



Union of the
EUROPEAN LUBRICANTS INDUSTRY

Union Européenne de l'Industrie des Lubrifiants

UEIL Virtual Networking Event

Thursday 29 October 2020

Our contribution to Europe's sustainable future

WWW.UEIL.ORG

WELCOME

Valentina Serra-Holm
UEIL President

Please be aware that the event is being recorded

Thursday 29 October 2020 16.00 – 18.00 CET		
Welcome Valentina Serra-Holm, UEIL President		16.00 – 16.05
Meet the UEIL Board of Directors		16.05 – 16.20
The European lubricant industry post COVID-19 challenges and opportunities Valentina Serra-Holm, UEIL President		16.20 – 16.30
What's on the EU agenda and how will it impact our industry? Russell Patten, UEIL Secretary General		16.30 – 16.40
UEIL core activities and future plans: how does UEIL respond to EU regulatory environment & industry challenges?		16.40 – 17.30
The lubricants industry – creating value – Valentina Serra-Holm Circular Economy – Marco Codognola Energy Taxation – Harald Boerekamp Access to technical information – François Guégan Health and Safety – Stephan Baumgärtel		
Discussion (in breakout rooms) and virtual drinks		17.30 – 18.00
Discussion group on the EU agenda and regulatory developments Coordinators: Russell Patten & Harald Boerekamp	Discussion group on recovery scenarios / winning in the new normal Coordinators: Valentina Serra-Holm & Peter Vickers	Discussion group on Circular Economy & Sustainability Coordinators: Christian Hartmann & Detlev Bruhnke

- We will now have the pleasure to hear presentations from our Secretariat and Committee Chairs
- There is no time planned for Q&AS in between presentations but we will have the pleasure to gather in discussion groups from 17.30 to 18.00.
- To join the discussion groups, you will need to disconnect from this session and connect to the separate links that were sent to you. You should have 3 additional links in your agendas, corresponding to the 3 discussion groups:

Discussion group on the EU agenda and regulatory developments	Discussion group on recovery scenarios / winning in the new normal	Discussion group on Circular Economy & Sustainability
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- Feel free to join the discussion group that you find most interesting, and navigate through the different groups between 17.30 and 18.00
- We want these discussion groups to be informal, it's an opportunity to catch-up, so make sure you have your favorite cocktail ready, and, why not, some snacks!

MEET THE UEIL BOARD

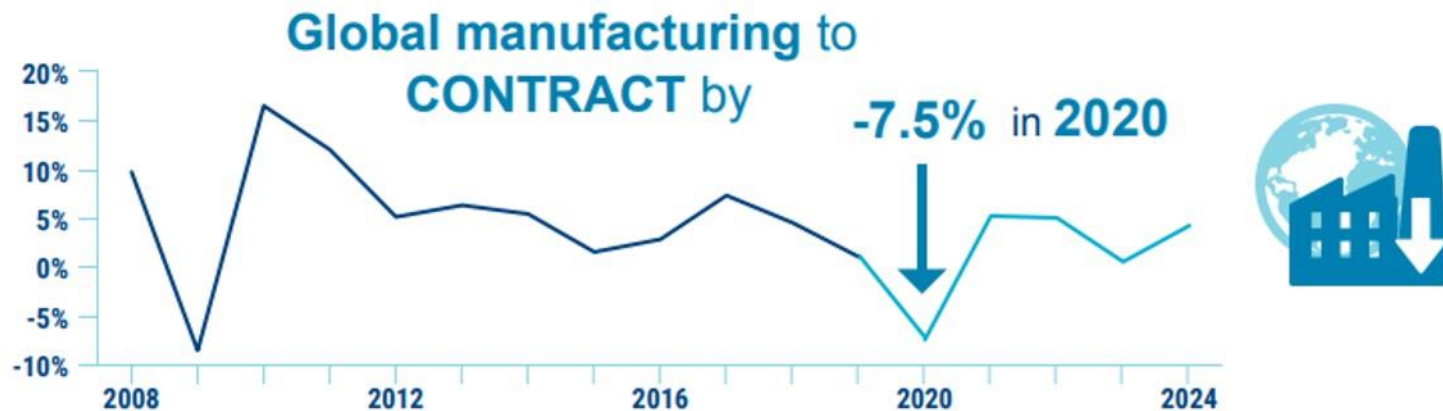


The European lubricant industry post COVID-19 challenges and opportunities

Valentina Serra-Holm

UEIL President

The manufacturing industry is experiencing a significant contraction in 2020 because of the pandemic



Recovery will take
some time



with total manufacturing not
expected to exceed 2019 levels

until **2022**

Source: Interact Analysis

Some sectors have been impacted more severely than others



low

Pandemic's impact on sector's demand

high

Source: Icis, Interact Analysis

This is reflected in the global lubricants demand, which is expected to behave differently in the automotive and in the industrial segments

