CIA matters

ESSENTIAL INFORMATION FOR YOUR INDUSTRY

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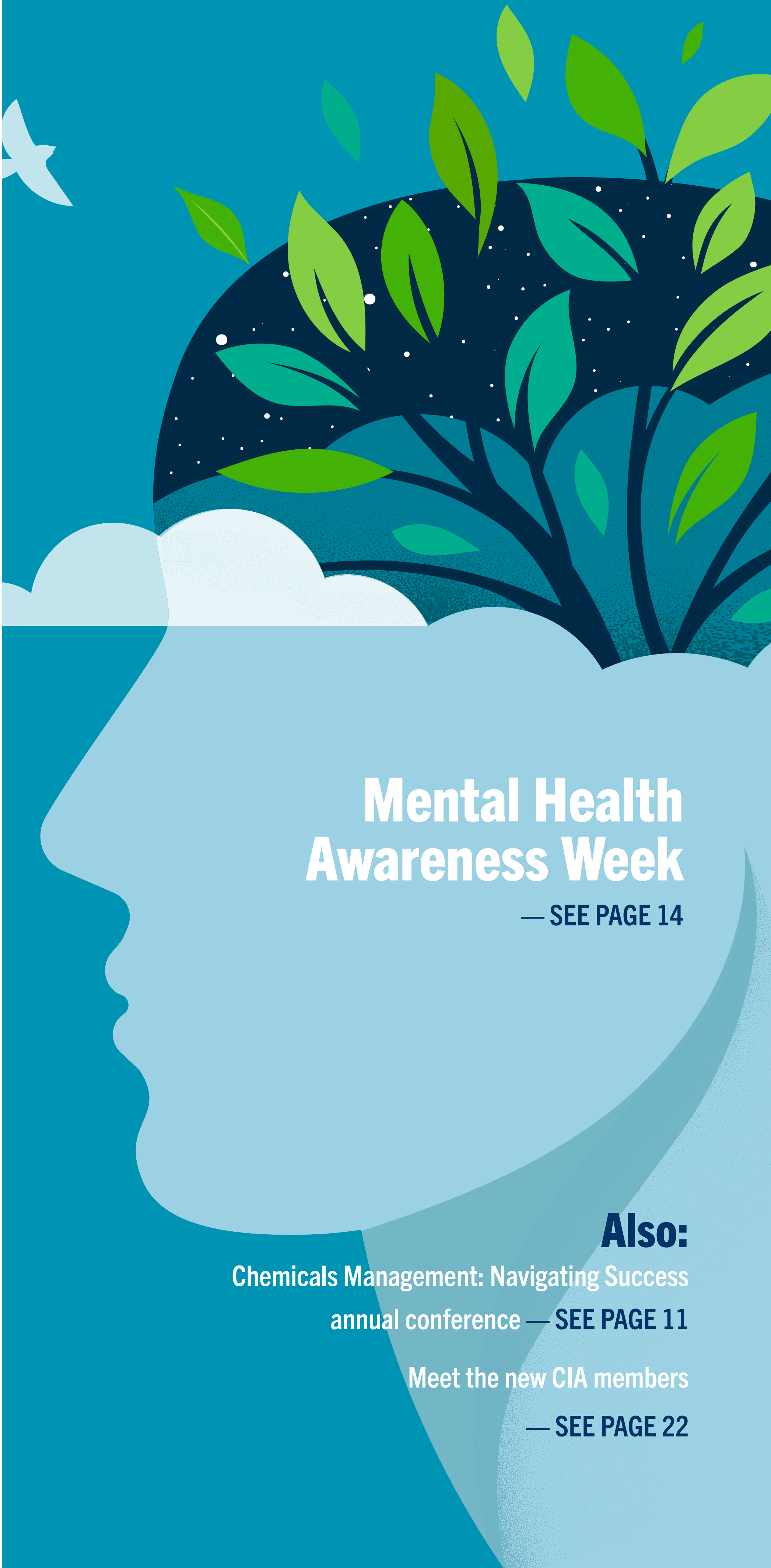

Mental Health Awareness Week

— SEE PAGE 14

Also:

Chemicals Management: Navigating Success annual conference — SEE PAGE 11

Meet the new CIA members — SEE PAGE 22

CHEMICAL INDUSTRIES ASSOCIATION

Contents

CIA*MATTERS*, SPRING 2024

@see_chem_bus
Chemical Industries Association
Chemical Industries Association

From the CEO's Desk

FOR FURTHER INFORMATION CONTACT:

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Britain's chemical industry fighting for growth

Welcome to the latest edition of our member magazine, *CIAMatters*. Well, it has certainly been a very tumultuous few months since my last update. In February, we launched our CIA Manifesto 'Fuelling UK Growth' in Parliament and since then we have been sharing our key messages with our stakeholders and government reaffirming our commitment to advocate for policies supporting UK-wide industry development.

The past five years have seen a significant fall in the nation's year-to-year "flow" of inward investment, and other parts of the world – most notably the US, the EU and China – are moving decisively, through funding and policy stability around clean technology and infrastructure, to win that international capital. The Chancellor's, Jeremy Hunt, Spring Budget was an opportunity for the United Kingdom to send a message to the world that we are 'open for business' to attract the investment we need to put our industrial base on a level that can compete across the globe. However, it was slightly disappointing to see that, in terms of business, there was very little as the focus was on the domestic consumer (voter!). Reflecting on the budget measures I said to the Financial Times that the calling measures to support investment and growth were a "step in the right direction". However, I did add that UK chemical businesses are facing huge competition from other parts of the world in terms of cheaper energy costs and more competitive and stable investment climates, so I remain at a loss over how we compete now. To read our press release and callings please visit our website. There is still time, and the autumn 2023 package of support to incentivise advanced manufacturing is a very welcome development, but so much more needs to be done – and urgently – if we are to arrest that fall down the investment league table.

Despite the lack of chemical industry focus in the budget statement and a tough final quarter of 2023, our latest business survey showed that things are starting to improve for our sector. Member companies reported higher sales, higher production levels and greater capacity utilisation during the first quarter of 2024. This is promising but it doesn't mask the longer-term challenge of establishing a more compelling UK investment case for chemicals – especially given that 4 in 10 companies have moved their production outside of the UK.

The results of our most recent quarterly business survey show that things are starting to improve but the sustainability of that improvement is still not clear. Member companies reported higher sales, higher production levels, and greater capacity utilisation during the first quarter of 2024. This is promising but it doesn't mask the longer-term challenge of establishing a more compelling UK investment case for chemicals – especially given that 4 in 10 companies have moved their production outside of the UK. For the press release click here and for our latest economic report here.

Away from economics and politics, one particularly important topic is that of mental health. As employers, we are uniquely positioned to make a significant positive contribution to our employees' health and well-being. For many years, our policy experts on health and well-being, Dr Roger Pullin and Aila Bursnall, have led the way in advancing industry-wide understanding of mental health. They have developed various tools and resources to help employers create sustainable, healthy workplaces.

This edition of *CIAMatters* is dedicated to mental health, and I would like to take this opportunity to honour Aila, who passed away earlier this year. Aila was passionate about mental health and well-being, and she worked tirelessly on numerous guides, tools, and conferences to ensure that both our members and the CIA understood the importance of this topic. We hope to continue her great work.

Following this year's theme, 'Movement: Moving for Our Mental Health,' CIA staff have shared their tips on how movement helps their mental health. Please see page 16 for their insights.

Moving forward, we also say goodbye and thank you to our colleagues Phil Scott who will continue to work with us as a consultant, David Pollard, and Mike Lancaster, retiring throughout this year. I invite you to join me in thanking them for their years of dedication and hard work in the chemical sector. At the same time, we welcome our new joiners: Dr Julian Hought, who has taken over from Phil as Director of Safety and Security, Sarah Campbell our new Responsible Care Executive; and Nirvana Sewsunker joining the Responsible Care team in June.

Finally, our CIA Chemical Industry Awards will take place on 20th June at the Newcastle Gateshead Hotel. These awards provide the best opportunity to showcase your company and your workforce for their achievements. This year, we received an incredible number of nominations, particularly for the Innovation Award sponsored by GSK. We eagerly await the chance to reveal the winners on the night. Don't forget to book here! Thank you to all our member companies for the work you do for our sector and for the time and resources you commit to working with us on the collective industry-wide agenda.

Steve Elliott
Chief Executive

CIAmatters SPRING 2024

Policy Director's overview

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Moving forward in 2024

As we edge closer to a general election, our focus on policy has been two-fold,
(i) working on our short term asks that can feasibly be resolved or progressed ahead of an autumn/winter election, and
(ii) continuing to with our members, government officials and others to build policy solutions that need addressing soon after an election.

On the energy front, whilst wholesale prices have significantly decreased from the peak prices we've witnessed over the past two years, both the UK and EU remain at risk of higher prices and volatility compared to other economies. In terms of policy costs, the delivery of the British Industry Supercharger last month now confirms the increased relief some energy intensive sites will receive opposite levies and charges passed on to industrial consumers. A much-needed measure to reduce the price disparity between the UK and other major industrial economies but a lot more to ensure any long-term energy policy does not (i) undermine this additional relief and (ii) is ultimately designed to underpin both security of supply and affordability as we transition to net zero. This will include us continuing to push for the removal of the UK-only Carbon Price Support Mechanism, which inflates industrial electricity prices and with no environmental or economic benefit.

On energy transition, we have also increased our engagement with the National Energy System Operator (NESO). Traditionally, Britain's energy system has been split into gas and electricity – but this new independent body set up to provide a whole system approach on energy, from network planning, market arrangement to resilience and delivering net zero energy at the lowest cost to consumers. Subject to remaining regulatory hurdles, the NESO will come into legal effect this summer being an independent and impartial expert public corporation. Our role will be very much focussed to support the new operator to deliver on a joined up, long term structural energy policy nondomestic, large industrial consumers such as our sector have a direct influence in the NESO's formation, its funding, strategy and deliverables, and help hold them to account going forward, with industrial consumer needs in mind.

	Day 1	Full ambition
STRATEGIC PLANNING	Plan gas and electricity networks	Provide whole system view of the energy sector
MARKET DEVELOPMENT	Support DESNZ with market development across gas and electricity	Advise on whole energy market strategy
RESILIENCE	Identify gaps, risks, interactions and opportunities within a whole system	Coordinate emergency response
SECURITY OF SUPPLY	Enable electricity security of supply and advise on gas security of supply	Enable security of supply across GB's whole energy system
NET ZERO ENERGY INSIGHTS	Deliver energy insights and advice to Government	Advisory grows into new vectors

ESO

FSO Day 1 priorities vs full ambition

Moving to carbon pricing, just as we submitted our response to the UK Emissions Trading Scheme (ETS) consultations on free allocation and market policy, we've seen a raft of new consultations this week. Notably, the consultation on the design of a UK Carbon Border Adjustment Mechanism (CBAM) was published last month. With the exception of fertilisers and hydrogen much of chemicals is expected to remain outside of a UK CBAM in the first instance. As it currently stands, the consultation makes no link to CBAMs and the impact of Free Allocation allowance under ETS. However, we will be taking part in discussions with Treasury plus others to inform a collective CIA response, given it remains one of the two carbon leakage mitigation tools on the table for the UK. Whilst export competitiveness is not expected to be addressed under a UK CBAM (HMT see a CBAM as an import only protection measure), we will continue to push for this and at the same time effective free allowance allocation that matches our sectors accepted decarbonisation pathway, with the aim of providing a level playing field for UK chemicals sector.

Sticking with all things net zero, we have also been working on our sectors future feedstock options, mapping out key barriers and enablers. Over the next quarter we will look to share this with members to review and discuss next steps. On planning and permitting we will also look to share how regulatory sandboxing could play a part in getting net zero related projects, particularly where new technologies that have not been had to undergo full planning and permitting process to date.

On UK REACH, we will be reaching out to member companies via our chemicals management network to discuss the upcoming consultations on registrations and fees. In parallel we will also be engaging with other trade bodies with the aim to coordinate a consistent industry positioning. Also, note that HSE has started to work on the UK REACH restriction dossier for PFAS use in fire-fighting foam and wider dispersive uses (cleaning agents and coatings). Whilst this is a much more focused approach compared to the ongoing wider EU restriction, we alongside others are working with Defra on how to resolve other PFAS related concerns, such as water and waste issues.

