CIAmatters

ESSENTIAL
INFORMATION FOR
YOUR INDUSTRY
NO. 127
SPRING 2021
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CIA CHEMICAL INDUSTRIES ASSOCIATION

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CIA*MATTERS*, SPRING 2021

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Chemical Industries Association
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From the CEO's Desk

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A SOLID START

As we progress through 2021, some of the issues we faced at the beginning of the year continue to be with us, including the post-Brexit transition and the implications and impacts of the pandemic.

For almost a year I have held regular calls – weekly and now fortnightly – with Chief Executives/Site Leaders to discuss both of these issues, share experiences and, wherever possible, resolve problems. With our new Trade and Cooperation Agreement with the EU based on moving further away from one another, it is self-evident that business between the UK and EU will be more difficult and expensive and we long anticipated that the new trading relationship would lead to initial difficulty in moving product and securing raw materials. The fact however, that some of these 'teething troubles' are continuing three months after the implementation of the agreement is a worry and not just for our sector. In my weekly meetings with Government, I am sharing specific company examples where I have permission to do so – and where companies prefer to remain anonymous, we are fully respecting that, but still finding a way to ensure Government are aware of the problems.

It is true that as each week passes, we are now seeing less issues, but the ones we are seeing are expensive and time consuming for companies – whether it be increases in the cost of raw materials, more limited and therefore more expensive freight and logistics or the new documentation challenges.

Alongside customs and logistics challenges, we also have the issue of UK REACH. At a difficult February meeting of our Chemicals Exiting the European Union Group (CEEG), co-Chair Calum MacLean, the Chief Executive of Synthomer Plc, demanded and secured another look at the current design of UK REACH from his fellow co-Chair Government Minister. This is now being worked through in a sub-group led by CIA's Policy Director Nishma Patel, colleagues from industry and Government officials.

CEEG is a subgroup of the joint industry/ Government Chemistry Council, co-chaired by the Chief Executive of Croda International Plc, Steve Foots. At our latest meeting at the end of March, we agreed further discussions with Government – against the backdrop of the demise of a formal Industrial Strategy – to realign our existing industry work and related projects to the themes of net zero, levelling up, becoming a science super-power and global Britain – all framed within the Government's recent Build Back Better, Industrial Decarbonisation and Global Britain in a Competitive Age publications. We also restarted our collective work on skills.

Being central to any growth prospects, we also discussed the post-Brexit environment and each company member of the Council presented on their current performance, including readiness for net zero. As I write this message, COP26 is still scheduled to take place as a physical meeting in Glasgow in November, although there are increasing calls for it to be made a virtual event. With the outcome unknown, CIA and some member companies have nevertheless registered an Expression of Interest in hosting an event in Glasgow in early November, and a number of member companies joined CIA in a December 2020 meeting with the BEIS team responsible for business engagement in COP26.

The Prime Minister is keen for this to remain a face-to-face event as it was always an opportunity for him to show strong environmental credentials and demonstrate his global Britain ambitions after Brexit. At the time of planning, COP26 was a political necessity for the Government in terms of increasing poll ratings; however, the vaccine success of the UK compared to other countries has eased the pressure a little on the Prime Minister.

Alongside UK REACH, the most significant competitiveness challenge to UK chemical businesses is in manging the transition to net zero as an industry that is based on significant amounts of energy to not only run plants but also serve as critical feedstocks for our products and solutions. UK industry experiences some of the most expensive electricity costs in world; network transmission costs are also growing in significance and we will shortly be facing a UK emissions trading regime that will add further costs to energy intensive businesses. Many of these companies are critical to delivering net zero solutions and we need appropriate support measures from Government to enable that transition. I have raised these issues in three meetings now with the recently appointed Business Secretary, Kwasi Kwarteng and also written to his Energy Minister, Anne-Marie Trevelyan on the subject. We will continue to push for a more supportive policy environment whilst highlighting the low-carbon solutions we are delivering on a daily basis for the chemical industry, its customers and the wider economy.

This year we have continued to manage our way through the pandemic. I cannot praise enough the commitment of chemical businesses and their workforces on sites for continuously working through Covid-19 and so too the efforts of all who have worked from home to ensure their responsibilities have been met. The fact that we were one of only two manufacturing sectors to achieve growth in 2020 is in no small way down to this. And that positive performance last year has been repeated by our member companies in the start to 2021, giving us optimism. But so too, is there a fragility to both the wider economy and to our ability to continue on a growth trajectory. Since the Office for Budget Responsibility's forecasts, which were published alongside the 3 March Budget, 10-year Government bond yields have almost tripled from 0.3% to 0.8%. Although this may sound small and insignificant, for a Government that is expected to borrow a further £234 billion in the financial year 2021/22, equivalent to 10.3% of GDP, this represents billions of pounds in increased debt servicing costs, potentially using up majority of the £17 billion the Government expects to raise from increasing corporation tax. The increase in bond yield is largely driven by a rise in inflation expectation within the economy, a phenomenon that directly impacts CIA member companies. In the CIA's most recent business survey just under 50% of respondents reported that a rise in inflation was a worry for their business while a further 45% said it was a slight concern. More than 80% of responders to our Q1 companies reported that total sales volumes either increased or stayed the same in Q1 2021 compared to Q4 2020. Domestic sales largely stayed the same with 72.5% of respondents reporting this while more membered experienced a fall in EU exports that did an increase. Rest of the world exports was the best performing region in Q1 with 29.3% of respondents reporting an increase while only 22.0% a decrease. 42.5% of respondents reported an increase in new orders while

> **'I cannot praise enough the commitment of chemical businesses and their workforces on sites for continuously working through Covid-19...'**

34.1% and 31.7% reported an increase in production levels and capacity utilisation respectively.
For further details, please see our latest press release.

The Chancellor's Budget delivered at the beginning of March delivered many things that we welcomed. After speaking to Chief Executives, I confirmed to journalists that we were pleased to see the announcements on super deduction tax, apprenticeships and freeports. The missing element for me was the absence of a plan or framework to join up many of the Government's initiatives and policies. This does not need to be an 'Industrial Strategy' but we do need something that makes it easier for business to engage in policy formation and related support measures, and we do need something more tangible to convince investors - domestic and foreign – that the UK has a compelling offer for manufacturers.

The Budget also saw the Treasury publication of the Government's 'Plan for Growth', providing more evidence that the Chancellor's department is now much more at the forefront of business and industry decisions and announcements. The Treasury has always been the ultimate arbiter on spending and revenue – even more so under Covid – and it will be interesting to see how much this more dominant role lasts as we hopefully move into "peacetime".

Finally, turning back to CIA activity, our Council met in March when we welcomed the Political Editor of the Financial Times, George Parker, as guest speaker. Our strategy groups (the bodies which decide CIA work plans in specific areas) have all had their first meetings of 2021 and we report on those in the various sections throughout the magazine. With CIA*Matters* now being quarterly, we are taking the opportunity to produce more policy specific publications and I am grateful for all the positive reaction we have received from member companies on Digitisation in the Chemical Industry and Open for Business – the UK Chemical Industry and our international trade.

Additionally, I would like to thank all our member companies for the work that you do for our sector and for the time and resource you commit to working with us on the collective industry-wide agenda.

CIA Q1 2021 BUSINESS SURVEY

The CIA conducted its Q1 2021 Business Survey between March 15 and 26 and received responses from around 45% of its membership. On 7 April, the CIA hosted a webinar for survey respondents to go through the results as well as an economic overview using official data from the Office for National Statistics and other countries' statistics agencies. The webinar also provides members with the platform to ask any economic or survey related questions and give feedback on what they would like covered in future webinars. The CIA will publish a detailed economic report later this month which clearly outlines the current economic climate and where the chemical industry fits into that, as well as a detailed review of the survey results.

As has been the case in recent surveys, the survey began by asking industry performance questions which involved members assessing whether the following 12 variables: Total sales, Domestic sales, Exports, EU exports, Rest of the world exports, New orders, Production levels, Capacity utilisation, Employee numbers, R&D spend, business investment and Business optimism, had increased, decreased or stayed the same in the first quarter of 2021 compared to the final quarter of 2020 and what their expectations were looking forward three and 12 months. In this section members were also asked to compare the current level of these 12 variables to where they'd expect them on an average year.

Understandably this provides a wealth of information, with that said, some of the key takeaways were:

- **80.5%** of respondents reported that total sales volumes either increased or stayed the same in Q1 2021 compared to Q4 2020. Domestic sales largely stayed the same with **72.5%** of respondents reporting this while more membered experienced a fall in EU exports than did an increase. Rest of the world exports was the best performing region in Q1 with **29.3%** of respondents reporting an increase while only **22.0%** a decrease.
- After the third successive quarter of reported growth by members, sentiment remains bullish when looking ahead to both the second quarter of 2021 and the coming 12 months. Sales growth is expected in all regions while for all 12 variables more members expect to see an increase than do a decrease.
- However, although improvements were reported in the last quarter, **7.3%** more respondents reported that currently total sales volumes were below expectation than did above. This was most acute domestically with **25.0%** more respondents reporting below than above, for the EU the figure was **22.0%** while for rest of the world exports **2.4%** more respondents reported above expectation than below.

The remainder of the survey focuses on topical issues. In this edition this surrounded elements of the 3 March Budget, inflation and post transition period logistical issues. The key takeaways were:

- Just under **85%** of respondents reported that logistical issues post Brexit remained the largest issue for the industry moving forward while only **7.5%** of respondents said they were not worried about the potential rise of inflation.
- Only **5.0%** of respondents felt the Super Deduction would create new investment while a further **18.0%** said they'd bring investment forward. Majority, **59.0%**, stated they would not change investment plans however would enjoy the added relief.
- Just under **62%** of respondents have no immediate plans to utilise a Freeport region while a further **18%** are already inside however have no plan to change operation levels.

Policy Director's overview

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Linking sector policy issues to Government growth agenda

What a busy three months the start of 2021 has been! Beyond the immediate customs and logistics challenges members have been facing, on the policy front we have been working at pace to shape three major post Brexit regulatory pieces (i) UK REACH, (ii) UK Emissions Trading Scheme and (iii) UK's future industrial emissions Best Available Techniques (BAT).

On UK REACH whilst the UK/EU TCA agreement includes a chemicals annex committing both parties to future cooperation over non-confidential information, the UK's proposal for inclusion of data access was rejected having significant impacts in complying with the current domestic REACH regime. This has led to CIA shifting its focus in resolving the specific issue domestically with our letter and proposal being supported by 25 sector bodies and sent to ministers back in February. This is a challenging task both technically and politically, particularly within the time constraints to deliver proposed solutions but detailed work for a more proportionate and effective UK REACH regime continues. A huge thanks to members contributing to this work.

Similarly, on carbon policy we are continuing to raise concerns on the future of the UK's Emissions Trading Scheme. The delay in UK ETS and lack of certainty is forcing power companies selling power without knowing the cost of carbon. Similarly, manufacturers are having to agree contracts without knowing the cost of carbon too. Both BEIS and Treasury colleagues joined our most recent Energy and Climate Change Network where members made the case on the consequential impacts the uncertainty brings. We have also set out a number of options for Government to consider for the UK scheme which would avoid undermining affordability for UK businesses. A letter highlighting these issues along with future linkage of the UK scheme to the EU ETS has been sent to Government. CIA are cosignatories to the letter along with other trade bodies and individual businesses.

Looking ahead, Q2 of 2021 will see much of this work continue. The obvious piece will be informing the new Taskforce on Innovation, Growth and Regulatory Reform (TIGRR) set up by the Prime Minister to identify and develop proposals that will drive innovation and competitiveness and reduce barriers. We are raising UK REACH being one of the obvious candidates for our sector and our customer industries but in coming meetings we will also be looking to stress the importance of innovation and growth for the sector, partly through the inclusion of an innovation principle in developing future policy and regulations.

At the same time and on the back of Treasury's recent Build Back Better Plan we will also be considering how best to engage on policy issues of most important to the sector, linking them to infrastructure, innovation and skills and broader growth and levelling up agenda. A significant part of this is of course our energy and climate change agenda with the Government's plan setting out fiscal initiatives for both infrastructure and net zero investment. Over the coming months we will be highlighting the need for a coordinated policy solution across Government given some of the positive signals that have stemmed from the recent BEIS Energy White Paper as well as recommendations from the Committee on Climate Change.

Finally, many will have noticed the significant traction being gained under the EU's products agenda (chemicals strategy for sustainability) with the opening of EU REACH likely. Whilst there are no immediate or direct impact on the domestic agenda, it is likely our own Government will be keeping a close eye to inform our own policy decisions. Equally CIA will also be planning around this taking both the learnings and outputs into consideration. In terms of the UK's future chemicals framework and strategy these are still due to be published in 2022. In the meantime, our recent engagement with Defra indicates that specific issues such as handling of endocrine disruptors and essential use will continue with policy proposals to be put forward over the coming year. CIA is already engaging on Defra led groups on the latter and will be working with closely with our Chemicals Management Network and Issue Teams to inform these developments over coming months. As always further details on all our policy and related support work can be found within.

Energy

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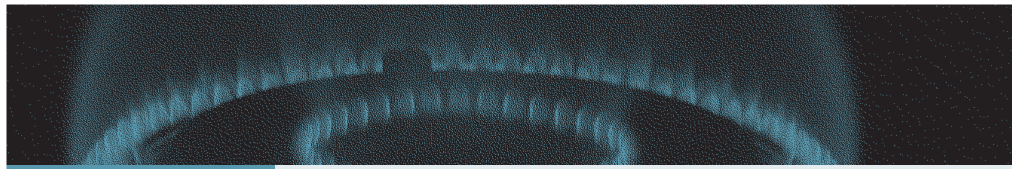
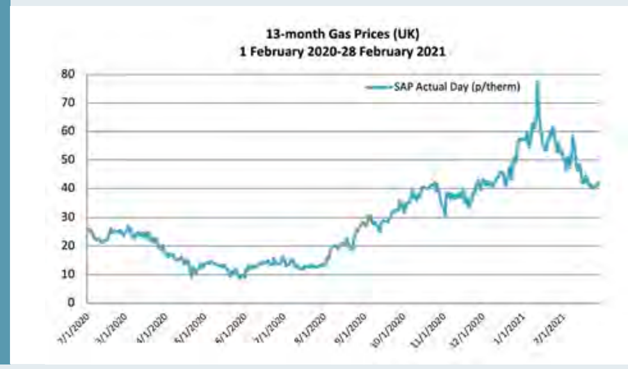
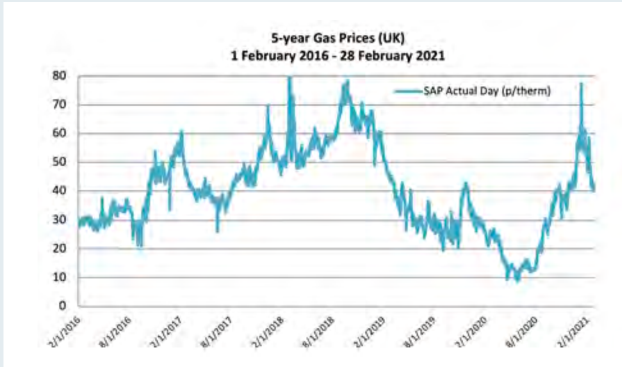


13-month Gas Prices (UK):

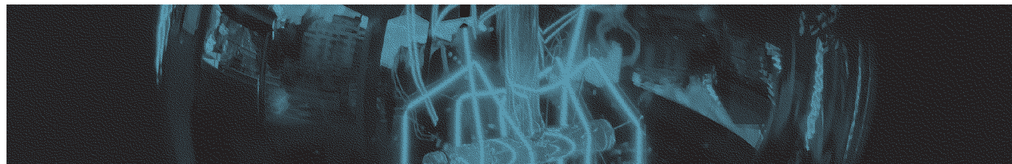
1-28 February 2021
SAP Actual Day: 8.77p/therm-77.47p/therm

Average SAP Actual Day: 28.91p/therm (11% lower than February 19-20)





