

2010 REACH Registration Report

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Adapted on 6 Jan 2011

- “Consortium management companies” changed to “some consortium management companies”;
- “5% of Chinese companies” changed to “5% to 10%” as many companies continue purchasing letter of access after 30 Nov 2010;
- Administrative fee mainly refers to SIEF/consortium management fee. This fee does not include legitimate data/dossier cost such as testing fee, dossier preparation and CSR;
- The total budget for SAS consortium shall be 5 million Euros;
- “For the same kind of work, some consortium management companies charge significantly less than other companies” was added;

Disclaimer and Statement

This report has been prepared by CIRS Ltd from information which we believe to be correct at the time of updating. However, neither the companies listed as CIRS Ltd, its directors nor employees warrant that the information is correct. CIRS assumes no liability for any loss from the use of information in this report. The primary objective of this report is to illustrate the weak positions of member registrants/SIEF members who depend on letter of access for REACH registration and call for more transparent and fair fee structure. This report does not intend to offend any consortium management companies

Preface

Previously set up by China Inspection and Quarantine Bureau under the name of China REACH Solution Centre, Chemical Inspection and Regulation Service (CIRS) has grown to be the largest REACH only representative in the world, serving over 2,400 non-EU companies worldwide. Among them over 90% are Chinese exporters of chemicals to the EU. To be more specific, over 50% of all Chinese chemical companies who export chemicals to the EU have appointed CIRS as their REACH only representative.

This report shall give us a good understanding of how the Chinese chemical industry is coping with REACH regulation, a regulation which is not only expensive for Chinese companies but also companies around the world. This report also reflects our concern with the vulnerability of SIEF members and small-medium sized companies who depend on letter of access for registrations.

Statistics and Analysis

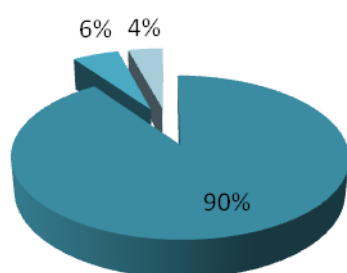
# of REACH registration numbers acquired	85
# of REACH registration dossiers submitted	130
# of substances registered	105
# of phase-in substances registered	96
# of non phase-in substances registered	9
# of full registrations	113
# of intermediate registrations	17
the percentage of Chinese companies that has done at least 1 registration	5%-10%
The average cost of registering a substance over 1000t per year	€ 50,000

The statistics is based on the number of dossiers submitted by CIRS as REACH only representative (OR). CIRS has prepared over 140 dossiers for importers and other only representatives as third party technical support. Those dossiers have not been taken into consideration.

The figure is updated on 3 Dec 2010.

of registrations by countries

■ China ■ USA ■ Other countries



Conclusion:

- The percentage of Chinese companies that have decided to go for registration is between 5% and 10%; many companies have chosen to lower tonnage band or postpone registration or cease export simply because the price of letter of access is too high. Typical examples are rosin and rosin derivatives. When the price of letter of access is published on REACH Centrum, more than 5 companies have decided to postpone registration of over 10 substances by lowering the tonnage band. Although ECHA fee is also high, it is of less concern to many companies.
- It is no surprise that most of Chinese companies have chosen to participate in joint submission because they do not hold any data. This leaves them no choice but to buy the letter of access no matter how much the lead registrant/consortium might charge. In this regards, small and medium sized companies are quite vulnerable. Even though it is possible to opt out, in many cases it could be more expensive or too late by the time the cost of letter of access is published.
- Furthermore, most of the substances exported in quantities of over 1000t per year, requiring registration are raw materials with low profit-margins (see the table next page).

Table 1: commons substances (1000t/y+) registered under REACH by Chinese companies