Energy

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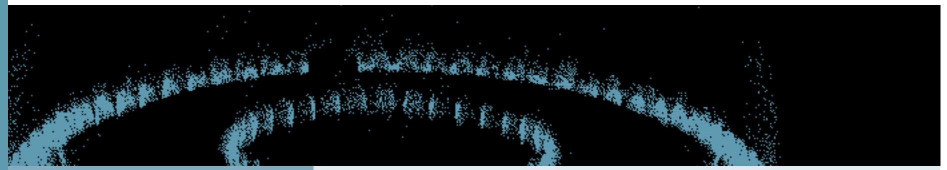
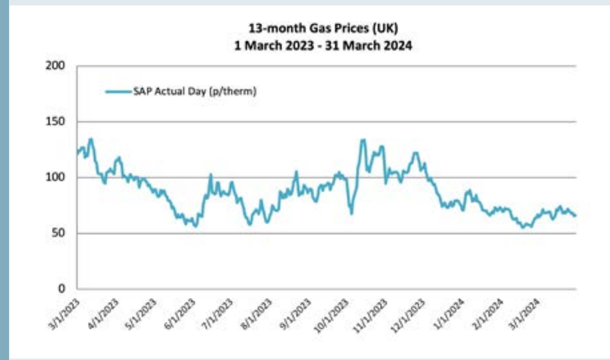
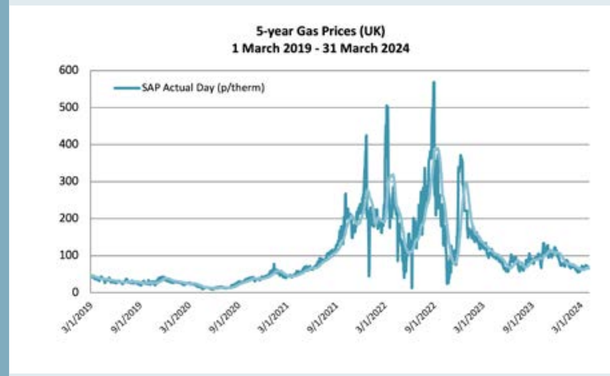


13-month Gas Prices (UK):

1 March 2023 –
31 March 2024
SAP Actual Day:
55p/therm-134p/therm

Average SAP Actual Day:
87p/therm



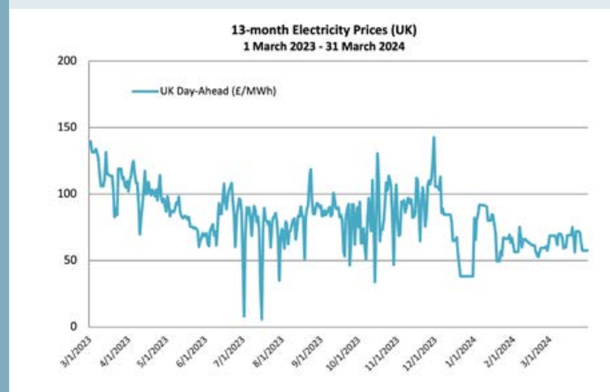


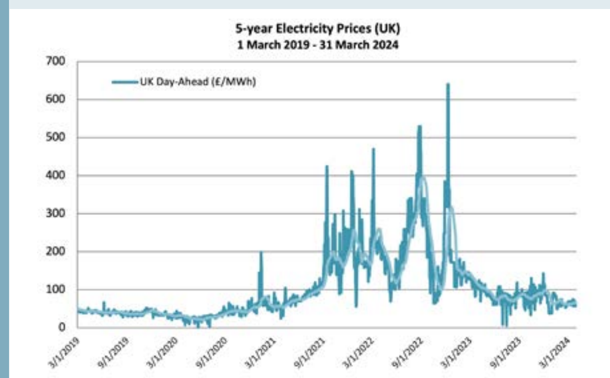
Source – Inspired Energy

13-month Electricity Prices (UK):

1 March 2023 –
31 March 2024
Day Ahead: £6-£143
MWh

Average Day Ahead: £82
MWh





Source – Inspired Energy

Energy outlook

As we publish the Spring edition of CIA Matters and look back over the winter of 23/2, it's hard to remember the short sharp cold snaps that occurred in what was otherwise another unseasonably mild winter characterised more by storms and flooding, than cold weather.

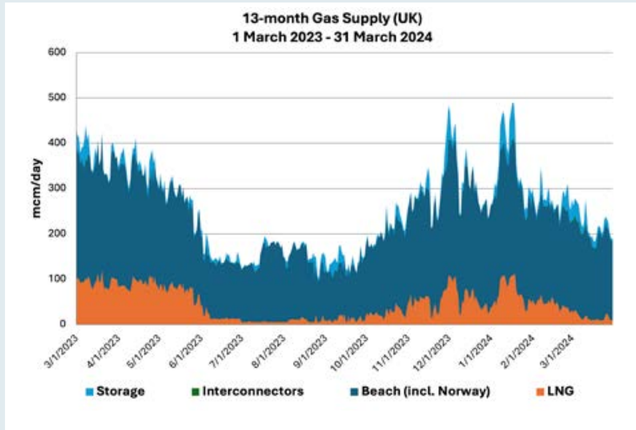
Much like the temperatures and mercury levels, energy prices remained relatively benign compared with the last couple of winters, with very few periods of wholesale price volatility, low balancing costs due to high levels of wind, and little or no fears of security of supply.

Gas demands were supressed not only by low levels of power generation and low temperatures, but affordability remained a key issue for both industrial consumers and domestics as the cost of living crisis continues, competition from other markets intensifies, and we continue with a general downturn in demand for goods and services across a range of sectors including ours.

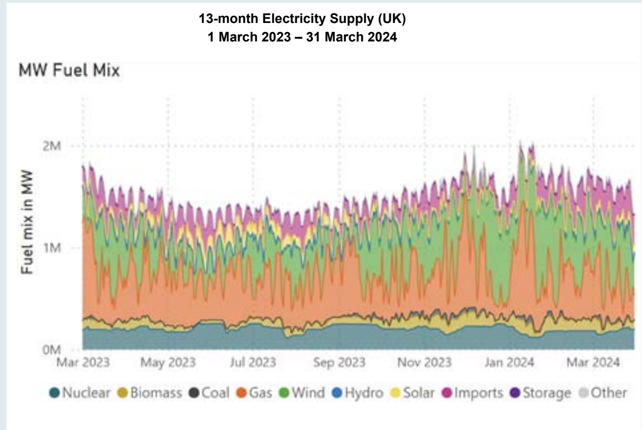
Coupled with demand destruction, this winter also saw a return to normal flows across the gas interconnectors whereby exports to continental Europe seem to have reverted to normal levels despite the ongoing cessation of gas flows from Russia through the Nordstream pipelines following the invasion of Ukraine. Equally flows of LNG into the GB market remained much lower than the previous winter with a very positive response in the couple of periods of colder temperatures.

In closing the winter with relatively high levels of gas in storage particularly the strategic reserves needed in Europe, demands on the GB market for transhipped LNG are likely to be lower than last which should further maintain downward pressure on prices.

Going forward, our wholesale energy markets reflect current prices throughout the forward curve, with energy trading largely at pre-crisis levels, when corrected for inflation. for next winter and into the foreseeable future.



Source – National Grid



Source – GridWatch

Chemicals Management

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PRODUCTS AND CONSUMER HEALTH

CHEMICALS MANAGEMENT — UK

CIA Joins call for UK Chemicals Strategy

Letters to the Editor

THE TIMES ONE PENNY NEWSPAPER

Chemicals strategy

Sir, In 2018 the government's 25-year Environment Plan promised a chemicals strategy, the first since 1999. Six years on, with nothing published and no updated timeline in sight, we urgently need clarity on the government's intentions for vital regulation that will have profound effects on our economy, health and environment. Since 2020 there has been a 46 per cent increase in the number of civil servants working on chemicals regulation but they are still overwhelmed with work. With a coherent and connected chemicals strategy, Britain can make better use of its existing scientific expertise and adapt to changing regulation more effectively. The issue will again be raised in parliament today. The chemicals strategy must introduce forward-looking regulation and business incentives to protect the environment and public health; without it, we hamstring Britain's ability to tackle chemical pollution, nurture a safe, circular economy, develop new skills in the next generation of employees and become a true science superpower.

Catherine Gunby, executive director, Fidra; **Helen Pain**, CEO, Royal Society of Chemistry; **Richard Benwell**, CEO, Wildlife & Countryside Link; **Steve Elliott**, CEO Chemical Industries Association; **Tim Doggett**, CEO, Chemical Business Association

Last month CIA together with independents and environmental NGOs submitted a short letter to *The Times* Editor. This was published 14 March 2024 and called for the following: **"The chemical industry must introduce forward looking regulation and business incentives to protect the environment and public health; without it, we hamstring the UK's ability to tackle chemical pollution, grow a safe, circular economy, develop new skills in the next generation of employees, and become a true science superpower."** This is available here.

Government Responds to POPs Consultation Findings

On UK Persistent Organic Pollutants (POPs) Regulation, the government has published a summary of responses and its own response to the consultation held 2 March 2023 to 27 April 2023. This looked at:

- Amending and/or addition of POPs waste concentration limits for several POPs;
- Removal of specific exemptions for several POPs;
- Addition of unintentional trace contaminant (UTC) exemption levels for at least two POPs;
- Amending and/or removal of UTC exemptions for the POP perfluorooctanoic acid (PFOA);
- Addition of a new toxic equivalency factor (TEF) for a POP (dioxin-like polychlorinated biphenyls (PCBs)); and
- Amending maximum concentration limits (derogations for permanent waste storage) for several POPs.

The response is available on gov.uk here.

New NAMs Network established

The National Centre for the 3Rs (Replacement, Reduction and Refinement; NC3Rs) has launched a new Network to promote New Approach Methodologies. According to the NC3Rs website "the NAMs Network is a community of researchers, developers and industry and regulatory end-users working together to accelerate the use of new approach methodologies". Further information can be found here.

EU

EU Seeks to apply essential use concept to chemical legislation

In April the European Commission published its Communication on 'Guiding Criteria and Principles for the Essential Use Concept in EU legislation Dealing With Chemicals'. This follows the Commission's work undertaken in 2022 with a consultant whereby stakeholders were consulted through a workshop, surveys and targeted interviews. According to the Communication, its aim "is to elaborate on the concept and relevant criteria, and to guide its possible use, including in future legislation". The concept was announced back in 2020 within the Chemicals Strategy for Sustainability, which was developed to help achieve the zero-pollution ambition for a toxic free environment of the 2019 European Green Deal. The Communication from the European Commission defines criteria, sets out principles for the concept, and the Annex gives consideration to the Montreal Protocol, guidelines on the use to be assessed, assessing if the use is essential for society, and conditions associated with the decision on an essential use. The Communication can be found here.

EUON Calls for Proposals for Study Ideas on nanomaterials

The European Union Observatory for Nanomaterials (EUON) has invited proposals for study ideas for addressing knowledge gaps to nanomaterials within the EU market. These include:

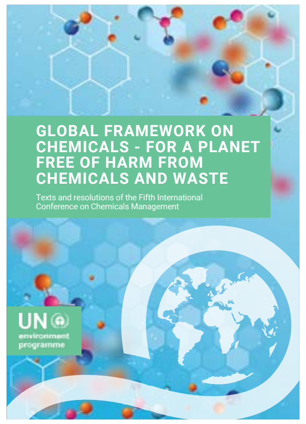
- Questions related to the health and safety aspects of nanomaterials, including hazard and risk assessment;
- Specific issues surrounding the uses and associated risks, benefits of nanomaterials; or
- Information about markets of nanomaterials.

Proposals were able to be made until 30 April 2024. Further information can be found on the EUON's website here.

INTERNATIONAL

UNEP hold first Global Framework on Chemicals Measurability & Indicators Meeting

On 16 April stakeholders attended the first Open Ended Ad-hoc Meeting of the Global Framework on Chemicals (GFC) – Measurability and Indicators work group that sits under the United Nations Environment Programme work on global chemicals management. Stakeholders were from governments, industry, environmental NGOs and other. This first meeting was a brief meeting where the formalities on the task set in the Resolutions of the Fifth International Conference on Chemicals Management in 2023 were reiterated, and election of two chairs from governments (Japan, and Trinidad & Tobago) were proposed and accepted. The next step will be the start of the work to identify indicators for measuring the success of the new UN Global Framework on Chemicals. The UNEP's GFC has now replaced their former Strategic Approach to International Chemicals Management (SAICM).



Work on the UN Global Plastics Treaty continues

April saw the fourth session of the UN's International Negotiating Committee to develop an international legally binding instrument on plastic pollution, including in the marine environment take place (this is referred to as INC-4). The event held in Ottowa, Canada from 21-30 April considered a revised zero-draft text that had been prepared for the meeting. In advance of INC-4, the UK as a member of the 'High Ambition Coalition to End Plastic Pollution' released a joint Ministerial Statement with sixty four other countries. At the time of writing for CIA Matters, INC-4 was taking place. Details on INC-4, including the follow up after the negotiations have concluded, can be found on the United Nations Environment Programme website – see here.

PFAS Initiative in U.S. promotes awareness of essential roles in society

In March the U.S. Chamber of Commerce (business organisation) announced a new campaign initiative promoting 'Essential Chemistry for America'. According to the press release the campaign aims to "educate policymakers and business leaders about the role of essential chemistry" and "advocate for sound, science and risk-based regulations and policies". Further information on the campaign initiative can be found on their website.

REACH

Alternative registration model

Last November, Defra finally published an announcement outlining the policy direction for the UK REACH alternative registration model and the intention to consult in 2024. From DEFRA's perspective, the Department remains committed to propose an approach for transitional registrations which would significantly reduce data sharing costs, while maintaining the responsibility on registrants to provide safe use information as part of the registration process. The focus is to ensure authorities have GB-level information to better target regulatory work in the long term and that regulators' actions are on issues most concerning to GB. The publication of the statement, which was welcomed by CIA and other industry stakeholders, also announces the review of the existing fees structure for UK REACH to ensure a more sustainable funding model, including exploring reducing the current fees for registration as well as the intention to revise the UK REACH restriction processes to make them more efficient.

Hazard assessment

DEFRA's intention is to "reduce to the essential minimum" the hazard information in a way that registrants would not generally need to access and pay for data packages. As it is acknowledged that requiring registrants to submit comprehensive hazard-related information using publicly available sources would lead to data quality and IP/copyright issues, hazard information requirements are expected to be very basic. On the other hand, a new provision will be introduced to give the regulator the power to request data from registrants if needed for regulatory or risk prioritisation purposes or in case of emerging risks. However, this is expected to be targeted hazard information rather than a full dossier submission, if the new powers are used. The timeline companies will have to respond in case of requests will be informed by the upcoming consultation.