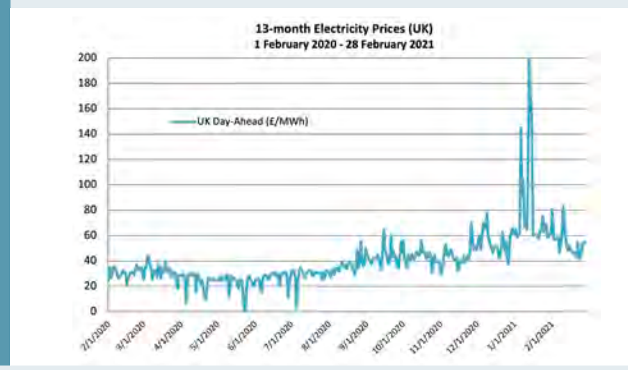
Source – National Grid

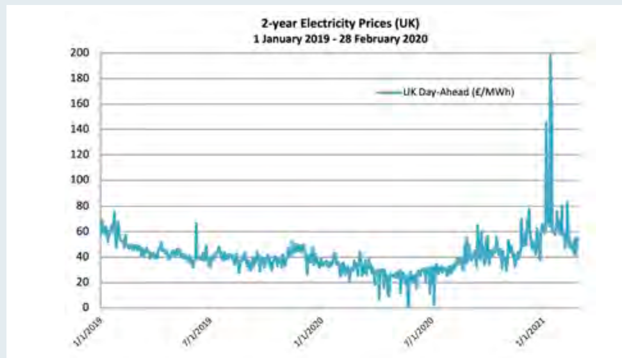


13-month Electricity Prices (UK):

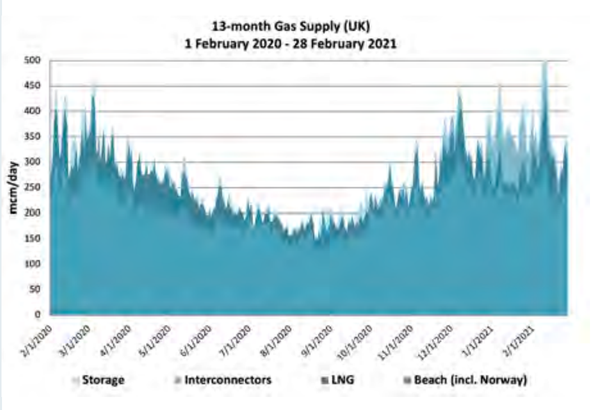
1-28 February 2021
Day Ahead: £-10.13 – £198.79 MWh

Average Day Ahead: £40.13 MWh (0.1% higher than Feb 19-20)

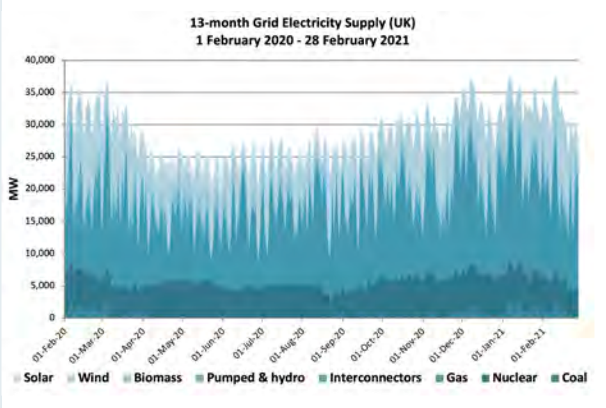




Source – National Grid



Source – National Grid



Source – GridWatch

Gas Outlook

Spending by UK North Sea oil and gas operators fell to the lowest levels since 2004 last year as firms concentrated on preserving cash during the pandemic. Businesses spent £3.4bn less last year than in 2019, a 23% drop, according to a report by OGUK. Companies deferred field developments and maintenance to cope with the fallout of the pandemic, which triggered a slump in prices in the first half of 2020. Drilling activity in the basin fell to levels not seen since the industry's beginnings in the 1960s and 1970s.

OGUK, which represents offshore oil and gas operators and supply chain companies, warned that the industry remains in a fragile state and is re-entering a period of longer-term production decline. UK North Sea production peaked in 1999-2000 at about 4.7m barrels per day, but following nearly 15 years of falling output production had increased 20% between 2015 and 2019. Yet nearly three quarters of the UK's energy needs are still met by oil and gas, despite the growth of cleaner technologies. Last year domestic oil and gas production met 70% of our demand, according to OGUK.

The importance of gas for heat in the UK is clear, but the key role it will retain in our electricity mix, for a while into the future, was evident in the twelfth round of the electricity market's T-4 Capacity Market auctions in March. The Capacity Market aims to ensure security of electricity supply, by providing a payment for reliable sources of capacity that can deliver power when needed. Gas dominated the awards, accounting for 45% of Capacity Market Units contracted to provide capacity in 2024/25.

So where we get our gas from and how much that costs remain critical issues of energy security. UK prices have seen significant spikes this winter, as cold temperatures in Asia diverted cargoes of LNG east, forcing European energy companies to rely on stocks of stored gas. Over the last few years, the UK has pivoted from storage to interconnectors, to provide back-up when imports are scarce. This trend can be seen in the 13-month Gas Supply (UK) chart, as interconnector supply has displaced LNG.

Electricity Outlook

The start of 2021 has seen volatile electricity prices, with post-Brexit market arrangements contributing to price spikes. This was typified in the first week of March, which is traditionally a period of high demand as the triad season (November to February) ends, leading to higher peaks. But this year the maximum day ahead price in the first week of March hit £683/MWh, more than three times the highest price seen over the same period for the last six years.

That 2021 has seen a much higher jump than usual is down to a number of factors, including low levels of wind generation which saw us more dependent on imports. On 2 and 3 March, interconnector capacity auctions resulted in high prices. In these auctions the interconnectors were the marginal source of power, which meant that they could set the market price. The high capacity auction prices mean that to make a profit, the purchasers of the capacity need to clear at a price higher than the cost of the capacity and the price they can buy power at in France, Belgium or the Netherlands.

Now that the GB market has left the EU internal energy market, it has left the day-ahead market coupling arrangements that gave an implicit allocation of capacity on the interconnectors, ensuring power flowed from the EU to the GB market at a lower price. With the interconnectors now relying on explicit auctions, the result has been extreme prices for capacity when the GB market is stressed.

The impact of Brexit on power prices was first noted in January, when the cold weather and low wind generation led to a high of £1,500/MWh in the day ahead market. While decoupling from the European markets does not in and of itself mean higher electricity prices, it does complicate energy trading leading to greater price divergences between the UK and the EU markets and contributing to price spikes. The new trade agreement between the UK and the EU has provision for a market coupling arrangement to be established by April 2022. However, this is considered an ambitious timescale for the transmission system operators and regulators to gain approval. In the interim, high price peaks and higher balancing costs will likely become a feature of the GB electricity market.

ENERGY TRANSITION: The spend trends and 5 key questions for chemicals and industrials.

By Louise Robinson, Partner for Industrials and Energy Transition at Arcadis UK

Most (although by no means all) of our clients have a sustainability policy with clear target objectives. For our chemicals and industrial manufacturing clients, energy transition and decarbonisation are prominent components, with a focus on core processes.

We see many clients in this sector making investments to:

- Monitor and track energy usage,
- Decarbonize energy sources,
- Increase energy efficiency across assets and fleets,
- Develop on-site generation.
- Current trends and areas of focus

Across our UK client base, we see most attention, activity and spend focussed on carbon capture and storage, motorised processes, cooling, and extraction, and increasing efficiencies within steam systems, CHPs, and AHUs.

There is also an increased demand from industrial clients to achieve their energy goals faster by including 'non-core' options across their production sites, distribution centres, fleet, and smart building data management.

And finally, we note an evolving interest on how to deploy renewable energy sources such as solar, wind, hydrogen, and biomass. For example, we recently implemented a 27MW solar park within a clients' premises, but even small changes to real time smart building systems, emissions monitoring and lighting can yield results.

5 questions to test your Energy Transition Strategy

Here are five prompts we use when working with clients in this space:

1: Who 'owns' it?

Is there clarity on Energy Transition objectives at both corporate and site level? Given that any decisions relating to Energy will impact on cap ex and op ex and have implications for quality, EHS etc, who is the single accountable point ensuring that optimum energy benefits don't get engineered out (something that we see happening a lot!)

2: Is your strategy in line with the Trias Energetica?

Developed by the Delft University of Technology in the Netherlands, the Trias Energetica model is a simple guide that reminds us the most sustainable energy is saved energy, and therefore the first step is to reduce the demand for energy by reducing waste and implementing energy-saving measures. The second step is to use sustainable sources of energy instead of fossil fuels and the third stage is to use fossil fuels as efficiently as possible. The better plans we see are structured to cover these three categories, ensuring maximum impact.

3: Metrics, metrics, metrics?

What is your baseline energy position? Do you have defined and specific energy targets? Do these targets cover energy use or energy type, or both? Do you have a defined metric for the Return-on-Investment period for capital expenditure relating to Energy? How do you measure your Supply Chain?

The clearer you can ground your plan in defined metrics, with a defined starting baseline, the easier it will be to take, and stick to, decisions.

It is equally important to be clear on how you will evidence impact. Make sure there is an objective process to evidence impact across financial, carbon and wider measures. You might be surprised at how many companies do the complex technical work without giving due consideration to the robustness and transparency of measurement.

4: Are you thinking broadly enough?

Our clients know their processes inside out, and so often we see an amazing energy transition focus on core processes. However, don't overlook the multiple 'non-core' options across your production sites, distribution centres, fleet and buildings. There will be options for renewable energy sources such as solar, wind and biomass.

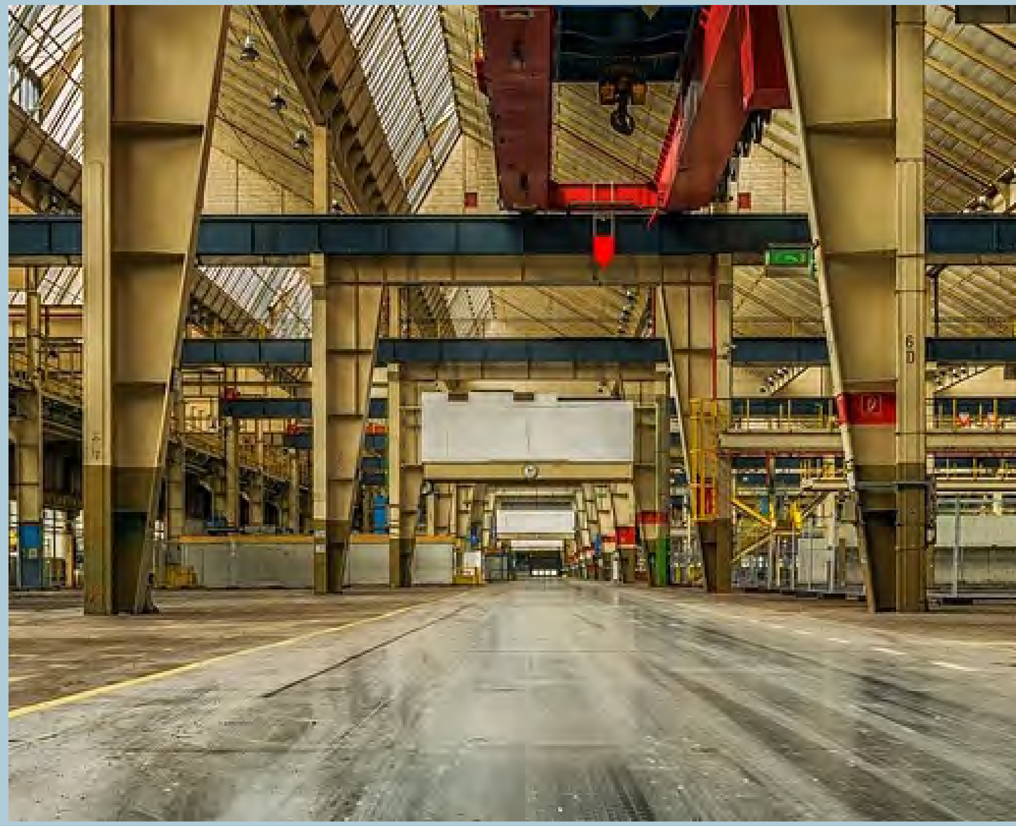
5: Are you applying for IETF funding?

The CIA has hosted some great sessions on this. The objective of the Industrial Energy Transformation Fund, the IETF, is to reduce energy costs and emissions on a site-by-site level or as one multi study submission.

Backed by BEIS, the IETF has a broad remit in terms of technologies. Applications close on the 14th of July this year and must be led by a business that operates a manufacturing site or data centre in England, Wales, or Northern Ireland, where the technology will be deployed.

Examples of technologies in scope for the funding of decarbonisation studies include fuel switching, CHP with fuel switching, on swite carbon capture.

Examples of Energy efficiencies studies and deployment that may be funded include: Energy use, optimization and recover –



industrial process control, upgrades to more efficient equipment, more efficient heat exchange, energy recovery from waste heat or waste pressure, Heating and cooling equipment, Fuel switching.

This is an exciting and invigorating time for UK industrials, but sometimes it can be difficult, and even a little overwhelming, to assess multiple energy options and keep on top of all technical and financial initiatives.

We are always happy to share our insights and provide the support, so please do reach out.

Making the most of upgrade interventions: a significantly reduced carbon footprint can be achieved when upgrading critical facilities. This is one of 9 AHUs we consolidated from 22 for a pharmaceutical company. Critical scheduling with careful sequencing was needed to ensure no two critical areas were down at the same time. Operational annual cost savings of £300,000 and 2,300 tons of CO savings per annum.

Chemicals Plan performance optimisation: this picture is of a major Dutch chemicals company manufacturing plant, where we worked with the operations team to scope a 4-year energy plan including energy consumption analysis for site and production processes, Local and national compliance was demonstrated and 6-figure efficiencies scoped for delivery.

ARCADIS

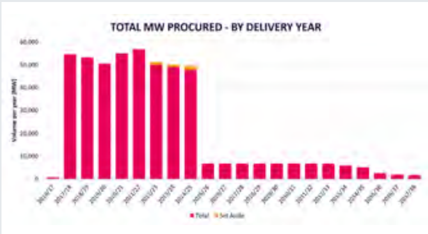
Capacity at what cost: How do the latest Capacity Market Auctions impact you?

The most recent round of Capacity Market auctions have now concluded, offering greater clarity on the costs of the scheme for both the coming year and further out to 2024/25. Amid headlines proclaiming the record high clearing prices and concerns about the cost of the scheme for end users, what do the auction results mean for your business? Inspired Energy's capacity market expert and head of Demand Side Response, Eamonn Bell, explains here.

The Capacity Market in a nutshell

The Capacity Market (CM) is designed to ensure security of supply. Generators, and those able to provide demand side response, enter auctions to win contracts which will pay a fixed sum in return for a commitment to generate (or reduce demand) at times of high system stress in a given 'delivery year', which runs from the 1st October to the 30th September.

The bulk of the capacity for each delivery year is forecast and secured four years in advance (in 'T-4' auctions), with a 'top up' secured closer to time to correct those forecasts (in 'T-1' auctions). These take place in the 12 months leading up to a new delivery year and account for a small fraction of the total Capacity volume secured each year by National Grid.



March CM auctions

This month, auctions took place for T-1 (2021/22) and T-4 (2024/25).

The final clearing price for the T-1 2021/22 auction was £45/kw/year. This was a significant increase on recent auctions which had delivered exceptionally low clearing prices: the last T-1 auction for delivery this winter just gone cleared at only £1/kW/year.

The T-4 2024/25 auction cleared at the price of £18/kW/year, which was a slight increase on last year's T-4 clearing price of £15.97/kW/year for delivery in 2023/24 and significantly higher than the record low T-4 2022/23 auction that cleared at £6.44/kW/year. However, the target price for every one of the 12 Capacity auctions so far conducted has been £49/kW/year, meaning this T-4 auction is another case of slight over-procurement at a much lower than hoped for price.

T-1 auction: analysis

The 2021/22 T-1 auction was slightly unusual, as National Grid planned to procure up to 2400MW – six times the capacity it had originally planned to secure. This change in approach was caused by growing concerns around the ability of existing CM contract holders to deliver capacity when required: Drax plans to close its coal-fired generation in April 2021, despite holding CM contracts until September 2022, and other participants such as EDF's nuclear units and Calon's gas plants may also struggle to ensure availability during the 2021/22 period. As a result, National Grid decided to procure an additional 2GW of capacity, on top of the 0.4 GW initially planned for the auction, to ensure that sufficient capacity will be in place to match demand across the full delivery year.