Category	Substance Name	CAS No	EC No
Metals, Alloys	iron	7439-89-6	231-096-4
	magnesium	7439-95-4	231-104-6
	manganese	7439-96-5	231-105-1
	phosphorus	7723-14-0	231-768-7
	silicon	7440-21-3	231-130-8
	aluminum	7429-90-5	231-072-3
Oxides	aluminum oxide	1344-28-1	215-691-6
	iron oxides	/	/
	manganese dioxide	1313-13-9	215-202-6
	zinc oxide	1314-13-2	215-222-5
	titanium dioxide	13463-67-7	236-675-5
	zirconium dioxide	1314-23-4	215-227-2
Monomers	ethylene	74-85-1	200-815-3
	chloromethane	74-87-3	200-817-4
	methyloxirane	75-56-9	200-879-2
	ethylene oxide	75-21-8	200-849-9
	vinyl acetate	108-05-4	203-545-4
	tetrafluoroethylene	116-14-3	204-126-9
	acrylic acid	79-10-7	201-177-9
	ethyl acetate	141-78-6	205-500-4
Petroleum Substances	paraffin wax	64742-51-4	265-154-5
	paraffin base oils	64742-54-7	265-157-1
Acids	terephthalic acid	100-21-0	202-830-0
	acetic acid	64-19-7	200-580-7
	formic acid	64-18-6	200-579-1
	citric acid	77-92-9	201-069-1
	cyanuric acid	108-80-5	203-618-0
	acetic anhydride	108-24-7	203-564-8
Other Substances	rosin	8050-09-7	232-475-7
	iron sulphate	7720-78-7	231-753-5
	sodium metaphosphate	10124-56-8	233-343-1
	barium carbonate	513-77-9	208-167-3
	p-cresol	106-44-5	203-398-6
	tris(2-hydroxyethyl)-1,3,5-triazinetriene	839-90-7	212-660-9
	sodium dithionite	7775-14-6	231-890-0
	chlorine	7782-50-5	231-959-5
	p-phenylenediamine	106-50-3	203-404-7
	calcium diformate	544-17-2	208-863-7
	linalool	78-70-6	201-134-4

***This list is not the complete list.**

Concern 1: Consortium management companies and big companies benefit from higher price of letter of access (*). SMEs will fail to compete.

Some consortium management companies (changes made on 6 Jan 2011) work with big companies which leaves it possible for them to charge an unlimited administrative fee (provided the budget can be approved by those big companies which are in a stronger financial position). In addition, they work together to determine a cost-sharing model and the price of letter of access. A higher price of letter of access, benefits both the consortium management company and big companies that they are involved with. In this business model, SMEs are in a very weak position as the fees are unaffordable and sometimes unwarranted/ unjustified. Meanwhile the larger companies are not keen to ask for a reduction to the price of letter of access sold to SIEF members, as they foresee a greater market if the SMEs eventually fail to compete (fail to purchase letter of access and participate in the joint submission).

Since guidelines for the management of a consortium or a specific cost sharing mechanism have not been set out under the REACH regulation, some consortium management companies are at liberty to charge an unlimited administrative fee (mainly SIEF/consortium management fee. This fee does not include legitimate data/dossier cost such as testing fee, dossier preparation and CSR) as long as it can be approved by the majority of companies. Usually the larger companies, who are less concerned with the specific costs and have a larger budget are able to pay and have not queried exorbitant administrative fees. Regular SIEF members, especially SMEs who depend on the letter of access for REACH registration are not allowed access to the budget of the consortium management companies and have no influence over its structure, yet they have to pay for almost equal share of this budget when they buy letter of access. For those SIEF members, the price is set and they never get a chance to bargain the price with consortium.

For example, SAS consortium charges 200,000 Euros for a letter of access for Silica – a common raw material in chemical industry. The total budget is nearly 5 million Euros. Among them 4 million Euros is for data cost and dossier preparation and 1 million Euros is for administrative work such as SIEF communication. Every SIEF member who buys a letter of access will pay 160,000 Euros for the data and dossier and 40,000 Euros extra for SIEF/Consortium management services. Although this administrative fee (40,000 Euros) seems exorbitant and almost extortionate, the regular SIEF members have simply no chance or bargaining power to negotiate the price down.

Compared to big companies with greater financial strength, SMEs have low budget and restricted financial resources for the payment of these high administrative fees. Big companies may have paid the same share or in some cases a little more to do REACH registration, but they will reap the reward of a bigger market share as more SMEs fail to compete and are eliminated from the market. A discount on the ECHA fees for registration will not totally alleviate the financial strain from SMEs when they face a price of letter of access which is excessive. After registration, the biggest winners are the consortium management companies who can make huge profits and some consortium members (big companies) who benefit from an increased

market share.

CIRS has represented over 10 manufacturers of Silica and only one of them has decided to register Silica because of the huge cost of letter of access. They export Silica to the EU at low profit margins and it might take several years for them to make a profit of over 200,000 Euros. Many small and medium sized EU traders and distributors will also be eliminated leading to job losses both in the EU and abroad.

The administrative fees charged by consortium vary significantly (please refer to table 2: a breakdown of consortium fees charged by several REACH consortia). **For the same kind of work, some consortium management companies charge significantly less than other companies.** The most worrying thing is that there is no organization regulating administrative fees or deciding how much charge is fair. Take the Iron Oxide consortium for example, if the consortium decides to charge 1 million Euros as the administrative fee, like the SAS consortium did, as long as they justify it, no law would indicate that this increase is unfair.

