of chemical safety and REACH.

Increasing awareness of fire safety issues concerning consumer goods makes the supply and the understanding of effective flame retardants essential: The year 2003 saw for example several companies in Europe move to sell and promote fire-resistant television sets, and early 2004 saw media coverage of the tragic consequences of fires starting in furniture lacking any flame retardants.

EU eco-label criteria are moving toward authorising flame retardants which are not subject to certain risk phrases or which no longer have such properties once integrated into the treated material. The European Flame Retardants Association (EFRA) has produced a document giving examples of flame retardants fulfilling these criteria.

EU risk assessments are currently underway for a number of flame retardants. The risk assessment report on Deca-BDE has confirmed that this substance does not present any risk to the environment. In 2002, the human health part of the risk assessment concluded that this substance represents no risks for human beings. Nonetheless, and although the risk assessment of Deca-BDE has been continuing for 10 years, industry has been asked to carry out a further study.

Studies of other flame retardants, meanwhile, are also under way or completed at the national level. The Netherlands lifted a 2002 ban on the brominated flame retardant FR720 (BDBPT). A Swiss Federal Health Ministry study of 11 phosphorous flame retardants concluded that all were present in indoor air at concentrations well below levels of concern.

EFRA has participated in a lifecycle assessment of flame retardant use in upholstered furniture. The study shows the significance of accidental fires in overall pollutant emissions. Meanwhile, the newly launched Phosphate Ester Flame Retardants Consortium (PEFRC) has initiated study of phosphorous flame retardants, including emissions from consumer goods. www.cefic-efra.org

Plasticisers

EU risk assessments have been technically completed for four of the five phthalates that have been undergoing evaluation. Progress to final publication in the EU Official Journal, however, remains frustratingly slow because of the continuing political debate.

Technical experts from the EU member states agreed that no risk reduction measures are necessary for any application or use of Diisononyl phthalate (DINP), but the European Commission continues to try and persuade member states that measures be put in place for their use in toys.

The risk assessment for Di(2-ethylhexyl) phthalate (DEHP) was concluded by technical experts in March 2004. The necessity for some minor risk reduction measures are expected to be discussed by member states later during the year. The technical assessment for Butylbenzyl phthalate (BBP), meanwhile, is expected to be concluded during 2004.

The European Council for Plasticisers and Intermediates (ECPI), meanwhile, continues to be an active supporter of Vinyl 2010 – which manages the polyvinyl chloride sector's voluntary commitment – contributing funds and expertise to a number of recycling projects across Europe. www.ecpi.org

Stabilisers

Risk assessments involving the European Stabiliser Producers Association (ESPA) on cadmium, lead and tin continued throughout 2003. The lead risk assessment is a voluntary one. It implies that ESPA worked together with the rest of the lead industry and the consultants appointed with the approval of the Dutch authorities to compile the necessary data for a full risk assessment.

After submission in September 2004 to the Dutch authorities, who will act as rapporteur for this dossier, the assessment is then expected to go through the Existing Substances procedures for discussion by EU member states – the first example of such a voluntary procedure.

Separately and as part of its engagement in the polyvinyl chloride sector's voluntary commitment managed by Vinyl 2010, ESPA continued to work with the European Plastics Converters (EuPC) in developing alternative systems to lead. ESPA continues to be an active supporter of Vinyl 2010, contributing funds and expertise to a number of recycling projects across Europe. www.stabilisers.org

Silicones

The Centre Européen des Silicones (CES) completed a toxicological dossier on a silicone cosmetic ingredient, octamethylcyclotetrasiloxane. The dossier is to be submitted for an opinion to the advisory Scientific Committee on Cosmetic Products and Non-Food Products. The SCCNFP is expected to deliver its opinion by end 2004.

A favourable opinion by the SCCNFP is required to maintain this substance on the European List of Cosmetic Ingredients, according to the terms of the 7th Amendment of the Cosmetics Directive. As an example of the wealth of data that exists on this substance, the study reports that were sent to the SCCNFP filled 11 boxes. The dossier was submitted jointly with Colipa, the European cosmetics and toiletry and perfumery association.

www.silicones-europe.com

Fluorinated chemicals

Efforts are continuing on promoting the concept of fluorocarbons as essential chemicals in various applications where containment is feasible and energy savings can be demonstrated. For that purpose the European Fluorocarbon Technical Committee (EFCTC) has developed a simple brochure explaining the link between F-gases and greenhouse-gas emissions.

The brochure can be found at http://www.eurofluor.org/publications/HydrofluoricAcid_UK_04.04.pdf

The EFCTC has contacted users and been involved in EU parliamentary and council discussions about F-gas regulation to make sure that scientific facts are taken into account.

Meanwhile, the CTEF (Comité Technique Européen du Fluor) developed medical guidelines to help address possible injuries from exposure to hydrogen fluoride, a corrosive chemical.

Catalysts

The European Cracking Catalysts Producers Association (ECCPA) and the European Catalysts Manufacturers Association (ECMA) are joining forces under the umbrella of Cefic's Specialty Chemicals Programme. This new specialty cluster will unite producers of metal, metal oxide and fluid cracking catalysts.

Inorganic specialty chemicals

Titanium Dioxide Manufacturers Association (TDMA)

The TDMA and the American Chemistry Council commissioned independent epidemiology and toxicology research to further verify the safety of titanium dioxide products. The studies showed that TiO_2 can be regarded as a safe, multipurpose and valued white pigment for a variety of end-use applications. The main findings were:

- There was no evidence that TiO_2 has any toxic properties that would lead to respiratory risks in humans.
- Statistical studies of workers' health records in Europe and in North America did not show any increase in health risks with increased exposure to TiO_2 or with longer duration of employment in a TiO_2 production environment.

In the frame of the Integrated Pollution Prevention and Control (IPPC) Directive 96/61 EC, TDMA has prepared a detailed best available technique reference document for the production of TiO_2 . Both sulphate and chloride production routes are described in this 131-page document.

Physical Sunscreen Manufacturers Association (PSMA)

The PSMA has published an article on 'Safety and Efficacy of Microfine Titanium Dioxide' in the October 2003 edition of *Cosmetics and Toiletries* magazine detailing the safety testing carried out by TiO_2 manufacturers. The study covered skin

penetration and inhalation testing of TiO_2 nano-particles (<100 nm). Having examined the data, the EU's advisory Scientific Committee on Cosmetic Products and Non-Food Products (SCCNFP) recommended that titanium dioxide is safe for use in cosmetics and sunscreens.