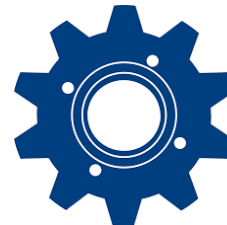
-14%

**2020 Transport
Lubes Demand**



-8%

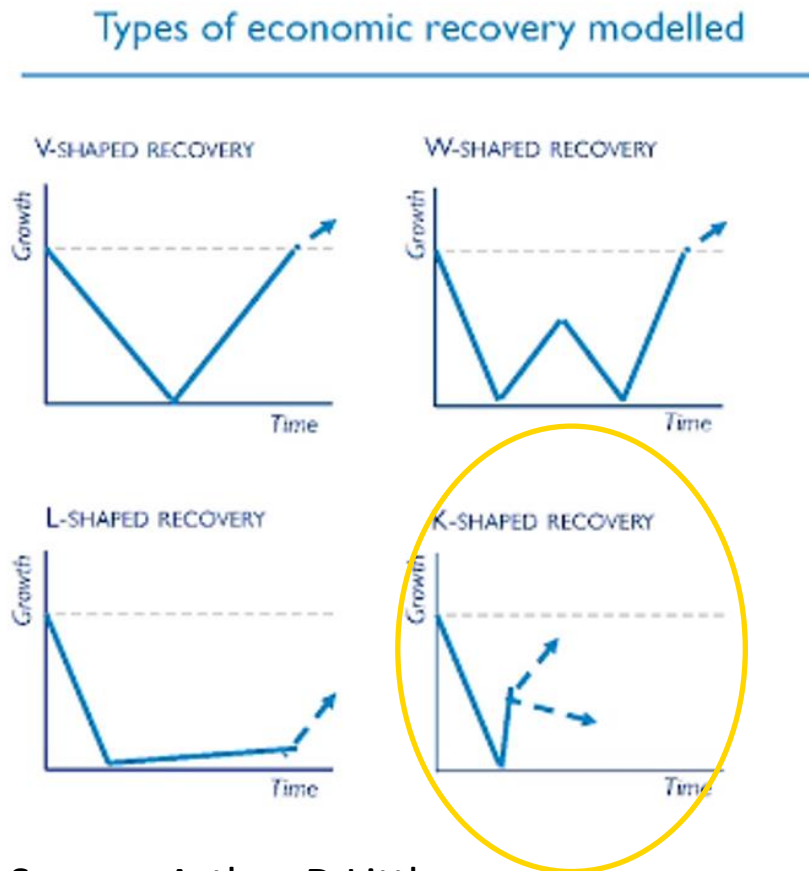
**2020 Industrial
Lubes Demand**



Source: IHS

While there is agreement on the demand drop, there is uncertainty about the recovery model

- The global economic recovery will be impacted by several factors:
 - Pandemic's control measures
 - Stimulus packages
- The lubricants industry recovery will likely follow a k-shaped model, with different sectors recovering at different paces



Source: Arthur D Little

It will be up to us on which part of the “K” we will be

- Rethink supply chain
 - Mitigate demand volatility
 - Assess make versus buy options
- Digitalization
 - Process automation
 - E-commerce
- Launch targeted campaigns
 - Changes in consumer behavior and customer needs
 - Changes in policies and regulations
- Identify new revenue streams
 - Close parallels to existing lines are likely to prove easier

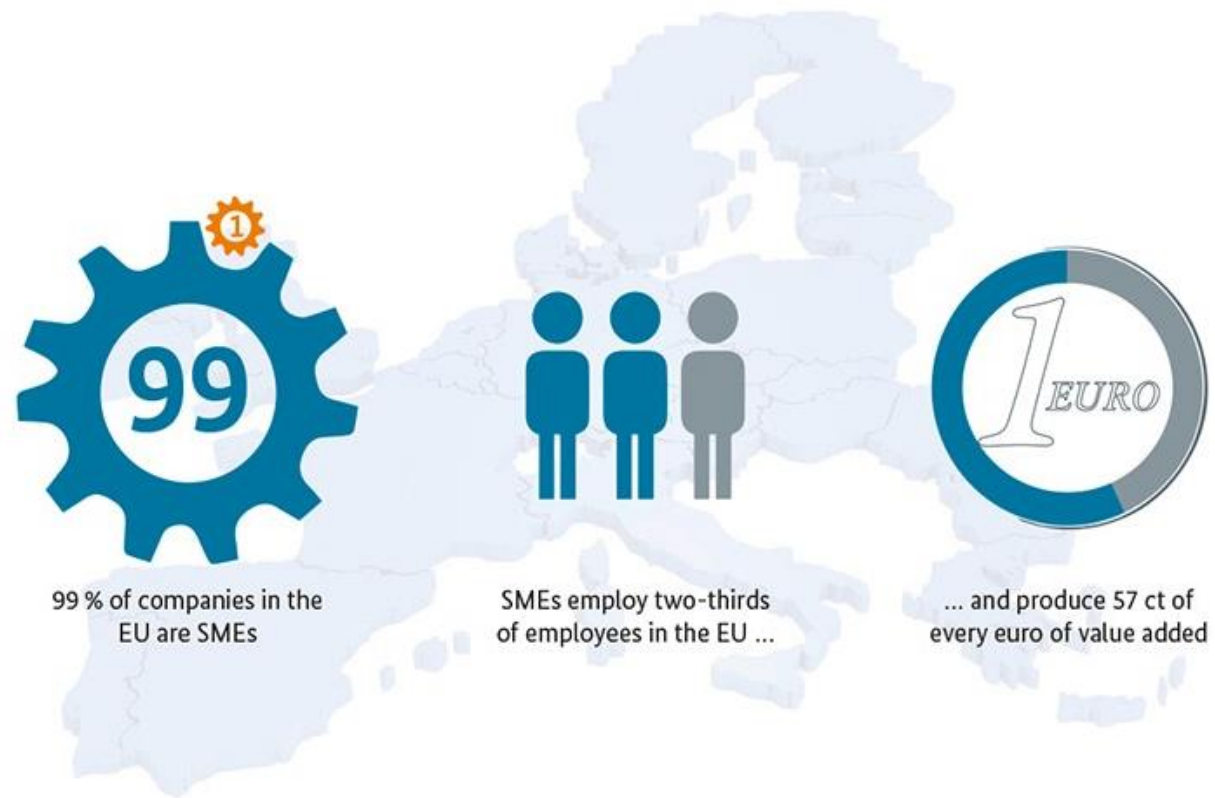
It won't be only about what we will do but how we will do it

- Prioritization
- Speed of execution
- Operational agility
- Delegation and empowerment



SMEs are the core of EU's economy and can play a key role in driving recovery, leveraging on many factors

- Shorter and nimbler processes
- Possibility of rapid decision making
- Less bureaucracy and higher flexibility and adaptability
- Technological and innovation capabilities



Source: EU data

What's on the EU agenda and how will it impact our industry?