The final result can only be that SIEF members will have to pay extra for the letter of access and less SIEF members will do registrations. In this situation, only consortium management companies and big companies benefit.

Table 2: A breakdown of consortium fees charged by several REACH consortia

	Data cost	IUCLID5/CSR	Admin. Fee	Total
SAS(Silica)	~4000000		€ 1,000,000.00	€ 5,000,000.00
Fe Salt	€ 235,693.00	€ 101,743.00	€ 273,715.00	€ 611,151.00
Al Salts	€ 737,486.00	€ 276,242.00	€ 226,230.00	€ 1,239,958.00
THEIC	€ 382,000.00	€ 179,998.00	€ 214,192.00	€ 776,190.00
Iron Oxides	€ 1,100,989.00	€ 460,000.00	€ 129,800.00	€ 1,690,789.00
Melamine	€ 350,000.00	€ 120,000.00	€ 100,000.00	€ 570,000.00
OTNE	€ 445,877.10	€ 83,981.50	€ 74,750.00	€ 604,608.60
Chromium Trioxide	€ 129,535.00	€ 54,500.00	€ 63,000.00	€ 247,035.00
HHCB	€ 370,544.42	€ 601,044.80	€ 40,250.00	€ 1,011,828.22
Alkanes, C18-28, chloro	349,173.00		€ 38,600.00	€ 387,773.00
QUINOLINE	€ 8,500.00	€ 45,000.00	€ 30,000.00	€ 83,500.00
PTA	129,600.00		€ 21,000.00	€ 150,600.00
DMP	€ 26,650.00	€ 74,550.00	€ 15,800.00	€ 117,000.00
MBTS	€280,500~327,250	€42,900~50,050	€6,600~7,700	€330,000~385,000

(*) Typical REACH registration process: joint submission and letter of access

To minimize animal testing and data fee for each registrant, REACH encourages data sharing among all registrants by the joint submission of registration data to ECHA. The principle is "one substance, one registration".

During joint submission, the lead registrant or REACH consortium will do most of the work such as data collection, development of technical dossier and Chemical Safety Report (CSR), and submission of joint registration dossier to ECHA. Other co-registrants only need to pay the lead registrant or consortium a fee to refer to the joint registration dossier and then prepare the individual part of the registration dossier in IUCLID 5.

Registrants will have two options to complete registration as a member of joint submission: Purchase a letter of access or join REACH consortium. Both options allow registrants to refer to the joint registration dossier prepared by lead registrant or REACH consortium. Generally, a letter of access is cheaper because it does not grant ownership of data.

Concern 2: Member registrants might pay more for registrations

CIRS met several cases in which member registrants end up paying more for the registration than the lead registrant.

One example is CIRS's purchase of the usage of one data end-point from another company, let's say company A. Company A spent around 120,000 Euros on one animal test and the price is very close to the value of the study on Fleischer's paper. Because there are only two companies (company A and CIRS) who would need data from this study for registrations, CIRS was asked to pay 71,760 Euros to access the data for the purpose of REACH registration. CIRS has finally taken the offer because it is still cheaper than carrying out test by ourselves and sharing animal testing data is mandatory under REACH.

However, if we think it from the other perspective, company A only spends 48,240 Euros on the test to gain the ownership of the data while we will spend 71,760 Euros to only get a letter of access to refer to the data. Besides, company A can re-sell the data to other companies. Company A's calculation might seem plausible.

The cost of letter of access = the value of study*(1+30% as risk premium)*(1+15% as administrative fee)/2 (two companies are sharing data)*80% (for REACH only) = $120,000 * 1.3 * 1.13 / 2 * 0.8 = 71,760$ Euros

As REACH didn't outline what cost-sharing model is fair, member registrants are always in a weak position when bargaining the price with the data holder (especially when the data holder is a competitor).

Conclusion

We hope this report has given you a good understanding of the impact of REACH regulation on Chinese chemical industry. We also wish this report can draw the attentions of industry associations, regulatory authorities, NGOs and SMEs. Only by working together can we ensure member registrants especially SMEs' interests can be protected. We are also calling industry associations to put more focus on their ability to help companies minimize registration costs and put more pressure on service providers to rein their charges.

During the process of finishing over 140 registrations, we have been in contact with over 50 consortia and we have had pleasant experiences with several consortia (LOA REACH Consortium, Concawe, The Iron Platform, The Cobalt REACH Consortium, the Zinc consortium, etc) whose operation efficiency and professional guidance to member registrants are highly applauded.