Higher clearing prices obviously mean higher prices for consumers – however, this was a top up auction and the bulk of the capacity for the 2021/22 delivery year has already been secured at the far lower price of £8.40/kW/year in the related T-4 auction.

The T-1 auction secured 2,252MW, compared to the 50.4GW cleared in the T-4 auction for 2021/22 at a far lower price. Whilst the T-1 clearing price does mean total costs for the coming delivery year will be higher, the actual impact of this 'top up' auction doesn't mean the entire cost of Capacity for next winter will catapult. The lion's share of the Capacity costs – and therefore charges faced by the consumer – are a result not of T-1 auctions but of T-4 auctions.

What does it mean for business energy supply next year?

The 2021/22 T-4 auction clearing price was £8.40/kw/year for 50.4GW, meaning a total cost of £423.4million per year. The contracts awarded in the T-1 auction will add an additional £112.5million onto the cost of the scheme – adding around 25% more onto the total cost of capacity for this delivery period.

However, this is still around half the cost of CM charges for the current 2020/21 period. This year, consumers will be paying £1,180million; the T-4 auction for 2020/21 secured 52.4GW of capacity at a clearing price of £22/kw/year, creating record high costs for end users.

This means the current 0.54p/kWh charge in 2020/21 should reduce to around 0.217p/kWh for the October 2021 – September 2022 delivery year.

What does it mean for demand side response providers?

Those businesses with on-site generation and flexible capacity who participate in Demand Side Response schemes and secured a contract will be pleased with the auction results. It provides a more compelling financial case for businesses weighing up investment in technology that would enable them to participate in the scheme.

A 10MW CHP plant awarded a contract in the T-1 auction as a Generating capacity unit could expect to receive in the range of £300k-£400k over the course of the 2021/22 delivery year (its volume would be de-rated to 90%, meaning payment would be received for 9MW), providing it delivers capacity when required.

A customer offering to reduce demand via a DSR capacity unit could expect around £25k per MW they make available, due to how load reduction is de-rated in this delivery year.

T-4 auction: analysis

The T-4 auction cleared in the expected range, with a final price of £18/kW/year. Demand side response did particularly well in the auction, representing over 27% of contracts awarded.

The amount of volume participating in the auctions was far greater than the capacity Grid sought to procure, helping to drive down prices towards the lower end of expectations.

National Grid has conducted seven T-4 auctions to date and each of those auctions have been 25-50% over-subscribed when the starting pistol was fired. Capacity market participation is not a last-minute thing, with a month-long prequalification process the summer prior to each auction. This tells us that there is more than enough capacity available to National Grid to manage system constraints.

Future cost of the CM

The Capacity Market mechanism seeks to ensure security of supply into the future as well as providing short term assurance that the lights will stay on.

National Grid assert that a new gas power plant can be built with money from the Capacity Market if the auction clears at £49/kW/year. This is called the Cost of New Entry (CONE), and is the price that National Grid are happy to pay for their target volume each auction. We can see that all the T-4 auctions have cleared well below the value of CONE. It will take the closure of more large coal and perhaps nuclear plants to bring the clearing price of the Capacity auctions up towards the value of CONE. As this scenario plays out, we will see that each auction is not so over-subscribed and the mechanics of supply and demand can play out to raise the clearing price.

For the time being, we can expect the T-4 auctions for some years to come to clear in the £10-£25/kW/year range.

INSPIRED ENERGY

To understand what the impact of the CM auctions will be on your budgets, or for a review of your portfolio to identify opportunities for energy reduction or demand optimisation, speak to Wayne Brown on 01772 689250 or by emailing wayne.brown@inspiredenergy.co.uk

Chemicals Management

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PRODUCTS AND CONSUMER HEALTH

Independent Scientific Advice for UK REACH

On UK-REACH policy, CIA continues to seek a more workable UK-REACH regime. The UK Agency has recently consulted on the draft Statement of how the UK will incorporate Independent Scientific Advice (ISA) to inform UK REACH. The Statement published in March, as required under Article 77 of UK REACH lays out at a high-level how ISA input will be achieved for UK REACH authorisation and restriction processes. Unlike the EU ECHA process, the ISA remit is specifically UK REACH. Summarising the draft statement briefly:

- A REACH Independent Scientific Expert Panel (known as RISEP) is to be established with expertise from a range of disciplines to help the UK Agency produce opinions and scrutinise these (people who have worked in industry, and NGOs, can apply if this was >2 years ago).
- In addition to the RISEP, stakeholder 'input' outside of public consultations will be permitted through Accredited Stakeholder Organisations (ASOs). Some details on how/where ASO input can be made is given in the statement.

The call for experts to apply to join RISEP was opened by the Agency in early March and closed early April. In terms of industry involvement, CIA will be applying to become an Accredited Stakeholder Organisation when the call is opened and has responded to the consultation on the draft Statement. CIA has thanked the Agency for the considerable thought that has gone into ensuring independent scientific expertise and stakeholder input is obtained to Opinions on UK REACH authorisation applications and restrictions. At the same time, we have raised questions on industry involvement and asked for more detail on the process whilst iterating that procedural aspects must ensure that the process is both science-led and evidence based as outlined in the proposed Common Framework for Chemicals and Pesticides. We also believe a regular review process should be built into the overall ISA process to review learnings and have the flexibility to evolve, especially since this is a new process for all stakeholders. To hear first-hand and ask Defra and HSE on UK REACH and the new chemicals regime, come and join us at our joint CIA/REACHReady event: REACH – Current Landscape and Emerging Issues'.

UK Chemicals Regime – Other Developments

Following the consultation at the end of 2020 on the draft Common Framework for Chemicals and Pesticides which enables the Devolved Administrations (DAs) to implement the new UK chemicals regime, Defra has released Q&A feedback to the responses received in the consultation. Our understanding is that this Common Framework will be further developed and refined throughout 2021, and stakeholders will be given further opportunity to provide input to this. It is also not set in stone and has the flexibility to be amended to include new items within its scope. As to when Ministers from the four DAs will sign the Common Framework, at the time of writing this was unknown.

UK Government introduces Plastic Packaging Tax legislation to Parliament

The Finance Bill 2021 containing the Plastic Packaging Tax Legislation was introduced to Parliament on 11 March and is expected to attain Royal Assent by the summer. The timetable for Parliament Scrutiny can be viewed here. The tax will apply from 1st April 2022 to plastic packaging produced in, or imported into, the UK, that does not contain at least 30% recycled plastic at a rate of £200 per tonne (10 tonne de minimis).

EU Chemicals Strategy for Sustainability

On 15 March 2021, the EU Council has endorsed the EU Chemicals Strategy for Sustainability. This completes the EU institutions review of the Strategy; the European Parliament published its Resolution in July 2020. In its conclusion the EU Council asks the European Commission to implement the actions laid down in the strategy, including targeted amendments to streamline EU chemicals legislation, substituting and minimising substances of concern, and phasing out the most harmful chemicals for non-essential societal uses. The Conclusions are available at here. The EU Council has a short video on the Strategy outlining the objectives.

Restricting microplastics under EU-REACH – European Commission reviews RAC & SEAC Opinions

ECHA has published the final opinions of RAC and SEAC on the restriction proposal for intentionally-added microplastics. This was sent to the European Commission in February and the next step lies with the European Commission who have three months to come forward with a legislative proposal for a restriction under EU-REACH (this might however be delayed due to COVID-19). Looking at the Opinions, there are differences such as in the size limits, exemptions, entry into force timings for differing sectors. The Commission's proposal will be sent to the REACH Committee and the Member States sitting on this will be asked to vote on its adoption. However, before it can be published in the EU Official Journal of Law, it will need to go through the European Parliament and the EU Council scrutiny process. Contact us to find out more on how CIA is engaging on this topic.

Single Use Plastics in the EU

The European Commission is proposing to introduce additional labelling requirements for some specific Single Use Plastic (SUP) products that are frequently inappropriately disposed of. The intention is to bring in requirements for new product markings that according to the Commission's draft legislative proposal "are to inform consumers of the presence of plastic in the product; of the waste disposal means to be avoided for that product; and the resulting negative impact of littering or other inappropriate means of waste disposal of the product on the environment". This would apply to sanitary towels (pads), and for tampons and tampon applicators, wet wipes, tobacco products with filters and filters marketed for use in combination with tobacco products, and beverage cups. Some examples of the proposed markings are shown below.

Proposed marking for tobacco products:

Proposed marking for wet wipes:

New solvents@work material released by ESIG

The European Solvents Industry Group (ESIG) has designed materials to help downstream users handle solvents safely. This includes several films, best practice guidelines and posters available in different languages. An overview containing links to these can be viewed here.

REACH AND CLP

POPs entries for two substances updated

The entries for perfluorooctanoic acid (PFOA), its salts and PFOA-related compounds and pentachlorophenol and its salts and esters have been updated in Annex I (list of prohibited substances) of the Persistent Organic Pollutants Regulation and has been published in the Official Journal.

ECHA has updated their advice to companies regarding Brexit

ECHA has updated their website on information to companies concerning Brexit. In this update, ECHA has deleted obsolete questions and advice on processes related to the end of the transition period.

REACH

ECHA reviews analytical methods applicable to environmental fate studies

In the context of the persistent, bioaccumulative and toxic (PBT) and very persistent, very bioaccumulative (vPvB) assessment of substances, ECHA has commissioned a report which provides a critical literature review of the feasibility of analytical methods that are applicable to environmental fate studies (e.g. OECD Test Guidelines 305, 307, 308 and 309)

The report summarises the recent scientific developments, describes the pros and cons of available analytical tools and aims to give guidance on how to improve the quality of the data obtained from environmental fate studies and also include more information on available methodologies.

ECHA manual completeness checks on chemical safety reports started on 1 March 2021

The completeness check of chemical safety reports (CSRs) was originally scheduled to start in April 2020 now began on 1 March 2021. The extended completeness check will apply to both new registrations and updates of existing ones. The ECHA has advised that registrants should prepare for the changes, as registrations submitted before 1 March may no longer pass the completeness check. More information can be found here.

Forum enforcement projects to include Authorisation obligations and recovered substances

The REACH enforcement project on authorisation obligations involves inspectors checking whether duty holders comply with REACH authorisation requirements. Inspectors will check whether the uses of the substances comply with the conditions set in the authorisation decisions. The inspectors will also check if the SVHCs subject to authorisation that have been placed on the market have been granted an authorisation by the European Commission. The project on recovered substances is a pilot project in which the interface between REACH and the EU's Waste Framework Directive will

be examined. This project focuses on the exemption that the recycling sector has from registering substances that they have recovered from waste and aims to check the compliance with REACH registration for substances recovered from waste. More information can be found here (hyperlink)
Nonylphenol and its ethoxylates restricted in textiles

From 3 February 2021, the restriction on Nonylphenol and its ethoxylates started to apply. The aim of the restriction was to reduce emissions of nonyphenol ethoxylates (NPEs) to the environment. The conditions of the restriction can be viewed here.

ECHA has updated advice on how to include substitution plans to authorisation applications

ECHA's updated guidance on 'How to apply for authorisation' explains how applicants are required to include a substitution plan in their applications if the analysis of alternatives shows that suitable alternatives are available in the EU.

Intentions to identify new substances of very high concern

The following have been proposed to be identified as a substance of very high concern (SVHC):

- 1,4-dioxane
- 2,2-bis(bromomethyl)propane1,3-diol (BMP)
- 2,2-dimethylpropan-1-ol, tribromo derivative/3-bromo-2,2-bis(bromomethyl)-1-propanol (TBNPA)
- 2,3-dibromo-1-propanol (2,3-DBPA)
- 2-(4-tert-butylbenzyl)propionaldehyde and its individual stereoisomers
- 4,4'-(1-methylpropylidene)bisphenol; (bisphenol B)
- Glutaral
- Medium-chain chlorinated paraffins (MCCP) [UVCB substances consisting of more than or equal to 80% linear chloroalkanes with carbon chain lengths within the range from C14 to C17]
- Orthoboric acid, sodium salt
- Phenol, alkylation products (mainly in para position) with C12-rich branched or linear alkyl chains from oligomerisation, covering any individual isomers and/ or combinations thereof (PDDP)

Deadline for comments on the Annex XV dossiers is 23 April 2021. More information can be found here.

CLP

ECHA's poison centre guidance updated

ECHA guidance on harmonized information relating to emergency health response – Annex VIII to CLP version 4.0 has been published on ECHA website. The updated guidance addresses issues identified by certain industry sectors resulting from the requirements for poison centre notifications that were introduced in 2017. Sector-specific solutions are included for fuel, petroleum, and construction products. The labelling and packaging guidance has also been updated to reflect changes concerning bespoke paints.

Harmonised classification and labelling

Public consultations have been launched by ECHA on the following substance(s):

- 1,4-Benzenediamine, N,N'-mixed Ph and tolyl derivs. ; Reaction mass of N-phenyl,N'-o-tolyl-phenylene diamine, N,N'-diphenyl-p-phenylene diamine and N,N'-di-o-tolyl-phenylene diamine
- 1,2-benzisothiazol-3(2H)-one; 1,2-benzisothiazolin-3-one.

Deadline for comments is **14 May 2021** via the ECHA website.

Proposals were submitted for the following substances:

- 1,2-benzisothiazol-3(2H)-one
- Tetraphosphorus trisulphide
- Dicamba
- Formaldehyde.

Intentions have been submitted for the following substances:

- 4-phenoxyphenyl (RS)-2-(2-pyridyloxy) propyl ether
- dimethachlor (ISO); 2-chloro-N-(2,6-dimethylphenyl)-N-(2-methoxyethyl) acetamide
- Rape oil
- boron compounds, with the exception of those specified elsewhere in this Annex
- Magnesium metaborate
- 2-phenylpropene
- Butane-1,4-diol
- Dinitrogen oxide
- Propyl 4-hydroxybenzoate
- flazasulfuron (ISO): 1-(4,6-dimethoxypyrimidin-2-yl)-3-(3-trifluoromethyl-2-pyridylsulfonyl)urea
- Glyphosate
- perboric acid (H3BO2(O2)), monosodium salt trihydrate; perboric acid, sodium salt, tetrahydrate; perboric acid (HBO(O2)), sodium salt, tetrahydrate; sodium peroxoborate hexahydrate
- perboric acid, sodium salt; perboric acid, sodium salt, monohydrate; perboric acid (HBO(O2)), sodium salt, monohydrate; sodium peroxoborate
- Tetrahydrofurfuryl methacrylate
- 1-(4-chlorophenyl)-4,4-dimethyl-3-(1,2,4-triazol-1-ylmethyl)pentan-3-ol
- clethodim (ISO); (5RS)-2-[(1EZ)-1-[(2E)-3-chloroallyloxyimino]propyl]-5-[(2RS)-2-(ethylthio)propyl]-3-hydroxycyclohex-2-en-1-one.

Proposals for the following substance(s) have been withdrawn:

- Margosa, ext.

For further information please see the registry of intentions.

BPR

List of allowed substances (Article 94 list) for treated articles updated

ECHA has updated the list of substance-product type combinations that can be used in treated articles. More information can be found here.

ECHA's Biocides Committee proposes not to approve four silver-containing active substances

ECHA's Biocidal Products Committee (BPC) concluded that the assessment of the active substances: silver zinc zeolite; silver zeolite; silver copper zeolite; and silver sodium hydrogen zirconium phosphate does not support their approval for product-type 4 (food and feed area). More information can be found here.

What can REACH-related compliance efforts learn from the Pharmaceutical R&Ds experience with controlled drugs?

Scitegrity

Can the tools, technologies and techniques developed be adapted to aid compliance?

Introduction

In late 2000s the Pharmaceutical R&D industry faced a significant regulatory challenge. Given the chemical space it often operates in, designed to have biological activity, legislation such as the Misuse of Drugs Act in the UK and the Controlled Substances Act in the USA are some of the primary regulations to be adhered to.

The acts pose numerous challenges, with arguably the hardest being to identify what substances within an organisation are controlled. This is because in addition to regulating an example named chemical, the legislation also controls all derivatives (ethers, esters, salts and stereoisomers) and even entire chemical classes, via complex technical chemical descriptions known as 'generic statements' of chemical space (see fig 1).

