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Subject: Readout on EU Chemicals - Downstream Users meeting 4/3

Sorry you guys couldn't make it to the meeting as things are moving really fast in the EU on this issue, but we've planned another meeting on 4/22 @ 2:30. Details to follow.

Here are my unofficial notes from the meeting:

The EU Chemicals - Downstream Users meeting was attended by representatives of the following industries: chemicals, soap and detergents, semiconductors, computers, textiles, as well as NAM and the U.S. Chamber of Commerce.

Cathy Novelli laid out the latest schedule for the draft legislation to implement the new chemicals policy:

April 3 - legislation gone to interservice consultations
April 24 - interservice consultations conclude
May 7 - anticipated discussion among Commissioners
May 15 - legislation posted on the internet for 5 week comment period
June 29 (about) - end of internet comment period
end of July - EC finalizes proposed regulation.

Cathy noted that this timetable was considerably accelerated from what we were expecting two weeks ago when this group last met. Tim Bennett said that he had just been in contact last week with colleagues in Brussels and they did not know things were moving this fast either.

At the last meeting, Cathy had tasked the industries to come up with "themes" for their concerns about the proposed legislation. The chemical industry had done a list of themes dealing with the EU process. Intel had done a list of substantive themes.

Chemical industry proposed themes:

1. The EU Commission should engage in meaningful consultations with its trading partners throughout the world before legislating.

2. Before taking unilateral action and imposing its proposals on the rest of the world, the EU Commission should use multilateral forums to discuss its proposals.

3. The EU should complete a cost/benefit analysis of the draft legislation, with particular emphasis on the effect on small and medium enterprises and downstream users of chemical products.

4. The EU should consider fully the comments of stakeholders and their concerns and suggestions, making adjustments to the draft.

5. The EU Commission should complete these further consultations, studies, and considerations - and make appropriate revisions to the legislation - before issuing a draft that begins the formal legislative consultation process.

Intel proposed themes:

Most important:

1. There should be exemptions for chemicals used in an industrial setting and where there is de minimus exposure.

2. Articles should be exempted.

3. The concept of "innocent until proven guilty" (burden of proof) should be built in - - i.e., if you are already using a chemical in your manufacturing process, you shouldn't have to stop using it until the completion of some lengthy testing process.

Second tier Intel concerns:

4. There should be flexibility about burden-sharing. For example, semiconductors are at the end of a long supply chain. A company could be using chemicals it doesn't even know it is using. Suppliers might not share information about chemicals and might pull a particular chemical off the market because they don't want to go through the burden of testing and registration. So, it is a problem if the entire burden of testing and registration falls on the chemical manufacturer, because they might decide to pull out of the market, leaving the user in the lurch. Don't want a "one-size-fits-all" approach.

5. Regarding testing, international tests should be acceptable. Suppliers should not be made to go through a bunch of new unilateral EU tests, when there are already internationally-accepted tests out there.

It was then noted that there are have been several economic impact studies done, but they leave something to be desired. The only thing that will get the EU to stop is having the EU heavyweights come in and say that the Commission can't take this forward until a real cost-benefit analysis is done. But who will take on Wallstrom - - the answer is only other Ministers or Heads of State. The USG plans to send in our Ambassadors to Member States and the Commission to make our case. But, we need industry to help create domestic pressure within the Member States to oppose the new chemical policy. We need to press the jobs and competitiveness angle.

Then, there is the environmental side. Everyone agrees that we want to help the environment, but is this new chemical policy going to help? SOCMA noted that in fact REACH will work to stifle innovation and the introduction of new safer chemicals. Cathy said we need to make this argument to DG Environment and particularly to the environmental ministries in Member States.

It was agreed that the following Member States needed to be particularly targeted: Germany, UK, France, Italy, Netherlands, and Ireland because they all have large production of chemicals and downstream products. In Italy, it will be important to get to Prodi. In addition, we need to get to the Swedes and Finns and neutralize their environmental arguments. On this last point, it was agreed that the electronics industry would see if Nokia and Ericsson might be helpful, although it was noted that neither manufacture in Europe anymore. It was then suggested that Volvo (and Saab) might be helpful, as well as the paper industry, with its huge papermaking operations in Scandinavia.

The following industry reps agreed to coordinate comments for particular countries (note: this does not mean that they intended to do all the work, but just to coordinate, so we know the full extent of our efforts):

Bill Primosch (NAM) - Italy and UK
Patricia Sherman (Siemens) - Germany
Robbins Pancake (Agilent) - France
Steve Harper (Intel) - Ireland
Jason Linnell (EIA) - Sweden

Cathy summarized the discussion of the messages we want to convey to the EU:

- This won't help the environment.
- It is a huge problem for competitiveness.
- All the issues from the ACC and Intel themes.
- We can't have a sham consultation process.

- There has to be accountability for comments made in the internet comment process.
- A rubber stamp is not acceptable.

It was agreed that the group would target April 22 @ 2:30 for its next meeting.

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