Sodium Sulphate Producers Association (SSPA) and Zinc Oxide Producers Association (ZOPA)

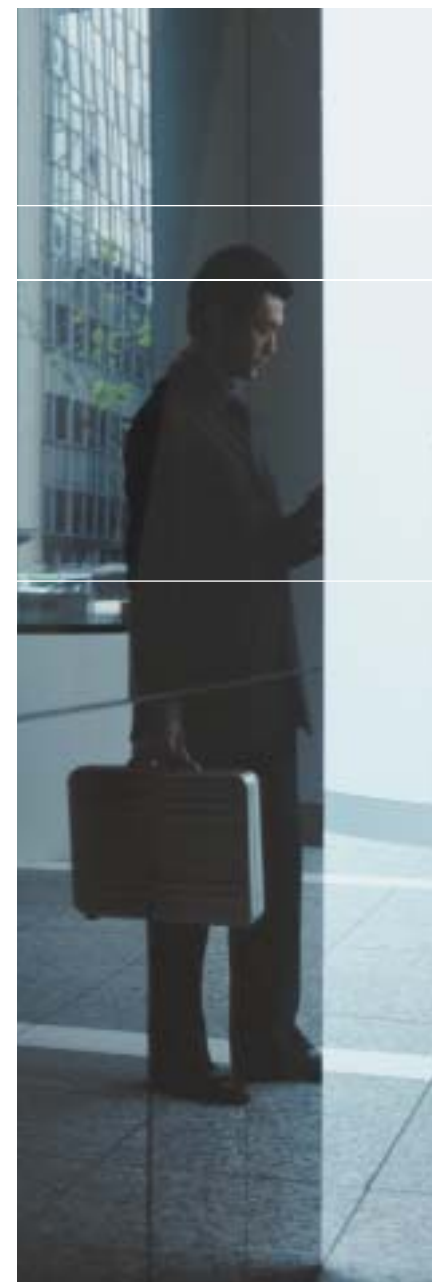
In the frame of the Integrated Pollution Prevention and Control Directive 96/61 EC, SSPA and ZOPA have prepared a Best Available Technique Reference document for the production of Sodium Sulphate and Zinc Oxide.

Peroxygens

For Hydrogen peroxide, a comprehensive EU risk assessment has been finalised in 2003, according to Council Regulation No 793/93 on the evaluation and control of the risks of existing substances. For more information please see <http://ecb.jrc.it/existing-chemicals>

Inorganic coagulants

A consortium has been formed to prepare an ICCA/HPV dossier on iron salts led by Kemira and with Finland as sponsor country.



Product Stewardship

EU Chemicals Policy Review

Please see the article on page 12 for more details about the EU Chemicals Policy Review and REACH.

Trans-Atlantic dialogue

The European Commission and the U.S. administration agreed in April 2003 to renew their commitment to the Trans-Atlantic Business Dialogue as a forum for government and industry discussions on commercial issues. In this context, the world's two largest chemical industry representative groups, Cefic and the American Chemistry Council, continue to strive for greater convergence on chemical regulatory systems.

OECD assessment

Following the OECD Assessment Meeting (SIAM) of November 2003, which has assessed a record number of ICCA substances, the assessments for a total of 147 ICCA chemicals have been completed. It can be expected that the OECD HPV Programme will remain the most productive international programme on chemicals management thanks in large part to the input from the ICCA HPV Initiative.

HERA co-operation

The voluntary HERA (Human and Environmental Risk Assessment on ingredients of household cleaning products) project continued successfully in 2003. Launched in 1999, HERA is a joint initiative of AISE, the association representing producers of soaps, detergent and maintenance

products, and Cefic. It is pioneering several aspects of co-operation and technical data sharing between users and producers of chemicals, including confidentiality, ownership and cost. The third external workshop in November 2003 focused on risk communication, bringing together a wide range of stakeholders, including EU institutions and member states, NGOs, trade and media. For more information on HERA, please visit www.heraproject.com

PBT substances

The European Commission has proposed an interim strategy to deal with persistent, bio-accumulative and toxic substances. By co-ordinating the input of sound, scientific data from the industry, Cefic has helped to produce a more reliable list of possible PBT substances. So far, the European Chemicals Bureau has identified 25 potential PBT High Production Volume substances. An additional 25 substances have been identified for further review during 2004.

Classification and labelling

Good chemicals management depends on the clear communication of hazards. In the past, the lack of harmonisation between different classification and labelling systems has sometimes resulted in ambiguous or confusing information, with obvious risks to those using the product.

Elaboration of the Globally Harmonised System for Chemicals Classification (GHS) was an outcome of the 1992 UN 'Earth Summit' in Rio de Janeiro. This international recommendation provides a basis for classifying and communicating the hazards of chemical products at various stages of their lifecycle from raw materials to recycling or disposal.

The GHS has been elaborated under the UN umbrella during the past few years, and Cefic has actively contributed to this work. The Commission has indicated an intention to adopt the GHS in the EU at the same time that REACH will come into force.

Global regulation

The UNCED Earth Summit in Rio de Janeiro in 1992 on sustainable development has led to a number of initiatives to provide a global framework for the safe management and use of chemicals.

Cefic's Global Regulations and Capacity Building Group, in direct collaboration with the American Chemistry Council and other associations, proactively seeks out and evaluates emerging legislation. When necessary it advocates the establishment and acceptance of global standards for the safe management of chemicals. In doing so, the group facilitates the ability of companies to operate in world markets in compliance with legal requirements. Furthermore, Cefic supports the minimisation of duplicating requirements across different legal jurisdictions by advocating the mutual recognition of assessments and evaluations already undertaken.

In October 2003 Cefic organised a joint meeting between industry and the State Environmental Protection Administration of China as part of its continuous dialogue with Chinese authorities. The meeting was held in order to understand and discuss the new "Provisions on the Environmental Administration of New Chemical Substances," which entered into force in China in October 2003.

Occupational health & REACH

Regarding the claimed occupational health benefits of the proposed new chemicals policy, Cefic's occupational health experts provided input to the European Commission in July 2003, particularly on data documenting the greatly reduced exposure to known human carcinogens. In November, Cefic contributed with other stakeholders to the closing event of the European Week on Dangerous Substances 2003, organised by the European Agency for Safety and Health at Work in Bilbao.

Seveso II revision

In September 2003, EU Parliament and Council agreed on revision of the Seveso II Directive. The agreement tightens the Directive in several areas relevant for the chemical industry. Cefic advocated its views effectively during the revision process, and considers the directive improved in many respects.

EU pollutant registry

The European Environment Agency launched the European Pollutant Emission Register website in February 2004, thus making public information regarding emissions from industrial installations as required by the Integrated Pollution Prevention and Control Directive. EPER is the first step toward the application of the European Pollutant Release and Transfer Register protocol signed in May 2003 under the Aarhus Convention. The EPER and PRTR together are to be considered as a new challenge for industry. Cefic supports emissions reporting programmes such as EPER, believing they can provide valuable information that can help document and stimulate environmental progress and communicate information to the public. data, however, must be put into perspective and correctly interpreted.

Clean Air for Europe

The European Commission's Clean Air for Europe (CAFÉ) Thematic Strategy (under the 6th Environmental Action Program) is now in its third year with the report due to be finalised in 2005. Cefic participates actively in the industry advocacy work coordinated by UNICE, particularly in the effects of health effects, target-setting/policy assessment, modelling and particulate matter. We actively support emissions estimation standard-setting (CEN TC264/WG17) for which a draft final report has been issued.

Groundwater Directive

In September 2003 the European Commission published its proposal for a Groundwater Directive. The chemical industry acknowledges the importance of groundwater protection, and contributes to it through research, technology improvement, responsible process and product management. Cefic agrees with most of the proposal, but a few points remain to be clarified in the text. Cefic is currently working intensely in order to ensure that this directive becomes a manageable instrument.

In accordance with the Water Framework Directive, the Commission is preparing a proposal for the end of 2004 on priority substances. The objective of the proposal is to allow any surface water to be used for drinking water without any de-pollution treatment. Cefic is closely monitoring progress in defining the Environmental Quality Standards on these priority substances.