Starting in the early 2000s and in response to the increasing numbers of emerging "legal highs", the frequency of legislation updates and use of generic statements globally expanded significantly. Little international alignment, even within the EU where drug laws are largely legislated for at the national level, further added to the challenge.

Furthermore, in general, there are no exemptions for handling small amounts or R&D activity, with the risk of significant financial and criminal penalties for non-compliance. So even a few milligrams of a substance has to be treated as regulated, with appropriate controls, tracking and regulatory reporting put in place.

Given most pharma research chemical collections run into hundreds of thousands or even millions of novel and proprietary chemicals, routinely shipped and stored internationally, it became a near impossible

job to manually, or even semi automatedly, identify controlled substances proactively.

With this being a shared pre-competitive issue, in 2014 several major Pharm companies via the Pistoia Alliance launched a project to sponsor the development of a commercially available, highly accurate, regularly updated software service able to automatically identify if, where and how a chemical is regulated globally under Controlled Drug laws. The goal was to encode these complex chemical rules and substances into a service, allowing structure-based searches capable of routinely checking 10s of millions of chemicals.

Seven years on, the solutions which came from this, developed by Scitegrity, are now widely used by pharmaceutical companies, chemical suppliers, CRO's and regulators to automatically identify and alert to controlled chemicals. The initial coverage has expanded to cover controlled drug legislation in over 28 countries as well as related legislation for chemicals subject to military and dual use regulations, ozone depleting and chemical weapons conventions, Harmonised Tariff codes and import duty rates.

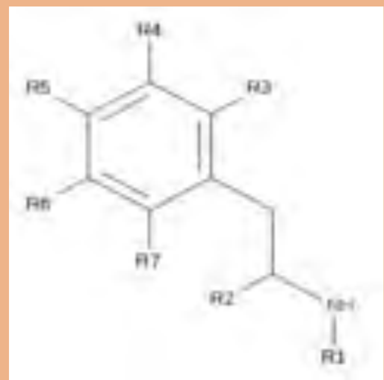
Parallels with REACH, Rotterdam and related legislation

Could such an approach be used to aid with compliance to REACH, PIC/Rotterdam, POPs and similar legislation? Technically we believe enabling the structural searching of this legislation is feasible. Indeed, it shares several common aspects to Controlled Drug (CD) legislation globally –

Like CD legislation, REACH often regulates a 'parent' chemical plus all its possible salts forms.

REACH typically only lists a few example names or CAS numbers, however chemicals can be known by dozens or even hundreds of

An example of a 'generic statement' controlling an area of chemicals space. The wording is the legal text while the image is a computational representation of this. This example is from the UK Misuse of Drugs Act and is designed to control MDMA (Ecstasy) and similar compounds. Note the legislation does not actually mention or specifically name either MDMA or Ecstasy.



'any compound structurally derived from phenethylamine an N -alkylphenethylamine,a-methylphenethylamine, an N -alkyl-a-methylphenethylamine,a-ethylphenethylamine, or an N -alkyl-a-ethylphenethylamine by substitution in the ring to any extent with alkyl, alkoxy, alkylenedioxy or halide substituents, whether or not further substituted in the ring by one or more other univalent substituents'

R1 = an alkyl group. R2 = a methyl or ethyl group. R3 to R7 inclusive = alkyl, alkoxy, alkylenedioxy or halide substituents, whether or not further substituted in the ring by one or more other univalent substituents.

names and identifiers, making name based search approaches prone to missing matches.

REACH also controls areas of chemical space or derivatives of named chemicals. For example 'organostannic compounds' and 'Polybromobiphenyls' are analogous to CD 'generic statements'. You cannot simply search these via name or CAS number, instead you must compare the structure of the chemical under question to see if it fits with the REACH definition. Any names or CAS numbers listed by REACH as part of the generic statements are usually just common examples. New proposed controls such as those on Perfluoroalkyl chemicals (PFAS) suggests REACH will continue to move in this direction.

REACH is regularly updated, requiring existing substances to be re-checked for compliance, while each new addition makes manual or text based searches more complex, time consuming and error prone.

Exploring the potential for REACH and related legislation

By encoding the rules and substances listed in REACH and related legislation, it should be possible to automatically determine whether something is covered by REACH via structure based searching and display the restriction imposed. It may even be possible to proactively check the impact of proposed additions such as the ban on Perfluoroalkyl chemicals (PFAS).

As with all regulations there will be technical limitations on what can be done and there will also be a need for experts to provide context to results.

Even so, as they have done with controlled drugs, computational solutions like those outlined in this article have the potential to enable a robust, regular and automated check of all chemicals against REACH and related legislation, while at the same time freeing up experts to more value adding activities such as providing context to 'hits'.

However, just because something is technically possible, does not mean that it is useful or required. Companies and industries subject to REACH will naturally have different use cases, challenges and requirements to those of Pharmaceutical R&D

To that end, we would like to hear from CIA members interested in exploring with us whether this approach would be beneficial to their compliance efforts. Please contact us at contact@scitegrity.com.

Joe Bradley worked for 15 years in the Drug Discovery industry before founding Scitegrity in 2011. Scitegrity specialises in encoding chemical legislation allowing it to be searched via chemical structure and counts 5 of the world's top 10 pharma companies and numerous CROs and forensics standards companies as clients.

Responsible Care

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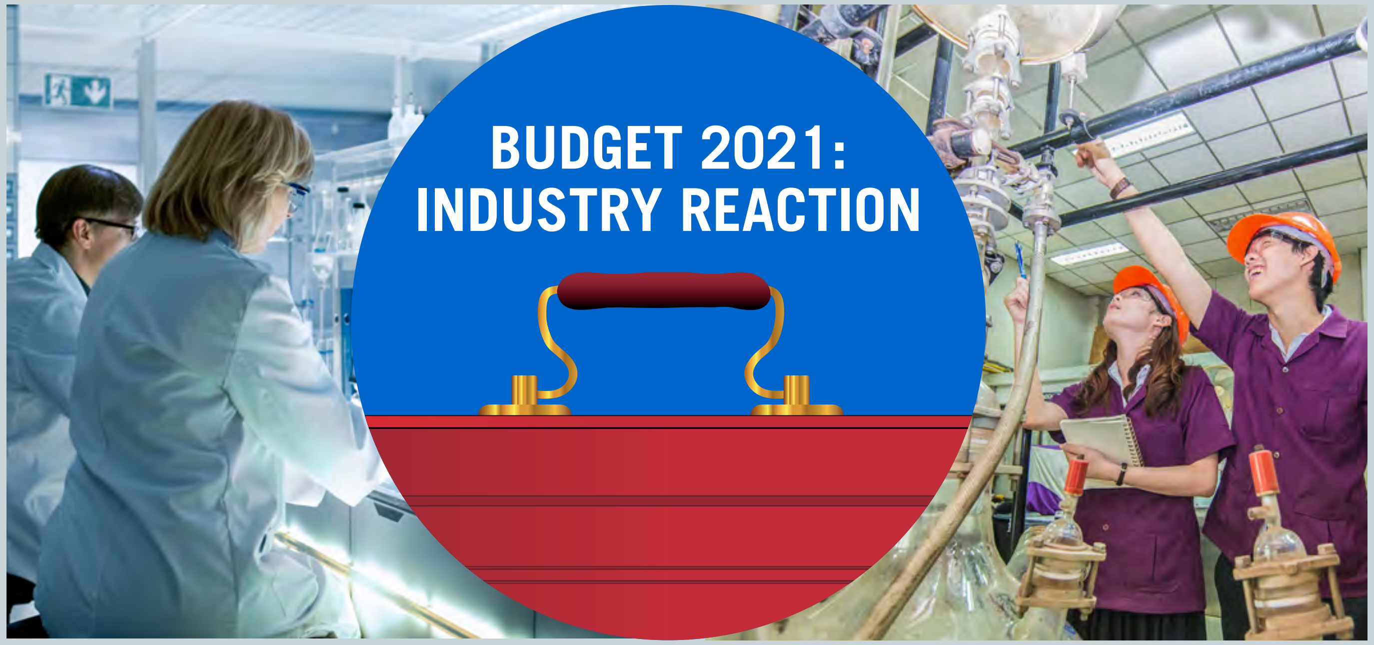
CIAmatters SPRING 2021

A 'Responsible Care Cell' update from 'Our Friends up North'

There are five Responsible Care Cells (Northumbria, Teesside, Cumbria, Scotland and West Yorkshire) across the North that are currently looked after by the CIA's Davy Pollard. Three of these, Teesside, West Yorkshire and Scotland were borne out of I.C.I Industries in the mid-nineties and are still going strong to date. In this article Davy gives a brief update of what has happened so far or is planned for the early part of 2021. For the last year all these meetings have been held by videoconference but are still generating very good levels of attendance and interaction.

Teesside was first up in January and this is routinely chaired by Gary Watson, Venator (he also chairs CIA's Responsible Care Strategy Group) and as usual he opened with a safety share. Covid 19 and Brexit experiences were discussed plus the regular open and honest 'round table' session covering site accidents, incidents, regulator interaction and learnings! February saw the Scotland Cell (chaired by Andrew Tomb, Syngenta site lead) meet with similar topics tabled to the above plus a great deal of discussion around the fallout from the Cyber-attack to SEPA on Christmas Eve. Also, in February saw the West Yorkshire cell meet and announce the retirement of Alan Tann, Esseco after approximately 10 years of co-chairing this group. We thank him for his contribution. Rhiannon Kelly, Lubrizol, and Susan White, Nufarm, have very kindly offered to take on this role going forward. In addition to the regular topics shared earlier there was a presentation given covering the Humber regions plans to decarbonise to Net Zero. At the time of writing this article the Northumbria cell is organised to meet near the end of March – this cell is a bit different in that it has a 'floating chair' - usually whoever is the host site chairs the session. Helen Stephenson (Organon Safety & Environment Associate Director) has volunteered to chair the next virtual session. And finally, Cumbria, routinely chaired by Mandy Studholme, Futamura and due to be held in April with the agenda yet to be developed.

All of these meetings are open to members, associate members, the regulators and non-members, so if you are interested in attending then please contact Davy Pollard at PollardD@cia.org.uk.



BUDGET 2021: INDUSTRY REACTION

On 3 March 2021, a little under one year on from his first Budget, the Chancellor of the Exchequer, Rishi Sunak, presented his newest Budget, which consisted of a £65 billion fiscal package, taking the Government's total fiscal response to the coronavirus in this year and the next to £353 billion. The Chancellor explained that fiscal decisions must follow three rules: In normal times we should not borrow to pay for day-to-day public spending, in the mid-term debt can't keep raising, and that it's sensible to take advantage of low interest rates to invest.

The Budget followed a three-pronged approach to tackle the current coronavirus crisis, fix public finances in the mid-term and build the future Britain. As is standard with modern Budgets, to set the economic scene, the Chancellor began by presenting aspects of the forecasts created by the Office for Budget Responsibility (OBR), who are the official independent forecaster for public finances. Alongside the Budget, the Treasury published a number of reports such as the 'Build Back Better: our plan for growth' and 'R&D Tax Reliefs: consultation' which provide detail on important areas of the Budget as well as recent reviews they've undertaken. Understandably, enacting a £65 billion fiscal package involves a multitude policy extension and creation and although all these measures are important, in order to remain brief this article will focus on those of biggest impact to the chemical industry.

The key takeaway from the OBR's scenario forecasts was the sheer level of uncertainty that remains when looking to the future. With that said, assuming the central scenario is correct the UK's GDP will grow 4.0% this calendar year followed by growth of 7.3% in 2022, however by the end of the forecast period, 2025, the UK's GDP will remain 3% smaller than pre-pandemic forecasts. Government borrowing has been unprecedented in the financial year 2020-21 with the OBR forecasting borrowing for the year as a whole of £355 billion equivalent to 17% of national income and this figure only falls to £234 billion or 10.3% of nation income in 2021-22 with a current Budget balance reached in 2024/25. Following a successful vaccine rollout and the extension of measures that support the labour market, the OBR positively revised their unemployment forecasts to a peak of 6.5% in the final quarter of 2021.

'THE KEY TAKEAWAY FROM THE OBR'S SCENARIO FORECASTS WAS THE SHEER LEVEL OF UNCERTAINTY THAT REMAINS WHEN LOOKING TO THE FUTURE.'

Given the current health and economic climate the CIA understood that this wasn't going to be a Budget with an industry focus, however due to the foundational nature of the chemical industry, in the fact that we supply 95% of UK industries, there were lots of measures announced that both directly and industry impact the industry. The CIA's Budget Submission to the Treasury called for a broad Budget that supported the labour market while reinvigorating growth within the economy, it's fair to say that is what was provided in the first section of the Budget. In this section the Chancellor extended many of his existing covid measures including: the job retention and self-employed schemes, VAT and business rate cuts for hospitality, stamp duty holidays and the uplift in universal credit. The most relevant measure to the chemical industry announced in this section was the doubling of incentive payments for businesses to employ apprentices and an extra £126 million to triple the number of traineeships. The chemical industry relies on a high skilled workforce and has long been calling for a complete reform of the Apprenticeship Levy. Although this new measure doesn't address the issues created by the Apprenticeship Levy, it is welcomed by the CIA as first step to build off moving forward.

The CIA's Budget Submission also called for "a framework within the Budget that depicts future tax plans" as this would enable long term planning by business. The Chancellor addressed this in the second section of the Budget that sets out his plans to fix public finances. Depending on your profit levels, corporation tax is set to rise from April 2023. Although an increase in tax on businesses is suboptimal especially after a tough couple of years, the CIA appreciates the forward guidance that has been given to businesses regarding this change as well as the need to steady public finances without breaching manifesto pledges. We hope future tax changes are enforced with the same forward guidance however are spread more evenly across the economy as a whole.

A further key policy from this section of the budget was the announcement of a capital allowance super-deduction. From 1 April 2021 until 31 March 2023, companies investing in qualifying new plant and machinery assets will benefit from a 130% first-year capital allowance. This upfront super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest. Investing companies will also benefit from a 50% first-year allowance for qualifying special rate assets. Steve Elliott, Chief Executive of CIA, commented "from a business perspective and from an industry where plant and machinery investment is critical, the 'super-deduction' over the next two years is good news. It is a real chance for companies to invest now and get help with tax bills. I warmly welcome that". (For more of the Chief Executive's comments please read the CIA's Budget press release). Annually the UK chemical and pharmaceutical industry undertakes over £5 billion in business investment meaning this tax allowance will be beneficial moving forward. The deduction should enable investment into assets such as green technology that under the current regime often isn't economically viable.

'...WHERE PLANT AND MACHINERY INVESTMENT IS CRITICAL, THE 'SUPER DEDUCTION' OVER THE NEXT TWO YEARS IS GOOD NEWS.'

One tax change the CIA felt was left out was the reform to business rates that was promised in the Chancellor's first Budget nearly one year ago. Prior to the current Budget, the Chancellor announced that the publication of the fundamental business rates review was being delayed till the Autumn of 2021 with an interim report being published on 23 March. The CIA has long been calling for business rates reform and although this Budget announced a freeze of the business rates multiplier, we feel it was a perfect time to overhaul the tax that is punitive to the high street and manufacturing while disincentivising investment.

The final section of the Budget set out policies that would aid this Government's ambitions for the future Britain. The Chancellor announced the creation of the UK Infrastructure Bank in Leeds, large investments into green energy sources and the Help to Grow schemes for SME's. From the CIA's standpoint, the most notable announcement within this section was the location of the eight freeports to be setup within England. The Chancellor announced freeports adjacent to the key chemical clusters in Liverpool, Humber and on Teesside, other freeports were announced in East Midlands Airport, Felixstowe & Harwich, Plymouth & South Devon, Solent, and Thames Gateway. Steve Elliott added "Many of the Freeport locations announced today are at the heart of where our sector is located, so we welcome the potential tax advantages that chemical companies in the Humber, Liverpool and Teesside regions in particular might benefit from". Moreover, the CIA welcomes the potential for simplified customs arrangements that freeports offer however it is critical that chemical companies are not disadvantaged by the new freeport designation. Should chemical companies sit outside the designated 'free' zones it is unfeasible that they could relocate to qualify for the tax advantages. It's worth noting that displacement of existing industry is discouraged within the UK freeport programme as it does not add value to UK manufacturing. Alongside the eight freeports in England, the Government expects freeports to be announced in Scotland, Wales and in Northern Ireland.

