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Subject: Presidency report on Industrial Policy - governance and mainstreaming

Delegations will find enclosed a report on Industrial Policy - governance and mainstreaming prepared by the Presidency in the context of the conclusions on a future EU Industrial Policy Strategy with a view to the meeting of the Competitiveness Council on 29 November 2018.

PRESIDENCY REPORT ON**INDUSTRIAL POLICY - GOVERNANCE AND MAINSTREAMING****INTRODUCTION**

European industry is a world leader in many areas, especially in high value added, low carbon and sophisticated products and services. It is responsible for over half of Europe`s exports, around 65% of investments in research and development and provides more than 52 million jobs (direct and indirect). The competitiveness of the EU industry is directly dependent on its ability to continuously adapt and innovate by investing in new technologies, digitalising its industrial base and transitioning to safe and sustainable low-carbon and circular economy.

After the European Council¹, the Council² and the European Parliament³ had expressed the need for an ambitious long-term industrial strategy, the European Commission has echoed this call by presenting the Communication "Investing in a smart, innovative and sustainable Industry - A renewed EU Industrial Policy Strategy"⁴ in September 2017. This Communication was considered as a first important step and taken up by the Estonian, Bulgarian and Austrian Trio Presidencies (second half 2017 – end 2018), who made it one of the top priorities of their term.⁵

Given the significance of industrial policy and its cross-cutting nature, the Council stressed the importance of ensuring an open, transparent and inclusive process in the development of the future EU industrial policy and in this regard, emphasised the need for a multi-level governance approach based on partnership and dialogue with Member States, regions and stakeholders.⁶

¹ Doc. EUCO 8/17, Paragraph 15

² Doc. 9760/17

³ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+P8-RC-2017-0440+0+DOC+XML+V0//EN>

⁴ Doc. 12202/17 + ADD 1

⁵ Doc. 11258/14

⁶ Doc. 15223/17

In an attempt to improve the governance of its industrial policy, the EU has recently introduced important elements in its institutional set up. Starting in 2014, the European Commission⁷ as well as the European Council⁸ committed themselves to mainstreaming industrial competitiveness across all EU policy areas. In response, the Competitiveness Council implemented several important improvements of its working methods:

- i) a new mandate for the High-Level Group on Competitiveness and Growth (hereinafter HLG) under the **Italian Presidency** (including monitoring and mainstreaming competitiveness - in particular industrial competitiveness)⁹
- ii) as well as a new working method under the **Luxemburg Presidency** intended to facilitate the implementation of mainstreaming while improving the functioning of the Competitiveness Council (i.e. the “Competitiveness Check-up” and the “Presidency mainstreaming list”). For the first time Ministers discuss on a regular basis dossiers affecting industrial competitiveness outside the legal competence of the Competitiveness Council.

Most recently the European Commission

- iii) initiated the annual Industry Day in February 2017 to take stock of existing actions and stimulate debate on a joint vision for the future of the European industry. It brings together various stakeholders from across the EU and different types of organizations on EU, national, regional and local level.
- iv) established the High-Level Industrial Round Table “Industry 2030” based on the Communication on a renewed industrial policy strategy, with the aim to help shaping the vision for the future of European industry. It is composed of 20 members, who have been appointed in a personal capacity or to represent the common interest of industrial enterprises or employees. In the current set up, Member States are excluded from this group.

⁷ Doc. COM(2014) 14 final

⁸ Doc. EUCO 7/1/14

⁹ Doc. 15006/14

Going Further

Building on the work carried out under the Estonian and Bulgarian Presidencies, the Austrian Presidency aims at facilitating the monitoring of the implementation of the future EU Industrial Policy Strategy and proposes a mechanism to improve “industrial competitiveness mainstreaming”.

The Austrian Presidency focused in particular on the following two strands of work:

1. The establishment of a dashboard of indicators intended to effectively monitor the implementation of the future EU Industrial Policy Strategy and measuring trends in the competitiveness of EU industry vis a vis its main global competitors.
2. A multi-level governance approach based on partnership and dialogue with Member States, regions and stakeholders for the next institutional cycle to further facilitate “industrial competitiveness mainstreaming”.

i) Measuring competitiveness - Indicator framework for industrial competitiveness

Building on the work carried out under the Estonian and Bulgarian Presidencies and relevant stakeholders in the HLG, Member States agreed on a non-exhaustive list of key indicators¹⁰ for the purpose of effectively monitoring the competitiveness of EU industries visa-vis the main global competitors (no naming and shaming of Member States). It should be considered as an input towards a fully-fledged monitoring mechanism regarding industrial policy. The set of indicators was chosen according to the following principles:

- focus on the most relevant dimensions of industrial competitiveness
- high statistical quality in terms of measurement and timeliness
- as far as data is available: focus on comparing the EU to the main global partners in addition to intra-EU comparison (may be added as a complementary element)
- also highlight areas with a need to improve competitiveness