Risk assessment

A revised data set of information requirements on use and exposure is expected for substances meeting certain classification categories. CIA also understands that the requirement to produce a chemical safety report (CSR) would continue to apply at registration stage where applicable, but with the expectation that registrants will not need to buy access to the relevant hazard information underpinning the CSR. Reservations remain among member companies on the overall DEFRA approach around the limitations and challenges of providing a revised use and exposure data set if the registrants are required to obtain the information from the supply chain.

Next steps

CIA understands that the public consultation will be launched in upcoming months (we expect this to happen in May). So far, CIA has held ad-hoc calls with members from the Chemicals Management Network with the aim to proactively share early views and questions with Defra pre-consultation and to help prepare for the consultation itself. Once the public consultation is launched, CIA will also aim to promote consistent positioning among industry associations.

HSE Opens Call for Evidence on UK-REACH PFAS restriction in firefighting foams

Following publication in April 2023 of the UK's Risk Management Options Analysis (RMOA) report on PFAS, the Health and Safety Executive (HSE) has issued a call for evidence on the first recommendation in this report. The Evidence Call, which opened 4 April until 3 June 2024, is to inform preparation of the UK-REACH restriction dossier for PFAS use in firefighting foams. In terms of scope HSE's website states that the evidence call includes:

"All aspects, especially those that include PFAS. Includes but not limited to:

- Manufacture of firefighting foams: substances used, process, quantities.
- Import of firefighting foam products of all types: quantities, suppliers.
- Use: quantities, sector of use, frequency, storage on site, products used.
- Alternatives to PFAS in firefighting foams: availability, cost, performance in comparison to PFAS- containing foams, barriers to switching.
- Hazardous properties: safety data sheets, new studies on intrinsic properties and exposure, recommended risk management measures.
- Environmental fate: what happens to the foam after it is used, where does it go?
- Waste: disposal requirements, recycling opportunities, remediation.
- Standards: including product specific legislation, performance, certification."

The HSE's website also states that the consultation is aimed towards *"Companies (manufacturers, importers, distributors, retailers) and professional users of firefighting foams, trade associations, environmental organisations, consumer organisations, and any other organisations and members of the public holding relevant information."* The consultation can be found on the HSE's website.

ECHA and Germany announce next steps for analysis of EU-REACH PFAS comments

In March the European Chemicals Agency (ECHA) published the approach that its Risk Assessment Committee (RAC) and Socio-Economic Analysis Committee (SEAC) will take for evaluating the EU-restriction proposal and the numerous comments received from last year's consultation. ECHA's Press Release stated that the following sectors and elements would be discussed:

"• **March 2024 meeting:** Consumer mixtures, cosmetics and ski wax; Hazards of PFAS (only by RAC); and General approach (only by SEAC).

- **June 2024 meetings:** Metal plating and manufacture of metal products; and Additional discussion on hazards (only by RAC).
- **September 2024 meetings:** Textiles, upholstery, leather, apparel, carpets (TULAC); Food contact materials and packaging; and Petroleum & mining."

In addition to ECHA's evaluation, Germany published a statement in April on the role of the restriction proposal dossier submitter. In this they report that the five national authorities that prepared the proposal (the Netherlands, Germany, Denmark, Sweden and Norway) are now updating the assessments that underpinned the restriction proposal. This states:

"Specifically, for each of the sectors, the national authorities are:

- Identifying uses of PFAS that were not assessed in the initial report, incorporating these uses into existing sector assessments or creating additional sectors, as necessary;
- Considering how changes to other relevant EU legislation since the submission of the proposal e.g. the updated F-gas regulation, affect/interact with the REACH restriction dossier;
- Assessing the information provided on alternatives to PFAS, in order to review the appropriateness of the proposed derogations and transitional periods (derogations may be added, revised or removed whilst transitional periods may be increased or reduced);
- Assessing the appropriateness of restriction options other than a ban to address the identified risks of PFAS (across their full lifecycle) where relevant suggestions that were not previously considered are made in the consultation comments;
- Updating the socio-economic impact assessment to clearly present the trade-offs between the different restriction options considered to allow policy makers to make informed policy choices.

In addition, the five authorities will also consider the information provided in the consultation on the hazard and risks of PFAS across their full lifecycle."

More information can be found on ECHA's PFAS webpage.

CLASSIFICATION, LABELLING, PACKAGING

UK

The UK continues to use the GB Mandatory Classification and Labelling (GB MCL) process to evaluate both GB-origin classification proposals and published RAC Opinions under the EU CLH process, publishing Technical Reports (equivalent to RAC Opinions) and Agency Opinions (equivalent to SEAC Opinions) before recommendations to the Secretary of State and final decisions are made.

CIA has published guidance for members on how the GB MCL process works, explaining the difference between the Article 37 and Article 37A (EU-origin versus GB origin) processes, the timelines for each avenue, how to understand the HSE CLP Publication Table, and further advice to industry on how to submit relevant information to HSE and prepare for any changes in their interested substances.

CIA also received notice in January that, contrary to previous belief, GB CLP did not retain in law classifications for 90 substances included in the GB MCL list from the 14th and 15th ATPs to the EU CLP Regulation. To rectify this, HSE proposed to use procedures under GB CLP and recommend to Ministers that these are updated and formally brought into GB CLP, with the exception of two substances: titanium dioxide (in powder form) and granulated copper would both be assessed further under the Article 37A procedure. A consolidated Technical Report and Agency Opinion exists for these substances in the Publication Table, and industry continues to wait for the formal update.

At the close of 2023, HSE had issued a total of 41 Technical Reports under GB MCL. All reports were issued under the Article 37 process in response to a published RAC opinion under EU CLH; the vast majority agreed with the respective RAC opinions, with only three of the TRs expressing disagreement. In the same period, 49 Agency Opinions were issued, and of these, four were EU-origin proposals that disagreed with their respective reports.

In 2024, work continues on the GB MCL process, ensuring that mandatory classification under GB CLP continues to progress and considers information from multiple sources as decisions are made on classification and labelling proposals. At the time of writing, we have already seen 17 Technical Reports and 13 Agency Opinions issued, as well as a second update of the GB MCL list, with an entry into force date of 2 March 2024, and a mandatory compliance date of 2 September 2025.

In addition, a third proposed update of the GB MCL List has been notified to the World Trade Organisation's Technical Barriers to Trade committee (WTO TBT). Currently undergoing a commenting period, the intended date of adoption and entry into force is listed as Q3 2024.

Chemicals Management: Navigating Success

CIA and REACHReady held their joint annual conference on 25 April, with a new name – Chemicals Management: Navigating Success – and a revamped content schedule, not only covering UK updates and the current policy landscape, but also expanding to include EU and global influences, Product Stewardship, and the Responsible Care™ of chemicals.

The event saw updates from several different UK regulators on current policy direction, enforcement, and influences on wider policy, and showcased a wide variety of presentations from different industry presenters – including CIA members – who reflected on the progress of UK chemicals management & legislation, influence from EU and international stages, and what companies can do beyond compliance.

The first session of Chemicals Management: Navigating Success focused on the implementation of UK chemicals legislation to date. James Dancy, head of Defra's UK REACH Service and Policy team, started the day with an update on UK REACH, including insights on the Alternative Transitional Registration model (ATRm), potential changes to UK fees, improvements planned for the legislation, and the UK REACH work programme. This was followed by a presentation on UK REACH enforcement activity from Richard Hawkins, Senior Chemicals Advisor at the Environment Agency.

Following presentations from the government officials were "reflections to date" on UK REACH. Alison Thornber-Barwick of Syensqo, Iain MacKinnon of Dr. Knoell Consult, and Darren Abrahams of Steptoe each gave their views from the manufacturer, consultancy, and legal perspectives respectively. Finally, we finished off with an overview of GB CLP as it currently stands from Kirsty Eley, Chemicals Policy Executive at CIA and the policy lead for GHS and CLP at the Association.

The second session of the event covered "Near, Mid, and Long-Term Policy Direction", concentrating on policy influences both domestic and international. A joint government presentation from Sean Valoo, Office for Product Safety & Standards, and Cecile Brich, Defra, covered the recent work on chemical flame retardants in furniture regulations, and the implications this work may have on wider chemicals policy. This was followed by two presentations reflecting on EU REACH, and the influence this legislation continues to have on the development of UK REACH – CIA's Silvia Segna, Senior Chemicals Policy Executive and policy lead for REACH, gave an introduction and wider view of EU REACH, followed by a deep-dive into polymers and the coming changes to how EU REACH deals with polymer registration, delivered by Chris Howick of Inovyn.

The final session of Chemicals Management: Navigating Success centred around Product Stewardship and the Responsible Care ™ of Chemical Products. Domonick Zanarini of H2 Compliance gave an in-depth look at their approach to Product Stewardship and highlighted why it was so important for companies to have robust product stewardship systems in place. Roger Pullin, Head of Chemicals Policy & Health at CIA, then outlined how CIA assists their members in implementing and improving their stewardship regimes, before inviting Chris Howick of Inovyn to return to the floor and participate in a brief interview on how industry should approach product stewardship to round out the event.

During the event, attendees were also given a chance to interact and contribute their own thoughts on which aspects of UK policy they would like to see the regulators address, as well as anticipated challenges from the dynamic regulatory shifts that industry is witnessing in the EU. Initial responses from attending delegates were positive, with a >90% rating of 4-5 stars given in a Teams poll at the close of the event.

For more information on the event, please contact Kirsty Eley (eleyk@cia.org.uk).

Environment and climate change

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A new Climate Change Agreements scheme

Alongside the Autumn Statement, the Department for Energy Security and Net Zero published a consultation on proposals for a new, six-year Climate Change Agreements (CCA) scheme, starting in 2025. The current scheme has been extended twice already, initially from 31 December 2020 to 31 December 2022 (Target Period 5) and then to 31 December 2024 (Target Period 6). As it stands, the current targets would end on 31 December 2024 with reduced Climate Change Levy (CCL) rates available until 31 March 2027, for those who meet their obligations under the scheme.

Working with our Energy & Climate Change Policy Network, CIA responded to the consultation. We welcomed the six-year extension for the vital carbon leakage protection that the scheme provides but raised concerns about increased administration burden and the timelines for implementation.

Sure enough, the Government is now behind its own timeline for the roll-out of the scheme and we are still awaiting details of a target setting data collection exercise that was supposed to begin in February. Given the elections this year, CIA understands the timelines may drift further but that there will be no loss in CCL relief for those sites that remain participants within the current scheme. CIA will keep members up to date with developments, as and when more details are made available.

Green Industries Growth Accelerator

The £960 million Green Industries Growth Accelerator (GIGA) was announced in the Autumn Statement 2023. It aims to support the expansion of clean energy supply chains across the UK, with a focus on carbon capture, usage, and storage (CCUS), engineered greenhouse gas removals, hydrogen, offshore wind and electricity networks, and civil nuclear. In the Spring Budget, the Chancellor increased the funding by an additional £120 million and earmarked £390 million of the total pot for the CCUS and hydrogen sectors.

Following on from this, the Government published a call for evidence in February to inform the design of a funding scheme to support hydrogen and CCUS supply chains. The call for evidence aims to gather insights into the manufacturing project pipeline, as well as the challenges faced by the supply chains.

CIA made members aware of the consultation but will not respond directly because the questions are particularly targeted at technology providers. The consultation closed on 23 April.

UK Carbon Border Adjustment

Just before Christmas, the Government released a formal response to its spring 2023 consultation on 'Addressing carbon leakage to support decarbonisation'. The response confirmed that the Government will look to implement a UK carbon border adjustment mechanism (CBAM) by 2027, applying a carbon price to imported goods from the following sectors: aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron, and steel.

The UK CBAM will be applied to scope 1, scope 2 and select precursor product emissions that are embodied in imported products, to ensure comparative coverage with the UK Emissions Trading Scheme (ETS). The carbon price will adjust for free allowances and other reductions to the carbon price paid domestically, and will account for explicit carbon prices in other jurisdictions.

However, much of the detailed design of the scheme was left out of the response and forms the basis of a new Treasury consultation on the Introduction of a UK carbon border adjustment mechanism from January 2027. This new consultation looks at the nitty gritty of how the scheme would work, with proposals on the date of application, the thresholds for registration, who will be liable, how to determine the liability, the accounting period, the format of tax returns, credits and repayments, enforcement, penalties and sanctions, reviews and appeals, and record keeping. However, detailed proposals on monitoring, reporting and verification are again omitted and will be subject to consultation further down the line.

In terms of sectoral inclusion, we have been reassured by the Treasury that the initial sectoral scope of the CBAM is not a definitive indication of which sectors the Government does, and does not, believe are at risk of carbon leakage. We have therefore been urged to engage with the design of the scheme with a view to potential future inclusion, and also to provide feedback on how a CBAM may, or may not, integrate with changes to free allocation policy under the UK ETS. Note that, free allocation policy is itself currently under review and you can read more on that consultation, below.

As always, CIA will work with our members to make sure the Treasury and UK ETS Authority have all the information about our sector needed to design a carbon leakage protection package that works for industry. Our Energy and Climate Change Policy Network will be meeting on 1 May to discuss the recent consultation and to agree a way forward with regards to engagement with Treasury. If you are not engaged with that group but interested in the UK CBAM policy, please get in touch with our Energy and Climate Change Policy lead, Rich Woolley for details (WoolleyR@cia.org.uk).

UK Emissions Trading Scheme: Free allocation review

At the end of last year, The UK Emissions Trading Scheme (UK ETS) Authority launched a consultation seeking views on proposals to alter the free allocation methodology for the stationary sectors, in order to (in their words) 'better target those most at risk of carbon leakage and ensure that free allocations are fairly distributed'. The consultation closed in March.

The review formed the second part of a two-stage process, where the first stage saw the industry cap – the total number of allowances made available to industry through free allocation – amended upwards from 37% to 40% of the total cap. In reality, this represented an absolute decrease in total free allocation within the scheme, because the overall emissions cap was reduced by 30% at the same time.