Acute exposure thresholds

Acute exposure threshold levels define the limits of airborne concentrations of chemical substances following acute accidental exposure. Cefic has helped prepare and is now actively participating in the European Commission's ACUTEX project, which aims to develop and harmonise such limits for major accidental hazard prevention and mitigation.

Sectoral activities

Promoting workable regulation

Product Stewardship sector group initiatives include among many others:

- Biocide Group's legal action before the European Court of Justice in order to secure the protection of the legitimate intellectual property rights of its members;
- Food Contact Material SG successful co-ordination of advocacy actions with the food contact material chain in the context of the revision of the Framework Directive;
- Feed additives producers' work with authorities on the development and implementation of the new Feed Additives Regulation;
- Formaldehyde sector group and VNCI commissioning of a TNO report challenging the DECOS conclusion recommending a 0.12 ppm formaldehyde OEL at workplace; economic impact assessment and feasibility study started in the same connection;
- Polyols sector group position paper issued to express industry's concern over the serious trade distortions the Biofuels Directive would create in the biofuels and polyols market;

- Biochemical (fermentation) industry actions in the context of the reform of the EU's Common Agricultural Policy, which will have an impact on competitiveness.

Health & safety initiatives

As part of their commitment to Responsible Care, several of the Product Stewardship Programme sector groups have continued their efforts in various health and safety initiatives. Recent work includes:

- Rosin resins and pine chemicals producers' (under HARRPA) commitment to 21 substances on the ICCA-HPV programme;
- Soluble silicates producers' (CEES) SIAR submission on a category of 5 soluble silicates;
- Inorganic feed phosphates producers' (IFP) involvement in an Inorganic Feed Phosphates BREF;
- Alkylphenols producers' (CEPAD) co-operation in a UK chemical supply industry and downstream users voluntary agreement on the reduction in use of nonylphenol and nonylphenol ethoxylates (NPE).

Water and oil treatment chemicals

The former detergents cluster was renamed water and oil treatment chemicals in order to better reflect the various fields of applications of the different groups: CEEP (phosphates), CEES (silicates), CEPAD (alkylphenols), EAC (chelating agents), EBPP (butylphenol) and ZEODET (zeolites).





International Trade and Competitiveness

WTO and market access

In June 2003, the ICCA International Trade Group staged a successful event at the World Trade Organisation premises in Geneva, aimed at increasing WTO members' awareness of the chemical industry and its interests in the Doha Round of global trade negotiations.

However, the WTO Ministerial Conference in Cancun in September 2003 was a setback for the Doha Round as it ended without consensus. ICCA and Cefic were strongly represented to demonstrate the chemical industry's commitment to furthering trade liberalisation. Since the failure of Cancun, most WTO members expressed continuing commitment to the round and negotiations re-commenced in March 2004. The original deadline for completion on 1 January 2005, is unlikely to be met.

With regards to bilateral trade agreements, Cefic continued to contribute to the negotiations with Mercosur (Argentina, Brazil, Uruguay and Paraguay), Chile, the Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and Mediterranean countries. In June Cefic staged a successful meeting with the Agadir countries (Morocco, Tunisia, Jordan and Egypt) in Barcelona.

Cefic continued to assist individual members or sector groups in removing market access barriers in third countries. In addition, Cefic actively monitored developments concerning WTO panels, such as the Foreign Sales Corporations dispute between the EU and the U.S., with a view to possible retaliation measures affecting the chemicals sector. Cefic's Antidumping Service assisted members in preparing complaints.

Following pressure from Cefic and other business associations the European Commission has recently amended the antidumping regulation to allow for more transparency and efficient decision-making.

Horizon 2015 study

In December the study "Horizon 2015 – Perspectives for the European Chemical Industry" was finalised, showing that the future of the chemical industry is at risk. The study was conducted by a team of senior economists and strategic planners drawing on the experience of hundreds of people. Please see page 10 for more details about the study.

Concretely the study proposes to establish a Chemicals Advisory Network Group for Europe (CHANGE) to develop a clear, measurable and agreed longer-term vision for the European chemical industry with a view to achieving a revitalised, more profitable EU chemicals industry. François Cornélis, CEO of Atofina and Chairman of the Cefic International Trade and Competitiveness Programme, presented the outcome of the study at the Cefic Economic Conference in March 2004.

REACH impact assessment

Following a stakeholders meeting on the Commission's impact assessment of REACH at the end of 2003, Cefic, UNICE and the Commission reached agreement on a Memorandum of Understanding to jointly undertake further work concerning the impact assessment of REACH. The results of this work will form an essential input to inform the legislative process of the REACH legislation. The envisaged studies will cover analysis of the potential impacts of REACH on business throughout the supply chain, on innovation and on accession countries. Full details are available at www.chemicalspolicyreview.org.

Central and Eastern Europe

The new joint Cefic/European Commission/CEEC Federations twinning programme ChemFed/ChemLeg-2 was launched on 1 May 2003. The programme is divided into five clusters: chemical legislation (existing legislation and REACH), environmental legislation, chemical transport, social affairs (in cooperation with the ECEG employer group) and economic outlook and statistics. The programme includes around 100 workshops, seminars and other training activities at European and national level.

In 2003 the CEEC Federations focused their activities on guiding their member companies in the process of enlargement of the Internal Market by providing information, practical advice and training. In the first half of 2004 the activities were aimed at the proposal of the REACH regulation, review of the Responsible Care programme, implementation of SQAS, development of Federations' statistic services, implementation of the IPPC Directive and integration of CEEC Federations into the employer group ECEG.

Research & Science

The Cefic Research & Science programme takes an issue-led approach, initiating research efforts and maintaining contact with experts across Europe to provide sound science as a basis for Cefic advocacy and communications activities. Research & Science also has an important horizon-scanning role to identify emerging science-related issues before they affect the industry.

Long-range Research Initiative

During 2003 an audit of Long-range Research Initiative activities showed that it is working well and has strong relevance to industry, regulatory and societal issues. The Long-range Research Initiative provides a strong scientific base from which proactive responses to new chemical-related issues can be built quickly and effectively. The audits demonstrated that the majority of the projects have delivered on their scientific objectives and provided explicit benefits in terms of usefulness in regulatory discussions; stakeholder engagement on key issues of concern to society; collective industry capacity building; and contributing to improvement of the trust and reputation of the industry.

The audit identified strong parallels with the issues currently facing the chemical industry and society, such as REACH, as well as a successful anticipation of emerging issues such as animal alternatives and children's health. The review concluded that Cefic's Long-range Research Initiative is currently operating in an efficient manner with appropriate processes to ensure industry relevance and quality science.

The Long-range Research Initiative itself is proving to be a dynamic network that has the flexibility to facilitate action on new issues. Examples include the establishment toward the end of 2003 of the Alternative Approaches to Safety Assessment Strategy Group, which has the aim of improving animal welfare in safety assessment. Another example is Quantitative Structure-Activity Relationships, where the Long-range Research Initiative approach to validation and development was recently endorsed by the OECD. Quantitative Structure-Activity Relationships could have considerable benefit for industry and society during the implementation of REACH through lower costs and reduced requirements for animal testing. www.cefic-lri.org

Children's health and the environment

Children's health and the environment is now a major focus in which the three programme councils of Cefic – Research & Science, Trust & Reputation and Product Stewardship – are fully engaged.