Russell Patten
UEIL Secretary General

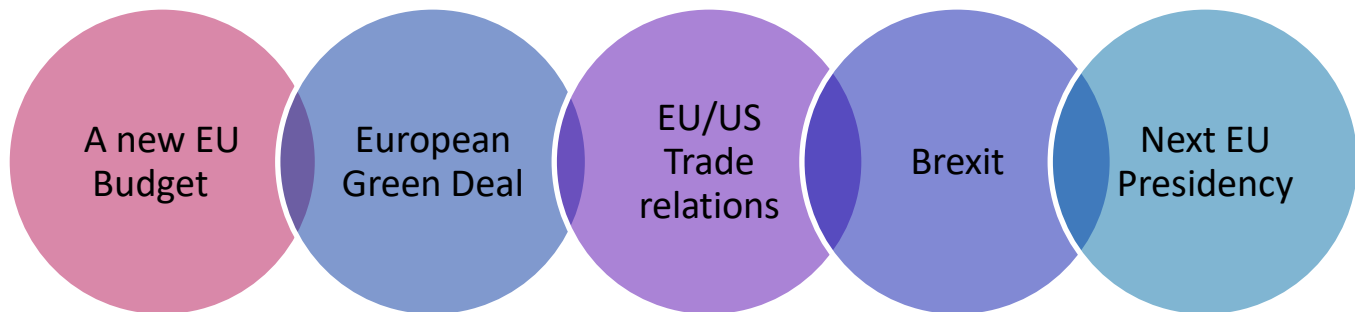
2020: A Union of vitality in a world of fragility?

(words taken from the 2021 Commission work programme)



EU German Presidency: *making the best of a bad situation:*

- On July 1st, Germany took over the presidency of the Council of the European Union (EU) for six months, followed by Portugal and Slovenia, before France takes over in January 2022.
- COVID recovery will dominate, but other priorities such cannot be ignored:





A new EU budget (MFF) & Recovery Fund: More money in the pot...

- Proposed new EU budget totals **€1.1 trillion for 7 years – combined with the COVID fund**, this now totals €1.85 trillion.
- All EU countries **must agree on this new amount and the budget lines**, which is never a straightforward process....
- ...but a deal is nonetheless expected by 1 January.
- Increases for agriculture, environment, and climate protection and cuts in regional spending, defence, R&D, and administration.



How has the European Green Deal been materialised?



EU Climate Law

- The **President of the Commission** has recently proposed raising the EU's target for the reduction of GHG emissions for 2030 from at **least 40% to "at least 55%"**
- The **European Parliament** approved an amendment to the climate law that would raise the **emissions reduction target for 2030 to 60%**
- The hardest part is probably still to come: **convincing the EU Council in future dialogues.**



Strategy for Chemicals

- On 14th October, the European Commission adopted the **EU Chemicals Strategy for Sustainability**. This strategy will ban the most harmful chemicals in consumer products, it will tackle chemical mixtures and it will also phase out the use of per- and polyfluoroalkyl substances (PFAS) in the EU



Smart mobility

- The **EU Strategy for Sustainable & Smart mobility** is due to be published most likely in December 2020. Four areas of action are envisaged: **alternative fuels, modal shift, consumer incentives and investment in low- and zero-emission** solutions and infrastructure



EU/US trade relations: never a dull moment

- WTO is now the focus of a global power struggle as DG Azevedo quits one year early
- EU and US at loggerheads as Airbus/Boeing dispute rumbles on
 - ✓ EU is now working to bring its **preliminary draft list** covering \$11 billion in line with the arbitration decision, with the **discussion among Member States taking place behind closed doors**.
 - ✓ The earliest that the EU could realistically adopt a **list of tariffs for entry into force would be the end of November 2020**.



No way out of the Brexit maze

- **Positions entrenched:** The key sticking points continue to be state aid and the wider level playing field
- **Time is running out:** while the two sides had left on bad terms a few weeks ago, after the conclusions of the European Council deemed disappointing by the British Prime Minister, Boris Johnson, Michel Barnier has recently reiterated the Commission's readiness to "intensify" the discussions, saying that an agreement was "within reach" despite the difficulties, if both sides agreed to make efforts and compromises.

Upcoming milestones

- **Mid-November:** Informal deadline for agreement to ensure time to ratify a deal in the European Parliament and in national Parliaments.
- **31 December 2020:** Transition period due to end

What do we expect for 2021?

Q1 2020

Q2 2020

Q3 2020

Q4 2021

Fit for 55 package

- Amendment to the Renewable Energy Directive to implement the ambition of the new 2030 climate target
- Amendment of the Energy Efficiency Directive to implement the ambition of the new 2030 climate target

Industrial strategy

- Updating the new industrial strategy for Europe

Sustainable & Smart mobility

- Revision of the Directive on Intelligent Transport Systems

Energy

- Revision of the Energy Taxation Directive

Circular economy

- Sustainable products policy initiative, including introducing legal requirements on the presence of substances of concern in products, like PFAS

Next EU's presidency: Portugal



Resilience:

Portugal's role will be to translate the financial package into something operational in order to have the funds running in mid-2021.

Social dimension:

More coordination, cooperation, protection and minimum standards for European citizens.

External dimension:

the main goal here will be to foster relations with Africa, India and with Latin American

Digital Transition

Climate & Energy

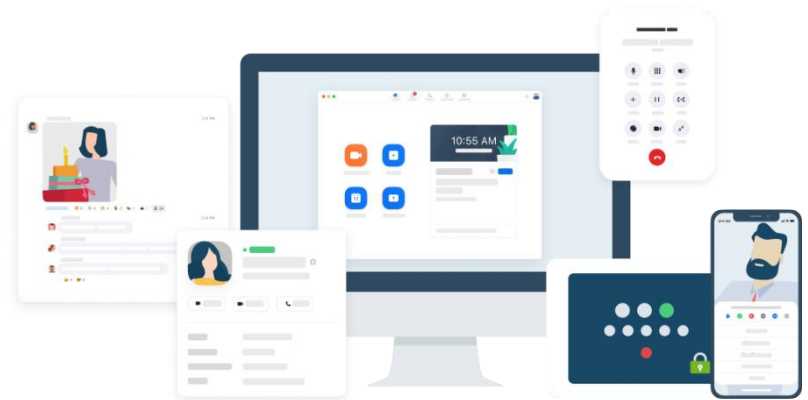
Transition : *Portugal intends to move as fast as it can with these two transitions but that will also depend at what point the dossiers are left by the Germany presidency.*

These are not normal times and we need to adapt

COVID-19 has changed the rules of the game when it comes to **lobbying in Brussels**.

It is possible that **face-to-face meetings with decision-makers will not be possible for the rest of the year and next one**, and stakeholder events could also be confined to the virtual realm for the foreseeable future. There is also evidence that the political attention is being consumed by COVID-19, to the detriment of other issues.