Mentioned in the third section of the Chancellor's Budget and published alongside was a new R&D tax relief consultation which consists of 17 questions and aims to address current flaws in the R&D tax relief system to further incentivise investment. UK businesses invested £5.7 billion into chemical and pharmaceutical R&D in 2019 which equates to 21.9% of total UK business spend. For this reason, the CIA will be highly engaged with this consultation making sure to represent the needs of members and the industry as a whole to help create a regulatory framework that supports investment.

Along with the R&D tax relief consultation and a number of other reports, the Treasury published their 'Build Back Better: our plan for growth' report. In the 111 pages that make up the report, the Prime Minister sets out his plan to fix "the distribution of opportunity [that] has failed to match that distribution of talent" and to level up all regions of the UK with £600 billion of gross public sector investment over the next five years. The CIA supports the Prime Minister's statement where he explains "the formula for our success can be seen in the collaboration between industry, science and government" and is keen to see this put into action. The three core topics of Build Back Better are infrastructure, skills and innovation which the Government believes will 'level up the whole of the UK', 'support the transition to Net Zero' and 'support our vision for global Britain'.

In summary, the Chancellor's latest Budget is a broad package of measures that takes the total fiscal support for Covid and non-Covid measures, in this year and the next, to £407 billion. While not directly aimed at industry, the Budget contains lots of measures that the chemical industry can embrace, however as is often the case, the devil is in the detail. The sounds coming from the Chancellor's Budget and the Build Back Better document are positive, however, the true impact will depend on the execution. The chemical industry displayed its resilience and importance to the UK economy in 2020, 2021 is set to be no easier on the industry as it begins to operate under its new trading relationship with the EU-27 while always keeping an eye on the important issues of the future such as net zero. The CIA hopes the implementation of the policies outlined by the Chancellor and the subsequent reports will ease the economic pressure the industry is under in 2021 while building the foundation for the net zero future.

'...THE BUDGET CONTAINS LOTS OF MEASURES THE CHEMICAL INDUSTRY CAN EMBRACE, HOWEVER, AS IS OFTEN THE CASE, THE DEVIL IS IN THE DETAIL.'

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£2.7 million for university-led low carbon projects

Three university-led projects have successfully received funding from Scottish Enterprise's Low Carbon Challenge Fund and will industries from transport to energy.

One of particular relevance to the sector is being run by The University of St Andrews, in partnership with the University of Strathclyde to deliver the 'Translating Hydrogen into Action' project that will complement the endeavours of the newly formed Hydrogen Accelerator facility funded by Transport Scotland.

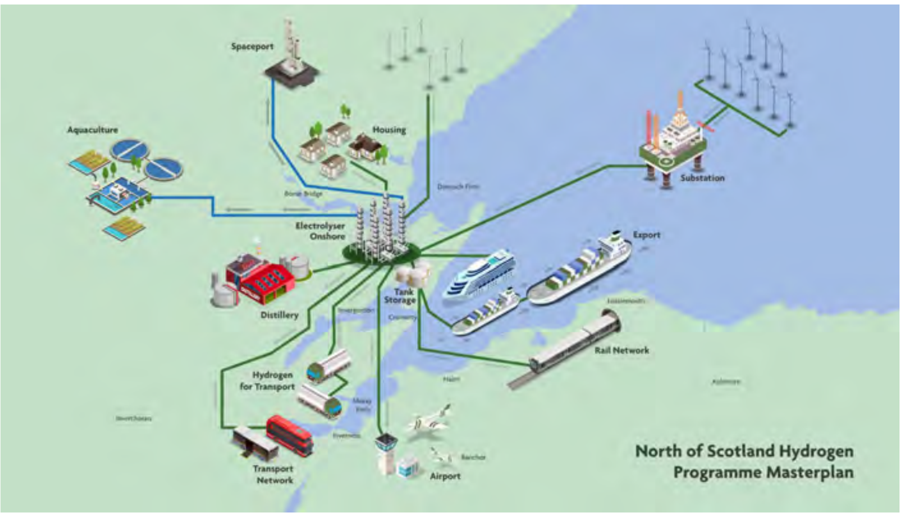
This project will assist companies throughout the hydrogen supply chain, from fuel cell manufacturers, to energy specialists, to create a strong Scottish OEM-base and is pertinent as Scotland strives to achieve net zero targets and create jobs within the hydrogen sector.

The university will provide a knowledge exchange programme informing companies of recent advances in energy storage technologies as well as access to specialised manufacturing and testing equipment. The Low Carbon Challenge Fund will allow the project to identify innovation opportunities, provide advice around growth prospects including relevant funding calls and serve as a platform for business to business collaboration.

The 'Translating Hydrogen into Action' project builds on wider strategic initiatives resulting from policies such as the Scottish Government's Hydrogen Assessment and Policy Statement (December 2020.)

The Hydrogen Assessment highlights the applications of hydrogen-based technologies in transport, industry, heat and whole system approaches within Scotland and the important role hydrogen has in potentially supporting 300,000 Scottish jobs.

Professor John Irvine, Professor of Chemistry and Chair of the Hydrogen Accelerator at University of St. Andrews said, "We look forward to working with up and coming companies to bring forward new hydrogen technologies to enable our low carbon future."



Scotland's first Climate Tech report highlights global opportunities

Scotland is playing a leading role to develop new technology that can help meet the challenge of global climate change, according to Scotland's first analysis of the sector, which was commissioned by Scottish Enterprise.

The research demonstrates that Scotland has both strength and depth in emerging climate technology and highlights an exciting array of initiatives by Scottish organisations in the climate tech space. The report highlights the global opportunities for Scotland's tech community to capitalise on climate technology needs across a range of sectors, including energy, the built environment, land-use and transport.

With COP26 taking place in Glasgow later this year, there is a growing interest in the role of climate tech and an opportunity to shine a light on the growth of the sector in Scotland and its role in combating global climate change.

The report highlights that the potential growth of climate tech is immense, and organisations across the globe are investing heavily in climate tech initiatives and products to ensure they are future-proofing their business as the green economy scales up. Analysis from PwC highlights that Climate Tech investments globally have grown at five times the venture capital market rate over the past seven years.

Circular Economy Investment Fund

Zero Waste Scotland are administering a £18 million grant fund to small and medium sized enterprises who are helping to create a more circular economy.

The Circular Economy Investment Fund is a funding opportunity for businesses and organisations in Scotland working in all business and social economy sectors.

They are looking for innovative projects that have the ability to deliver carbon savings, leverage investment and create jobs. Projects that impact waste, the bioeconomy, heat and energy are particularly being sought. More generally projects should involve

- Exploration of markets for new circular economy products;
- Development and adoption of innovative business models for new circular economy products and services;
- Development and uptake of innovative technologies, products and services to support a circular economy.

Scottish drinks industry set to make the transformation to clean energy

A state-of-the-art hydrogen hub in Cromarty Firth could see Scotland leading the way in a new energy technology designed to decarbonise distilleries.

The plans, drawn up by drinks giants including Diagio and Glenmorangie, alongside energy provider Scottish Power and the Port of Cromarty Firth will explore whether green hydrogen, manufactured from by electrolysis using renewable electricity could heat their malt processing plants.

In the long term, the programme is designed to reduce carbon emissions from other Scottish industrial and transport sectors. Pale Blue Dot, the developers argue that the region is uniquely well placed to manufacture green hydrogen because of its ready access to low carbon electricity from offshore wind. In time it could mean 'Highland hydrogen' could be exported to the rest of the UK and mainland Europe.

PwC becomes a partner in the Medicines Manufacturing Innovation Centre

PwC will join founding partners CPI, the University of Strathclyde, GSK and AstraZeneca to address challenges and maximise technology opportunities within the pharmaceutical supply chain. This will be achieved through the flagship 'Grand Challenge' projects, which are advancing emergent and disruptive technologies. The programme is part-funded by Innovate UK through the Industrial Strategy Challenge Fund and Scottish Enterprise via the Scottish Government.

Scotland's state-of-the-art hydrogen hub in Cromarty Firth.

CIAmatters SPRING 2021

Regional affairs

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Tees Valley is big winner in Budget with string of measures to boost economy

The Tees Valley has emerged as one of the big winners from this year's Budget with a string of announcements aimed at boosting its economy. The area won the race to host the Treasury's Northern campus when Darlington was chosen for the site where 750 Treasury workers will be relocated.

Teesside also won freeport status and measures to boost its green energy sector, while town deals were confirmed for Middlesbrough and Thornaby and the CPI centre at Darlington won £5m for a vaccine manufacturing project. Other areas winning freeport service of particular relevance to the chemicals sector are the Humber and Liverpool.

Chancellor Rishi Sunak ended the Budget speech with a particular reference to the area, saying: *"When I look to the future of Teesside, I see old industrial sites being used to capture and store carbon, vaccines being manufactured, offshore wind turbines creating clean energy for the rest of the country, all located within a freeport, with the Treasury just down the road and the UK Infrastructure Bank only an hour away."*

Tees Valley's Conservative mayor Ben Houchen said: *"The Teesside Freeport marks the start of us returning to our rightful place on the world stage as a global player in advanced manufacturing and engineering.*

"Today's announcement now means that investors from across the world will choose to bring their investment to Teesside instead of elsewhere in the world.

"Investment that previously would have wandered off to Holland or Germany will now come to Teesside, Darlington and Hartlepool - creating thousands of well-paid jobs for local people."

3,000-job gigafactory plans submitted

A detailed planning application has been submitted for a 3,000-job gigafactory to build batteries for electric vehicles in the North East.

Britishvolt, which hopes its plans could ultimately create 8,000 new jobs once its supply chain is included, has submitted plans with Northumberland County Council for the massive factory on the site of the former Blyth Power Station.

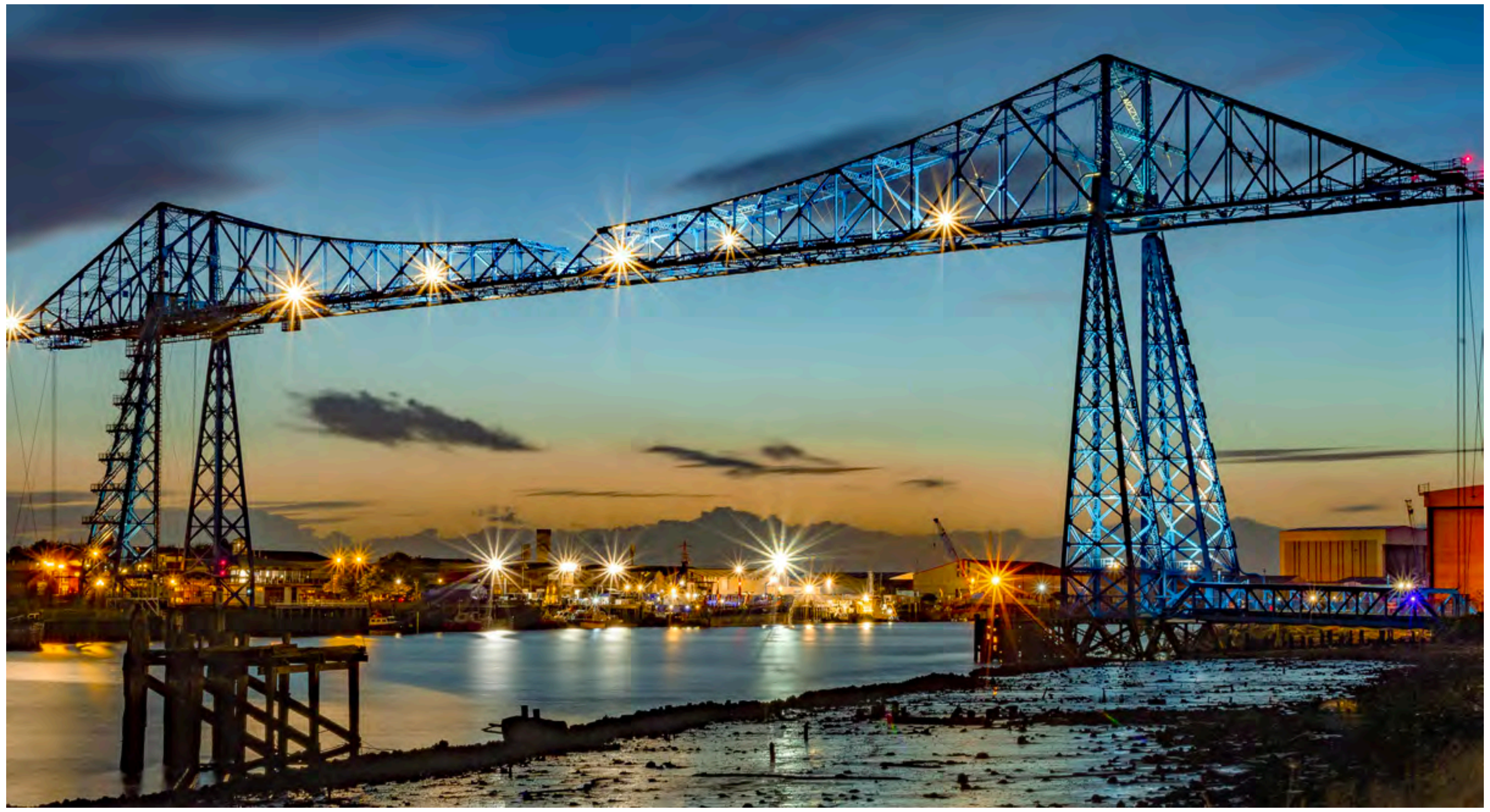
85 jobs return as Vivergo biofuels plant is back in action

Eighty five jobs are being created as Hull's £350 million mothballed biofuels plant is brought back on line. Vivergo Fuels was forced to close in 2018, having been ahead of legislation to drive the greening up of petrol.

Now September will see a higher volume blend - up from five per cent to 10 - made available at the pumps. It will see C02 emissions from transport cut by 750,000 tonnes a year.

Owner of the Saltend site, AB Sugar, has welcomed the move that allows the refinery to re-start, with the jobs to add to a core 15 that have remained. It has long called for the step-up, with cross-party support.

Dr Mark Carr, group Chief Executive, said: *"It was an extremely difficult decision we had to take to close in September 2018, but we have continued to maintain this world-class plant in the anticipation that it could re-start if the conditions were right to do so. With the Government's announcement to introduce E10 to UK vehicles and improved market conditions, we are re-opening the plant and will start manufacturing bioethanol in early 2022."*



North West manufacturing boost with further Made Smarter government backing

A North West pilot which has helped hundreds of SME manufacturers access technology and digital tools to boost productivity, growth and create jobs, is to continue as part of an £8m government roll-out. It means hundreds of more manufacturers in Cheshire and Warrington, Cumbria, Greater Manchester, Lancashire, and Liverpool City Region will be able to learn how digital transformation can help them recover, grow, and create resilience.
The successful initiative becomes part of the Government's Made Smarter Adoption programme, which will now expand into the North East, Yorkshire and the Humber, and the West Midlands regions.

£350m biomanufacturing plant takes major step forward

Work can begin on a new pharmaceutical plant in Cumbria capable of employing 250 staff after it received planning permission. New company Lake BioScience is proposing what it calls is a *"once-in-a-lifetime opportunity"* for the UK to secure its own manufacturing capability of modern medicines with its plans for a plot of land close to the GSK Ulverston site.

Lakes BioScience has been formed by a team of UK industry experts, including several former GSK employees. It aims to build, commission and qualify a £350m biomanufacturing plant to produce monoclonal antibodies – used to target a disease-causing organism – on a site just yards from GSK's factory in Ulverston.

Pat McIver, director of Lakes BioScience, said: *"We have an opportunity to build a new facility to produce modern medicines which will improve the UK's resilience.*

"But that door is not going to open itself. It's going to take a collaborative effort across national, regional and local authorities and agencies to make it happen."

£14m investment will drive green energy plant scheme

Trinity Organics has won backing from Netherlands-based green energy investment firm Perpetual Next through its subsidiary Primco. Work is now under way to construct the anaerobic digestion facility on a three-acre brownfield site in Ellesmere Port.

The facility, which is expected to be up and running by the Summer, will operate around the clock to digest 36,000 tonnes of organic waste each year and convert it into green gas to supply the National Grid.