Launched in 2002 in response to emerging concerns over potential impacts of modern lifestyles on the health and environment of children, the Children's Health and Environment Issue Management Team has created a network of experts to address the issue effectively. As well as developing industry's understanding on potential effects of chemicals on children's health and identifying gaps to be addressed by the Long-range Research Initiative the issue management team secured its position as a key partner in European regulatory discussions by participating in Commission-organised working groups building an Action Plan for the EU Environment and Health Strategy known as SCALE.

The issue management team is also engaged in parallel international initiatives highlighting children's health and chemical safety such as the World Health Organisation's Environment and Health Process, which includes building a Children's Environmental Health Action Plan and Healthy Environments for Children Alliance; the Inter-governmental Forum on Chemical Safety; and UNEP's Strategic Approach to International Chemicals Management.

Sustainable Technology

During 2003 the Sustainable Technology networking and collaborative research programme broadened to include a focus on innovation and research prioritisation issues. This move is based on the increased awareness that innovation is the key to future competitiveness, as concluded by the Horizon 2015 study and reflects a growing engagement with European Commission activities to improve competitiveness and growth. In particular discussions were opened on the potential establishment of a European Chemistry Technology Platform that could add immense value to shaping the EU's R&D priorities in the chemical sector while offering a major opportunity for industry.

European Technology Platforms are a new European Commission initiative aimed at creating multi-stakeholder fora for devising development and deployment strategies for key technologies under the framework of FP-7. SUSTECH was heavily involved in discussions with DG Research on the working programme and also facilitated consortium formation with various proposals for the FP-6 framework programme. SUSTECH participated in the EU action plans for environmental technologies and for increased R&D spending. www.cefic-sustech.org

AllChemE

The AllChemE alliance launched the AllChemE Seminars initiative in 2003 to provide members of the European Parliament, the scientific community and other stakeholders with a forum for open dialogue and informed discussion on topics related to the impact and role of chemical science in society. Five seminars were successfully held during 2003 covering alternatives to animal testing, risk assessment of endocrine active compounds, risk assessment of chemicals, the precautionary principle and communicating risk. The seminars are supported by a dedicated website www.allchemeseminars.org with details of forthcoming seminars and archived presentations, reports and images. The AllChemE alliance consists of Cefic and four other European chemistry organisations: FECS, COST Chemistry, CERC3 and EFCE. www.allcheme.org



Energy Climate change policy

Besides Cefic's involvement in the energy market liberalisation process and in energy taxation, much of the Energy Committee work during 2003 and beginning 2004 was dominated by the issue of EU climate change policy. This involved the making and shaping of the Emissions Trading Directive and of follow-up legislation such as the Linking (JI/CDM) Directive.

While there is uncertainty over the entry into force of the UN Kyoto Protocol on climate change, leaving large parts of the world without emissions reduction plans, the EU is committed to meeting its Kyoto commitment. Emissions in many EU member states, however, are still rising and there are some doubts whether or not the commitment is attainable. Cefic as well as other EU industry sectors advise that climate change requires a global approach. Cefic presented the impressive record of the EU chemical industry in terms of greenhouse-gas emission reductions and insisted on policy approaches that recognise earlier achievements.

The Emissions Trading Directive, finally adopted in 2003, has left many issues unsolved:

- Varying, sometimes delayed implementation at national levels;
- Diverse national emission reduction commitments under the EU burden-sharing arrangement which form the basis for the distribution of emission allowances in national allocation plans. These initial differences mean that the playing field is not level from the start for companies in different member states – not to speak of the global situation;

- The installations within the scope of the directive.

Still, efforts are underway to solve the problems informally. The National Allocation Plans will be scrutinised by the European Commission, which will only intervene in severe cases of state aid or market distortion. The Emissions Trading scheme is set to start in January 2005.

Upon the industries' request, the topic of EU climate change policy was put on the Spring Council agenda in March 2004. UNICE and other federations jointly called on heads of state to consider reviewing the entire climate change policy, looking at environmental effectiveness and international competitiveness. Cefic members are concerned that the EU climate change policy may prove to remain an isolated, environmentally ineffective and hence competition-damaging initiative.

Linking Directive

Cefic insists that the Joint Implementation/Clean Development Mechanisms Linking Directive must provide a practical and unrestricted mechanism for the conversion of credits from emission-reducing projects in third countries into EU emission allowances. This would increase essential flexibility for Member States and European businesses, allowing them to meet their commitments to greenhouse-gas emission reduction in a cost-effective manner, while protecting EU international competitiveness.

Cefic supports the EU institutions' plan of rapidly passing the Linking Directive through legislative procedures so that it can come into force in parallel with the EU Emissions Trading scheme. Successful briefings resulted in better understanding between industry, members of the European Parliament and EU officials.

Logistics

Supply chain think tank

A new think tank has been jointly created by Cefic, the European Chemical Transport Association (ECTA) and the European Petrochemical Association (EPCA) to develop recommendations for supply chain excellence that should improve the competitiveness and sustainability of the European chemical industry. Taking into account the results of the Horizon 2015 study, the think tank will establish what is considered 'best in class' in today's environment and look further into future scenarios for supply chain excellence.

www.ecta.be

Transport guidelines

In its continuous effort to promote best practice in the supply chain, Cefic's Logistics Department has developed four new sets of guidelines in collaboration with the ECT and EPCA on the following subjects: Transportation Security; Behaviour Based Safety for Safe Driving of Road Freight Vehicles; Road Transport Equipment Specifications; and Design, Construction and Testing of Rail Tank Cars. Copies are available on the Cefic website at www.cefic.org

ERICards revision

Cefic's Emergency Response Intervention Cards provide guidance for fire brigades on actions to be taken when they arrive at the scene of a chemical transport accident involving dangerous goods. In 2002 the European Commission agreed to Cefic's request to help fund a revision of the cards. A revised and extended set of ERICards has been published in book form and a revamped Internet site was launched in June 2003. The ERICards now exist in 10 languages and are available on www.ericards.net

Emergency response plan

The European ICE (International Chemical Environment) emergency response network, which provides assistance to emergency services in transport accidents involving chemicals, organised two workshops during 2003 with the support of the European Commission's Technical Assistance Information Exchange Office. The workshops were designed for call operators and focused on how to improve the handling of emergency calls and making responses more effective.

SQAS expansion

The Safety Quality Assessment System group now counts 41 member companies and has over 80 people accredited to conduct assessments of logistics service providers across Europe, including new EU member states. Several presentations and awareness training sessions have led to further expansion and participation of middle-sized companies.

The SQAS Road Module now has over 460 assessment reports registered on the database. During 2003 and early 2004, SQAS expanded its services to include three new modules: the SQAS Freight Integrator Module, the SQAS Rail Module, and the SQAS Cleaning Module for tank cleaning stations. Working groups are preparing additional modules for packaged goods warehouses and rail tank car maintenance shops.

ESAD, an assessment tool similar to SQAS addressing chemical distributors, is being revised. The revised scheme will use the same electronic database concept for its reports and will benefit from the existing pool of accredited assessors.

Dangerous goods

Cefic continued its efforts to ensure that the international regulations for the transport of dangerous goods stay in line with best industry practice, while avoiding over regulation and promoting international and intermodal harmonisation.





Legal Affairs

Proportionality Principle

The legal environment in which the chemical industry operates is changing rapidly, and more particularly in the environmental field. This trend was announced in the 6th Environmental Action Programme and was consistently developed by the Commission, the Parliament and the Council despite growing concerns about possible consequences for the industry's competitiveness.