This confinement across Europe is an obstacle to overcome but is not insurmountable. In such times **we need to be flexible, innovative, and prepared to try out new online tools and strategies** – with a time-sensitive issue such as this, we cannot afford to watch and wait until a vaccine is found.



What does this all mean for UEIL?

- Covid has and will change the way we interact with EU stakeholders – few if any F2F but many web calls – changes the dynamics & we need to find new ways to be heard!
- Despite Covid, it has and will be a very busy political landscape for our industry!
- Political Risk is NOW more common than ever – the EU and its policies and legislation whilst offering some opportunities, inevitably throws-up more challenges which we will have to face.
- Due to the above, we need to be more active than ever to ensure that our voice is heard on all issues impacting our industry and members.
- The tone and style needs to continue to evolve to show both understanding about what the EU is doing and providing clear explanations AND SOLUTIONS to find compromises.
- UEIL needs to become a THOUGHT LEADER.
- And we need to continue to grow our membership base to ensure that we are seen as the Voice of the Industry!

Thank you for your attention

UEIL core activities and future plans: how does UEIL respond to EU regulatory environment & industry challenges?

The lubricants industry – creating value

Valentina Serra-Holm
UEIL President

The lubricants industry is a valuable asset to society and economy in Europe and beyond

We keep the world turning

We keep the world moving, behind the scenes. We make the world run smoothly, efficiently and effectively.

- Many sectors depend on lubricants
- Impact of a world without lubricants

The European lubricants industry is safe and sustainable.

- Lubricants contribute to energy saving
- The lubricants industry is committed to sustainability
- Lubricants increase the lifetime of machines, using fewer high-quality resources

We care about our impact

We drive growth and innovation

Our sector is competitive, modern and innovative, evolving with technological advancements

- The European lubricants industry employs more than 100,000 people in Europe and produces a turnover of €30 bn
- The European lubricants industry represent more than 450 predominantly small and medium-sized companies and strongly support the EU SME Strategy

It is important that we communicate the value our industry creates

- Our industry is unknown and the value we create is not visible to external stakeholders
- It is extremely important that we communicate our message effectively and clearly to external stakeholders
- Value creation, sustainability and purpose are getting increasingly important
 - Green financing
 - Customer attraction/retention
 - Talent attraction/retention

The newly published fact sheet about the lubricant industry is a tool to explain how we create value



UEIL KEEPING EUROPE TURNING

The Union of the European Lubricants Industry (UEIL) is the umbrella association representing more than 35 associations and 450 companies covering the entire lubricants' value chain, from manufacturing and distribution to recycling.

Our mission is to support informed policymaking by educating EU stakeholders about the value and benefit of the lubricants industry for Europe's economy, society, and the environment.

WE DRIVE GROWTH AND INNOVATION

- Our sector is competitive, modern, innovative, and evolves with technological advancements. We employ more than 100,000 people in Europe and produce a turnover of approximately €30bn per year.
- UEIL favours free and fair competition and advocates for a fairer, more stable, and more transparent regulatory level playing field. We handle numerous competition cases every year and work very closely with other stakeholders to ensure free and fair competition across Europe.
- UEIL is an SME champion. We represent more than 450 predominantly small and medium-sized companies, which account for 30% of the automotive oil market share, and manufacture and distribute lubricant products throughout the EU. We strongly support the EU SME Strategy and its objective to improve market access for the 25 million SMEs which form the backbone of the EU's economy.

WE CARE ABOUT OUR IMPACT

- The European lubricants industry is safe and sustainable. Our members strongly support the objectives of the European Green Deal and are actively working to both lower their carbon footprint and become more energy efficient, thereby helping Europe meet its ambitious environmental targets.
- We proactively help our members drive sustainability within their organisation and are developing sustainability guidelines and KPIs. Our sustainability manifesto contains a number of commitments which can be found on [our website](#).





- We provide consumers and end users with the necessary reliable information which ensures both the safe use and responsible disposal of our products.
- GEIR (Groupement Européen de l'Industrie de la Régénération) is the European re-refining industry section of UEIL which supports the collection of used oils and re-refining these back to valuable lubricant base oils. In this way we embody the principles of the Circular Economy and help reduce fossil fuel consumption and CO2 emissions.

WE KEEP EUROPE TURNING, AND KEEP IT SUSTAINABLE

WHAT ARE LUBRICANTS?

Lubricants are products which reduce friction, heat, and wear and tear between mechanical components that come into contact with each other.

LUBRICANTS FOR TRANSPORTATION – ROAD, RAIL, AIR, SEA

- Transportation accounts for over 70% of the European lubricants market.
- Lubricants help means of transport run efficiently and reduce costs to the consumer and the environment in the form of lower emissions.
- The lubricant industry has developed new engine oil formulations to reflect the continuous improvements in engine design. This has increased fuel economy and resulted in engine downsizing.
- By continuing to develop new engine oils, the lubricants industry has supported the take-up of biofuels in Europe.



LUBRICANTS FOR INDUSTRIAL USE

- The industrial use accounts for around 30% of the European lubricants market.
- Aside from transport, lubricants are used in all manufacturing sectors as diverse as food processing, metalworking, precision engineering, textiles and clothing.
- Lubricants lower friction and therefore the amount of energy needed to carry out an industrial process. This in turn extends the life of industrial equipment.
- Modern lubricants are high performing fluids with exceptionally high stability - they no longer evaporate and deteriorate as in the past, meaning the equipment can be used for longer without requiring an oil change, reducing reliance on non-renewable resources.



To find out more about UEIL, its membership, and the issues on which we campaign, please contact secretariat@ueil.org or visit www.ueil.org.

