

Milan Declaration

of the third Congress of the European
Chemical Regions Network on 6th October 2005

„Chemical Regions as Actors for Sustainability and Cooperation in Europe“

Introduction:

This Congress marks the third time that high-level representatives from politics, local and regional authorities, industry, trade unions and research institutes have come together at the invitation of European chemical regions to discuss the critical issues regarding maintaining competitiveness and supporting sustainability in Europe on 6 October 2005 in Milan.

Against the background of rapidly increasing oil prices, continuing globalisation and more and more dissatisfying economic development in important European industrialised countries, the participants of the congress have agreed on taking a stand on current issues of European environmental and economic policy.

New Perspectives for future European Chemicals Policy

The **1st reading of proposals for future European chemicals policy** is getting into a crucial phase. Until November 2005 first consultation of Council and Parliament on the new regulation shall be finished.

ECRN has been actively involved in the debate of the European Parliament by means of modification proposal emphasising the following requirements:

- clear commitment to establishment of consistent regulations of chemicals in Europe to avoid double regulation and supporting innovation with minimal regulatory entry barriers,
- a paradigm shift from purely volume based requirements for registration towards a registration system based on exposure and substance property,
- implementation of use- and exposure categories to facilitate the registration and the communication along the supply chain,
- tiered requirements for generation of information according to the degree of intrinsic properties, amount and exposure of substances (substances of high hazard profile and high exposure leading to high risk first and substances of low risk at last),
- development of a pre-registration procedure providing necessary data on substance property as precondition for tiered registration system.
- simple structure of consortia to register a substance or a group of substances by means of establishment of product and manufacturer lists based on the pre-registration at the European Chemical Agency,
- the registration according to the principle “One Substance One Registration” (OSOR) shall not be mandatory, but a voluntary consortium shall be facilitated,
- development of clearer and more transparent regulations for the distribution of costs of the registration procedure by the European Chemical Agency. The European Chemical Agency must ensure fair conditions for competition and
- regarding possible requirements for registration similar conditions of competition for EU and non-EU manufacturers with regard to the import of articles from outside the EU must prevail.

ECRN emphasises its requirement on the European Commission to provide a revision of the REACH proposal at least after the first reading.

The most recently published report on the **SPORT Project** (Strategic Partnership on REACH Testing) points out that considerable efforts are necessary to make the currently proposed REACH system work for SME. ECRN welcomes the fact that in the SPORT project for the first time a representative of chemical regions has been involved as European partner in a cooperation project by EU Commission, Member States and industry associations.

Under the name “**GO-REACH**” the ECRN has also taken the initiative within the 6th Framework Programme for Research to develop an IT based tool for an easy and efficient application of REACH particularly in SMEs.

Research and Development in Chemical Regions

Within the next days the EU Commission presents its **proposal on the design of European research policy** for the upcoming years. The proposal defines concrete

priorities and strategies for funding that aim at strengthening EU competitiveness on international level.

In the past the ECRN has several times argued for supporting nano technologies, materials science and biotechnology on European level more than has been done so far.

For ECRN the initiative to establish European technology platforms is an essential contribution to ease communication between science and industry in Europe. However, the network has also pointed out that regions necessarily play an important role in this process, emphasising both their ecosystem and the innovative SMEs.

ECRN draws close attention particularly to the **Technology Platform “Sustainable Chemistry”** as it covers key research fields of the chemical industry in the short to long time perspective also taking into account the enabling character of chemistry for innovation in other industries as well. Hence, consideration and contribution in the work of this technology platform in the implementation of the 7th framework programme is from the ECRN’s point of view of central importance.

Chemical sites in the knowledge society

Chemical sites are further strengthening their efforts to develop innovation capacities in order to reinforce competitiveness in the global market. A new quality of development has emerged in the connection between production and knowledge locations. Two main developments should be supported in the future:

- The settlement of research infrastructure on the chemical sites, that brings together knowledge producer and knowledge user for the strengthening of innovation and
- the improvement of network structures between chemical locations and the surrounding research environment in order to initiate fruitful cooperation and to better use the regional competences and create synergy effects.