The plant will produce enough biomethane to provide 41.5 million kilowatt hours of gas a year, which is sufficient to power 3,500 average-sized four-bedroom detached houses.

Using a novel implementation of technologies, the production technique that will be deployed at the plant will prevent the harmful release into the atmosphere of methane, one of the most potent greenhouse gases.

Humber and Teesside offshore wind projects to create 6,000 new jobs

The government has unveiled plans for two new multi-million pound ports set to create thousands of jobs across the North. Two new ports on the Humber and on Teesside set to build the next generation of offshore wind projects will be constructed as part of an up to £95m investment.

Able Marine Energy Park, on the South Bank of the River Humber, will receive up to £75m government investment, and Teesworks Offshore Manufacturing Centre, on the River Tees, will benefit from up to £20m.

Together these new ports will have the capacity to house up to seven manufacturers to support the development of the next-generation offshore wind projects, and will create around 3,000 new jobs each.

The future of wind

On 18 November 2020, the Government published their 'The Ten Point Plan for a Green Industrial Revolution' which is focused on 'building back better, supporting green jobs, and accelerating [the] path to net zero'. The plan will mobilise £12 billion of government investment, and hopes to crowd in £42 billion from the private sector, to create and support up to 250,000 green jobs by 2030 with 90,000 of those being delivered by the end of the current parliament.

The first of the 10 points set out is to advance offshore wind. By 2030 the Government plans to quadruple the UK's offshore wind capacity to 40 gigawatts while crowding in £20 billion of private sector investment and creating 60,000 high skilled jobs. If accomplished this would translate to greenhouse gas emission savings of 21MtCO2e between 2023 and 2032, or 5% of 2018 UK emissions. To support industry, the Government has committed to invest £160 million into modern ports and manufacturing infrastructure. Not only does this aim to support the future growth of the industry, a secondary aim is to enable the delivery of 60% UK content in offshore wind projects through more stringent requirements for supply chains in the Contract for Difference auctions.

The Government reiterated their commitment to advancing offshore wind in the Chancellor's 3 March 2021 Budget and accompanying publications. In the Budget, the Chancellor committed £20 million to fund a UK-wide competition to develop floating offshore wind demonstrators and help support the Government's aim to generate enough electricity from offshore wind to power every UK home by 2030. In the Treasury's 'Build Back Better – our plan for growth' report the Government restated the pledges made in the Ten Point Plan and the announcement of the UK's Infrastructure Bank is set to aid the crowding in of private investment in this area.

... the Government's aim to generate enough electricity from offshore wind to power every UK home by 2030.

The Government's offshore wind agenda also received a significant boost on 10 March 2021 with the announcement of a £95 million government investment for two new offshore wind ports to be constructed in the Humber region and Teesside, and GE Renewable Energy's commitment to build a new factory at the Teesside port. The £95 million funding, which is expected to create 6,000 jobs and support many others down the supply chains, is to be provided through the £160 million investment to upgrade port infrastructure announced by the Prime Minister in October 2020 and detailed in the Ten Point Plan. Construction is expected to begin later this year with the Able Marine Energy Park, on the South Bank of the River Humber, receiving up to £75 million of government investment while the remaining, up to £20 million, is earmarked for Teesworks Offshore Manufacturing Centre. The 6,000 jobs are expected to be split evenly between the ports with each port having the capacity to house up to seven manufacturers to support the development of the next-generation offshore wind projects.

GE Renewable Energy is the first manufacturer to commit to one of these ports and has confirmed it will build a new factory to manufacture offshore wind blades at Teesside. The factory is expected to cost more than £100 million to build, £20 million of which is government funding, and will directly create around 750 (of the 3,000) jobs in the Teesside port and approximately 1,500 indirect jobs in the area. The factory is due to open and start production in 2023. The blades produced by GE Renewables will be supplied to the £9 billion Dogger Bank wind farm, located off the North East coast, which when completed in 2026 will be the largest offshore wind farm in the world and will be capable of powering up to 6 million homes. Dogger Bank wind farm is to be built in three phases and will use General Electric's Haliade-X turbines with each generating enough power to supply a UK home for two days with a single rotation of their 107-metre blades. On top of the blades being manufactured in Teesside, the turbine towers for Dogger Bank could be made in Scotland under plans for a £100 million factory that would directly create around 300 jobs while supporting a further 1,000. It's understood that the UK and Scottish governments are in talks over possible financial support for the Global Energy Group to produce some of the largest wind turbine towers ever made, at a new facility at Nigg on the Cromarty Firth in Scotland.

...the £9 billion Dogger Bank wind farm... will be the largest offshore wind farm in the world.

The UK currently has 10.4 GW of offshore wind capacity installed, which in the right conditions has provided for over 40% of the UK's energy needs. However, when conditions are poor a drop in wind turbine power generation can push UK electricity prices to soaring highs and require urgent balancing action from National Grid. This happened in January of this year, when electricity market prices surged tenfold in a day, to reach a new record high of £1,000 per MWh, as colder than normal temperatures and lower electricity generation left a dent in Britain's power supplies. With the UK's intention to significantly increase the proportion of our electricity which is generated by intermittent renewables, we need to see rapid and tangible action is taken to incentivise improvements in storage and balancing infrastructure on the grid. We have seen the start of this process with the publication of the Government's Energy White Paper, together with the launch of the £1 billion Net Zero Innovation Portfolio, both of which include a focus on flexibility and storage.

Member company news

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UK chemical industry's online exhibition of CIA member sustainability initiatives

We have recently launched our new case study webpage showcasing our members' brilliant sustainability work. Each member case study links to our 4 CIA pillars of:

- Sustainable growth and innovation;
- Low carbon circular economy;
- Responsibility and stewardship of our products and processes; and
- Our people and communities.

We want to further build this section of our website and invite all CIA members to contribute to this by telling us about the initiatives at your company. To find out how to get involved contact CIA's Roger at PullinR@cia.org.uk or Peter at WaltersP@cia.org.uk.

View case studies here.

Welcome to new Associate Member Eleven Recruitment

We are Eleven Recruitment, a specialist chemical recruiter with offices nestled in leafy Cheshire, and an extensive global network of industry experienced candidates and clients. Our desire and passion to seek out top, mid and senior level technical and commercial talent for clients is as strong today as 1999 when we began.

Whether your business operates in fine chemicals, speciality chemicals, agrochemicals, lubricants or the circular economy, we believe in a true partnership approach with every client – listen then deliver.

We offer contingent or retained (headhunting) hiring packages and can source and supply both permanent and contract personnel. We thrive on the challenge of your 'difficult to fill' roles, it's one of our talents!

84% of candidates who didn't get the job still rate us as excellent – testament to our commitment to candidate care.

Get in touch today to experience recruitment dialled up to eleven.

Welcome to new Associate Member re:TRADE

Backed by the global leader in Value-Added Tax compliance and reclaim, VAT IT, and partnered with various UK Chambers of Commerce, re:TRADE is the one-stop supply chain solution that addresses Brexit trade challenges such as shipping, EU customs clearance, VAT registrations, and Import VAT reclaim. With 20+ years of expert experience in the VAT industry, re:TRADE makes it simple and cost-effective to move goods across borders and transition your business operations to the 'new normal' post-Brexit.

From comprehensive supply chain evaluation to carrying out the necessary tasks such as VAT registrations, customs paperwork, and submitting Import VAT refund claims, re:TRADE provides clarity and guidance from end-to-end. If your business is struggling with pain points such as EORI numbers, Incoterms, and confusion about cross-border VAT, or losing out on claiming back Import VAT which could have strengthened your product's pricing competitiveness, re:TRADE could help you continue trading frictionlessly so you can focus on your business priorities. Get in touch with re:TRADE for a complimentary 30-minute consultation: https://hubs.la/H0GGjIB0.

Health and Wellbeing

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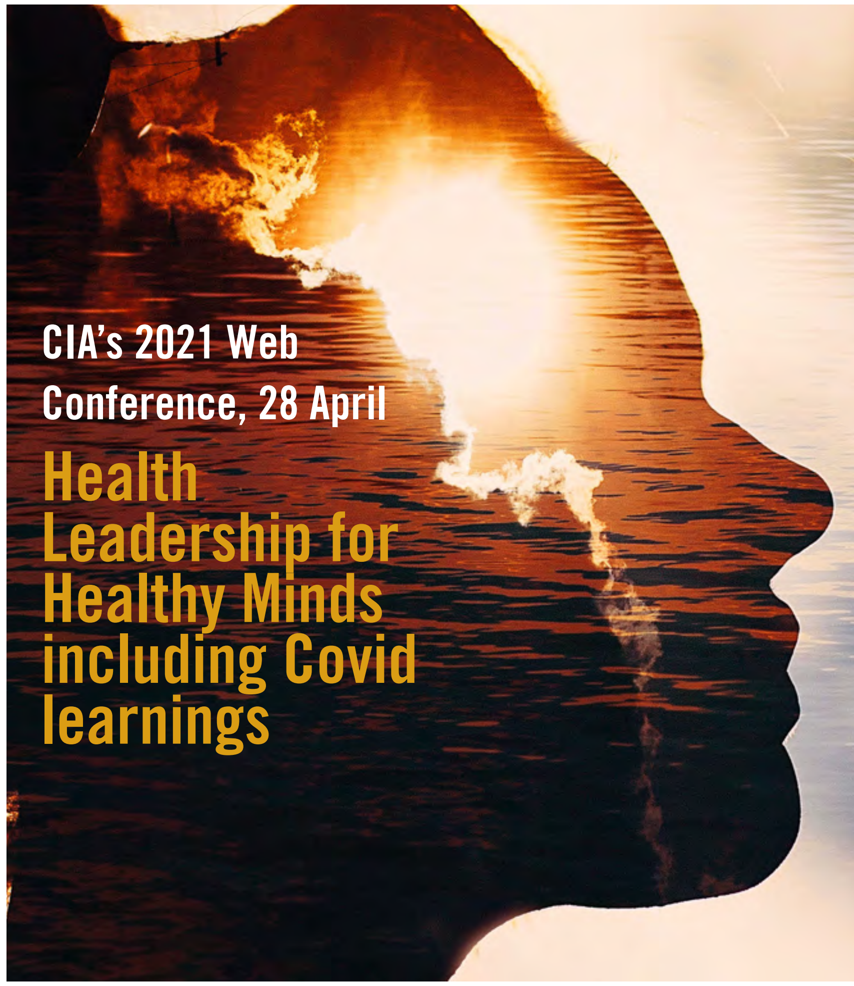
OCCUPATIONAL HEALTH



CIA's 2021 Web Conference, 28 April

Health Leadership for Healthy Minds including Covid learnings

Join us to hear from a high-profile line-up of speakers from member companies, Health and Safety Executive's Senior Psychologist, University of Sheffield and a highly recognised speaker from Thames Water who has recently been awarded an OBE for his work in this field.

Following postponement of last year's conference due to COVID-19, the Chemical Industries Association (CIA) invites you to join us at our 2021 health leadership web conference.

We will explore what we mean by **good mental health and mental well-being leadership with a particular emphasis on the sharing of experiences arising from the additional challenge COVID-19 has and continues to impact on the mental wellbeing of our workforces**. Even before COVID, mental health and mental wellbeing was recognised as a significant challenge to manage within all types of organisation.

The web conference is relevant to many disciplines, whether you are a specialist or non-specialist, including Human Resources, Occupational Health/Hygiene or general SHE. Join us to hear how our speakers have set about meeting the challenge and contribute on the day by sharing your own experience.

This is open to both CIA members and non-CIA members

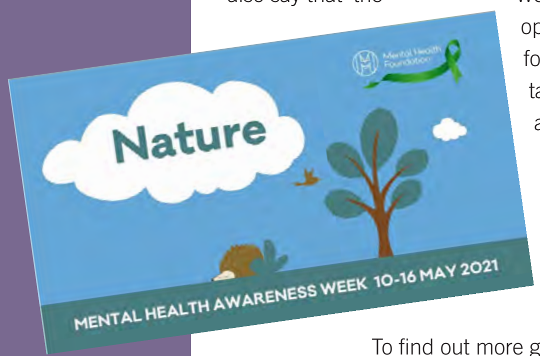
Book now

Note: *Please advertise the event within your company and share with external service providers.*

CIA has a free mental health tool available for businesses and organisations on the home page of our website www.cia.org.uk that you can use to help meet this challenge. For members, we also have a signpost guide '*Mental Health and Mental Well-being Policy*' that we annually update.

May 10-16 is Mental Health Awareness Week

Hosted by the Mental Health Foundation, this year's theme is nature. The Foundation makes the following case for acting 'the evidence is clear that access to nature is crucial for our mental health and millions of people re-discovered that during lockdowns this year' and states that they 'want to explore what the barriers are and ensure everyone is able to share in the natural world and experience the mental health benefits'. They also say that 'the Week is an opportunity for people to talk about all aspects of mental health, with a focus on providing help and advice'.



To find out more go to the Mental Health Foundation's website.

HSE's 'Hub' on Coronavirus (Covid-19)

The Health and Safety Executive 'hub' of advice and information for workplaces in relation to COVID-19 can be found at www.hse.gov.uk/coronavirus/index.htm and also their COMAH website.

Covid-19 Member Operations Calls

Thursday afternoon COVID-19 Operations calls have continued during Q1 with members discussing environment, health, safety, and security challenges arising from Covid-19 (Coronavirus) impacts and sharing how they are going about maintaining business operations. CIA has hosted these calls for a year now and feedback has been extremely positive on the usefulness of these. One of the may impacts from the pandemic has been the increased challenge of maintaining positive mental health and wellbeing during the current lockdown, at a difficult time of the year when this is known to be a challenge outside of the additional impacts brought about from Covid-19 – see other articles on how you can tackle this and sign up to our online conference. Further details of the calls can be obtained from the CIA Team.

UK considers how to implement REACH Restriction for di-isocyanates on Workers Health

Following last year's EU adoption and publication in the EU Official Journal of Law of the first EU-REACH Restriction targeting protecting workers' health from exposure to di-isocyanates, CIA has been in contact with the Health and Safety Executive (HSE) to find out the UK intentions since this entered into force twenty days after its publication. This introduces mandatory training requirements for workers using di-isocyanates and the transition period for implementing this is three years. HSE is working with Defra on considering how the restriction will be implemented and how it relates to any existing measures. The EU legislation is available here as well as the industry guidance.

Environment and climate change

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ENVIRONMENT

2020 UK Environment Bill

The latest delays to the UK Environment Bill, primarily applicable to England, have postponed proceedings until the second session of parliament. Current information suggests the Bill won't return until the autumn, thought to be attributed in part to the pandemic and EU exit impacts on the parliamentary timetable. Government's new goal is to attain Royal Assent on the Bill before COP 26, which begins in November. One implication is that the Interim Environmental Governance Secretariat will likely remain in it's current form until the Bill becomes an Act and places the Office for Environmental Protection on a statutory footing to succeed the Secretariat.

Environment Agency Environmental Assessment Levels

EA has proposed changes to ten EALs, including benzene naphthalene and viny chloride, and to introduce two new EALs with relevance to Carbon Capture and Storage technology: mono-ethanolamine (MEA) and nitrosodimethylamine (NDMA). For the substances with existing EALs, six short-term limits are set to be removed. The remainder may see long-term limit changes ranging from no change to a ~500-fold tightening. In CIA's response, we requested further information on EA's methodology based on the chemical dossiers presented in support of the changes; reiterated our long-standing position that data generated through REACH regimes should be first in the hierarchy to ensure the most contemporary assessments are used where available, and voiced concerns that the actual impacts from the changes are not clear until sites undertake expensive air quality dispersion modelling and the degree of any resultant additional regulatory action taken. CIA also understands that National Resources Wales may look to EA's changes once agreed. Copies of CIA's response are available on request.

Common Waste Gas Treatment in the Chemical Sector

Activities under the WGC BREF continue to develop, most recently a workshop on 9-10 March where non-competitors within the Technical Working Group were invited to a closed session to discuss the confidential business information submitted for the polymers sectors. Each representative – comprising member states, EU officials and industry associations – was required to sign non-disclosure agreements. The data in question relates to specific mass loads (e.g. kg emission per tonne of product), which can be back calculated through use of public total emissions data to gain information on production volumes. The Final Meeting of the WGC BREF is tentatively due to take place in the last two weeks of June and the first week of July over an array of web-based sessions. After which the European IPPC Bureau will incorporate the decisions taken to produce a Final Draft of the BREF, which will then be passed to the Article 13 Forum and, later, the Article 75 Committee.