UEIL is the voice of the European lubricants industry and creates value in different ways

- We represent and defend the interests of the independent lubricant operators in Europe and to support informed policy making
- We educate stakeholders on the value and benefit of the lubricants industry for the economy, society, and the environment
- Our work encompasses many different areas

Circular Economy

Marco Codognola, Itelyum
GEIR President



GEIR

1

EU & REGENERATION

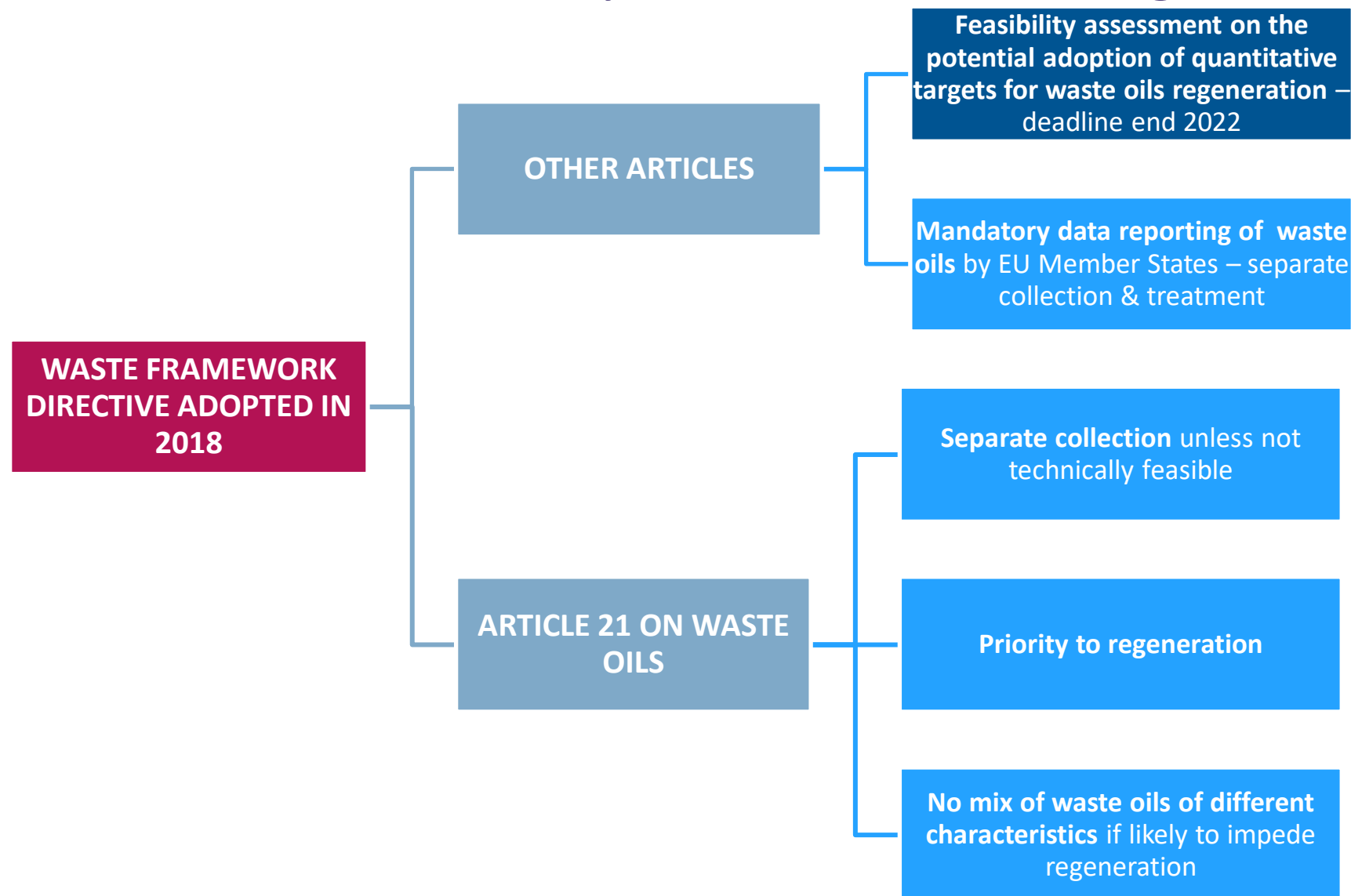
2

**EU OUTLOOK: TOWARDS ENHANCED CIRCULARITY
AND SUSTAINABILITY**

1

EU & REGENERATION

1. Waste oils feasibility assessment – background



The background of the slide is a close-up photograph of several oil droplets of various sizes suspended in water. The droplets are illuminated from the side, creating a bright yellow-orange rim and a dark, textured interior that shows internal reflections and smaller droplets. The overall color palette is dark blue and green, with the bright highlights of the droplets providing contrast.

2

EU OUTLOOK: TOWARDS ENHANCED CIRCULARITY AND SUSTAINABILITY

1.1 New EU Strategy for Sustainable Chemicals

Published on 14th October 2020, the Strategy aims to:

- better protect citizens and the environment,
- boost innovation for safe and sustainable chemicals.

More specifically, it includes the following elements:

New toxic-free hierarchy, consisting on 3 steps:

eliminate and remediate;
minimise and control; safe
and sustainable chemicals

**Achieving safe products
and non-toxic material
cycles** which includes
secondary raw materials

Set up an **open platform
on chemical safety data
and tools for accessing
relevant academic data**

**Amend the EU legislation
on industrial emissions** to
promote the use of safer
chemicals by EU industry

**“Recycled in the EU” to
become a benchmark
worldwide** – implies that the
same limit value for hazardous
substances should apply for
both virgin and recycled
material

1.2 EU Outlook – upcoming initiatives

**European Parliament resolution on
the Circular Economy**

Q1 2021

Waste Shipment revised proposal

Restricts exports to 3rd countries /
Address illegal shipments / End-of-
waste criteria

Q2 2021

Sustainable Product Framework

Proposal to establish key sustainability
parameters for raw materials,
intermediate and consumer products

Q4 2021

**Legislative initiatives to empower
consumers / greenwashing**

Proposals for companies to
substantiate their green claims & to
protect consumers from greenwashing