The recent consultation related to the upcoming free allocation period 2026-2030 and focussed on four key areas: 1) how to account for emissions and activity level changes at sites, 2) how to set the product and fallback benchmarks, 3) how to calculate who is on and who is off the carbon leakage list, and 4) whether to introduce any additional factors to free allocation methodology – critically on this last factor, performance-related 'conditionality' is proposed.

CIA's Energy and Climate Change Policy Network met with the policy team behind the consultation on 5 February to discuss our thoughts and concerns. Based on the discussion in that meeting CIA drew up a response to the consultation, raising member concerns about international competitiveness, the effectiveness of UK carbon leakage policy, and the need for urgent clarity on long-term policy.

UK Emissions Trading Scheme: Markets policy

In December, alongside it's consultation on free allocation in the UK ETS, the Government published a consultation on how market policy might be developed within the UK-only carbon market. Like the consultation on free allocation, this one again comprised the second part of a two-part process, testing more developed policy proposals where the first sought input on higher level principles. It also closed to submissions in March.

The second consultation sought views on whether the UK ETS Authority has identified the most significant risks to effective market functioning, as well as the design and suitability of different policy options to address the risks identified.

Crucially for our sector, the Government proposed:

1) Maintaining the temporary Auction Reserve Price which was brought in as a soft price floor, to manage what could have been a volatile Brexit transition;
2) Maintaining the much criticised subjective intervention process built into the Cost Containment Mechanism; and
3) Introducing a Supply Adjustment Mechanism – a version of the EU's Market Stability Reserve – to avoid prolongued high or low prices.

Our Energy & Climate Change Policy Network met with the policy team behind the proposals on 5 February and provided our initial thoughts. After that meeting we drafted and submitted a response urging the Government not to intervene to artificially set a desired carbon price trajectory, but instead to focus on providing a clearer and more consistent approach to preventing price spikes that might lead to carbon leakage.

Industrial energy efficiency potential

In December we were made aware that Ricardo, a consultancy, has been retained by the Department of Energy Security and Net Zero to update the evidence base relating to the potential for improved energy efficiency in our industry.

The project comprises an update of the energy efficiency evidence that was gathered back in 2015, which informed the existing industrial decarbonisation and energy efficiency roadmaps, and which will now inform the setting of the UK's 7th Carbon Budget.

To ensure the research is well-informed, CIA has been working to raise awareness of the project amongst our members and to encourage our largest energy users to participate in interviews with the team at Ricardo. If you would like to help inform the study, please get in touch with our Head of Energy and Climate Change, Rich Woolley (WoolleyR@cia.org.uk).

Mental Health Week

Monday 13th May marked the start of Mental Health Awareness Week. This year's theme is Movement: Moving for Our Mental Health and aims to help us find our own 'moments for movement'. 4 in 10 adults are currently not meeting the NHS recommended physical activity guidelines, though physical activity has many proven benefits for mental health.

Raising awareness is critical, with stress, depression and anxiety cases on the rise and work-related mental ill health accounting for around 51% of long-term sick leave.

Exercise has been proven to reduce anxiety and depression, and it can help us to prevent physical illnesses. Sadly, people living with mental illness die on average 20 years younger than the general population, often from avoidable physical illness. This group is more likely to develop preventable conditions like diabetes, heart disease, bowel cancer and breast cancer.

Research conducted by Mental Health UK shows that 56% of people found that exercising regularly helped them to alleviate stress and prevent burnout in their lives.

The CIA champions Health & Wellbeing Leadership since we recognise the need to look after any organisation's best resource – its people! Our objective is to help member sites achieve sustainable healthy workplaces. The CIA Mental Health Tool is also available on our website, which enables an assessment of your organisation's arrangements and provides you with data for action planning. This year we wanted to encourage both members and CIA staff to share their top tips as well as a little bit about how moving helps their mental health. For some a simple walk would do more than enough to move away from any thoughts or overwhelming feelings, and others go above and beyond setting incredible targets. CIA staff also came together:

Charis McInnes, Sustainability Executive, Chemical Industries Association

I find exercise to be one of the best ways of keeping my mental health in check. It provides an opportunity to take time for myself and put whatever else is going on in my work or home life to one side. In the past year I have really gotten into running and challenged myself to complete the 2024 London Marathon; this was by no means easy but the sense of accomplishment I felt once crossing the finish line was next to none. Not only was I glad it was over(!) but I was so proud of myself and the incredible things my body can do when shown some determination. But you don't have to sign yourself up to some big race to get that same feeling. Whether it is going for a walk on your lunch break or doing a Pilates class after work, switching off from the trials and tribulations of daily life will leave you feeling lighter – even if just for a little bit.

If you're wondering how you can incorporate exercise into your daily routine to better your mental health, here are my top tips:

- Bring a friend: I've found that running with a friend or going to a gym class together is such a good way of catching up and making the workout more enjoyable.
- Headphones: Listen to absolutely anything you want, I love listening to podcasts on longer runs or blasting some of my favourite songs – no matter how cringe – when I'm going for speed.
  - That being said, sometimes I like to leave the headphones at home as it helps me think through anything that's been on my mind.
- Challenge yourself: This doesn't have to be signing up to a marathon, it could simply be doing two exercise classes a week or going to a park run once a month. As someone who loves to tick things off or work toward a goal, this will help you get that sense of accomplishment.
- Get outside: Whilst gyms are great, but the combination of exercise and being outdoors can be elating, especially when the sun is out. Find a running route in a green space or take a yoga mat into your garden and exercise outside.
- Have fun: Whatever you decide to do, remember it's meant to be making you feel good. So if you're doing something that you don't get enjoyment from, take a break and try something new!

Lucy Jones, Graduate Trainee Croda and ChemTalent member

"When things get busy in your work life, such as starting a new role or project, it can be especially important to make time for your wellbeing. I find that getting outside for a walk can really help improve mood. There can be times when I don't feel like getting out, but I often find that these are the days when I feel the benefits most".

Hannah Mohsen, Production Engineer, Solutia UK Ltd, a wholly owned Subsidiary of Eastman Chemical and ChemTalent member

My 'top tip' for something like this would be: On the days that you feel completely overwhelmed and want to just get home, curl up under a blanket and watch TV, they're the days that are more important than ever to get out, and get moving – even if it is just a walk to the local shops!

Hannah has helped to organise a global 'Move it Day' challenge for Eastman, encouraging all employees around the globe to start exercising more throughout the month of May. They will be tracking their progress with prizes for the global top contributors. This event has been taking place for a number of years now starting with the EMEA region, and has now spread globally. The team runs the actual event through an external app which individuals where individuals can track their exercise which then translates into points. You can compete as both individuals, and in teams of four, and those with the most points will win! It gets very competitive each year, with people going for progressively longer runs / bike rides as the month goes on!

Did you know…

40%

of people have considered leaving their job due to mental health or wellbeing

875,000

reported cases of work-related stress, depression or anxiety in 2022/2023

The mental health and wellbeing benefits of moving more include:

- Less tension, stress and mental fatigue
- A natural energy boost
- A sense of achievement
- More focus and motivation
- Feeling less angry or frustrated
- Having fun
- An opportunity to connect with others

Sarah Campbell, Responsible Care Executive, Chemical industries Association

When I'm lifting, it's so technical that I am very mindful and 'present' – particularly when the barbell starts getting heavy! It forces me to completely switch off from any mental clutter and essentially detoxes my brain. I do this 3-5 times a week depending on my family and work schedule, not only does it help keep on top of stress it really improves my sleep. There's the added bonus of seeing my gym buddies during classes too, I've made some really good friends along the way. I've been doing it for 12 years now and never intend stopping, getting under a heavy barbell really is my happy place.

SABIC

SABIC Europe takes part in a whole of Europe Step Challenge which promotes at least 10,000 steps a day. May is the national walking day, a very fitting activity for this year's mental health theme! Here are some suggestions from SABIC on how you could take part.

Mike Squire – Head of Environment, Chemical industries Association

Something I do to help my mental and physical health is a lot of walking – having a dog helps this and we walk her every day and I try to go as often as I can.

Apart from walking I enjoy snorkelling which I did in Cyprus last October. Really enjoy swimming and especially in warm seas. My son loves it too and just this week we have bought an underwater camera and sea shoes ready for sea swimming in Croatia (to avoid being stung by sea urchins) next month and Cyprus again in October (as well as Lake Garda in August although not expecting to see too much underwater interest there).

Apart from supporting our members we also ensure that the CIA staff are aware on the importance of moving for your mental health. Sarah Campbell, Responsible Care Executive and Dr Roger Pullin, Head of Chemicals Policy and Health, led an informative session to all CIA staff on mental health, helpful resources and facts about the impact of mental health in general.

The future of flow measurement in industry

Clamp-on ultrasonic flow measurement technology represents a significant advancement in the monitoring and management of fluid flow within various industrial processes. This non-intrusive technique involves attaching ultrasonic transducers to the outside of the pipeline, and by emitting ultrasonic signals through the pipe and fluid, it measures the time it takes for the sound waves to travel with and against the flow. The difference in these times is used to calculate the flow rate, offering a highly accurate, reliable and maintenance-free method for measuring fluid flow, including gases.

The challenge of accurate flow measurement in chemical production

A practical application of this advanced technology can be observed in the chemical production processes at a plant located in Stade, Germany, which utilises rock salt from nearby deposits in Ohrensen to produce hydrogen and caustic soda through electrolysis. Chlorine, a by-product of this process, serves as a critical raw material for several other production stages within the facility. One notable application involves the production of methylene diphenyl-diisocyanate (MDI), a key precursor in manufacturing polyurethane. Polyurethane's versatility is evident in its use for thermal insulation, sportswear and as a high-tech adhesive in the automotive industry.

The non-intrusive solution

Faced with the challenge of inaccurate flow measurements due to equipment vibration, and needing a solution that wouldn't disrupt production, the plant turned to Flexim's clamp-on ultrasonic technology – a solution already proven across various applications within the plant. The deployment of flowmeters for the non-intrusive flow measurement of hydrochloric gas was initiated with Flexim's portable flowmeter confirming the viability of this approach, leading to the installation of the stationary system.

Ensuring continuous operation

Clamp-on ultrasonic flow measurement technology not only resolved the immediate issue by replacing a malfunctioning meter without halting production, but also offered the flexibility to adapt to future needs without disrupting operations. Following initial tests, adjustments were made by switching to higher-frequency transducers, ensuring reliable, ongoing measurement of hydrogen chloride levels essential for the downstream production processes.

The successful implementation of clamp-on ultrasonic flow measurement technology in a critical production process exemplifies innovation and adaptability in industrial applications, securing continuous operation and product supply.

FLEXIM
when measuring matters

To find out more about the capabilities of clamp-on ultrasonic flow measurement in the chemical industry, for permanent mains-powered installation, or battery-powered rental meters available from one week to longer duration options, contact Simon Millington –
www.flexim.co.uk | sales@flexim.co.uk
+44 (0)1606 781 420

Sustainability

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Sustainability update

Driven by human-caused climate change, and exacerbated by the natural El Niño weather event, 2023 has been confirmed as the hottest year on record.[1] Yet, despite this we are continuing to see governments reneging on proactive measures to tackle the crisis. Notably, as the UK approaches a general election, we have observed Labour abandoning their commitment to £28 billion annually for green investment. Additionally, on the other side of the political spectrum, Jeremy Hunt, chancellor of the Conservative party, omitted any mention of climate change in the spring budget. The political terrain bears resemblance to that of our Western counterparts, exemplified by the decision of the US Securities and Exchange Commission to relinquish mandatory reporting obligations concerning Scope 3 emissions, and the backlash to – as well as the watering down of – corporate sustainability disclosures in the European Union.[2] With public awareness mounting and environmental concerns gaining prominence, it will be interesting to see how the electorate's expectations for robust policies to address climate change shape the discourse in the coming months.

Although frustrations persist in certain aspects of sustainability policy, there has been notable positive advancements in controls pertaining to nature. In February, the UK Government implemented the Biodiversity Net Gain (BNG) regulation, mandating new developments to achieve a 10% increase in biodiversity compared to the previous state of the site. The objective is to foster nature-friendly developments beneficial to residents, broader communities, and biodiversity. Although smaller developments were granted a slightly extended grace period, as of April 2024, they also became subject to compliance.

Alongside this, a new research and innovation programme that will embed biodiversity into the financial system has launched a network and hub to deliver its second phase. Rhian-Mari Thomas, Chief Executive of Green Finance Institute, emphasised the critical role of the Integrating Finance and Biodiversity programme in leveraging the UK's research expertise and global leadership in green finance to mobilise private investment in nature restoration.[3]

Regarding deforestation, despite pressure from several EU nations, the Commission purportedly has no intention to revise its projected timeline for the implementation of the long-awaited EU Deforestation Regulation concerning critical supply chains, set to take effect at the year's end. Simultaneously, the EU Parliament is set to restore 20% of its land and sea with the adoption of the Nature Restoration Law, moving from protecting and conserving nature, to restoring it.[4] In the UK, despite appeals from the Environment Audit Committee, the Government has no intention to broaden the scope of its upcoming ban on the sale of imported products associated with illegal deforestation to encompass commodities linked to deforestation deemed legal in their country of origin. Nevertheless, pressure persists, with the Transition Plan Taskforce recommending the integration of nature into transition planning and urging the revision of the national biodiversity plan. With a new government impending, the situation remains dynamic, and the CIA will diligently monitor the evolving landscape of nature regulations across jurisdictions.