Additional developments

Supported by the Environment Network, Industrial Emissions Directive Issue Team, the Sustainability Steering Group and additional members, we represented members in the following activities.

- Joint UK Regulator Best Available Techniques Guidance to assist permit writing on 1) "Hydrogen Production from Methane and Refinery Fuel Gas with Carbon Capture", and 2) "Post-Combustion Carbon Capture Using Amine Based Technologies for Power and CHP Plants Fuelled by Gas and Biomass" – 26 February & 5 March 2021
- Defra Workshop on the Fine Particulate Matter Target Included in the Environment Bill – 28 January 2021
- UK Engagement Session on the consultation for UK Best Available Techniques – 17 March 2021

- Defra Survey on the Review of the Environmental Permitting Regulations – 5 April 2021.

Copies of the above are available on request.

CLIMATE CHANGE

Industrial Decarbonisation Strategy

On 17 March, the Department for Business, Energy and Industrial Strategy (BEIS) published their Industrial Decarbonisation Strategy. CIA's Energy and Climate Change Policy network were key contributors to the strategy and our input is reflected throughout the document.

There is clear recognition of the challenges associated with international competitiveness and enthusiasm for the potential of UK industry to reduce global emissions, through the export of low-carbon products. Importantly, there are a number of welcome "actions" for Government that now must become workable policy, to provide business with the certainty to invest for the future.

We were pleased to see the Government reinforce its commitment to carbon capture and storage, hydrogen and electrification, the solutions we are expected to deploy to reach net zero. With these technologies widely available, the targeted two-thirds reduction in industrial emissions by 2035 is achievable, but it would require significant public investment in infrastructure and parallel support for on-site investment.

Many of the actions within the strategy had already been announced, in the PM's Ten Point Plan or the Energy White Paper, last year. But there were important new proposals, mostly aimed at the creation of a market for low-carbon goods. These are critical because, as the strategy recognises, industrial decarbonisation is not a technology issue but one of competitiveness. In the absence of Government support, low-carbon manufacturers can only compete with traditional methods if they are able to pass through their higher production costs to the end consumer.

Arguably most important of all, is the Government's commitment to working in partnership with industry, to share the costs and opportunities of the green industrial revolution. This is described as an iterative process that will allow the strategy to develop as we learn. Crucially, metrics are put forward to monitor and report progress on the actions listed. This is a good step forward, providing transparency and accountability, within Government, for implementing much needed policy support.

Funding awarded under the Industrial Decarbonisation Challenge

Alongside the Industrial Decarbonisation Strategy, UK Research and Innovation (UKRI) announced the award of £171 million funding across nine cluster projects. The funding is being awarded under the Industrial Strategy Challenge Fund (ISCF)'s Industrial Decarbonisation Challenge, phase two deployment competition.

In the competition, projects§ were expected to support delivery of significant emissions reduction in at least one UK industrial cluster by 2030, in line with BEIS' Industrial Clusters Mission. Successful projects included CO2 capture and/or hydrogen production projects in the north west, Scotland, Teesside, Humberside, and south Wales.

Carbon capture, use and storage: market engagement on cluster sequencing

In February, the Department for Business, Energy and Industrial Strategy (BEIS) consulted on proposals to sequence the roll-out of carbon capture and storage (CCS) infrastructure to industrial clusters. This infrastructure is seen as integral to cluster decarbonisation efforts, so we were disappointed to see the Government propose a staggered approach, focussing on the roll-out of CCS infrastructure in two clusters by 2025 and two more by 2030.

CIA responded to the consultation highlighting that a strict binary approach would undermine the momentum of those clusters which miss out on Track 1 funding. We raised our concerns that as the investment becomes less certain interest may move elsewhere, corporate partners may pull-back, political and regional support may fade, planning consent/ development orders will expire, staff may move on and knowledge may be lost.

We urged the Government to support the development of clusters based on a readiness assessment rather than a relatively arbitrary, binary approach. Each cluster must be allowed to progress as appropriate, beginning with one or two anchor projects but with additional projects able to develop over time.

Furthermore, we sought to emphasize the importance of cooperation over competition. The format proposed by BEIS sees clusters competing for support. We communicated our members concerns that this approach would reduce opportunities both for inter-cluster knowledge sharing and for economies

of scale. It would also leave some businesses more exposed to carbon pricing than others, based on postcode, adding concerns about intra-UK competitiveness to existing concerns about international competitiveness.

There are significant cluster decarbonisation opportunities across the UK and we asked Government to support all of them, to the same timescale, to avoid creating regional winners and losers and to progress the net zero transition at the pace and scale that is required. The clusters should be seen as low-hanging fruit for significant emission reduction and we cannot afford to wait.

The Green Gas Levy

In November last year CIA responded to the Government's consultation on the Green Gas Levy (GGL), which aims to raise funding for the support of biomethane producers, following the end of support via the Renewable Heat Incentive (RHI) scheme.

Although Government proposals to introduce the levy at a flat rate across all consumers are relatively innocuous, we pushed back strongly on their intention to transition to a volumetric levy in 2024/25. We are concerned that such an approach would have a devastating impact on our sector, coming on top of the significant indirect costs we already pay for decarbonising the power grid and the direct charges we pay for our emissions.

CIA made clear that if the cost of decarbonising our heat system is placed disproportionately on industrial consumers, as it continues to be with the electricity system, it will leave UK foundation industries unable to compete on the global market. This would have a significant economic impact on the UK, which will be felt particularly hard in regions targeted for levelling-up in the government's election manifesto.

We asked the government to help insulate cleaner UK manufacturers from the cost of decarbonisation, to help us stay in business and ultimately contribute to a diversified net zero economy. We argued that the cost of the energy transition must be fairly and appropriately distributed amongst consumers.

In March, BEIS published their response confirming that the Government intends to proceed with the launch of the GGL at a flat rate per meter initially, but with the intention to transition to a volumetric levy as soon as feasibly possible. CIA is now considering the next steps open to us to ensure the affordability of gas prices for large gas consumers.

UK ETS: Free allocation review

Parallel to the publication of the Industrial Decarbonisation Strategy, BEIS launched a call for evidence on free allocation in the UK Emissions Trading System (UK ETS). The strategy makes clear that free allocation remains the UK government's preferred approach for the immediate future, but believes it needs to be more targeted.

In the longer-term, Government will consider alternative approaches, including encouraging other nations to raise their climate ambition, the "treatment of imports" from regions with less ambitious regimes, and improvements to UK productivity. For the moment, a UK carbon border adjustment mechanism (CBAM) is not being discussed but, the Government does plan to work with stakeholders to understand how the EU's CBAM could affect UK manufacturers.

Following the call for evidence's publication, members of CIA's Energy and Climate Change Policy network joined a roundtable with BEIS, to discuss the free allocation review. The key issues we raised related to:

1. the price differential between UK emission allowances (UKAs) and EU allowances (EUAs)
2. access to low-carbon infrastructure and therefore emission abatement opportunities
3. the methodology for calculating free allocation
4. the UK's definition of carbon leakage risk
5. the need to discuss a UK carbon border adjustment.

The call for evidence on free allocations will close on 23 April. CIA will be submitting a written response, developed in coordination with our Energy and Climate Change Policy network.

Industrial Energy in the Budget

There were a number of announcements in the Spring Budget relating to industrial energy, although not as many as we would have liked.

New funding streams were made available within the Net Zero Innovation Portfolio. Under this competition framework, new money will be allocated to long duration energy storage (£68m), bioenergy (£4m), hydrogen, direct air capture and greenhouse gas removal (GGR), advanced CCUS, industrial fuel switching, disruptive technologies.

Commitments were made to support the Able Marine Energy Park on Humberside and the Teesworks Offshore Manufacturing Centre on Teesside, both of which are developing offshore wind port hubs. £4.8m of new funding for a Holyhead hydrogen hub, subject to a business case study. The Treasury claims that the latter project could become the UK's first commercial scale green hydrogen plant.

Those looking to invest in more efficient/ net zero aligned equipment, may find use for the Government's new "super deduction", which enables companies investing in qualifying new equipment to claim a 130% super-deduction capital allowance.

Critically, we had the announcement that the new UK Infrastructure Bank will launch in April, in Leeds, with an initial £12bn to invest in projects including those which help meet the UK's net zero target. However, so far there is no detail on: 1) whether the bank will invest in longer-term, riskier projects; 2) its political independence; 3) how much of its investments will focus on net zero.

Disappointingly, the Carbon Price Support (CPS) rates will remain frozen at £18/ tCO2 in 2022-23. Introduced at £16/tonne in 2013, the rate has been held at £18 since 2016. The CPS leads to one of the world's highest combined carbon prices on the power sector, a cost which is passed through in electricity bills to consumers when coal or gas-fired power is in demand.

Enabling a High Renewable, Net Zero Electricity System

In December, the Government launched a consultation into the creation of a net zero electricity system, which is highly reliant on renewable generation. CIA responded to the consultation, explaining that high UK industrial electricity prices are deterring green manufacturing in the UK.

We explained that the UK's chemical sector competes in global markets but faces disproportionately high and rising energy costs, which are eroding our international competitiveness. This makes the UK an unattractive investment prospect so that new investment goes elsewhere, often supporting more carbon-intensive processes.

In this way, highly skilled science-based jobs and manufacturing capability are offshored and global carbon emissions increase. If the UK's clean energy transition continues to increase the price of energy for industry it will reinforce this trend. We highlighted that the Committee on Climate Change recognise this issue and, in their Sixth Carbon Budget, have advised Government to reform industrial electricity prices, to allow industry to electrify processes whilst maintaining competitiveness.

We asked Government to take a more strategic approach to industrial energy. Members will be well-aware of the cumulative burden of energy and climate policy which puts pressure on UK industry. We are facing detrimental energy price reform on top of carbon market upheaval and a myriad of other energy/ carbon reporting and pricing schemes. The complex, cumulative cost impact of these policies on industry remains poorly understood by Government.

We cited recent reports from the Public Accounts Committee and the Business, Energy and Industrial Strategy Committee, calling for a coordinated plan, with clear milestones for how Government will achieve net zero by 2050. These reports raise concerns that the lack of coordination between departments has left sectors like ours without clarity on how to transition, or the support to do so. We emphasized that a successful approach to industrial decarbonisation requires that BEIS work hand-in-hand with HMT and the energy regulator, Ofgem, to ensure our manufacturers are not offshored as the cost of the energy transition.

Education and employment

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EMPLOYMENT

Employment Strategy Group confirms future agenda

Martin Ashcroft, Managing Director of Tata Chemicals Europe, chaired the latest meeting of our Employment Strategy Group in March. Apart from developing policies to ensure employees are following enhanced safety guidelines as a result of the pandemic and planning for a return to site/office working, the whole issue of diversity and inclusion is a dominant topic on the organisational responsibility checklist for HR Executives.

In our Employment Strategy Group meeting, we discussed that, while many member companies are rightly developing their own approach, we do not have an industry-wide position which we can promote. Such a position is helpful in discussions with Government and other stakeholders which, while not necessarily being about diversity and inclusion, will help us in being taken seriously as an industry of the future. Martin and colleagues have directed us to develop a draft set of diversity and inclusion principles to seek member input and support. We will also shortly publish a proposed checklist. Just as the pressure is increasing on environmental reporting, especially carbon neutral by companies, so too is the case with a diverse workforce.

The Strategy Group also directed that we continue our work with the trade unions, including reaching joint statements on relevant issues as and when appropriate. David Wintle has recently retired as the Global Head of Employee Relations at GlaxoSmithKline. Until his retirement, David chaired our CIA Employers : Trade Unions meetings. David is succeeded by Karen Hemphill, UK Employee Relations Director at AstraZeneca. We are currently seeking to agree a joint statement on net zero.

We will also be working on an employment-based publication showcasing working in the sector. We are seeking case studies to be part of this, so please do let us know if you have one.

The final part of our annual plan is to engage Cogent – the industry's sector skills council - to broaden knowledge and development of sector skills needs to address demographic and other challenges affecting our existing and future workforce planning needs. At the moment there is a lack of quantifiable, future looking evidence that provides a credible 'single version of the truth' around which the whole industry can congregate, deliver impact and can command meaningful engagement with government around the sector's contribution to policy and economic recovery including:

- Forecast labour projections segmented by profession type, qualification level and gender through varying growth scenarios
- Assessment of the skills demand for innovation and manufacturing activities across the Chemical sciences industry
- Understanding of the skills implications of the 4 grand challenges: Artificial Intelligence and data; ageing society; clean growth; future of mobility
- Overview of the supply challenges and projections from the educational 'supply' side

Businesses rightly operate individually but there is a missing 'common skills good'. Working with the sector skills council to bring this together and quantify what we need from Government as a sector, what industry itself can contribute and have a clear consistent message will help us to secure benefits for the sector.

We will also continue to support the development and promotion of ChemTalent, CIA's network for all future talent working within the industry. ChemTalent recently confirmed the 5 key pillars that will underpin their work and which they believe are the top issues facing young talent right now: Diversity & Inclusion, Health & Wellbeing, Innovation, Operational excellence and Sustainability.

The pillars will be used to inform ChemTalent's activities and events for the year ahead.

Members can engage in our employment work by being part of the Local Employment Networks we have or by joining our weekly HR calls looking at Covid-19 issues.

Contractors and employees

Two recent issues are seeing an ever-closing gap between contractors and employees. The first is that from 6 April 2021 is a change to off-payroll working rules. These rules can apply if a worker (sometimes known as a contractor) provides their services through their own limited company or another type of intermediary to the client.

An intermediary will usually be the worker's own personal service company, but could also be any of the following:

- a partnership
- a personal service company
- an individual

The rules make sure that workers, who would have been an employee if they were providing their services directly to the client, pay broadly the same Income Tax and National Insurance contributions as employees. These rules are sometimes known as 'IR35'. The client is the organisation who is or will be receiving the services of a contractor. They may also be known as the engager, hirer or end client. The client is responsible for determining if the off-payroll working rules apply.

The second issue is the case involving Uber drivers. As a result of a judgement by the Supreme Court, the drivers must be treated as workers rather than self-employed. The decision could mean thousands of Uber drivers are entitled to minimum wage and holiday pay. The ruling now of course can be relied upon by others who may wish to bring such action against organisations they do work for.

Equality and diversity training needs to be refreshed

The Employment Appeal Tribunal has held that an employer could not rely on 'stale' equality and diversity training. In the case of Allay (UK) Ltd v Gehlen, as a defence to show it had taken all reasonable steps to prevent racial harassment, the employer had an equal opportunity policy and an anti-bullying and harassment procedure and had carried out both equality and diversity and bullying and harassment training for employees and managers.

The problem was this was done two years and eight months before the Claimant's dismissal. The EAT concluded that whatever training there had been, was no longer effective as racist comments were made regularly to the Claimant, passed off as 'banter', and managers took no action even though they were aware of the comments.

The EAT emphasised that merely having an equal opportunity policy and carrying out brief insubstantial training is insufficient. Employers should ensure they carry out quality training on a regular basis and if there is reason to believe that employees have forgotten the training, it should be refreshed.

Pay developments in 2021

Pay deals so far in 2021 at CIA member companies seem to be at or around 1%. There are some exceptions such as multi-year agreements and some who just want to pay more and get the negotiations out of the way. And there are some where there is no increase but the vast majority are at 1% or lower.

With latest (February) inflation measures:

CPIH at 0.7%
CPI at 0.4%
RPI at 1.4%

there is not too much pressure for larger increases, although some arguments are being put forward about the continued working during the pandemic.

Looking further out forecasts show:

CPI at 2.2%
RPI at 3.0%

Please do inform of us of your changes once new arrangements are implemented.

Communications

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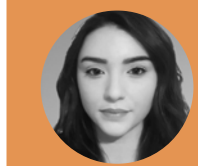

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Communications Strategy Group

Our Communications work is guided by the Communications Strategy Group, chaired by Stuart Arnott, Sustainability President at Croda International Plc. At the latest meeting, members discussed a new communications and advocacy plan, our social media work, our new approach to publications and key messages for member companies to use plus our plans for COP26.