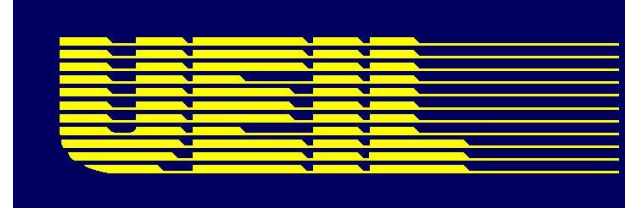
End 2020



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Energy Taxation

Harald Boerekamp
UEIL Secretariat

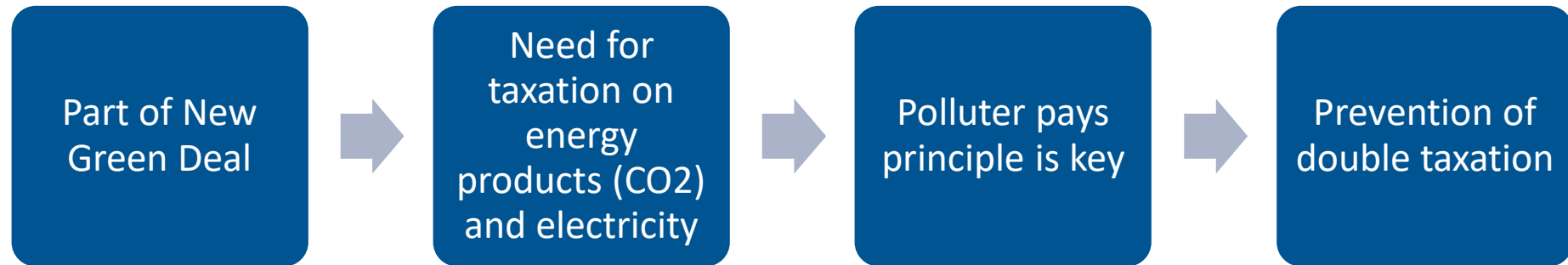


Latest developments on the Energy Taxation Directive (ETD)

Table of Content

1. What is the ETD and what is the current state at EU level
2. Why is the ETD important for the lubricants industry
3. UEIL's position on the ETD
4. How is UEIL responding?

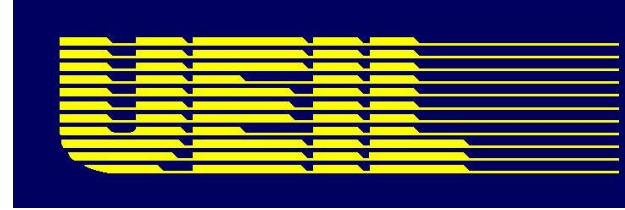
1. What is the ETD



1.1. What is the current state of the ETD

- ☐ This Directive was withdrawn by the European Commission in 2015, as EU Member States could not find an agreement on the minimum level of tax rates, tax treatment of biofuels, the transitional periods and the linkage with the ETS.
- ☐ ETD can only be approved by unanimity in Council.
- ☐ EU consultation on ETD from 22 July until 14 October 2020.
- ☐ The European Commission will **publish a revised ETD in June 2021.**

2. Why is the ETD important for the industry



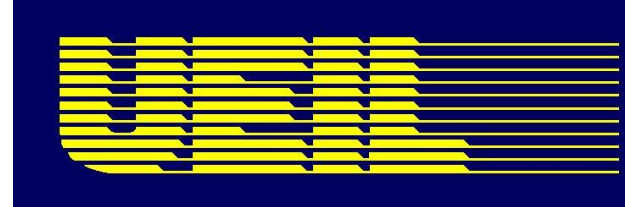
ETD will lead to higher taxes on fossil-derived transport fuels

Possibility to prevent double taxation on lubes (level playing field). This will reduce fraud with lubes within the EU



- ❑ Different taxes on lubes in Finland, Hungary, Italy, Lithuania, Poland, Portugal and Slovakia

3. Position of the EU lubricant sector on ETD



OLD: Directive 92/12/EEC

CURRENT: Directive 2003/96/EU

New ETD

Lubricants in scope as excise products but specific **exemption** for products not used as heating or motor fuel

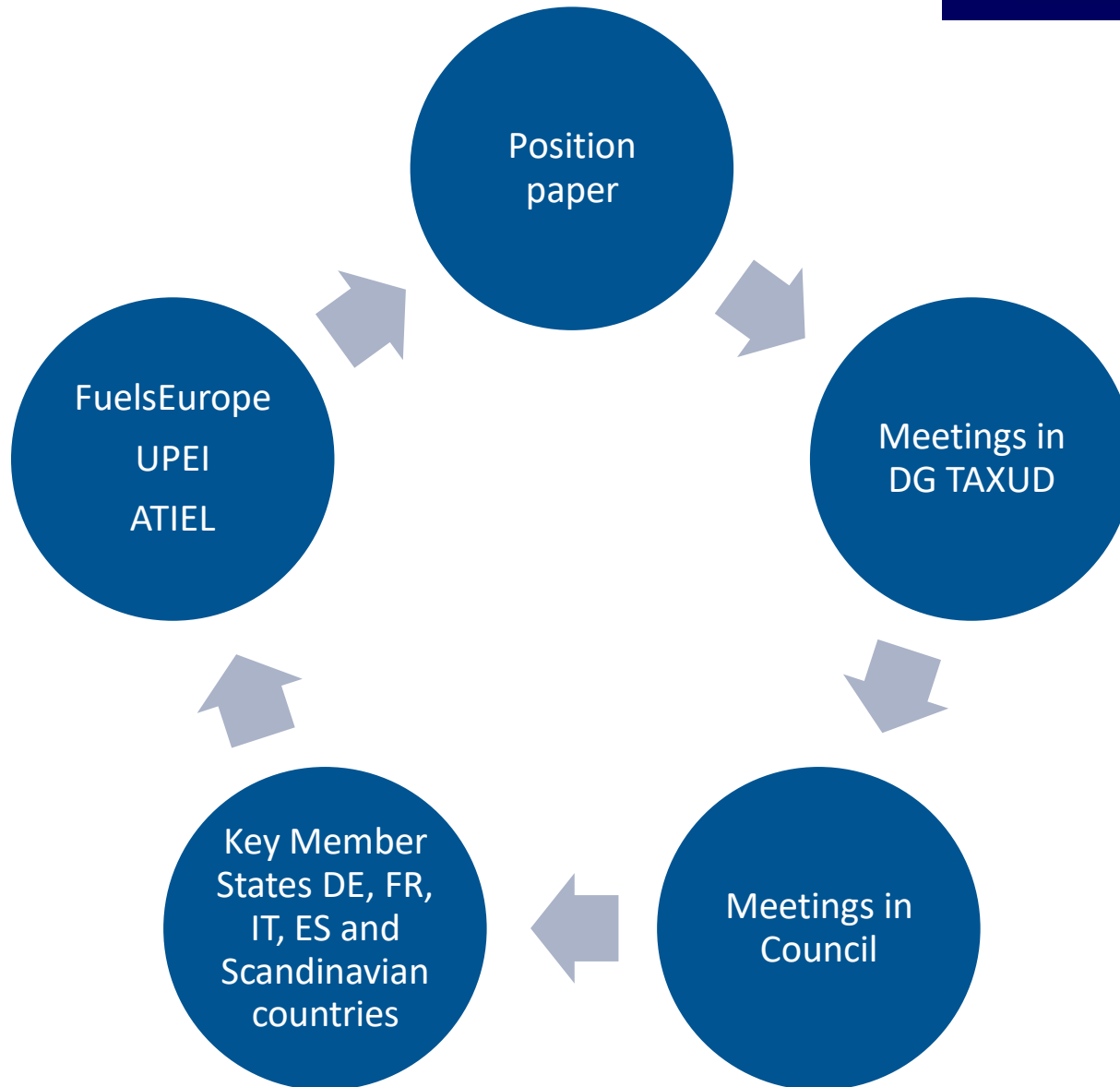
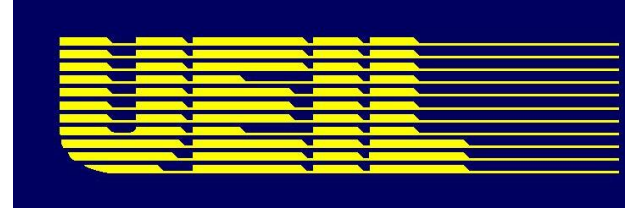
Products not used as heating or motor fuel declared **out of scope of the ETD** (i.e. not excise products)