The landscape of environmental reporting is undergoing a notable shift, marked by an increasing number of reporting schemes embracing the inclusion of scope 3 emissions reporting. While predominantly voluntary, we anticipate a shift in the trajectory towards mandatory compliance in the future. Indeed, more companies are choosing to transparently disclose not only their direct emissions but also the indirect emissions associated with their entire value chain signifying a growing awareness and commitment. Despite encountering some resistance from large corporations due to the complexities of scope 3 reporting, the anticipated trend still underscores its growing relevance. As a result, we prioritised this topic for discussion at the initial Sustainability Strategy Group (SSG) meeting of the year. Members discussed the various challenges they face in reporting scope 3 emissions, with significant problems centring around data quality and collection. The group also discussed the barriers and opportunities regarding alternative feedstocks—especially chemical recycling, biomass and carbon capture and storage. As reporting schemes increasingly acknowledge the significance of scope 3 emissions, it is evident that this aspect will be a central theme in discussions and initiatives within the SSG workplan throughout the year.

Furthermore, as part of the 2023 Green Finance Strategy, Treasury commissioned a Transition Finance Market Review led by Vanessa Harward-Williams from Linklaters. The subsequent call for evidence specifically looks towards high-emitting and hard-to-abate sectors, including that of chemicals. The CIA's response emphasises the pivotal role of transition finance for the chemical sector, which inherently faces abatement challenges due to its high operational and capital expenditures. Substantial investments will therefore be necessary to assist the industry in achieving its net zero goals. Transition finance will be important for financing green initiatives and mitigating risks associated with innovative decarbonisation technologies. The CIA advocates for measures to enhance the accessibility and deployment of transition finance, with the ultimate aim of decarbonising UK industry.

To conclude on a positive note, there is some optimistic news in that the UK has achieved a 50% reduction in emissions and is now halfway to reaching net zero. It is crucial we maintain this momentum as we strive towards achieving zero emissions by 2030!

[1] https://www.bbc.co.uk/news/science-environment-67861954
[2] Referring to the Corporate Sustainability Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD)
[3] New network to integrate biodiversity in the financial system – UKRI
[4] Nature restoration: Parliament adopts law to restore 20% of EU's land and sea | News | European Parliament (europa.eu)

CIAmatters SPRING 2024

Health and Wellbeing

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Are you ready for Mental Health Awareness Week, 13-19 May 2024?

The 13-19 May 2024 is Mental Health Awareness week. This year's theme is 'movement: moving more for our mental health' that aims to promote physical activity due to evidence of proven benefits for mental health. The NHS has a range of resources available that not only target this year's theme but also past themes; these include social statics, infographics and downloadable posters. See the NHS campaign website for further information. Resources are also available from charity organisations such as Mental Health Foundation and Mind.

April was Stress Awareness month

WORKING MINDS
MAKE IT ROUTINE
REACH OUT> RECOGNISE> RESPOND> REFLECT

In April, the Health and Safety Executive (HSE) ran a campaign to promote stress awareness in the workplace. HSE lists six main areas that "can lead to work-related stress if they are not managed properly: demands, control, support, relationships, role, and change". Employers and managers were invited to complete HSE's 5 steps in 5 weeks as part of their Working Minds Campaign. The 5 steps are:

1. **Reach** out and have conversations
2. **Recognise** the signs and causes of stress
3. **Respond** to any risks identified by agreeing action points
4. **Reflect** on the actions taken – have things improved?
5. Make it **Routine** to check back in on how things are going

In their e-bulletin of 10 April 2024, HSE describes how there may be obvious signs and also less obvious ones such as "change in the way someone acts, for example taking more time off, arriving for work later, loss of motivation or confidence, or seeming more nervous or emotional". HSE emphasises that employers have a legal duty to protect employees from stress at work and are responsible in identifying the risks of stress and acting on them, but diagnosis and treatment is outside of the employer's responsibility.

Action Needed to Address Rising Levels of Ill-Health

700,000 more workers are projected to be living with major illness by 2040, according to a new report by the Health Foundation's REAL (Research & Economic Analysis for The Long Term) Centre, which states that action from government, public services and employers is needed. This significant rise in ill-health could lead to more people leaving the workforce, reducing labour supply and undermining efforts to increase economic growth in an already challenging economic landscape. Download a copy of the full report from the Health Foundation website.

HSE Updates RIDDOR Guidance

The Health and Safety Executive (HSE) has updated its RIDDOR guidance. The following main changes were announced in HSE's e-bulletin of 18 April 2024.

Guidance:

- Provided "more direct links to guidance on types of reportable incidents to help you decide whether a report is required;
- Improved guidance on who should and should not report under RIDDOR;
- Improved guidance on what is meant by a 'work-related' accident;
- Provided information on when an occupational disease is not reportable; and
- Increased clarity on when an 'over-7-day' absence should be reported."

Forms:

- Questions about severity of injuries have been frontloaded to help you quickly decide if your incident is reportable;
- Pop-up messages now redirect you if the incident is not reportable; and
- guidance has been improved to make the forms easier to use.

The guidance is available on HSE's website.

Second Edition of HSE's Legionnaires Disease Technical guidance (HSG274) published

In March 2024 the Health and Safety Executive (HSE) published the second edition of its Technical Guidance HSG274 on Legionnaires Disease. The guidance aimed at dutyholders is in three parts:

- **Part 1:** The control of Legionella bacteria in evaporative cooling systems
- **Part 2:** The control of Legionella bacteria in hot and cold water systems
- **Part 3:** The control of Legionella bacteria in other risk systems

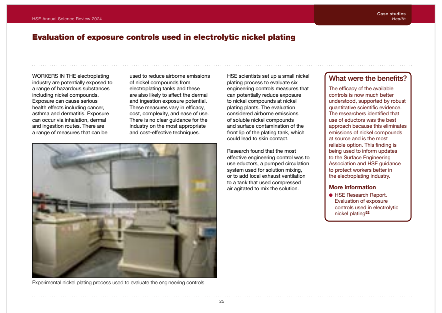
This can be downloaded for free or purchased as a printed copy from HSE Books.

HSE Publishes 2024 Annual Science Review

This year's publication from the Health & Safety Executive (HSE) focuses on the areas outlined below.

- Maintaining Great Britain's record as one of the safest countries to work in:
  - HSE's Forensic investigation; the robust scientific evidence that underpins HSE's regulatory activities.
- Enabling industry to innovate safely to prevent major incidents: supporting the move towards net zero:
  - MultHyFuel: inclusion of hydrogen onto multi-fuel stations.
- Reducing work-related ill health:
  - Evaluation of exposure controls used in electrolytic nickel plating.
- Increase and maintain trust to ensure people feel safe where they live, where they work and in their environment:
  - Monitoring the health of registered pesticide workers: 10 years of the PIPAH study.
  - Putting residents at the heart of the new Building Safety Regulator.

More information on this and past science review publications can be found on HSE's website.



Member company news

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Welcome to our new Associate Members

Associate Members play a key role in the Chemical Industries Association membership. As service and equipment providers to the sector, they enrich our membership by providing invaluable insights into the latest technologies, equipment, and services. Their contributions enable us to stay at the forefront of innovation and best practices, drawing from diverse experiences across various manufacturing sectors.

Water Plus

Efficient water and effluent management support: for compliance, sustainability targets and more – from a multi award-winning team. The Water Plus expert team can provide bespoke and cost-effective solutions, that work for environmental targets, your industry sector, maintaining effluent compliance and specific customer needs.

We can review water and effluent treatment, plant efficiencies and find opportunities to innovate, to cut carbon footprints and costs. We can also provide advice on effluent compliance.

As a 9 times Green Apple Environment Award winner, including a Global Gold for Water Management in the Green World Awards 2023, we've worked with a range of sites and organisations to drive more results from ways they use water, including 35% average water-savings.

Whatever business size, there are always advantages of looking more at how water is used in a year – and the approach to trade effluent, which can lead to energy savings too. So, tap into more opportunities today – get in touch: hello@water-plus.co.uk
More at: www.water-plus.co.uk/about-us/

Sustainable Energy First

Sustainable Energy First! Based in Lancashire are at the forefront of creating sustainable energy opportunities for the UK's most prominent organisations. Being a B Corp certified company, Sustainable Energy First exemplifies their commitment to sustainability. Their ambitious carbon reduction target, aiming to reduce clients' carbon footprint by 327,170 tonnes of CO_2e by 2028, showcases their dedication to driving positive change.

Balance Power

For today's businesses, sourcing energy is more challenging than ever. From fluctuating costs to mounting pressure from consumers and political stakeholders to adopt more sustainable practices, businesses face a multitude of hurdles in securing reliable and affordable energy. As the world grapples with the urgency of climate change, the need for businesses to decarbonise further complicates the equation. Amidst these challenges, **Balance Power** can provide businesses with tailored 'behind-the-meter' solutions that can directly connect to a renewable source, to address their evolving energy needs while lowering operational costs and increase sustainability. If you think your business could benefit, get in touch with our team today:
Contact details:
enquiries@balancepower.co.uk
Telephone – 0151 958 0431
Website: www.balancepower.co.uk

Exergy3

Exergy3 has developed innovative ultra-high temperature thermal energy storage technology that can decarbonise industrial processes. Taking electricity from the grid and converting it to thermal energy, it outputs this as hot gas at variable flowrates and temperatures depending on process requirements. Modular, highly efficient and with minimal installation costs, Exergy3 offers a flexible, affordable decarbonisation solution.

Regional Affairs

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NORTH WEST

A specialist water treatment business based in Alderley Edge has acquired established German chemicals enterprise KyroChem. Synthesis Water Solutions plans to increase sales across Europe while commencing manufacturing and supply operations in Saudi Arabia and the US to support existing demand.

Christopher Dean, chairman of Synthesis, said: "Traditionally, reducing environmental impacts has meant higher costs for the end user. KyroChem's products, based on unique chemistry, offer a step change for the chemical industry delivering measurably better performance, with major ESG benefits for the end user without increased cost in a world that has to date been dominated by commodity chemicals.

Leading resource recovery and recycling business, Viridor has agreed a statement of principles with the UK Government's Department for Energy Security and Net Zero (DESNZ). The project will deliver a world-leading Carbon Capture and Storage (CCS) project at its Runcorn Energy Recovery Facility (ERF). Viridor's ERF facilities generate electricity from waste which cannot be easily recycled or reused.

Viridor will now enter final negotiations with DESNZ to conclude a Waste Industrial Carbon Capture contract, which could secure Government support alongside Viridor's own investment to make the project a reality.

This is a further step towards the project target of capturing at least 900,000 tonnes of CO_2 a year, completely offsetting the carbon footprint of the treatment of a million tonnes of waste per year . There are more than 50 Energy from Waste facilities in the UK, meaning successfully getting the project delivered in Runcorn will serve as the blueprint for decarbonising a vital sector across the UK.

The project could deliver up to 10% of the UK Government's 2030 negative emissions target. Negative emissions are generated by removing and permanently storing carbon dioxide which naturally exists in our atmosphere.

Photo: https://www.alderley.com/produced-water-treatment-services/

SCOTLAND

NORTH EAST

NORTH WEST

CIAmatters SPRING 2024

NORTH EAST

Net Zero Teesside Power and the Northern Endurance Partnership progress towards final investment decision

NZT Power is a joint venture between bp and Equinor, it has the potential of generating up to 860 megawatts of flexible, dispatchable low-carbon power. Up to 2 million tonnes of CO2 per year would be captured at the plant, and then transported and securely stored by the NEP in subsea storage sites beneath the North Sea.

Net Zero Teesside Power (NZT Power) and the Northern Endurance Partnership (NEP) have selected contractors for engineering, procurement, and construction contracts with a combined value of around £4bn. The selection of specialist contractors is a major milestone for the Teesside-based project, contributing to the UK's journey towards net zero 2050.

The final award of contracts is subject to the receipt of relevant regulatory clearances and positive Final Investment Decisions (FID) by the projects and UK government, planned for September 2024, possibly earlier. Following FID, the projects would aim for first commercial operations from 2027.

Image: https://www.netzeroteesside.co.uk

TRADE

Duty Suspension of Chemical imports

The Department for Business and Trade opened the 2024 application window for duty (tariff) suspensions on imported materials. This follows the 2023 round within which chemicals were the most significant industry with almost 100 successful applications. Approved duty suspensions usually last for two years and are designed to help UK businesses remain competitive in the global marketplace. They do this by suspending, either in whole or in part, UK Global Tariff import duties on certain goods, normally those used as inputs into domestic production processes. CIA had encouraged the Department of Business and Trade to introduce annual (application) windows and to have greater flexibility on the roll-over of existing suspensions and the period covered by an approved suspension. This year the government is inviting stakeholders to apply for new suspensions, and in a separate but concurrent process, to provide views on existing suspensions that are due to expire on 31 December 2024.

Where is the India FTA?

The UK and India do not currently enjoy a Free Trade Agreement. Negotiations started on 17 January 2022 and under a Boris Johnson-led Conservative Government a target of concluding talks was set for October of that year, that target was missed. CIA lobbied against a quick deal, rather we continue to seek a more comprehensive deal that properly unlocks the potential trade benefits in and from the India market. The 14th round of direct negotiations was concluded in April 2024 just ahead of India calling a General Election. The Election in India is spread over a six-week period and concludes with elections on 1 June with the results announced three days later. CIA understands that discussions are at an advanced stage and should Prime Minister Modi and the BJP Party secure re-election, and as long as the political will from both sides remains, there is some confidence that a deal might be finalised in the period before the end of July when a summer break will impact UK policy makers. CIA has engaged on a number of chapters of importance to the chemical sector including RoO, Technical Barrier to Trade, SME, Investment, Labour Standards, SPS and dispute resolution.