Growth and Regional Development in Chemical Regions

By publishing the **proposals for the new structural funds regulations** in July the EU Commission has made a significant contribution to the overall orientation of future regional policy in Europe. In the past many chemical regions have used structural funds to facilitate the restructuring process in the chemical industry actively.

The ECRN calls for quick agreement between EU member states on the financial framework of the European Union in order not to increase the already obvious delays in the approval of the new funding programmes.

Moreover, the ECRN affirms its interest in accelerating the exchange of experience on successful models in regional development together with the EU Commission and

regions concerned. In this respect, we welcome the altered position of the EU Commission on continuing the support for **interregional cooperation** in the framework of objective “territorial cooperation”. At the same time the chemical regions are asked to make arrangements in their operational programmes for future interregional cooperation.

Contribution to Lisbon Strategy and Enlargement

Regional networks of chemical sites have proved their success in raising the regional competitiveness. These location networks have also an added value at national and European level by contributing to the objectives of the Lisbon Agenda for the strengthening of competitiveness. The creation of synergy effects at European level in the areas of feedstock cooperation, marketing, etc should be further strengthened in the future. Furthermore the interregional exchange of experience between the regions from the old and new member states should be enforced to facilitate the process of enlargement. New challenges as the Trans-European Networks for raw material pipelines can help to overcome development barriers in the boarder regions and benefit the development of the European chemical industry in relation to other global players.

The restructuring of the chemical industry that is characterised by outsourcing and concentration of core activities is facilitated by the creation of industry related services (such as logistic, IT, marketing, finance, communication). The opportunities for employment growth and innovation should be further supported in this area.

The ECRN therefore welcomes the recent proposals of the European Commission to **withdraw unnecessary plans for new regulations** but also asks for further initiatives to ease the administrative burden of existing rules and regulations. The network reiterates the demand for comprehensive impact assessments of new policies regarding competitiveness and sustainability.

Simplification of procedures as for example anticipated by the Commission for the new research programmes is a crucial element to ensure effectiveness and efficiency.

Chemical Regions as Actors for Sustainability in Europe

The consequences of **climate change** are not limited to administrative borders and can only be slowed down by adopting global solutions. The EU Commission currently prepares a position on the **second round of allocation for emission trading** that member states need to implement in the next year.

The ECRN appeals for early and in-depth inclusion of the experiences made in the first round of allocation into the guidelines for the second round.

Initial assessments have shown the following shortcomings:

- current allocation rules are biased towards reduction of production in energy intensive industries,
- electricity prices have contributed to windfall profits for electricity producers at the expense of industrial competitiveness and consumer welfare,
- current allocation rules cause serious distortions within and between sectors; production plants with similar performance receive different allocations in different Member States,
- the general failure to (fully) reward companies for early action is not only unjustified but it will lead to the situation that new investments to reduce emissions are not stimulated in most cases and
- investment in new plants lack the security and predictability of the allocation of emission allowances in many Member States.

Therefore the ECRN is initially proposing the following:

- investment in Combined Heat and Power should be a preferred option and regulation should give credit for and/or encouragement for its introduction,
- based on the experiences with the first allocation plan the allocation of the second phase must be simplified taking the following demands into account:
 - avoiding of multiple optional allocation methods,
 - reducing the exemptions to a minimum necessary for ensuring the market mechanism,
 - increasing the legal security for all participants of the scheme and
 - lowering of the transaction costs for existing companies and new entries.

In order to have sustainable framework conditions for the next generation of chemical infrastructure in Europe, immediate solutions for overcoming these problems are necessary.

Therefore the ECRN will stipulate a debate on the future of the European Trading System starting with a broad consultation at the end of this year in Limburg feeding into the second Emissions trading period.

Milan, October 6th 2005