Some proposed regulation raises the question of proportionality: Are the law's requirements – and consequent administrative burden – proportionate to the intended objectives? As the Legal Committee of the European Parliament underlined in a preliminary debate, REACH provides numerous examples of disproportionate requirements that could be brought, if confirmed, for annulment to the European Court of Justice or to the World Trade Organisation litigation system. This topic was developed in an aide-mémoire sent to the Commission.

Data protection

A second principle at stake in new regulation is the ownership and the confidentiality of data. Data developed by companies in R&D and business activities are a strategic asset and their dissemination without compensation can be severely damaging. Recent lawmaking has progressively eroded data protection to allow access to environmental information. Proper balance, however, must be maintained between the different interests. The Cefic Board Advisory Group on Governance and Legal Issues (LEGIS) will set up a new task force to work on the various aspects of data protection.

REACH legal aspects

In the period leading up to the Internet consultation on REACH in July 2003, the Chemical Policy Review (CPR) legal task force identified and addressed a number of legal issues related to the proposal. In preparing Cefic's response in the consultation process, the task force took a 'horizontal' approach, ensuring that legal issues identified in individual working groups were fully taken into consideration and addressed in a consolidated industry position.

The REACH-related legal issues identified included:

- Scope: exclusions and exemptions;
- Duty of care: general principle or specific obligations;
- The role of the Agency;
- Data sharing and confidentiality: confidential business information;
- Consortia: competition issues;
- Internal market: safeguard clause;
- Proportionality principle;
- Remedies: hearing, second opinion, appeal;
- Sanctions.

An expert group was established in May 2004 to examine and provide guidance on questions related to formation of registration groups (consortia) and related competition-law issues.

Environmental liability

The proposed EU directive on environmental liability was the focus of a specific task force throughout 2003, which sought improvements to the original Commission text at several critical stages in the legislative process.

Cefic's priorities were the permit defence, which is to be introduced in the liability system at the discretion of the Member State, the need for proportionate liability and the need for financial insurance systems to remain voluntary. Cefic will be producing an explanatory guide on the environmental liability directive for its member federations and companies.

Meanwhile, the liability task force has been following the ratification process of the Hazardous Noxious Substances Convention, focusing on the need to ensure obligatory insurance cover for ship owners.

Environmental task force

The environmental law task force was set up in early 2003 to provide a forum for the discussion and development of positions on a number of broader environmental law issues.

The task force has focused on draft legislation issued by the Commission in October and seeking to implement the provisions of the Aarhus Convention regarding access to justice at the member state and EU institutional levels. Cefic is concerned about access to justice in the context of REACH and of increasing reference made to the Precautionary Principle in shaping policy decisions.

Intellectual property

One of the tasks undertaken by Cefic in 2003 was to "reposition" intellectual property rights, and patents in particular, toward R&D, innovation in general and its direct relation with competitiveness. The aim is to ensure that Cefic's advocacy efforts on intellectual property are of direct relevance to industry players' core business needs. Much work and efforts were developed on the proposal for a Community Patent meeting these requirements.

Another issue that has come to the forefront is the review by the Commission of the block exemption under EU competition law for technology transfer agreements. Given the major impact this legislation may have on the innovation process of the chemical industry, Cefic is acting in concert with other industry sectors to ensure that any new legislation will not undermine innovation and research.

Competition policy

The competition policy task force has devoted much effort to ensure smooth implementation of Regulation 1/2003 modernizing the enforcement of EU law on cartels and dominant positions as from 1 May 2004. It also actively participated in continuing discussions opened by the Commission on the review of rules on merger control and technology transfer agreements.



Workshops for chemical industry lawyers

LEGIS, which groups the legal experts of Cefic and its members, organized the first European workshop specifically tailored to the needs of chemical industry lawyers on 2 December 2003, in Brussels. The workshop addressed a number of legal issues of critical importance to the industry:

REACH and the Principle of Proportionality

Professor Claus-Dieter Ehlermann, Senior Counsel at Wilmer, Cutler & Pickering, presented an aide-mémoire on the issue of proportionality. The Proportionality Principle requires REACH to be suitable and effective for the achievement of its legitimate objective; necessary to achieve the objective; reasonable; and not disproportionate to its aim in its effects.

The European Court of Justice has so far been cautious in applying the Proportionality Principle to acts of the European Parliament or of the Council. However, the EU is part of the World Trade Organisation and the WTO dispute settlement system could be called upon to apply the Proportionality Principle to the external effects of REACH.

The Precautionary Principle

Professor José Luis da Cruz Vilaça, former President of the EU Court of First Instance, gave an overview of the development of a principle that has become “puzzling and dangerous.”

A central element for application of the principle is the existence of an element of uncertainty, with the degree of uncertainty dictating the nature of the response. Application of the Precautionary Principle also requires making a proper distinction between risk and hazard to avoid “precautionary” measures being taken on pure hypothesis.

In practice, however, assessment of whether the level of risk is deemed unacceptable is frequently vague and imprecise. Scientific committees have a role to provide independent and transparent advice.

Under the Commission communication the role of such scientific committees is merely an advisory one, enabling political authorities to take fully informed decisions. A decision to depart from the conclusions of a scientific committee could only be justified by scientific reasons that are at least commensurate to those taken into consideration by the scientific committee in the first place.

Prof. da Cruz Vilaça reiterated the importance of proportionality in the application of the Precautionary Principle. He also emphasized the importance of judicial review in clarifying its application.

Extra-territorial application of U.S. and EU legislation

Steve Welch, BP Group Vice-President, noted the growing amount of extra-territorial law affecting business.

Global corporations are increasingly the target of extra-territorial law and they need to be clear about their own organizational values in respect of these laws. The multiplicity of national laws and jurisdictions hinders the globalisation of business and extra-territorial law can help bring higher standards to other jurisdictions.

Cefic has scheduled a new legal workshop in Brussels on 2 December 2004. Please contact the Cefic Legal Department for more information.

Trust and Reputation

Communications alignment

Cefic launched a five-year plan in early 2003 to reposition the industry over the longer term.

A number of communications themes are being identified under which industry players can align their communication initiatives with stakeholder campaigns in Germany by the Verband der Chemischen Industrie and in the U.S. by the American Chemistry Council.

The German campaign focuses on selected chemical elements and highlights how they benefit everyday life. It is targeted at decision makers, educated younger people and industry employees. The purpose of the U.S. campaign is to build a brand that engages stakeholders and allows for a common positioning.

Cefic will be relaying the VCI's German campaign in Brussels with advertising and a web site. The VCI website www.elementunsereslebens.de will be adapted into English and posted at the address www.elements-of-life.org. Cefic member federations are identifying opportunities to integrate the campaign into their own communications programmes.

Biennial reputation survey

Results from the most recent pan European reputation survey conducted in early 2004 showed that for the first time since 1992 the image of the chemical industry in Europe is improving, moving up one notch to 6th place from 7th among eight benchmark industries.

Public ratings of many criteria have improved in most countries. This upward trend is encouraging, but co-ordinated and joint communications efforts must be continued and intensified. There remains much room for further improvement in the perception of the chemical industry in Europe.

Cefic has been conducting biennial public opinion surveys in Europe since 1992 to gauge public sentiment. The results provide objective data for designing reputation-enhancing campaigns aimed at preserving the industry's "licence to operate" with the public and regulators.