Chemspec Europe Trade Fair 19-20 June 2024

CIA is delighted to coordinate a UK pavilion at Chemspec, 19-20 June. CIA has worked closely with the Department for Business and Trade who have allocated support to facilitate a UK presence. Chemspec showcases the entire spectrum of fine and speciality chemicals for various applications and industries and will celebrate its 37th International Exhibition at Messe Düsseldorf, Germany. For more information on the CIA stand please contact cranshawi@cia.org.uk

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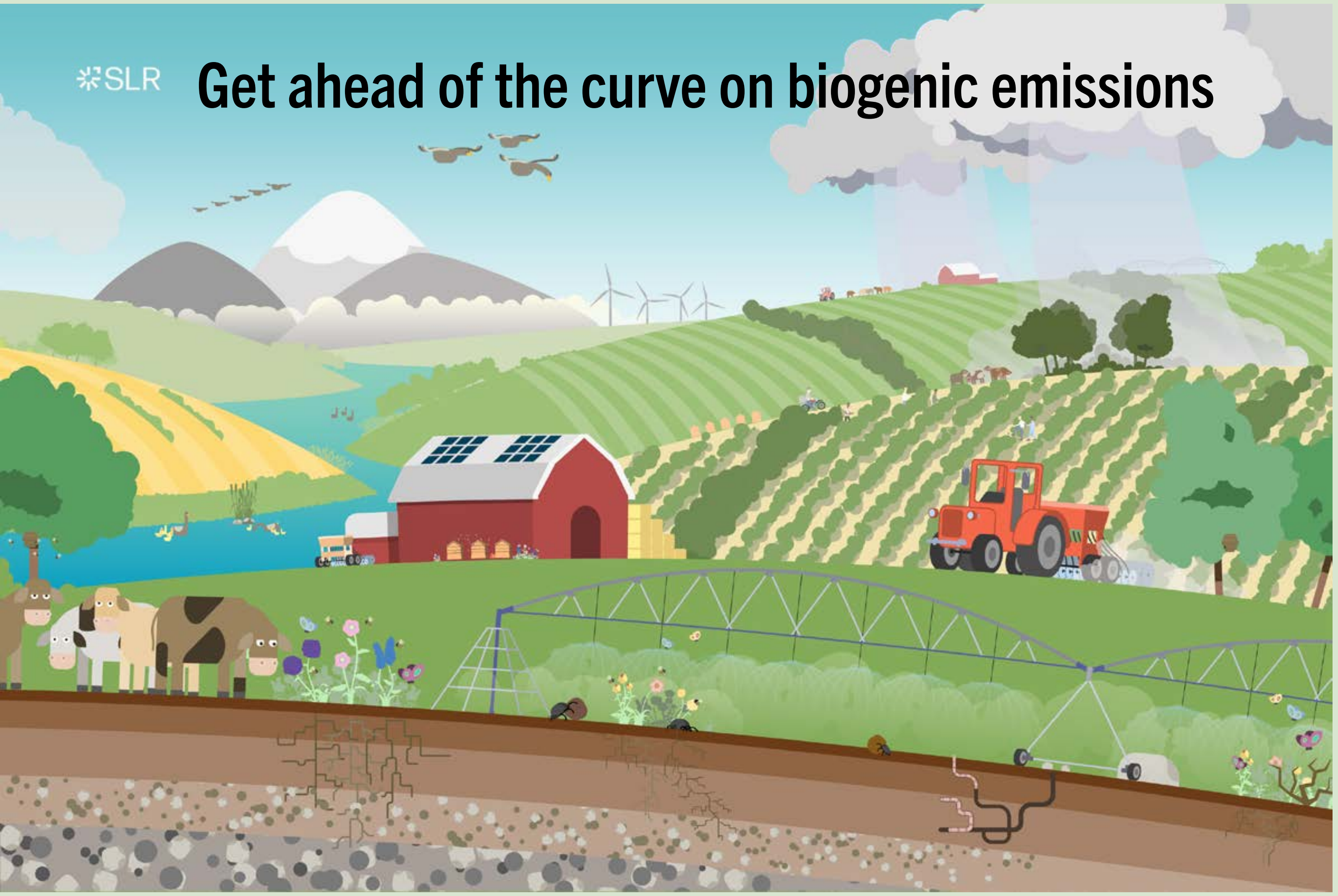
Get ahead of the curve on biogenic emissions



By now, many organisations across different sectors acknowledge the ever-increasing role climate-related goals play in key business decisions, and the chemical industry is no exception. Indeed, the CIA began its own journey towards Net Zero in 2018, aiming to cut its emissions in half by 2034 and achieve Net Zero by 2050. To do this, many CIA members have engaged in activities such as switching to biofuels and bio-derived products.[1] While these steps are both important and commendable, they should by no means be considered the endgame in efforts to curb industry emissions. This is because, even though bio alternatives are much more climate-conscious than their fossil-fuel derived counterparts, they do produce biogenic emissions. With new guidance concerning these emissions set to be introduced this year, it's wise for organisations to gain a better understanding of what this could mean for their business.

What are biogenic emissions?

Biogenic emissions can be broadly classified into two types. The first type is produced from combusting biofuel. The CO_2 produced is 'out of scope' and disclosure schemes such as CDP require organisations to report this separately as a biogenic emission.[2] The second type, which this article will focus on, is Forest, Land and Agriculture (FLAG). FLAG activities fall into three categories:

1. Emissions produced specifically by land use change, e.g. draining peatland to repurpose it, releasing the peatland's stored greenhouse gases (GHGs) into the atmosphere.
2. Emissions produced through land management practices e.g. tilling and fertilisation.
3. Removal of emissions e.g. reversing the actions above by setting land aside for rewilding, which 'captures' atmospheric carbon.

As the global economy shifts towards a system of renewable biomass fuels, there could be an increase in land use change to meet demand in growing and producing these products. This will increase FLAG emissions, which are already estimated to account for 13% of total global net anthropogenic GHG emissions on average.[3]

FLAG emissions have gained a greater interest recently, evidenced by discussions at COP28 on emissions related to agriculture, as well as new requirements brought in for the Science Based Targets initiative (SBTi). As part of this update, SBTi now requires all companies from all sectors to estimate FLAG emissions in their baseline.[4] In addition, the upcoming release of new GHG Protocol Land Sector and Removal Guidance this year will likely see a much greater scrutiny of offsets and reporting of removals based on bioenergy with carbon capture and storage.[5] This shows the importance of having systems in place to better track FLAG emissions and removals. With the use of accurate reporting and analysis, CIA members will be able to work with their supply chains to minimise emissions and maximise removal potential with land management-based sequestration, in line with new guidance.

Case study

SLR has developed a service offering that helps clients be far better placed to meet Net Zero expectations. The service follows the reporting requirements of IPCC 2006, IPCC 2019, Draft GHG Protocol Land Sector and Removal Guidance, and the SBTi FLAG Framework. The implementation of these emission inventory systems means SLR can support clients who are beginning to track their FLAG emissions or looking to improve how they do it.

Recently, SLR assisted a company from a mandatory FLAG sector with their Science Based Target submission.[6] SLR completed a full GHG inventory of industrial and FLAG emissions for the company's base year and most recent year, as well as completing the SBTi target validation document pack. For this, SLR worked with the client's data to estimate emissions associated with the land that the company managed directly and the indirect upstream FLAG emissions from the products they purchased. SLR's support meant that the client's submission was compliant with the SBTi FLAG Framework, and their internal team was aware of the opportunities for improvement and emission reductions. SBTi has subsequently updated its FLAG guidance, and SLR's sustained engagement means that the client is prepared to respond to the additional requirements of their continued target validation.

Conclusion

If the chemical industry is to achieve Net Zero, it needs to look at the wider picture, including the impact of its value chain which could include FLAG emissions. While steps are being taken in the right direction, there remains much to be done, especially when stakeholders (such as regulators and voluntary disclosure platforms) expect more and are now better at holding companies to account. Looking forward, knowledge about FLAG will help organisations to navigate the new legislation and guidance that will come into force as the topic gains more momentum. Having awareness and understanding about FLAG emissions, as well as a plan of action to manage them, will be integral for businesses to reach emissions targets, and ultimately help them play their part in tackling the climate crisis.

1 Reuters, 'Chemical maker Dow signs supply agreement for bio-plastic materials', (25 May 2023) https://www.reuters.com/sustainability/chemical-maker-dow-signs-supply-agreement-bio-plastic-materials-2023-05-25/ [accessed 11/03/2024]

2 CDP, 'CDP Technical Note: Biofuels, CDP Climate Change, Forests and Water Security Questionnaires' (25 January 2023), https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/647/original/CDP-technical-note-on-biofuels.pdf?1651855056 [accessed 11/03/2024]

3 Gert-Jan Nabuurs, Rachid Mrabet, and others, 'Chapter 7: Agriculture, Forestry, and Other Land Uses (AFOLU)' in *IPCC Sixth Assessment Report, Working Group III: Mitigation of Climate Change*, (2022), Cambridge University Press, Cambridge, UK, doi: 10.1017/9781009157926.009

4 STBi, 'The SBTi Forest, Land and Agriculture Guidance updates: What has changed?' (15 December 2023), https://sciencebasedtargets.org/blog/the-sbti-flag-updates [accessed 11/03/2024]

5 Nina Lakhani, 'Revealed: top carbon offset projects may not cut planet-heating emissions', The Guardian, 19 September 2023, https://www.theguardian.com/environment/2023/sep/19/do-carbon-credit-reduce-emissions-greenhouse-gases [accessed 11/03/2024]

6 CM. Anderson, T. Bicalho, E. Wallace, T. Letts, and M. Stevenson, 'Forest, Land and Agriculture Science-Based Target-Setting Guidance' (15 December 2023), World Wildlife Fund, Washington, DC, USA https://sciencebasedtargets.org/resources/files/SBTiFLAGGuidance.pdf [accessed 11/03/2024]

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What is ChemTalent?

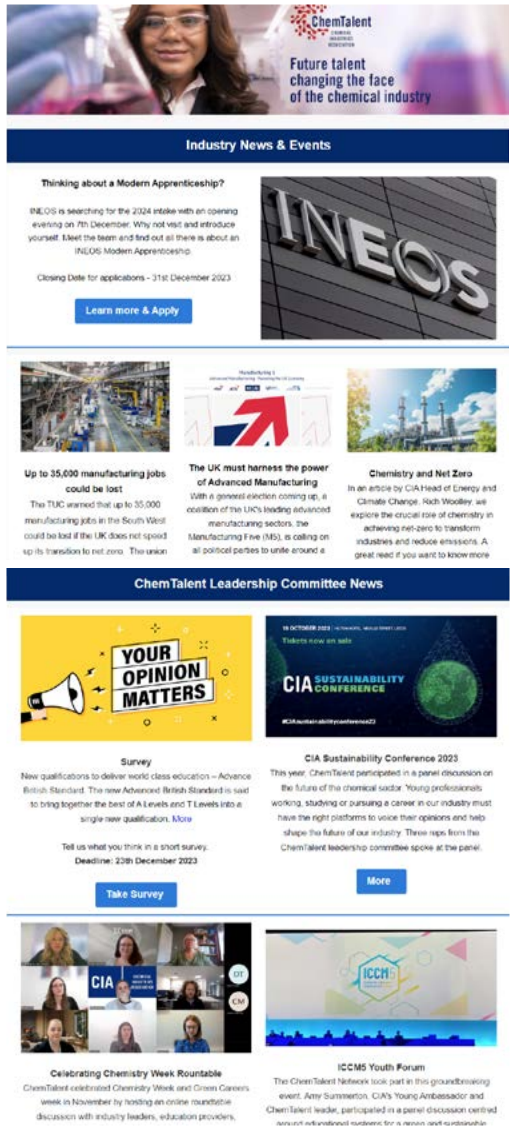
Chemtalent is the voice for all future talent working within the industry, from apprentices, to graduates, across every function that enables our companies to operate on a daily basis. This group aims to be a coveted platform to **network**, **develop** and **transform** the future of the industry.

Want to become the industry Ambassador of the future? Become a ChemTalent Influencer today. Email chemtalent@cia.org.uk to find out more

Networking
Speak to other early careerists from across the sector and learn from each other.

Get your voice heard
Get involved at the heart of CIA's policy making and lobbying activities – help shape the future of the Chemical Industry.

Events
Accelerate you knowledge, skills and behaviours through our various events.


ChemTalent

Future talent changing the face of the chemical industry

Industry News & Events

Thinking about a Modern Apprenticeship?

INEOS is searching for the 2024 intake with an opening evening on 7th December. Why not visit and introduce yourself. Meet the team and find out all there is about an INEOS Modern Apprenticeship.

Closing Date for applications - 31st December 2023

Learn more & Apply

Up to 35,000 manufacturing jobs could be lost

The TUC warned that up to 35,000 manufacturing jobs in the South West could be lost if the UK does not speed up its transition to net zero. The union

The UK must harness the power of Advanced Manufacturing

With a general election coming up, a coalition of the UK's leading advanced manufacturing sectors, the Manufacturing Five (M5), is calling on all political parties to unite around a

Chemistry and Net Zero

In an article by CIA Head of Energy and Climate Change, Rich Woolley, we explore the crucial role of chemistry in achieving net-zero to transform industries and reduce emissions. A great read if you want to know more

ChemTalent Leadership Committee News

YOUR OPINION MATTERS

Survey

New qualifications to deliver world class education – Advance British Standard. The new Advanced British Standard is said to bring together the best of A Levels and T Levels into a single new qualification. More

Tell us what you think in a short survey.
Deadline: 23th December 2023

Take Survey

CIA SUSTAINABILITY CONFERENCE

CIA Sustainability Conference 2023

This year, ChemTalent participated in a panel discussion on the future of the chemical sector. Young professionals working, studying or pursuing a career in our industry must have the right platforms to voice their opinions and help shape the future of our industry. Three reps from the ChemTalent leadership committee spoke at the panel.

