Keith Nuthall reports on how the UK paint sector – already having to deal with COVID and supply chain issues – is dealing with the problems caused by Britain's withdrawal from the European Union

Brexit compounds stress for UK paint sector – but EU exports continue

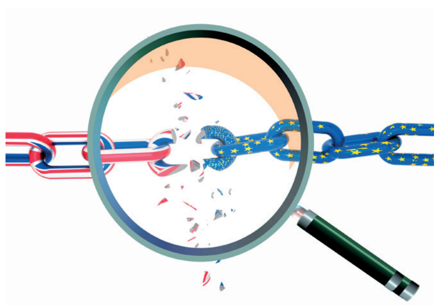
The British Coatings Federation (BCF) has continued to press the UK government to mitigate the problems caused by Britain's Brexit withdrawal from the European Union (EU), as the country's industry fights to preserve its income.

Both imports of raw materials and packaging supplies, as well as exports of finished products to and from the EU have been hindered by the red tape imposed on trade under the EU/UK Trade and Co-operation Agreement (TCA) that underpinned Brexit, says the BCF.

BCF SURVEY RESULTS

Following a survey of members, the association released a report in June that said 59% of members reported increased operating costs due to Brexit by more than 4%; with 32% saying these increases exceeded 6%; and 10% citing increases over 15%. As a result, 39.5% reported that exports to the EU had decreased, with 15.8% of responding companies losing between 6-10% of exports over the last year. Companies did not expect to replace these sales with exports to countries with whom the UK has struck post-Brexit trade deals. Regarding imports, 23.1% of BCF members reported that some EU suppliers no longer wanted to export to the UK because of burdensome trade administration[1].

Speaking to *PPCJ*, David Park, the BCF Public Affairs Manager praised how Britain's paint manufacturers have coped with these problems, which have coincided with COVID-19 and global supply chain disruptions: "Members have been incredibly resilient," with 44.8% saying EU exports have remained the same and 15.8% seeing exports increase. And looking ahead, 72.5% of BCF members said they planned to continue exporting to the EU, even though this had become "more expensive and complicated", noted Mr Park. On the plus side, "A lot of these issues are baked in – people can [now] plan ahead. The costs won't go away. It will still cause problems but [members] have worked around a lot of them. It's not existential. It's difficult. It's making life hard for them. And life was already hard. Over time we would hope the government will come up with ways of making these things slightly easier."



UK REACH

With the UK government delaying plans to develop and launch a UK REACH chemical control system, replacing the EU REACH that Britain quit once Brexit came into full force on January 1, 2021, there are real concerns, however, that regulatory controls may become more expensive and complex. The UK initially copied and pasted EU REACH rules onto its Statute Book, in force separately since Brexit day – however access to the EU system's core registration data has since been unavailable to UK chemical-based companies (except top level public data). The UK government wants to replace these registrations with UK REACH registrations but has been pushing back the deadline for submitting data that delivers them.

The Department for Environment, Food and Rural Affairs (DEFRA) has been consulting on these schedules this year and in June released options that would push back a previously floated initial deadline (for registering higher risk and higher volume substances used in the UK) from 2023 to 2026, with subsequent deadlines now stretching until 2028 (a faster track) or to 2030 (the slower option)[2].

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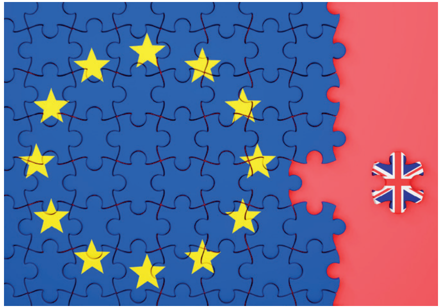
With the UK chemical industry having already warned that establishing UK REACH could cost the wider industry £1bn (US$1.2bn)[3], concerns are growing among BCF members of potential divergence with EU REACH, (its decisions are currently being implemented by the UK Health & Safety Executive, albeit after a six-month review period). Concerns include potentially divergent decisions on which toxic chemicals require what special labelling. That, said Mr Park, could increase "labelling costs and different regulatory legal costs" for sales within Britain and to the EU: "We don't want to see divergence from the EU regulation for the sake of saying we are diverging."

A key victim of a divergent UK REACH could be innovation, he warned. If the UK insists on a robust and contrasting registration procedure for chemicals made or imported into the UK, and the registration costs – say – £100,000 (US$120,000), that may deter a company from making or using a new chemical. That money would be easier to cover through sales to the 447M-people EU market – much harder for just the UK (67M people). For the time being, UK companies who had registrations under EU REACH have used them in Britain under grandfathering rights. But that does not help them use new chemicals, noted Mr Park, a particular problem for sustainable products, which are increasingly reliant on new bio-chemicals: "It's freezing the market at the end of 2020 when we left the EU," he told *PPCJ*. With the UK government still unable to decide on how UK REACH will work, "The longer this goes on, the longer uncertainty continues about regulation. People are waiting. That means British companies will avoid using new materials."

The need for regulatory certainty has also been stressed by the UK Chemical Industries Association's chief executive Steve Elliott. He said in May: "Our industry has demonstrated an extraordinary performance in arduous times, with energy prices and raw material costs rising steeply and showing little sign of easing." He has been pleased that the government has been reassessing UK REACH to reduce its impact but added that the industry needs "rapid progress on UK REACH and we need all those UK policy cost elements of our increasingly uncompetitive gas, electricity and carbon bills to be reduced as soon as possible".

LOSS OF INTERNATIONAL DISTRIBUTION HUB STATUS

One problem that will be hard to tackle is the loss of Britain's past status as an EU international paint and coatings distribution hub, said Mr Park. Non-EU exporters used to ship paint and coatings to the UK for distribution to other parts of the EU – but now Britain has quit the bloc, the trade red tape, including breaches of rules of origin rules for countries with EU free trade agreements, has diverted this trade to,



for example, France and Germany. This is especially regarding supplies to the Republic of Ireland, now often shipped direct from the continent, rather than going through the UK. Also, because Northern Ireland, under the NI Protocol, remains within the EU single market for goods, such products are often moved north from the Republic to the Province, bypassing Great Britain.

In a conversation with BCF members, British paint companies selling into Northern Ireland told their association of 97 error messages in protocol trade administration red tape for paint and coatings shipped from Great Britain to Northern Ireland, imposed in part to prevent paint and coatings moved to Northern Ireland from being exported to the south into the EU proper.

BCF CEO Tom Bowtell has concerns that UK government efforts to resolve such problems could make matters worse by triggering an EU trade war. "The government needs to work harder with businesses to help make exporting to and from the EU easier, ideally looking to enhance the terms of the TCA. Instead, it looks as though things are moving in the opposite direction with threats to trigger Article 16 of the Northern Ireland Protocol which could collapse the whole trade agreement. That would be a disaster for industry, especially given we are in the middle of the worst global raw material and supply chain crisis seen for a generation," he said. **PPCJ**

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