We want to be in the scope as excise products but exempted. **Then Member States can no longer tax lubricants at national level.**

Directive 2008/118

General lubricant excise tax

4. How is UEIL responding?



Access to technical information

François Guégan, CSNIL
UEIL Competition Committee Chair



Union of the
EUROPEAN LUBRICANTS INDUSTRY

Union Européenne de l'Industrie des Lubrifiants



**Our work for a real competition
in the EU Market**

WWW.UEIL.ORG

Basic Statements

1 Actor in
the Market

Monopoly

No
competition

Basic Statements

Very few
Actors in the
Market

Oligopoly

Low
competition

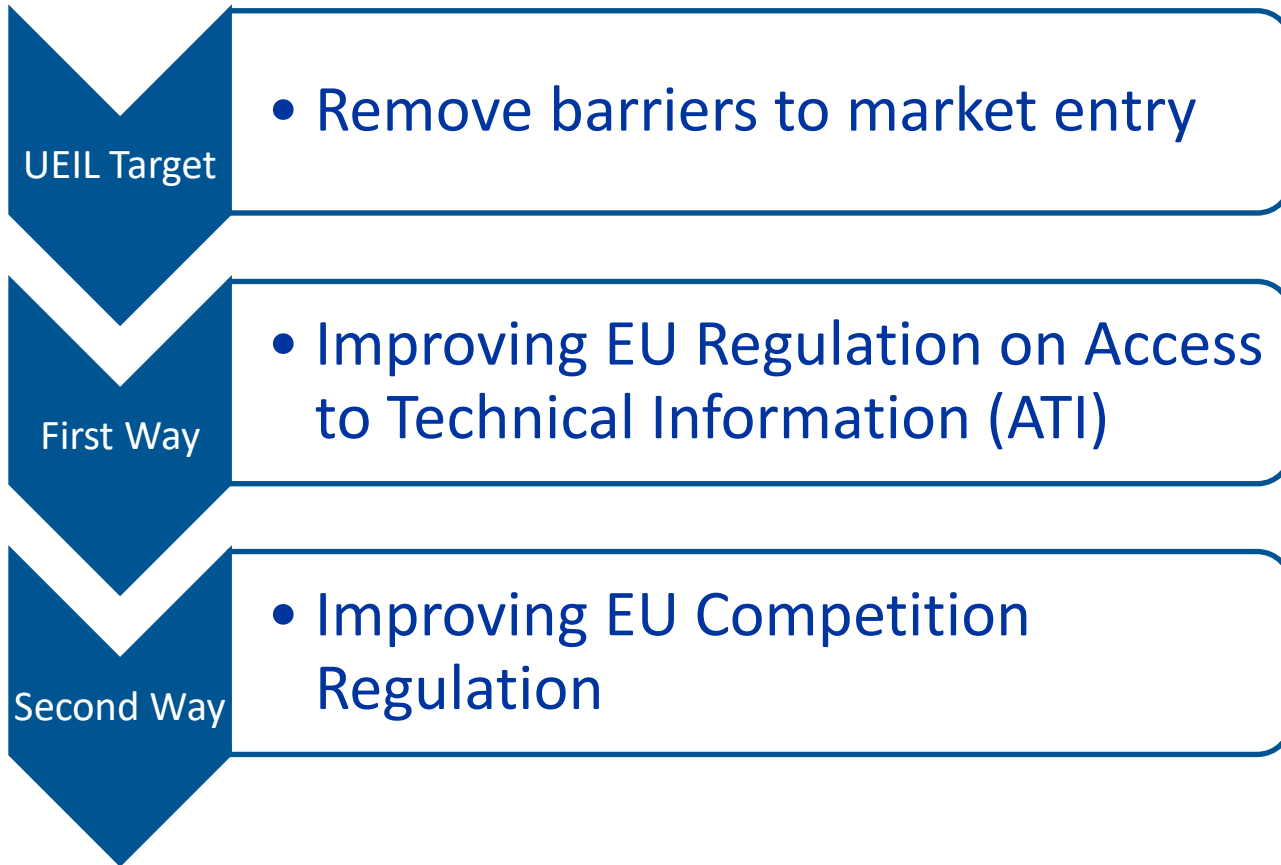
Basic Statements

UEIL Goal

All UEIL
members
can access
the market

Full
competition

Basic Statements



Access to Technical Information

Key issue

2019

32 cases handled

16 cases related
to ATI

2020

29 cases handled

18 cases related
to ATI

Access to Technical Information

RMI provisions in EU Regulations

Cars and Trucks

Regulation 2018/858

Came into force on
1st September 2020

RMI provisions from Regulation
715/2007 and Regulation
595/2009 transferred in this
new Regulation

