

President's Report

Dear reader,

As European countries are beginning to lift lockdowns and re-opening businesses after flattening the Coronavirus curve, we are now facing the challenge of imagining a post Covid-19 return in an environment where a vaccine has yet to be found and economies are still unsteady.

In this context, what is the outlook for SMEs, which form the backbone of UEIL and, more broadly, the European economy?

We are often led to believe that the size of SMEs makes them more vulnerable to a crisis because of their lower access to resources. Yet SMEs have some unique traits that enable them to be resilient in a crisis. SMEs actually have an advantage over larger companies since they normally have shorter and nimbler processes, quicker decision-making processes, and less bureaucracy.

A key success factor for SMEs in the new normal will be their ability to combine this flexibility and elasticity with technology and innovation, leveraging digitalisation, optimising the supply chain, and adapting their product and service offering.

This crisis has forced digitalisation upon all companies – even the most traditional. Without access to digital platforms which support remote working, companies would not have been able to safely continue operations during the peak of the pandemic. Today companies are able to build on this learning and further integrate digitalisation in their operations and offering. The importance of digital channels for B2B companies has grown significantly in recent years and has dramatically increased since the COVID-19 crisis. In a recent McKinsey survey of B2B businesses across 11 countries, 7 sectors, and 14 categories of spend, buyers indicated a clear preference for self-service channels across every stage of the customer decision journey, with supplier and mobile apps more than doubling in importance since 2019.

Another key success factor will be reassessing the supply chain. The current pandemic has highlighted the vulnerabilities of the supply chain model we were used to, where companies that are overly reliant on a single geography or supplier for key products faced major issues during the pandemic.

Moving forward, it will be important to assess whether to regionalise product value chains. Indeed, companies will need to diversify their supply chains from a geographic perspective to reduce the supply-side risks from any one country or region, ensure they have at their disposal a multi-sourced supply to reduce their reliance on any one supplier, and consider an inventory strategy to protect against supply chain disruption.

Second, companies will need to reassess their make-versus-buy options, with the option of outsourcing manufacturing and logistics for some products to specialised players in different regions. Along with improving security of supply, this may enable cost reductions and more flexibility in production.

Last but not least, a third key success factor will be the ability to identify new revenue opportunities and develop new products and services which respond to emerging needs in the new normal. Adapting or stretching from what a company already produces is likely to be easier and more likely to succeed if existing sets of technical and sales skills are properly leveraged. In addition, identifying new revenue streams that can make use of existing assets and production skills with minimal adaptation will accelerate revenue, and thereby lead to a significant competitive advantage.

This crisis presents all of us with unprecedented challenges but also offers a number of opportunities. Companies that can swiftly and rapidly adapt to the new normal will be the ones which are most likely to come out of this crisis the strongest.

If there is any way UEIL can support you in this journey, please do not hesitate to contact me or the Secretariat.

Stay safe and profitable!

Valentina Serra-Holm

President

HSE Update

The spring meeting of the HSE group in May was canceled and replaced by a web conference. Thanks to our office in Brussels, it went very well.

The corona outbreak will have a tremendous impact on the lubes business, especially for fluids used in production such as metalworking fluids (MWF). Some fear that MWF could become contaminated with high doses of the virus, but this is highly unlikely. Viruses cannot grow without host organisms, and MWF contain emulsifiers and alkaline substances to which the virus is sensitive. Today, for hygiene reasons, hands must be washed often with skin care products after cleaning to protect the skin from damage, otherwise certain chemicals, including lubricants, could cause dermatitis.

In 2020, the European Commission is expected to decide on the 16th Adaptation to Technical Progress (ATP) of the CLP Regulation. This includes the change in the concentration limit for boric acid from 5.5% to 0.3% for classification of a mixture as "toxic for reproduction, 1B". Today, some MWF concentrates and emulsions contain boric acid, but in concentrations below 5.5% and above 0.3%. When the ATP comes into force (18 months after the decision/publication), formulators are required to review their current classification.

Another subject of discussion was the introduction of "interchangeable component groups" (ICG) into the requirements of Annex VIII, which concerns the submission of information to the poison centres. If the European Commission decides, together with the industry, to introduce the ICGs, companies may use ICG instead of certain substances. This makes it easier to submit the information and reduces the overall number of submissions in case of formulation changes.