More

Celebrating Chemistry Week Rountable

ChemTalent celebrated Chemistry Week and Green Careers week in November by hosting an online roundtable discussion with industry leaders, education providers,

ICCM5 Youth Forum

The ChemTalent Network took part in this groundbreaking event. Amy Summerton, CIA's Young Ambassador and ChemTalent leader, participated in a panel discussion centred around educational systems for a green and sustainable

If you'd like to keep up with ChemTalent Network activities, industry news, opportunities supporting schools, networking with colleagues from other member companies or events, why not sign up to our newsletter! If you'd like to subscribe please email chemtalent@cia.org.uk.

Government and Politics

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GOVERNMENT AND POLITICS

Since the start of the year, anticipating a new Government, we have been working on delivering our messages around the need for policy stability and a competitive funding landscape, if we are to stand any chance of competing for new chemicals investment opposite the more advantaged parts of the world. As part of our work, we have been engaging with Government and stakeholders reaffirming our commitment to advocate for policies supporting UK-wide industry development.

The ask for policy stability is shared across the Manufacturing Five (M5). **UK advanced manufacturing can support sustainable regional and national economic growth, but this requires long-term political vision and commitment, a message shared with the leaders of the UK's five most successful manufacturing sectors. With a general election coming up, a coalition of the UK's leading advanced manufacturing sectors, the M5, is calling on all political parties to unite around a long-term vision for UK manufacturing.**

The CIA together with the other four M5 colleagues met with the Chair of the House of Commons Science and Technology Committee, Greg Clark and the Shadow Skills Minister, Seema Malhotra. The focus of that meeting was the M5 manifesto, with a set of asks for whoever wins the next general election. Details of the manifesto are here. Our approach focuses on building the workforce of tomorrow; regulating for growth; supporting innovation; leadership in sustainability, and securing Britain's place as a leading trading nation. We also highlighted the critical importance of advanced manufacturing in shaping the UK's future. The manifesto stresses the need for a coherent, long-term strategy to ensure their continued success. In our meeting we also highlighted concerns over REACH, the flooding of the UK market by cheaper Chinese products and continued comparable cost plus the security of supply of energy.

It has certainly been a very tumultuous few months since our last update with the Prime Minister making changes in Cabinet. Unexpectedly, the Prime Minister enacted a Ministerial reshuffle, albeit below the Cabinet level. The impact for us saw Nusrat Ghani – with whom we worked on a range of issues including supply chains, critical minerals and the current Red Sea impacts – moving from Business & Trade to the Foreign Office. With the general election coming up, we must ensure our messages are consistent and shared with key stakeholders. Steve Elliott, the association's Chief Executive, spoke with the newly appointed Minister of State at the Department for Business and Trade, Alan Mak. Three years ago he championed – in his own words something like – 'industrial strategy' or whatever you call it'. Such a strategy would feature levelling up skills and infrastructure in the regions, regulatory freedoms after Brexit, support for the UK's transition to net zero, focus on key innovative sectors for the fourth industrial revolution and a critical minerals reserve stockpile. There was not a high level of detail but a lot of the general direction is what we could support.

Although Mr Mak's tenure is unlikely to be very long with a general election looming, we were grateful that he took the time to speak so soon after his appointment. Mr Mak confirmed that he would be taking forward the priority actions/asks from our recent chemicals roundtable with Kemi Badenoch, Secretary of State for Business and Trade. As a reminder, the CIA lead a chemicals sector round table session with the Business and Trade Secretary of State, Kemi Badenoch. Our 10-strong delegation, reflecting upstream and downstream interests, big and small, highlighted a number of policy areas where support is needed from across Government. These included the forthcoming UK REACH consultation; ongoing energy and carbon cost challenges; the prohibitive policy and regulatory environment for chemical recycling and the need to better incentivise and accelerate the exploitation of hydrogen for producers and users. The Secretary of State welcomed the discussion and has asked for further detail on these priorities for when Parliament returns in mid-April.

Moving away from our work with Government and other political parties, local elections are another key moment for us to monitor. In what is seen as a guide to the outcome of the general election, voting took place in a series of local and mayoral elections across England and Wales and in a by-election in Blackpool – a seat that the Conservatives won in 2019. That constituency was seized back by Labour with a swing of over 26%. To Conservatives who think Rishi Sunak should relinquish his Prime Ministership, the Blackpool result provides more evidence of the need to keep pushing that view. It will not just be the loss that is causing concern amongst Conservative back-benchers but the marginal second place they got, with the Reform Party a very close third. In fact, Reform UK were just 117 votes behind the Conservatives. Tempering all this, the number of people who voted in the

Steve Elliott meets with Kemi Badenoch – Left to right: Andy Walker, Johnson Matthey; Thomas Birk, BASF; Tom Bowtell, British Coatings Federation; Martin Ashcroft, Tata Chemicals; Kemi Badenoch, Secretary of State for Business and Trade; Steve Elliott, CEO CIA; Sharon Todd, SCI® Where Science Meets Business; Adrian Hanrahan MBA , Robinson Brothers Limited

by-election was very low – 32%. At the 2019 general election, the turnout was 56%.

However, the Conservatives do have some good news that they can point to with the Tees Valley mayoral race being won by the incumbent, Lord Ben Houchen. Despite some controversy around some of his decisions as Mayor, he has shown that personality and the belief in him by voters – away from any party issues – can ensure victory. Labour will be disappointed not to have won. However, the general election results from the area could be very different, with polling showing that for a general election, the reported support for the Conservatives was 21% below what Lord Houchen achieved. It will be interesting to see now the extent to which some Conservative MPs promote their party or focus on just local issues. Giving the Prime Minister a very clear picture of some bad defeats for the Conservative Party, more dispiriting news came with the loss of the Birmingham Mayoral seat and the scale of the defeat in the London Mayoral contest.

Some commentators are saying that, despite the scale of the defeat, the results will still not give Labour a majority in Parliament. Even the Prime Minister himself was talking about the potential for a hung Parliament! However, when it comes to the general election, many different factors will come into play. For example, more people will vote in England and Wales, Scotland will vote (with the expectation that Labour will significantly increase its number of MPs from the current one (!) and there will have been more policy announcements alongside 'daily events'. All of those factors would lead one to conclude that an outright Labour victory is very likely, although a continued improvement in the economy and some natural support for a current Government in the run-up to an election does leave a little doubt that a Labour victory might not produce the majority widely anticipated. However, this surely remains a general election for Labour to lose. The most recent opinion polls have pointed to the fact that, if its research was translated to an actual election, the Conservatives would lose all but thirteen of their MPs.

The results are likely to see a continuation of a policy push and actions by the Conservatives on areas such as immigration and sickness benefits. However, the policy challenge is not confined to the Government. Labour too has been trailing the reduction of plans on strengthening employment law. This will cause some internal arguments in the party and especially with the trade unions. That said, these election results, plus the more considered reaction earlier this year to the reduction of the commitment on net zero investment will strengthen the position of the Leader of the Opposition, Sir Keir Starmer, although there has been some negative impact in some seats due to Labour's stance on the Israel/Palestine issue.

Political events have not been the sole preserve of England. In Scotland, we have seen the resignation of the First Minister, Humza Yousaf after the way in which he ended the SNP's coalition deal with the Green Party produced a furious backlash. The successor, John Swinney, has previously met with the CIA Council in Edinburgh during his time as Finance Secretary and we will work to renew that link. Steve Elliott, in Scotland meeting member companies, laying the ground for our revamped Scotland Chief Executives/Site Leaders network. Thank you to all companies for the feedback we have had on this. Whilst in Scotland, Steve discussed competitiveness, regulatory, net zero and planning and permitting challenges with some CIA member companies.
Central to all of these is working with the Scottish authorities – in both a Scottish and Westminster parliament sense – to build a better understanding of our industry's significance to the Scottish economy, how we as businesses can help drive investment north of the border and how the authorities can help best support that investment.

A lot of work has been done in preparation for a much anticipated general election and we look forward to the 4th of July.

LATEST PRESS RELEASES

- Britain's chemical industry continues to fight economic challenges
- The chemical route to UK Growth – Budget Submission
- CIA responds to the Chancellor's Spring Budget 2024
- Key manufacturing exporter reports first growth in 2 years
- Chemical Industry says 'At Last' as UK REACH consultation is published

LATEST PUBLICATIONS

- First Quarter 2024 Economic Report
- M5: Harnessing Advanced Manufacturing
- Chemical Recycling and Mass Balance

Economic summary

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An Economic Update

As economic challenges such as inflation and uncertain demand continue to affect business, economic developments remain topical for chemical production as well as the UK. The early spring budget from Jeremy Hunt was targeted to voters through national insurance tax cuts and increases to childcare benefits, but these introductions were at the expense of long-term pro-industry policies. From a statistical standpoint, the Office for National Statistics (ONS) released and reviewed GDP data confirming the technical recession started in Q4 2023 and a strong entry to 2024 as output reached the highest level on record. Releases on prices confirmed the downward trend of inflation as headline inflation in Q1 2023 decelerated to 3.5%. In May the Monetary Policy Committee decided to maintain interest rates at 5.25% but sent the clear message that cuts would take place in the summer provided that pay and inflation data develop as expected. The labour market publication showed that average pay is continuing to grow quicker than inflation for the average UK worker.

Diving deeper into the Spring Budget that took place on March 6th, it was clear that the Prime Minister and the Chancellor took the opportunity to strengthen their political messages and possibly win over more voters through 'pro-growth' policies. During the Autumn Statement, the Chancellor reduced National Insurance Contributions from 12% to 10% and reduced them by two additional percentage points to 8% in March. On top of the generous tax cuts he also expressed the desire to abolish national insurance once the timing is right.

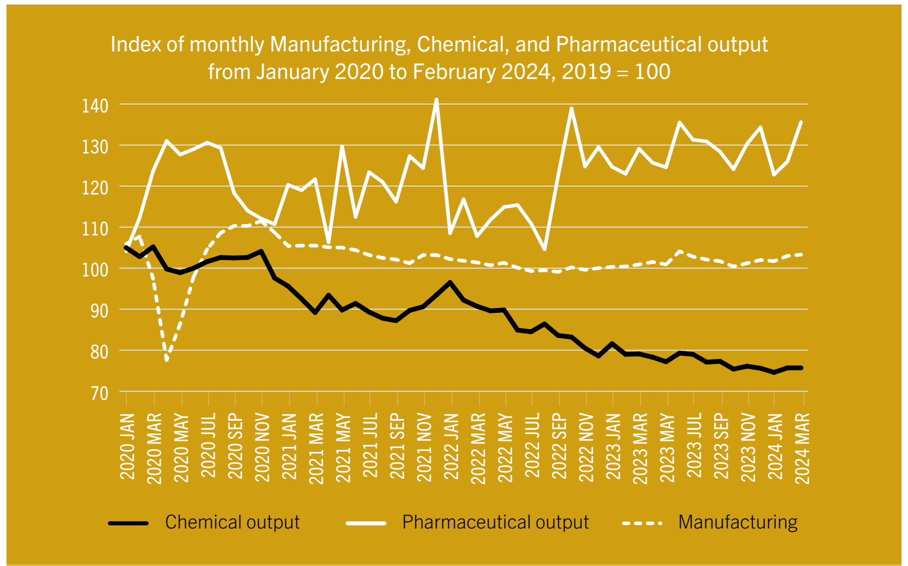
Similarly, he increased investment into the NHS and extended the lower threshold of childcare benefits to £60,000 from £50,000. These generous tax cuts and public investment were counter-balanced by changes to the regulation and taxation of non-doms (UK residents whose domicile is abroad). Forecasts from the Office for Budget Responsibility indicate that these generous introductions decrease the margin by which the debt-to-GDP ratio is going to fall in 2027, and it might hinder the chance of meeting this objective.

Last quarter the UK entered into a recession as GDP contracted for two consecutive quarters, yet with a low unemployment rate and salaries growing above inflation the recession was expected to be short-lived. ONS data on GDP for the first three months of 2024 confirmed this output expanded in the quarter, thus marking the end of the recession. The main driver of the growth was services activities which expanded in all three months thanks to resilient demand from consumers. Industrial output also grew in the quarter thanks to manufacturing's 1.4% expansion.

The momentum built for services over the past few months is expected to continue as strong wage growth and lower inflation increase domestic demand, yet high interest rates and tight fiscal policy will set a limit to this expansion. Independent forecasters expect the UK economy to expand by 0.6% in 2024 and 2.0% in 2025 mainly driven by strong service sector performance and consumer spending.

Manufacturing, Chemical and Pharmaceutical output over the past four years is represented in the above graph. **Graph 1** shows that manufacturing output strongly contracted during the pandemic but bounced back in the second half of 2020, over the past three years it has remained roughly stable with sustained growth starting in Q4 2023. This increasing trend is driven by booming automotive output which is currently 30% higher than pre-pandemic. Manufacturing output expanded by 1.1% in 2023 and it is currently marginally higher than pre-pandemic levels. Current global trends suggest that through 2024 manufacturing will continue to grow driven by high-value consumer goods, whilst intermediate goods' recovery remains more uncertain.