The plan redefines the Group's themes as positioning:

- The chemical industry is enabling solutions to address current and future societal challenges and trends with sustainability and climate change issues the top priority
- The criticality of the chemical industry to the levelling-up and growth agenda
- The importance of manufacturing to the economy
- The chemical industry is a responsible employer
- Science education and skills are important for society.

The Group also directed us to start work with ITN Productions on a series of net zero films (more details below).

Key actions for 2021 include:

1. Industry positions being worked into UK REACH regulation.
2. A presence in the run up and potentially at COP26 showing climate change solutions.
3. The profile we have under Covid-19 is maintained and built on for future opportunities.
4. Media contacts and briefings are expanded.
5. In the light of Government approach, we can secure contacts within HM Treasury.
6. Develop our specific policy publications following Digitisation in the chemical industry.
7. Promote more what we are saying in consultation responses.

CIA trade brochure launch

This week CIA published Open for Business – the UK chemical industry and our international trade. The publication contains guidance on key trade policy issues following the UK's exit from the EU. Inserts explain why Trade Remedies and Rules of Origin are critical to the chemical sector. The brochure also describes what has changed in terms of global tariffs and new requirements for import and export documentation relevant to companies trading with the EU. Looking

to the future, the paper also explains how CIA is advancing industry interests alongside the Department for International Trade who have prioritised new FTA deals with the U.S., Australia, New Zealand and the CPTPP bloc. Reassuringly many of the preferential arrangements agreed by the EU have been rolled over into bilateral agreements to ensure you can continue to claim preferential tariff rates. We have listed all of those agreements that are now in force. We also thank Santander, who have contributed the very latest edition of their Trade Barometer which provides insightful analysis of global trade confidence.

Chancellor's Budget is a step in the right direction.

Solid start to 2021 but risks lie ahead.

Economic summary

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The UK Economy's bumpy start to 2021

On 12 March 2021, the Office for National Statistics (ONS) published their first official estimates for GDP, production and trade in the month of January 2021. Analysis of this data gives us an impression of how the third national lockdown, border closures due to the coronavirus and logistical and customs frictions due to the end of the transition period with the EU, have impacted growth and trade. It's worth bearing in mind that monthly data is volatile and should be interpreted with caution, data for the true impact of Covid, Brexit and lockdowns will only be apparent when these figures have been revised in the coming months.

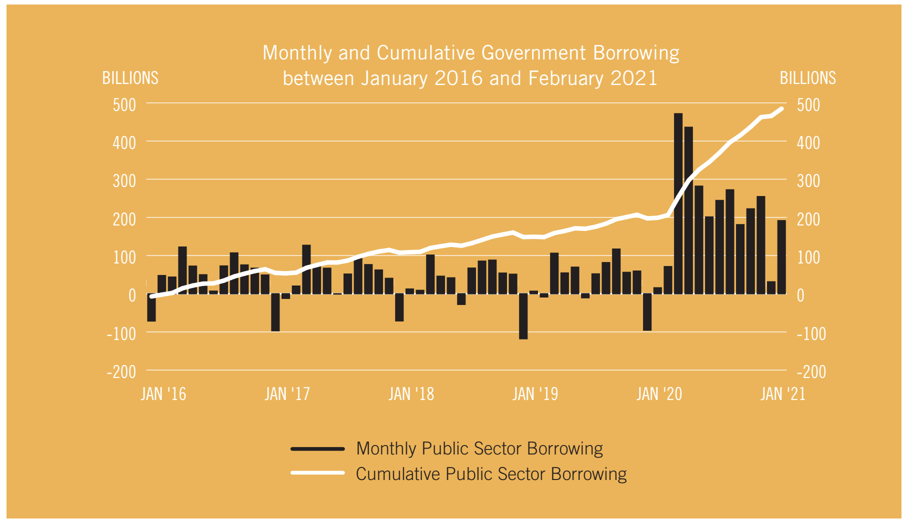
Focusing first on the UK's Gross Domestic Product (GDP), the data shows that the UK economy contracted 2.9% in January. The services sector, which accounts for four fifths of the economy, is the most adversely effected by lockdown restrictions as consumer-facing industries such as leisure and hospitality are forced to close. For this reason, the services sector was the largest contributor to January's contractions, shrinking 3.5%. The production sector contracted 1.5% with manufacturing output, which accounts for 72.5% of the production sector's Gross Value Added (GVA), faring slightly worse falling 2.2%. The small agriculture sector contracted 1.4% while construction was the only sector to expand with an increase in output of 0.9%, although, it was the only sector to contract in December 2020.

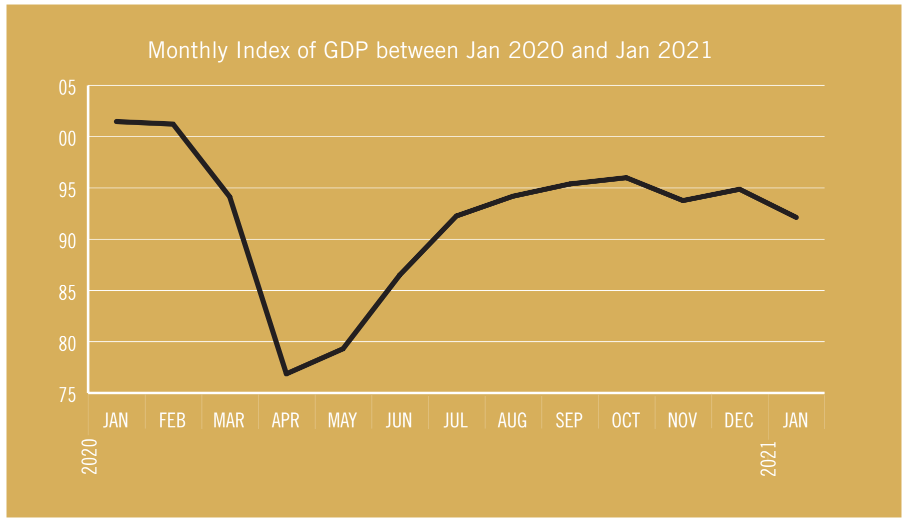
To set the backdrop for January's performance, the ONS' prior GDP, production and trade publication, released on 12 February 2020, is required. This publication contained the first official estimates for the economic performance in 2020 as a whole. Stronger than expected performance during the November lockdown as businesses were better prepared than in the April lockdown as well as stockpiling ahead of the end of the transition period that supported manufacturing levels, led performance in the final quarter of 2020 to exceed expectations. In line with CIA forecasts, the UK economy expanded in the final quarter of 2020 however for the year as a whole contracted 9.1% compared to 2019.

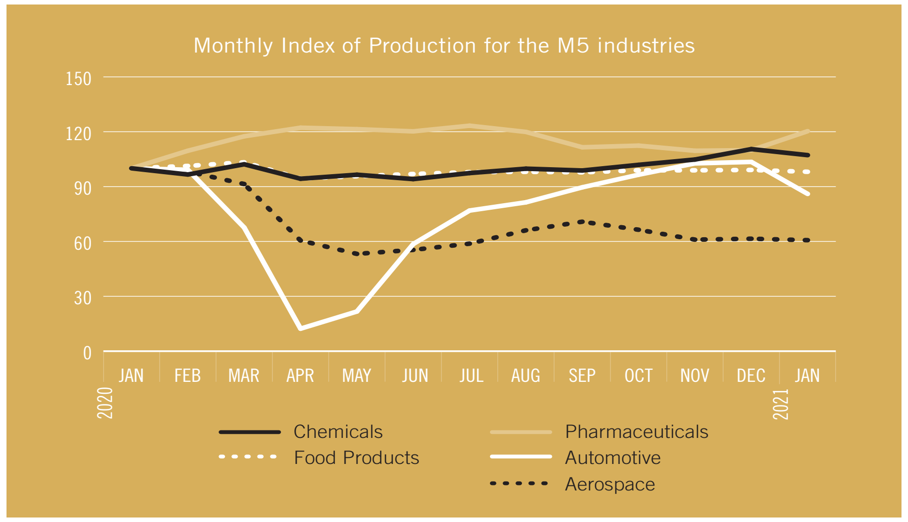
Everyone is aware of the multitude of government measured enacted in March/April 2020, many of which have been extended to the present day and beyond in order to protect businesses, households and jobs throughout this health crisis. But how much has this cost? ONS figures published on 19 February 2021 revealed that public sector net borrowing, excluding public sector banks, reached £260.7 billion in the calendar year 2020. However, the Office for Budget Responsibility (OBR), the official independent economic forecaster for public finances, in their forecasts published alongside the 3 March 2021 Budget expect government borrowing in the financial year 2020-21 to reach £355 billion equivalent to 17% of national income and this figure only falls to £234 billion or 10.3% of nation income in 2021-22. Alongside these forecast the Chancellor, Rishi Sunak, explained that the Government's total fiscal response to the coronavirus in this year and the next had now reached £353 billion, with the total fiscal support reaching £407 billion. For more information on the Budget and to understand the CIA's view, please read the featured article in this addition of CIA Matters.

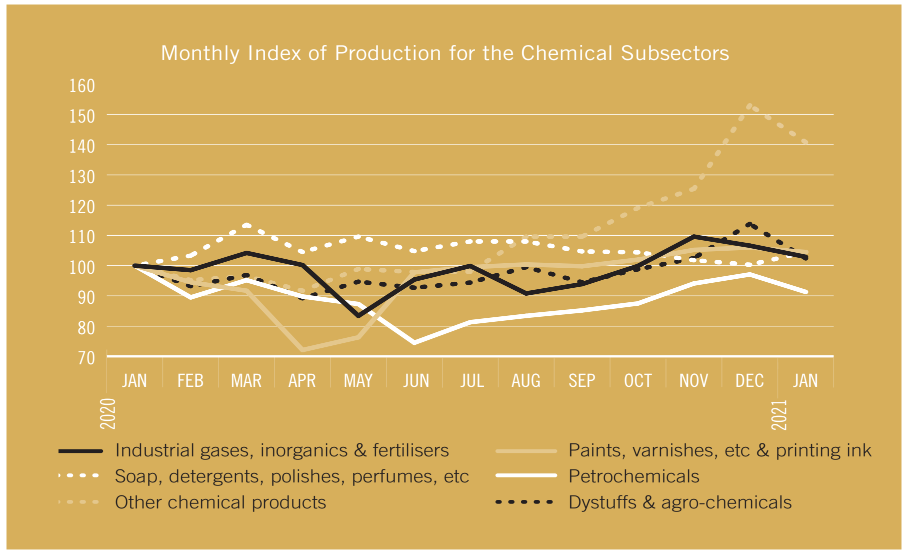
Turning our attention to the chemical industry, chemical production contracted 3.0% in January 2021, however, excluding December 2020, is still at the highest level since September 2008 highlighting the fact you can't simply turn off chemical production month-on-month. It's worth remembering, due to stockpiling ahead of the end of the transition period on both sides of the Channel, chemical production rose 2.9% in November and 5.4% in December and therefore began 2021 at levels that historically have never been maintained in the mid-to-long term. It's understandable then that contractions in chemical production in the coming months are expected as the industry corrects back down to a sustainable output level.

Focusing in more detail on the chemical industry and its subsectors, five out of the six chemical subsectors contracted in January. The only one to expand was 'the manufacture of soaps, detergents, polishing, perfumes and toilet preparation' which is the largest subsector accounting for 34% of production. Domestic and international demand for products manufactured in this subsector rocketed in 2020 as they were vital in tackling the virus. For this reason, output increased 11.5% in 2020 and inline with the course of the virus, this strength continued into 2021 as output rose 4.2% month-on-month in January. Twenty-twenty was a turbulent year









for the oil industry and in spite of a resurgent 11.6% quarter-on-quarter growth in the final quarter of 2020, the UK petrochemical subsector, which accounts for 23.6% of chemical output, contracted 14.7% in 2020 as a whole and the resurgence experienced in the final quarter couldn't be maintained as output fell 6.0% month-on-month in January 2021. Pharmaceutical production rebounded 9.5% in January 2021, likely driven by vaccine rollouts, after a contraction of 6.4% in Q4 2020. It's worth noting that, excluding the prior quarters of 2020, output in Q4 2020 was still the highest level since Q1 2011 and output grew 13.6% in 2020 as a whole, far outperforming the international average.

Focusing on the other M5 industries, the automotive industry, that in December had in large part recovered to pre-pandemic production levels, had the worst January of any manufacturing industry contracting 16.9%. The aerospace industry, who's production remains around 35% lower than pre-pandemic levels, contracted 1.3% in January while the food industry, that was the third best performing manufacturing industry in 2020 behind chemical and pharmaceuticals, contracted 1.0%.

Briefly turning our attention to trade, UK chemical exports fell 33.3% in January, breaking this figure down, exports to the EU-27 fell 48.7% while rest of the world exports fell 12.6%. The pattern was the same for chemical imports however to a lesser degree. Chemical imports in January fell 10.4% driven by a 15.5% fall in EU imports and 1.2% fall from the rest of the world. Pharmaceutical trade followed a slightly different pattern, pharmaceutical exports fell 28.6% in January solely caused by trade with the EU which fell 63.2% while rest of the world exports increased 3.2%. The same can be said for pharmaceutical imports, pharmaceutical imports fell 42.2% in January due to a 51.9% fall in EU imports, rest of the world imports rose 4.6%.

In summary, the third national lockdown has not had such a severe adverse impact on the UK economy compared to the first lockdown as companies are better prepared for lockdown operations and GDP starts at a lower base. As has been the case in the prior lockdowns, the services sector has experienced the greatest adverse impact while large sections of manufacturing and construction have been able to remain open. Focusing on the chemical industry, stockpiling in November and December ahead of the end of the transition period between the UK and EU boosted chemical production in the final quarter of 2020 which led to a carry-over effect in January's figures as chemical production can't simply be turned off month-on-month. However, the same stockpiling, as well as border closures in the early parts of 2021 to limit the spread of the coronavirus, have clearly had a stark impact on trade volumes. Logistical and documentation issues following the end of the transition period has meant that trade outside of the EU has been less servery impacted as trade with the US and China have been relatively more robust than with the EU-27 and its constituents.

Events calendar

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

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

2021 Web Conference
28 April
Health leadership for healthy minds (including COVID learnings) conference
More details on page 30.

Occupied Buildings Risk Assessment
BOOK
22 April
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.

Appropriate and Proportionate Risk Assessment Course
BOOK
27 April
This one-day course will enable you to:
- Understand the principles which underlie all types of Risk Assessment
- Ensure your Risk Assessments are proportionate and appropriate
- Manage the Risk Assessment process within your organisation or department.

Current landscape and emerging issues
BOOK
27 April
How will the new UK chemicals regime work in practice for businesses manufacturing and supplying chemicals now that a UK:EU trade deal is in place and the end of the transition period for leaving the EU has now passed? In the morning we'll explore the UK's new chemicals regime focusing on UK REACH with presentations from authorities and stakeholders and with a panel discussion. The afternoon session will focus on meeting EU chemical legislation needs and potential impacts.

Problem Solving in Production – Applying Structured Problem-solving Tools to Daily Issues
BOOK
27 April
This course will cover a range of problem-solving tools and techniques that can be used on a day to day basis to deal with issues and problems as they arise and rapidly develop actions to address them, quickly regain control, minimise disruption, and prevent repeat issues in the future.

Functional Safety Management Awareness Course
BOOK
11 May
Training will be in the form of a one-day course consisting of presentations, workshop exercises and case studies. The interactive workshop sessions will allow candidates to apply some of the techniques to 'real world' situations.

Process Safety Performance Indicators
BOOK
12 May
This course will provide an overview of current guidance, accepted good practice and the management processes needed to help participants develop an integrated approach to developing, monitoring and improving business performance linked to process safety performance indicators.

Introduction to the Industrial Emissions Directive
BOOK
18 May
This course will provide an overview of the IED, how it is implemented in the UK, the requirements to comply with Article 13, 14 and 15 of IED and how to minimise the environmental impact of your operations.

Know your CLP obligations? Introduction for Formulators and Importers
BOOK
26 & 27 May
This workshop aims to give you an understanding of your duties under both EU and GB CLP, as well as practical skills to help you classify and label your products correctly. The day is ideal for anyone who needs to understand more about their obligations under the CLP regulations in both the EU27 and UK.

All events will run virtually until further notice.

Make our team part of your team!

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