GEIR Update

In the new rather uncertain economic environment created by the pandemic it is reassuring when decision-makers stick with their pre-crisis plan. Luckily for the European waste oils re-refining sector, this is exactly what is happening at EU level.

The European Commission's science and knowledge service (the Joint Research Center – JRC, supporting EU policies with independent scientific evidence) recently published a call for tender to support its work on waste oils. Such study will feed in the long-anticipated Commission's assessment of the feasibility of setting a recycling target for waste oils, and the soon-to-be hired consultants, tasked with gathering "detailed technical and socio-economic data with regard to waste oil treatment options, including regeneration and energy recovery", will hand over their final report by the end of 2020. This means the EU executive still aims to deliver the assessment by its 2022 initial timeline, as

reiterated in the recent Circular Economy Action Plan – described as the economic heart of the Green Deal.

With EU Commissioners placing the Green Deal at the core of its recovery package 'Next Generation EU', this development should not come as a surprise. Although given the actual context, all good news are welcome!

TC/CC Update

Since the beginning of the year, the Technical and Competition Committees have closed four cases and continued to work on the remaining 22 cases currently open.

The Committees met virtually on 27th May to discuss current priorities, during which members were updated on the latest developments concerning the open cases and agreed on a series of next steps to ensure swift progress.

The discussions also touched on the latest ATIEL activities, after which members were briefed on UEIL's recent advocacy efforts. The Committees have been engaging in the ongoing evaluation of the Motor Vehicle Block Exemption Regulation (MVBER), calling for fair and healthy competition in the automotive sector, and more specifically its aftermarket. In recent weeks UEIL members have been providing input to an external survey on this topic carried out by Ernst & Young. The survey closed on 15th June and will be followed by a second consultation to be launched by the European Commission towards the end of the year.

The Committees believe that the MVBER provides the adequate legislative framework to guarantee a level playing field between all operators and prevent anti-competitive behaviour. However, the evaluation of the legislation also represents a unique opportunity to improve a few aspects of the competition provisions in the automotive aftermarket. A paper outlining UEIL's position will be finalised shortly and used to support UEIL engagement with EU decision-makers in the coming months.

The next meeting of the Technical and Competition Committees will take place on 16th September.

Taxation Task Force Update

The European Commission is currently reviewing the Energy Taxation Directive that was withdrawn by the European Commission in 2015 (as the file was blocked in Council) and will publish a revised Energy Taxation Directive, probably in Q3 2020.

Related to UEIL's objective to prevent the inclusion of lubes under EMCS, certain EU Member States are concerned about increased fraud with lubes in Europe and are once again increasing the pressure to include lubes under EMCS. UEIL will continue its outreach to EU Member States in the coming weeks to express its concern and will propose a new definition of 'light lubes' as requested by Member States in Q3 2020.

Finally, the European Commission has decided from the 1st of January 2020 to set a quota of 400 tonnes annually for Gp II. UEIL is actively lobbying against this decision as it will have a negative impact on the competitiveness of SMEs. Under the current quota there is still only 80.000 tonnes left until the end of June. The first opportunity to revise the quota is from the 1st of July 2020.

EU Update

The European Commission publishes proposal on a revised MFF and Recovery Plan

On 27 May, as a response to the COVID-19 outbreak and its negative impact on society and the economy, the European Commission published its proposal for a recovery plan, including a dedicated €750 billion recovery fund and a revised €1.1 trillion budget (known as the Multiannual Financial Framework (MFF)) for 2021-2027. The Commission Communication states that “now is the time for our European Union to get back to its feet and move forward together to repair damage from the crisis and prepare a better future for the next generation.” The adoption of the revised MFF is expected for December 2020.

The European Commission’s revised 2020 Work Programme

On 27 May the European Commission published its revised Work Programme for 2020 . While the main priorities that were set at the beginning of the Commission’s mandate remain valid, the Commission now aims to refocus its work following the coronavirus pandemic and prioritise specific workstreams.

The Annexes to the Work Programme provide a detailed overview of the timelines for the different legislative dossiers, some of which have been revised. The timeline for the Chemicals Strategy (non-legislative), originally due in Q3 2020, remains unchanged, perhaps highlighting the importance of the initiative.

Brexit update

During the transition period which is due to last until 31 December 2020 (unless it is extended), EU law continues to apply to the UK. The European Chemicals Agency (ECHA) provides very useful advice for companies on the UK’s withdrawal from the EU on their webpage.