The red line indicates that chemical production has been contracting since the pandemic with 2022 and 2023 being the worst-performing years. Between January and December 2022 chemical output contracted by 22.8%, the highest 12-month contraction on record. Due to the strong fall in production in the second half of 2022, 2023 started from a lower base and through the year output continued to contract. More recent data indicates that chemical output continued contracting in January, expanded in February, and remained unchanged in March resulting in a quarterly contraction of 0.5% in Q1 2024. Forecasts expect an



Graph 1

overall annual contraction of 0.2% in 2024 as weak demand and increased cost of labour continue to impact operations. Forecasts are more optimistic for 2025 where they expect a 2.6% expansion. Chemical production over the past three years clearly shows the impact of low international investment, lack of support from government, and internationally uncompetitive energy prices.

Pharmaceutical output – shown by the green line – expanded by 9.6% in 2023 making it the best-performing year on record. Despite a 7.6% expansion in March and a 2.6% one in February, quarterly output contracted by 1.1% due to January's strong fall in pharmaceutical output. Nevertheless, thanks to increased demand through the pandemic current pharmaceutical output levels are almost 40% higher than pre-pandemic. Substantial government support and ever-growing demand anticipate a forecasted growth of 2.1% in 2024.

In his 2023 Spring Budget, the Chancellor promised to halve inflation by the end of the year. His promise was maintained as at the time of the Budget prices were growing at a 10.1% rate, but they decelerated to 4.0% in December 2023. Most recent data shows that in March 2024 inflation was 3.2%. Forecasts from the Bank of England expect it to reach the 2.0% target level in Q2 2024 but bounce back up in Q3 and come back onto target in 2026. The Bank of England assumes that the 4pp cuts to National Insurance Contribution together with lower inflation and growing salaries will increase consumer spending boosting the economy and hindering the medium-term deceleration of inflation. In their recent May meeting, the Monetary Policy Committee decided to maintain interest rates at 5.25%, but for the first time mentioned that the timing of the cuts will depend on 'forthcoming data releases' on inflation and pay.

Retail Price Index (RPI) inflation, which accounts for the change in price of retail goods and services, was 4.3% in March 2024, down from 4.5% in the year to February 2024.

Input and output price deflation is visible for general producers as well as chemical producers. Input Producer Price Index (PPI) in March 2024 fell by 2.5%, indicating that inputs were cheaper in March 2024 than in March 2023, output PPI also deflated but by 0.6%. Overall input and output price levels have been relatively stable since mid-2022, but remain substantially higher than their early 2021 already.

Graph 2 below shows the chemical input and output price levels over the past 13 months.

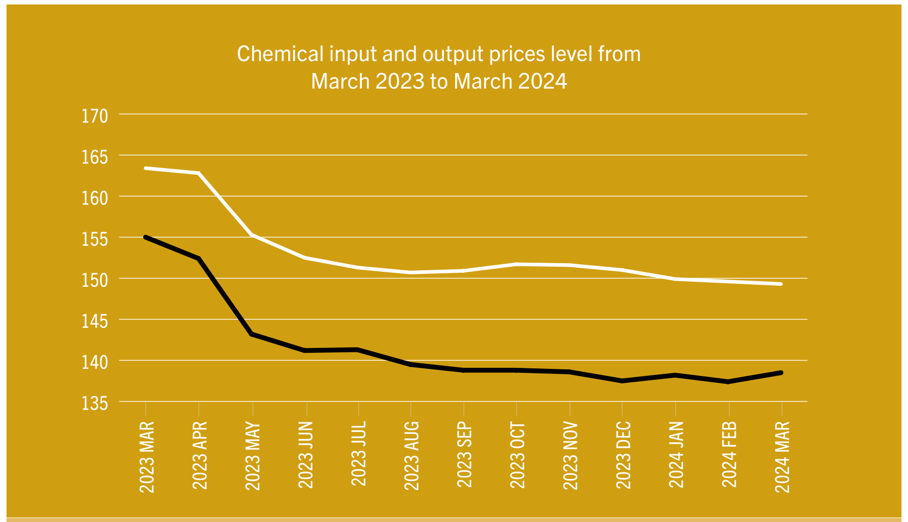
The orange line shows the level of chemical input prices, whilst the blue one of chemical output prices. Since December 2020 chemical inputs have been more expensive than chemical outputs putting a toll on margins. In March 2023 chemical input prices were 5.4% higher than chemical output prices, through the past year the gap widened and in March 2024 they are 7.8% higher.

Graph 2 also shows that in March 2024 both input and output prices were lower than in March 2023 indicating that they have deflated. In particular, input prices have fallen by 8.6% and output prices by 10.6%. The underlying reasons for falling input and output chemical prices are weak demand and lower energy costs.

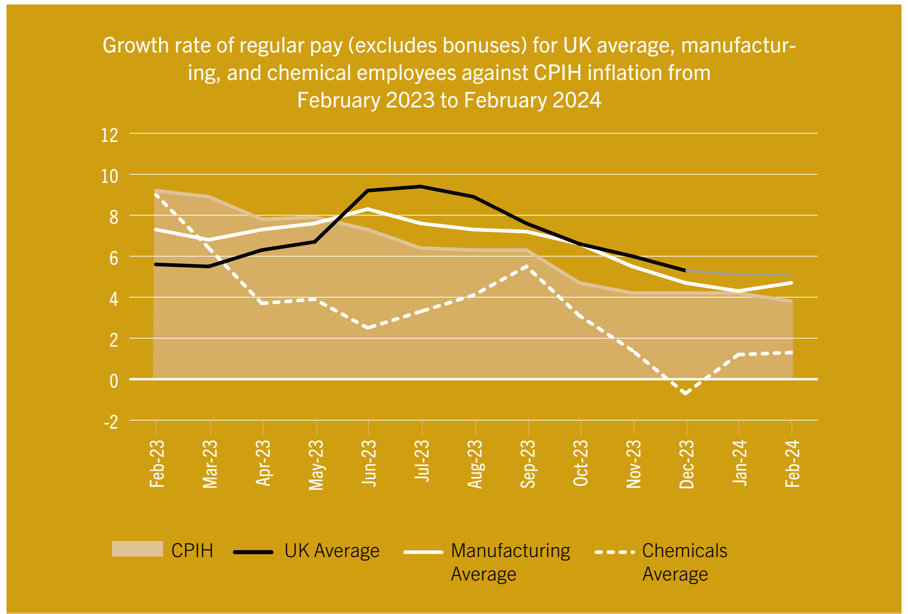
The last relevant publication covers the labour market. ONS data suggest that despite signs of easing, the labour market remains tight by historic standards due to Brexit, soaring inflation, growing inactivity rates, and economic uncertainty. In the three months to March, vacancies decreased by 1.4% to 916,000 and are currently 13.1% higher than pre-pandemic. The unemployment rate was 4.2%, 0.1pp lower than pre-pandemic and at the maximum bound of the optimal target.

Tight labour market conditions and the cost-of-living crisis are pushing up pay. The below graph shows regular pay growth rates for the average UK worker, manufacturing, and chemical workers against CPIH inflation. CPIH inflation includes mortgages and owner-occupying housing costs so it is considered by government a better estimate for employee's cost of living. In the graph, the lines above the yellow area represent real term pay growth as pay increased above inflation, whilst anything within the yellow area shows real terms of pay cuts as pay increased less than inflation.

In the three months to February 2024 regular pay (excluding bonuses) in the chemical sector – blue line – increased by 2.8% and total pay (including bonuses) by 1.3% but, with CPIH inflation at 3.8%, these resulted in real terms pay cuts of 1.0% and 1.5% respectively. Regular pay increasing more than total pay suggests that compared to the last year – where total pay was growing quicker than regular pay – there are fewer one-off payments, this is likely linked to lower headline inflation.



Graph 2



Graph 3

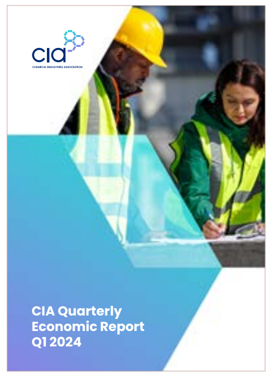
Unlike ONS data, our Quarterly Business Survey indicated that Q1 2024 was the first quarter of expansion for the industry. Over 50% of respondents reported higher sales, production level, and capacity utilisation compared to Q4 2023. The ongoing Red Sea crisis has increased the cost of trading and raw materials, whilst energy costs fell for a third of respondents. Yet margins remain in contractionary territory and slower-moving variables (R&D spending, business investment, and employee numbers) have not recorded any improvement. Employ numbers in particular have further contracted for 28% of respondents. Expectations for Q2 2024 and 2024 in general were positive as members expect to see improvements in capacity utilisation, sales, and production levels, yet employee numbers are not expected to recover suggesting that companies continue to have spare capacity and do not expect demand to return to 2019's levels.

The main challenges to business were: weakening demand and increasing cost of labour and raw materials, with the latter two expected to worsen by the majority of respondents. Nevertheless, the percentage of respondents that ranked 'weakening demand' as their main challenge has diminished from 66% in Q4 2023 to 45% in Q1 2024.

Topical questions uncovered that over two-thirds of respondents are relying on apprentices for at least some future skills needs, with the main areas for recruitment being maintenance, process operations, and admin (including IT). In terms of globalisation, 4 in 10 respondents' companies have reduced the share of their global production that takes place in the UK since 2019. Further indicating the impact of marginal government support and internationally uncompetitive energy prices on international investment.

CIA Quarterly Economic Reports

At the CIA, we undertake a quarterly business survey of our membership. The data collected, and official data provided by the Office for National Statistics, are then presented back to members for further analysis. A comprehensive economic report is then published, looking in detail at the topics discussed by members, in addition to the economic performance of the prior quarter and forecasts for the future. Read past reports here.



Events calendar

CIA events
events@cia.org.uk
020 7834 3399

See www.cia.org.uk/Training-and-events/Training-courses for full list of events

REACHReady events
events@reachready.co.uk
020 7901 1443

CIA Events

Environmental permitting of hydrogen production
BOOK

12 June

The incident investigation good practices training will be in the form of a one-day course consisting of presentations, workshop exercises and will provide learners with an understanding of good practices.

Media and Press Release Masterclass (virtual course)
BOOK

13 June

Whether you want to promote good news stories about your company and employees, or learn how to interest editors and publications in your scientific achievements, this masterclass will give you the tools to do so.

Problem Solving in Production (virtual course)
BOOK

20 June

The ability to solve problems is one of the most important business skills to possess, if not the most important. This course is for those looking to broaden their knowledge and increase their capability and confidence in using a range of problem-solving tools and techniques that will deliver results.

Chemical Industry Awards 2024 – Hilton Newcastle Gateshead
BOOK

20 June

The ability to solve problems is one of the most important business skills to possess, if not the most important. This course is for those looking to broaden their knowledge and increase their capability and confidence in using a range of problem-solving tools and techniques that will deliver results.

Carbon Reporting – Manchester
BOOK

26 June

The ability to solve problems is one of the most important business skills to possess, if not the most important. This course is for those looking to broaden their knowledge and increase their capability and confidence in using a range of problem-solving tools and techniques that will deliver results.

Changeover reduction for chemicals (virtual course)
BOOK

27 June

The course aims to provide a working overview of OBRA qualitative and quantitative methodologies, to provide attendees with the knowledge to understand, query or even develop OBRAs as well as providing an update on the 2020 guidance.

Occupied Buildings Risk Assessment – Manchester
BOOK

10 Julyl

The course aims to provide a working overview of OBRA qualitative and quantitative methodologies, to provide attendees with the knowledge to understand, query or even develop OBRAs as well as providing an update on the 2020 guidance.

Human Reliability Analysis – Virtual Course – Manchester
BOOK

18 July

The course aims to provide a working overview of OBRA qualitative and quantitative methodologies, to provide attendees with the knowledge to understand, query or even develop OBRAs as well as providing an update on the 2020 guidance.

REACHReady Events

UK REACH Registration: Data Essentials (virtual course)
BOOK

26 & 27 June (mornings only)

This workshop will explain key data endpoints required for UK REACH registrations, discuss data quality, validity and handling conflicting results, and highlight potential cost saving means. Designed to be an introduction to regulatory toxicology and environmental effects, the day will concentrate on the concepts of standard studies and the use of alternatives, with some time spent describing how data is used for hazard classification and risk assessment.

Of interest to anyone who needs to gain a better understanding of the implications of the information requirements of REACH. Particularly relevant to those working on forthcoming UK REACH registration deadlines. The day will also benefit regulatory specialists, safety data sheet authors and product managers involved in chemical safety, as well as R&D scientists who need to screen novel chemistries.

REACH – The Basics (virtual)
BOOK

10 & 11 July (mornings only)

For companies importing or exporting chemicals within the EU, obligations under the REACH Regulation still exist post-Brexit. Our most popular workshop is an excellent place to start for anyone who needs to understand more about both UK and EU REACH. Also of interest to non-EU suppliers of substances and mixtures who are looking to support their EU customers on REACH.

Managing Safety Data Sheets (virtual)
BOOK

18 & 19 September 2024 (mornings only)

Safety Data Sheets are a key communication document to provide information on the hazardous properties of chemical products and advice on risk management to reduce exposure to acceptable levels as well as advice on remedial action in case of accidents.

Anyone handling or supplying hazardous chemicals will already be familiar with the SDS and everyone supplying mixtures in the UK and EU 27 – from importers to formulators – needs to understand the SDS and how REACH affects it (EU/UK). For the writing SDS, getting the format correct is the easy part if following guidance, but to do this correctly, there must be an in depth knowledge of chemical safety control.

Register for this workshop to help you ensure your SDS is fit for purpose, and that you fully understand SDS provided by suppliers – and to check suppliers are providing you with appropriate details.

Make our team part of your team!

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CHEMICAL INDUSTRY Awards

Hilton Newcastle Gateshead, Bottle Bank

Thursday 20 June 2024

CHEMICAL INDUSTRIES ASSOCIATION