Open doors

More than 1.4 million people – 25% of who were less than 25 years old – visited more than a thousand industry facilities throughout Europe in a series of "open door" events.

Co-ordinated for the first time on a European scale, the visits took place between May 2002 and October 2003 and involved no less than 13 of Cefic's national member associations. Such open-door events demonstrate the chemical industry's openness and commitment to dialogue with all stakeholders in the community.





Student website

Cefic launched a web-based educational tool in November 2003 to boost interest in chemistry among young students on the occasion of the European Science and Technology Week.

www.chemistryandyou.org shows the many benefits chemistry brings to our daily lives: Whoever we are, wherever we live chemistry is present in everything we do, improving our lifestyle and the world about us. The website has been tailored to be attractive to young people and meet the needs of secondary school. The response from teachers and students has been enthusiastic.

Please see page 14 for more details.

Membership communications

As part of a continuing effort to communicate with its members, Cefic in early 2004 published a brochure entitled "Protecting your future". The document is aimed at better explaining Cefic's role to industry actors and other people close to the industry.

The brochure seeks to explain in simple, direct words the strategic significance of Cefic's daily work in a context of rapid and major regulatory change and the increasingly fragile global competitive position of European chemical producers.

Press service

The year 2003 was intensive in media contacts, particularly to convey Cefic's position on the EU's draft new chemicals policy REACH.

Cefic held several major press conferences in Brussels and elsewhere in Europe to brief journalists on the industry's views and recommendations on REACH. The resulting media coverage helped communicate the industry's position to government and opinion leaders in Europe and in other parts of the world.

Responsible Care review

The European annual Responsible Care conference in November 2003 focused on developing a more robust initiative to increase stakeholder confidence in the chemical industry.

This was part of a 15 month review programme carried out by the European Core Group and final recommendations are being presented to the Cefic Board in June 2004 for approval and implementation.

The revitalised programme will be announced at the 2004 conference in November in Rome.

The European review is running in parallel with a global review of Responsible Care led by industry Chief Executive Officers. A global opinion survey of over 40 influential people from around the world was carried out as part of the review. The survey highlighted four areas as requiring particular attention by the global industry:

- Accountability;
- Communications and transparency;
- Emphasis on the safety, health and environmental impact of products;
- Attention to the impact of production, in particular in the developing world.

Recommendations will be given to the ICCA Board in October 2004.



Our organisation



Proper governance underpins support from Cefic's members and legitimacy with public and private stakeholders.

Cefic is the Brussels-based organisation representing the European chemical industry, national federations, companies and sectoral businesses. All its members meet once a year in a General Assembly, which elects the Board and Executive Committee for a two-year period.

The Board meets three times a year. The Board develops Cefic strategy and policies, sets up programmes, leads the programme Councils and approves the budget and resources.

The Board is assisted by the Executive Committee. The Executive Committee is composed of the President, the Vice-president, the immediate Past President, the Chairmen of federations, companies and businesses assemblies, the Chairman of the Finance Committee and the Director General.

Cefic is managed on a day-to-day basis by a Leadership Team, whose collegial role is to steer the organisation, find adequate resources and ensure cohesiveness of activities and services.

Transparency and ethics

Cefic's statutes and by-laws ensure transparency and provide the rules of operation for its statutory bodies and related structures. Cefic is headquartered in Brussels. These statutes and by-laws have been endorsed by Belgian authorities and Cefic is recognised under Belgian law as a non-profit "Association Internationale à But Scientifique".

As a non-profit organisation, proper governance underpins support from Cefic's members and legitimacy with external public and private stakeholders.

Recognising public interest in corporate social responsibility, governance and institutional transparency, Cefic has established a Governance and Compliance Policy. The policy comprises a set of fundamental values, regulations, processes, internal disciplines and codes of conduct, which apply to all activities conducted by Cefic, Cefic Sector Groups and affiliated groups.

These policies and values are compiled in a document entitled "Cefic governance and compliance policy," which is available on request.

Structure

Cefic Board (List updated March 2004)

