

executive summary

New International Chemicals Management Scheme, Global Warming and Prevention of Workplace Accidents Top List of Global EHS Priorities for 2003-2004

Implementation of a new global chemical classification and labeling scheme will require substantial new laws and regulations worldwide over the coming years to adjust existing requirements or to develop new programmes where these do not presently exist, and new European policy will fundamentally change the way in which chemicals are approved for the market. Measures to combat global climate change will also remain high on the policy agendas of many nations, particularly the introduction of emissions trading schemes aimed at achieving Kyoto-mandated reductions in the most cost-effective manner. Rolling back the growing number of work-related fatalities and reducing workplace accidents is a third global priority that will see significant new legislation and regulatory initiatives in virtually every part of the globe in the near-term future.

These are just three of the key trends discerned from a detailed analysis of global EHS regulatory developments tracked by ENHESA - Environmental Policy Centre, and the subject of ENHESA's second annual global EHS regulatory forecast exercise. ENHESA has been monitoring global EHS regulatory developments for over a decade, to advise clients on where, when and how new environmental and occupational safety and health policies and legislation will impact their international operations and product markets. ENHESA began forecasting EHS regulatory developments five years ago, and last year's forecasts were made available to the broad international business community for the first time.

In early 2002, ENHESA's annual forecast for the coming 12-18 months included as top priorities for regulatory action the continued extension of industrial emergency planning and response requirements, notably in the aftermath of the September 11, 2001 attacks and a major industrial accident in France. The Enron debacle was seen as leading to greater demands for corporate transparency and accountability, not least in the area of environmental performance. The third top priority issue involved efforts to implement measures to stem global climate change, particularly in light of major differences between the approach taken by the USA and virtually every other industrialised country.

These issues continue to occupy a prominent place in our forecast for legislative and regulatory initiatives for the balance of 2003 and into 2004. Last year's top concern, industrial emergency planning measures, for example, continues to be the focus of significant legislation around the world, not least in the European Union with plans to extend further the Seveso II directive. However, the new Globally Harmonised System of Classification and Labelling of Chemicals (GHS), which was adopted in December 2002, now moves to the front of the list of major regulatory issues facing virtually all industry over the coming year or more. This new system, the outcome of collaborative efforts at the World Health Organisation, the International Labour Organisation, the Organisation for Economic Cooperation and Development (OECD), and the European Union, was broadly supported by the chemical industry because of its promise to harmonise at international level the manner in which chemicals are classified according to their hazards and are thus



to be labeled (using universally understandable pictogrammes), as well as a uniform system of safety data sheets. At the same time, the EU's White Paper on the Registration, Evaluation and Authorisation of Chemicals (REACH), by bringing new and existing chemicals under the same regulatory framework, promises a sea-change in the way in which chemicals are approved for placement on the market. The new approach will impact all manufacturers and importers of chemicals, and will increasingly place the onus on them to prove that the substances they purvey are safe, rather than obliging the governments concerned to prove that they are unsafe.

With the Kyoto protocol likely to enter into force either later this year or sometime next year, a growing number of countries are pushing to introduce new greenhouse gas (GHG) emissions trading schemes. At latest count, some 56 countries in Europe, North America and Asia have introduced or will introduce emissions trading for CO₂ and/or all six GHGs. In Europe and Japan, as well as other OECD countries (Canada and Australia), industry can expect more active regulatory controls and fiscal instruments, such as energy taxes and minimum energy efficiency standards to meet their Kyoto objectives.

In the 2002 forecast, controlling workplace exposures, particularly to toxic and hazardous chemicals was among the top ten areas of anticipated new legislation. While significant measures were taken around the world in this regard over the past 12 months, it is evident that there has been a significant shift in focus: from illnesses and deaths that might occur 15 and 20 years in the future to injuries and fatalities that are happening on a nearly pandemic scale in workplaces around the globe. For every one of the estimated 2 million work-related fatalities in 2002, the ILO estimates that some 500 to 2,000 workers were injured, with varying degrees of severity. This is prompting governments worldwide to take more proactive measures to regulate work equipment and workplaces, including obliging more rigorously the provision of personal protective equipment. Such measures are clearly in evidence in Europe and other OECD countries, but also are seen growing in importance in the Asia/Pacific countries and Latin America, and even southern Africa. Occupational safety and health reporting requirements are also spreading in line with the above measures, with new illness and injury reporting requirements cropping up in Asia (China, Korea), Europe and even South Africa.

In preparing this forecast, ENHESA regulatory specialists in Europe, North America and the Asia/Pacific region screened more than two thousand individual regulatory initiatives identified in the course of 2002 involving over 40 countries on five continents. Of these, over one thousand specific policy and regulatory measures were analysed, leading to the identification of over 850 initiatives that were deemed to hold significant implications for global industry in general.

These initiatives were then analysed against the backdrop of the existing regulatory framework at national and international levels and current industry practice to reveal ten priority areas that will broadly impact international business over the coming twelve to eighteen months.

Companies operating globally, as well as those operating in less extensive geographic areas, need to be conscious of the risks and opportunities to which these new policy and regulatory initiatives will give rise. For example, although the new global and European chemical management schemes will require substantial investments from chemical manufacturers and users, the harmonized system will greatly facilitate the administrative burden long associated with the environmental and safety aspects of global chemicals trading. Similarly, while more stringent requirements can be anticipated in the effort to stem the tide of workplace related injuries and fatalities, the massive uptake of the international H&S management system standard, OHSAS 18000, will also help improve company performance in this area, hopefully making compliance with new requirements more sure and cost-effective.

10 Global EHS Priorities for 2004

A review of over 2000 individual policy and regulatory developments in over 40 countries on five continents has yielded the following list of ten key priority areas that will challenge companies to adapt over the coming 12-18 months:

- 1 New **global chemicals management system** and fundamental change in the regime for admitting new and existing chemicals onto the market (cost for implementing may top USD 30 billion over the coming decade, but will streamline many aspects of international chemicals trade)
- 2 Spread of **GHG emissions trading schemes** and other regulatory frameworks to promote energy efficiency to combat global climate change (energy costs will continue to rise, but more energy-efficient technologies and infrastructure will become available)
- 3 Tougher **workplace safety standards** to eliminate injuries and fatalities, along with more demanding accident and illness reporting standards
- 4 Spreading of **extended producer responsibility** (e.g., take-back) measures aimed at holding manufacturers responsible for the life-cycle environmental impacts of the products they place on the market, as well as other measures aimed at preventing or reducing the volumes and toxicity of wastes generated
- 5 Extension of **industrial emergency planning and response requirements**, particularly to smaller facilities and to lower threshold quantities of hazardous materials
- 6 Stepped up initiatives aimed at improving **urban air quality**, particularly in Asian countries, but also in Europe and North America
- 7 Greater measures to promote the sustainable **use of water resources**, particularly in areas hard hit by ongoing drought and water scarcity problems (industry is the fastest growing user of the world's freshwater resources)
- 8 Tighter requirements aimed at reducing **workplace noise exposures** and protection of hearing (excessive noise is viewed as the most common occupational hazard)
- 9 More countries implementing mandatory **environmental performance reporting**, including in countries where this has heretofore been voluntary (France seems poised to influence EU-wide rules in this area)
- 10 Broadening existing **management systems** to ensure achievement of environmental protection goals and, more recently, occupational safety and health protection objectives through the OHSAS 18000 standard.

Further details and background information on the ENHESA "2004 Global Forecast of Environmental Health and Safety Policy and Regulatory Developments Impacting Industry" can be found at www.ehstrends.com