Motorcycles

Regulation 168/2013

Came into force on
1st January 2016

Agricultural & Forestry Vehicles

Regulation 167/2013

Came into force on
1st January 2016

Access to Technical Information

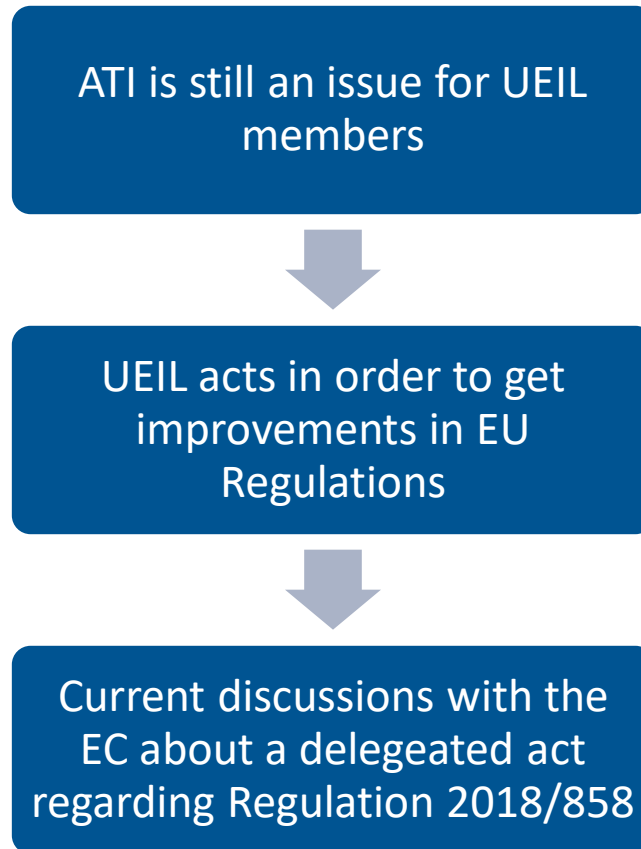
RMI provisions in EU Regulations

Common Statements:

Unrestricted access to RMI is necessary to improve the functioning of the internal market

OEMs shall provide unrestricted and non-discriminatory access to Vehicle RMI to independent operators through websites in a readily accessible and prompt manner

Access to Technical Information



Access to Technical Information

UEIL asks for a genuine, fair & timely access to RMI

Internal market rules have to be consistent and effective

- Thereby providing legal certainty and clarity for the benefit of businesses and consumers

EU Competition Regulation

Article 101 TFUE

Prohibition of competition
restrictions

Article 102 TFEU

Abuse of a dominant
position

Vertical Block Exemption
Regulation

+

Vertical Guidelines

Motor Vehicle Block
Exemption Regulation

+

Supplementary Guidelines

EU Competition Regulation

MVBER

- Expiration date: 31 May 2023
- Evaluation Report: by 31 May 2021
- Public consultation: from 12 October to 25 January 2021

3 scenarios

- No prolongation
- Prolongation
- Prolongation + Improvements

UEIL Position

- Prolongation + Improvements

EU Competition Regulation

UEIL position

Prolongation of the MVBER
+ Supplementary Guidelines:
Necessary to provide an
adequate legislative framework
to guarantee a level playing field
and prevent anticompetitive
behaviour

Necessary improvements:

To better tackle anticompetitive
behaviours

To extend the scope of the
Regulation to also cover
off road vehicles

Health & Safety

Stephan Baumgärtel, VSI
UEIL HSE Committee Chair

Chemicals hazard assessment: did the EU go too far?

Hazard vs. Risk



Risk = Hazard * Exposure

Motivation to control chemicals...

“I would like to start by talking about ourselves, penguins and polar bears.

What do we have in common with these animals? The very uncomfortable reality is that each one of us here today carries several hundred synthetic substances in our bodies, chemicals that persist and bioaccumulate. They are found in breast milk and the placenta, thus affecting the foetus and new-born babies. They are also found in deep-sea living organisms and in animals living in the Arctic and Antarctic, where they were never used.”

(Margot Wallström, EU Commissioner DG Environment, 2003)

REACH

- Result: all chemicals produced or imported in the EU needs to be assessed for their risk:
 - persistence (PBT: Persistent, Bioaccumulativ, Toxic)
 - toxicity (CMR: toxicity, carcinogenetic, mutagenity, toxicity for reproduction)
- Use is not part of the assessment at this stage
- “Toxic free environment strategy” as part of “new green deal”

More data, more risk?!

- 1967: ca. 600 substances are classified as “dangerous” (67/548 EWG)
- 2010: > 3000 classified “dangerous” substances (CLP & 1. ATP)
- Today: all substances on the European market are tested for their toxicity and persistency.

More data, more risk? The example of boric acid

- Boron is essential for most creatures on earth. Traces of boric acid are found in coffee and fruits.
- Intake of high doses over a long time period is extremely unlikely (boric acid causes vomiting).
- Toxicological data on humans even for mine workers (borax mines) showed no adverse effect on human health.
- However, in animal testing with up to 150mg/kg/day for 90 days showed the desired result: Toxic for reproduction, cat. 1B.
- Hazard symbol:



More data, more risk? The example of boric acid

- 150 mg / kg body weight / day means:
 - 80 kg human: $150 \text{ mg} \times 80 \text{ kg} = 12.000 \text{ mg / day}$:
 - **12 g boric acid / day**
- MWF concentrate contains (typically) 5,5% boric acid:
 - ca. **218 g MWF concentrate / day**
- For the necessary amount of boric acid, end users need to drink ca. **2 l / day** emulsion (10%)...
- Which is, no doubt, unusual...
- However: many users try to avoid boron containing MWF...regardless of exposure...



Chemicals are under pressure

- Next "candidates"
 - Formaldehyde Releasers
 - Fluorinated Hydrocarbons
 - Micro plastics
 - Polymers
 - Silica, TiO₂
 - ...
- Misuse of chemicals is always dangerous, even pure water could be dangerous (lethal dose ca. 10l). Key is understanding of toxicity!



Union of the European Lubricants Industry

Thank you!

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It is now time to disconnect from this session and connect to the discussion group of your choice!

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