Eggert Voscherau, BASF, Cefic President *

François Cornélis, Atofina, Vice-President *

Fabrizio D'Adda, ENI, Finance Committee Chairman *

Peter Elverding, DSM, Vice-President *

Judith Hackitt, CIA

Janez Furlan, CRA

Andrew Mackenzie, BP

Armin Meyer, Ciba Specialty Chemicals

Alois Michielsen, Solvay

Beat Moser, SGC/SSIC

Juan José Nava, FEIQUE

Peter Noordervliet, VNCI

Udo Oels, Bayer

Trygve Ostmo, PIL

Jean Pelin, UIC, AFEM Chairman *

Klaus Peter Peschak, ExxonMobil

Inge Pettersson, Perstop

Luciano Respini, Dow Chemicals

Walter Ruck, Crompton

Wilfried Sahn, VCI

Giorgio Squinzi, Mapei, ABM Chairman *

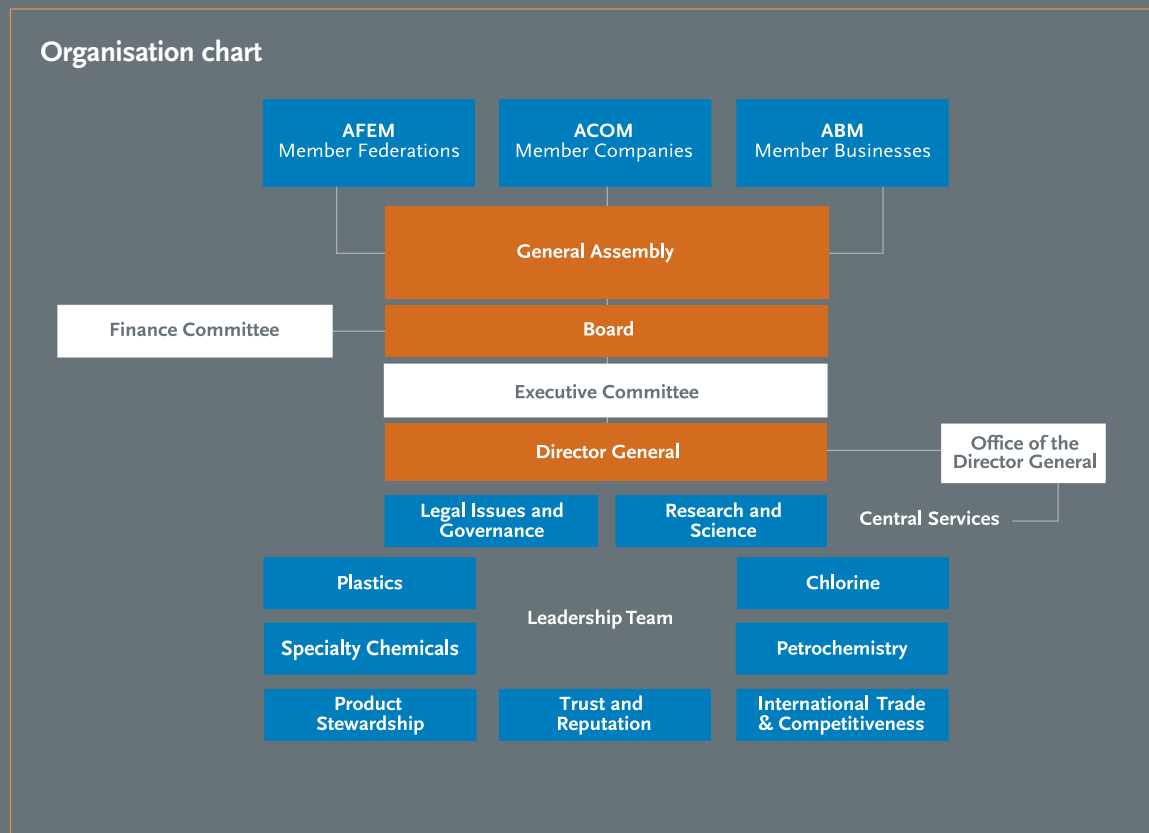
Luc Sterckx, Oleon

Dag Stromqvist, Akzo Nobel

Volker Trautz, Basell Polyolefins

Mathieu Vrijssen, Dupont de Nemours *

Organisation chart



The Leadership Team

Alain Perroy, Director General *

Jacques Autin, Petrochemistry, Energy issues, Logistics issues

Philippe Féron, International Trade and Competitiveness, Specialty Chemicals

Barrie Gilliatt, Chlorine

Colin Humphris, Research and Science

Thomas Jostmann, Product Stewardship

Jean-Claude Lahaut, Secretary and General Counsel, Legal issues

Nancy Russotto, Plastics

* Executive Committee Members

Management report on actuals 2003

Total actual Cefic expenses in 2003 amounted to €39.9 million, compared to €42.5 million in 2002.

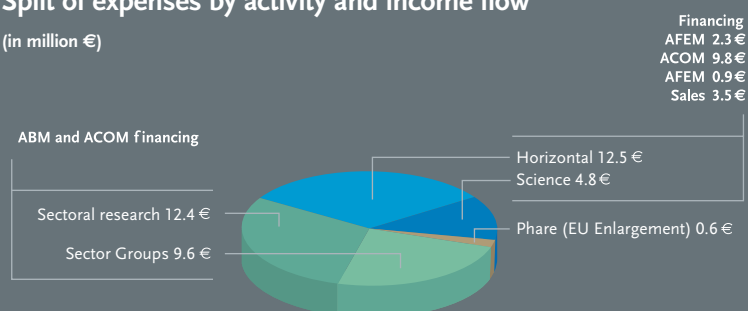
These expenses can be split into:

- €12.5 million for the Horizontal Activities (compared to €13.5 million in 2002) covering the following programmes and departments: International Trade, Energy, Logistics, Product Stewardship, Trust and Reputation as well as Central Management costs (DG and Office of DG, Finance, Administration and IT);
- €4.8 million for Research and Science (compared to €5.3 million in 2002) covering LRI, Sustech and Children's Health;
- €0.6 million for Phare (compared to €0.9 million in 2002) related to EU enlargement;
- €9.6 million covering the running expenses of the sectoral activities (compared to €10.2 million in 2002) for the programmes Specialty Chemicals, Petrochemistry, the sectoral part of Product Stewardship and Euro Chlor;
- €12.4 million in research costs (compared to €12.6 million in 2002) related to sectoral activities.

On the income side, the horizontal and science budgets are mainly covered by fees paid by national federations (AFEM) and major companies (ACOM). Non-ACOM companies participating in Cefic's sectoral activities (ABM) also contributed to the financing of horizontal activities. Income from internal or external sales are generated by horizontal activities and strongly encouraged by Cefic Management.

Split of expenses by activity and income flow

(in million €)



Actual expenses and income 2003

(in thousand €)	Actuals 2003 Horizontal/Phare/Science	Actuals 2003 Sectoral activities (incl. Euro Chlor)	Totals 2003
Expenses			
Labour	8,034	5,509	13,543
Office	1,225	905	2,130
Travel and meeting	1,122	1,149	2,271
Publications	242	57	299
Internal purchasing	502	465	967
Sectoral management contribution	217	1,268	1,485
External contractors	5,945	12,422	18,367
Others	500	239	739
Investments	73	13	86
Trainings	15	4	19
Total expenses	17,875	22,031	39,906
Income			
Internal sales	2,201	256	2,457
External sales	1,328	239	1,567
Sectoral contributions	962	14,715	15,677
Affiliated sectors	225	0	225
Research funding	7	8,168	8,175
AFEM	2,331	0	2,331
ACOM	9,769	0	9,769
Interest	348	41	389
Total income	17,171	23,419	40,590

Note: Accounts already audited pending approval by the General Assembly on 2 October 2004. All figures exclude the plastics programme, managed by APME, the Association of Plastics Manufacturers in Europe.

Federation Members

Austria

Fachverband der Chemischen Industrie Österreichs (FCIO)
Dr. Wolfgang Eickhoff

Belgium

Fédération des Industries Chimiques de Belgique / Federatie der Chemische Nijverheid van België (FEDICHEM)
Jean-Marie Biot

Czech Republic

Association of Chemical Industry of the Czech Republic (SCHP)
Ladislav Novak

Denmark

Procesindustriens Brancheforening (PB)
Jacob Jessen

Finland

Kemianteollisuus ry (KT RY)
Hannu Vornamo

France

Union des Industries Chimiques (UIC)
Jean Pelin

Germany

Verband der Chemischen Industrie e.V. (VCI)
Dr. Wilfried Sahn

Greece

Hellenic Association of Chemical Industries (HACI)
Panos Scarlatos

Hungary

Hungarian Chemical Industry Association (MAVESZ)
Dr Laszlo Bondar

Ireland

Irish Pharmaceutical and Chemical Manufacturers' Federation (IPCMF)
Matt Moran

Italy

Federazione Nazionale dell'Industria Chimica (FEDERCHIMICA)
Dr. Claudio Benedetti

Netherlands

Vereniging van de Nederlandse Chemische Industrie (VNCI)
Drs. Peter F. Noordervliet

Norway

Prosessindustriens Landsforening (PIL)
Trygve Ostmo

Poland

Polish Chamber of the Chemical Industry (PIPC)
Wojciech Lubiewa-Wielezyski

Portugal

Associação Portuguesa das Empresas Químicas (APEQ)
Lubélia Penedo

Slovakia

Association of Chemical and Pharmaceutical Industry of the Slovak Republic (ZCHFP)
Josef Kollar

Slovenia

Chemical and Rubber Industry Association (CRA)
Janez Furlan

Spain

Federacion Empresarial de la Industria Quimica Espanola (FEIQUE)
Juan-José Nava Cano

Sweden

Plast & Kemiforetagen
Owe Fredholm

Switzerland

Schweizerische Gesellschaft für Chemische Industrie /Société Suisse des Industries Chimiques (SGCI/SSIC)
Dr. Beat Moser

Turkey

Turkish Chemical Manufacturers Association (TKSD)
Timur Erk

United Kingdom

Chemical Industries Association (CIA)
Judith Hackitt

Associate Federation Members

Bulgaria

Bulgarian Chamber of Chemical Industry
Paul Jacquolot

Estonia

Federation of Estonian Chemical Industries (EESTI)
Hallar Meybaum

Lithuania

Association of Lithuanian Chemical Industry Enterprises
Giedrius Mazunaitis

Corporate Members

Akzo Nobel - Dag Strömqvist

Atofina - François Cornélis

Basell Polyolefins BVS - Volker Trautz

BASF - Eggert Voscherau

Bayer - Udo Oels

Borealis - John Taylor

BP Amoco - Mike Buzzacott
(until March 2004)

Celanese - Claudio Sonder

Ciba Specialty Chemicals - Armin Meyer

Clariant - Peter Brandenberg

Degussa - Utz Hellmuth Felcht

Dow Europe - Luciano Respini

Dow Corning - Robert Hansen

DSM - Peter Elverding

DuPont de Nemours International -
Mathieu Vrijssen

Eastman Chemicals - Godefroy Motte

ExxonMobil Chemical Europe -

Klaus Peter Peschak

F. Hoffmann-La Roche - Markus Altwegg

Henkel - Harald Wulff

Kemira - Lasse Kurkilahti

Lyondell Chemical Europe - John Beard

Novartis International - Johannes Frey
(until December 2003)

Polimeri Europa - Giorgio Clarizia

Procter & Gamble Services - Hans Bender

Repsol Quimica - Juan Pedro Maza

Rhodia - Jean-Pierre Clamadieu

Rohm and Haas - Pierre Brondeau

Shell Chemicals - Mike Wilkinson

Solvay - Aloïs Michielsen

Wacker-Chemie - Peter-A.Wacker

ABM Representatives

Tony Bastock - Contract Chemicals
Patricio Barrios - Atlantic Copper
Jesus Collantes Vivacos - Aragonesas
Alain de Krassny - Donau Chemie
Venancio Diaz Guardamino - Derivados del Fluor
Matthew Juneau - Albemarle
Walter Ruck - Crompton
Geoff Gaywood - Elementis
Gérard Marchand - Tessenderlo
Willy Marlier - Prayon
Anne Noonan - Great Lakes Chemical Corporation
Anthony Owens - Arran Chemicals
Inge Pettersson - Perstorp
Michael Rosenthal - Baerlocher
Ytshak Peretz - BK Giulini
Giorgio Squinzi - Mapei
Luc Sterckx - Oleon
Patrick Thomas - Huntsman Chemicals
André Trucy - Roquette Frères
Ben Van Assche - Surface Specialties

Sector Groups

Acetic Acid Food Grade
Acetyls Sector Group (ASG)
Acrylonitrile Producers Association
Activated Carbon Producers Association (ACPA)
Active Pharmaceutical Ingredients Committee (APIC)
Aliphatic Isocyanates Producers Association
Amines Sector Group
Aminoplast Glues Manufacturers Association
Aromatics Producers Association (APA)
Association of Detergent Zeolite Producers (ZEODET)
Association of Petrochemicals Producers in Europe (Appe)
Association of Synthetic Amorphous Silica Producers (ASASP)
Carbohydrates Sector Group (CSG)
Cellulose Ethers
Centre Européen d'Etudes des Polyphosphates (CEEP)
Centre Européen d'Etude des Silicates (CEES)
Centre Européen des Silicones (CES)
CEPAD/EBPP
Chlorinated Paraffins
Coal Chemicals Sector Group (CCSG)
Comité Européen des Agents de Surface et de leurs Intermédiaires Organiques (CESIO)
Comité Technique Européen du Fluor (CTEF)
Conseil Européen des Phénols Alkylés et Dérivés (CEPAD)
EB/UV Acrylate Resins

Ethyl Alcohol Group (EAG)
Ethylene Oxide & Derivatives Producers Association
Eurocolour
European Aminocarboxylates Committee (EAC)
European Basic Acrylic Monomer Group (EBAM)
European Biocidal Products Forum (EBPF)
European Brominated Flame Retardant Industry Panel
European Calcium Organic Stabilisers Association (ECOSA)
European Catalysts Manufacturers Association (ECMA)
European Centre of Studies of LAB/LAS (ECOSOL)
European Chlorinated Solvent & Chloroform (ECSA)
European Citric Acid Manufacturers Association (ECAMA)
European Council for Plasticisers and Intermediates (ECPI)
European Cracking Catalysts Producers Association (ECCPA)
European Federation of Animal Feed Additives Manufacturers (FEFANA)
European Flame Retardants Association (EFRA)
European Fluorocarbon Technical Committee (EFCTC)
European Food Phosphates Producers Association (EFPA)
European Fuel Oxygenates Association (EFOA)

European Lead Oxide Association (ELOA)
European Lead Stabilisers Association (ELSA)
European Liquid Stabilisers Association (ELISA)
European Melamine Producers Association (EMPA)
European Methyl Bromide Association (EMBA)
European Oleochemicals and Allied Products Group (APAG)
European Photographic Chemical Industry (EPCI)
European Polymer Dispersion and Latex Association (EDPLA)
European Producers of Electrofused Minerals (EPEM)
European Soda Ash Producers Association (ESAPA)
European Stabilisers Producers Association (ESPA)
European Sulphuric Acid Association (ESA)
European Tin Stabilisers Association (ETINSA)
Fluorspar
Formaldehyde
Food Contact Additives Sector Group (FCA)
Food Regulations Panel (FRP)
Gelatin Manufacturers of Europe (GME)
Hydrocarbon & Rosin Resins and Pine Chemicals Producers Association (HARRPA)
Hydrocarbon Solvent Producers Association (HSPA)
Inorganic Coagulants Producers Association (INCOPA)
Inorganic Feed Phosphates
Lower Olefins Sector Group (LOSG)

Methacrylates Sector Group (MSG)
Methylamines & Derivatives
Methanol
Organoclays
Oxygenated Solvent Producers Association (OSPA)
Peracetic Acid Registration (PAR)
Peroxygens
Persulphates
Phenol Producers Association
Phosphate Ester Flame Retardant Consortium (PEFRC)
Physical Sunscreen Manufacturers Association (PSMA)
Polyols Sector Group (PSG)
Propylene Oxide & Glycols
PUR Amines Catalysts
Quaternisation of Starch Producers Association (QUAS)
Sodium Chlorate
Sodium Chlorite
Sodium Cyanides
Sodium Sulphate Producers Association (SSPA)
Styrene Producers Association
Synthetic Ion Exchangers & Adsorbents (SOIA)
Titanium Dioxide Manufacturers Association (TDMA)
Zeolite Adsorbents (ZEAD)
Zinc Oxide Producers Association (ZOPA)

Affiliates

Association for Emissions Control Catalyst (AECC)
Association of European Manufacturers of Sporting Ammunition (AFEMS)
Association of Plastics Manufacturers in Europe (APME)
Ecological and Toxicological Association of Dyes and Organic Pigments Manufacturers (ETAD)
Euro Chlor
European Council of the Paint, Printing Ink and Artists' Colours Industry (CEPE)
European Crop Protection Association (ECPA)
European Diisocyanate and Polyol Producers Association (ISOPA)
European Fertilisers Manufacturers Association (EFMA)
European Industrial Gases Association (EIGA)
European Nitratators Association (ENA)
European Phenolic Resins Association (EPRA)
European Rubber Chemical Association (ERCA)
European Synthetic Rubber Association (ESRA)
Fédération Européenne des Industries de Colles et Adhésifs (FEICA)
Federation of European Explosives Manufacturers (FEEM)
Technical Committee of Petroleum Additive Manufacturers in Europe (ATC)

**For more information, contact the
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Cefic - The European Chemical Industry Council

“Chemistry: elements of life”

Cefic is the Brussels-based organisation representing national chemical federations and chemical companies in Europe. Cefic represents, directly or indirectly, around 29,000 large, medium and small companies in Europe, which employ about 2 million people and account for more than one third of world chemicals production.

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