¹⁰ Doc. 11244/18

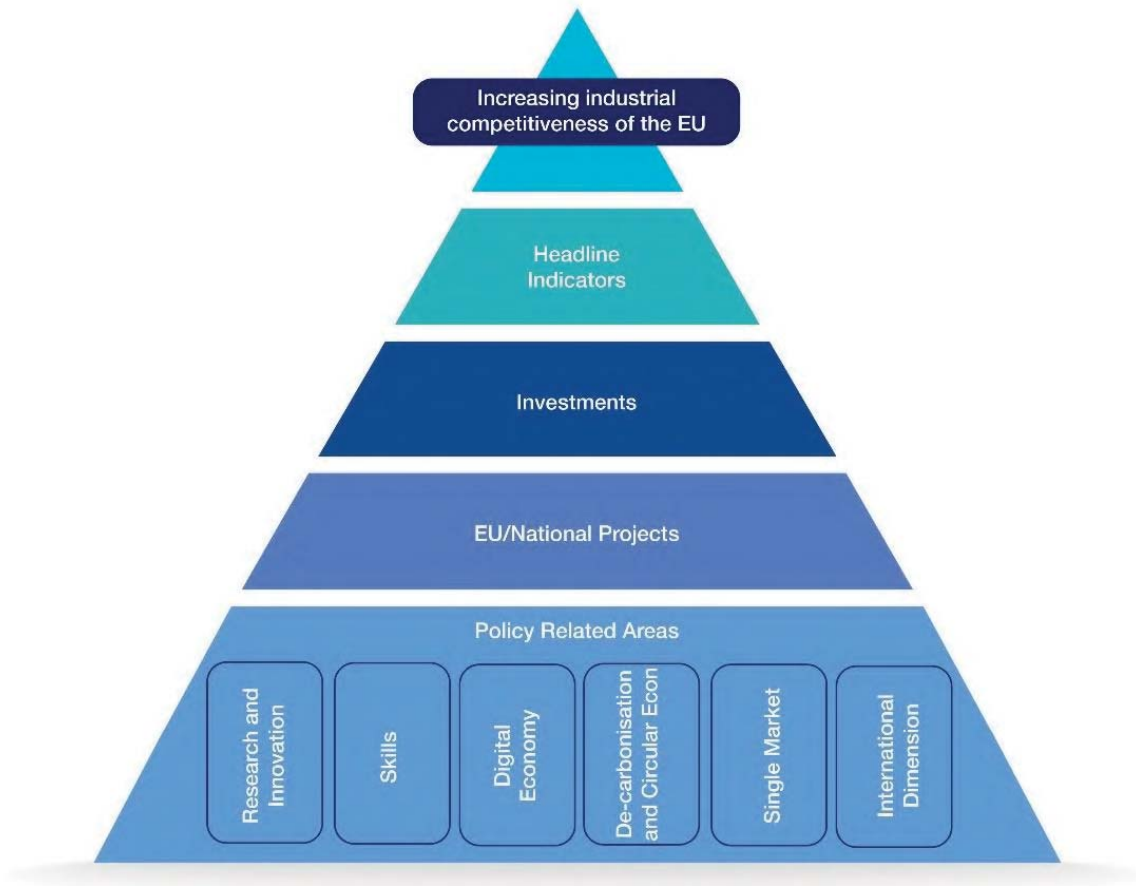
- given its important communication role, the set of indicators shall consist of a limited number of simple and straightforward indicators.

Rapid digital transformation and automation will increasingly change the nature of growth and employment. Meaningful conclusions can only be drawn from indicators used in combination. Therefore, the set of headline indicators should be complemented with targeted policy-related indicators. The HLG note proposes a set of possible policy-related indicators, which should be regarded as a starting point for flexible future adaptations and amendments. It proposes a multi-layered structure:

1. Headline indicators focusing on outcomes in the industrial sector
2. Investments as a key enabling factor
3. EU/national projects shall stimulate investment activities (e.g. CMU, EFSI, FP9, Cohesion Policy, IPCEIs on EU-Level.)
4. Policy related indicators to capture how the EU and its Member States perform in the areas based on the Communication on a renewed industrial policy strategy from September 2017.

Graph 1: multi-layered structure of Indicators¹¹

Indicator Framework



The pyramid should serve as a viable monitoring tool, which assesses the implementation of the industrial policy and the trends in the development of the EU industry. As far as data is available, the EU shall be compared with global competitors (i.e. China, USA, Japan and Korea) - no naming and shaming of Member States. In order to draw profound conclusions and to keep the ongoing industrial transformation in mind, the different layers of the pyramid should complement each other.

¹¹ See Annex I

Further efforts to improve the extra-EU comparison are needed. Considering the major role of services for the manufacturing sector (servitisation), the lack of timely data on the joint-production of manufacturing and services¹² also needs to be addressed on the way forward.

ii) *Scrutinizing the existing structure - a governance cycle for the future EU industrial policy strategy*

Member States underline the need for a high-level, clear, effective and transparent governance structure to design, implement, enforce and monitor industrial policy. Therefore, scrutinizing the existing structure for delivering results and the interaction of existing fora, based on an informed dialogue between the industry, institutions at EU level, national, regional and local authorities as well as the civil society is crucial.

Such a governance structure should enable the European institutions, together with industry stakeholders, to develop a common vision for a smart, innovative and sustainable industry. It will be crucial to establish a long-term structure that is going beyond the 6-month rotating Council Presidencies and the 5-year mandate of the European Commission.

The new mechanism shall take into account possible spill overs of all policy areas on industrial competitiveness. These effects need to be fully understood before decisions are taken. For this purpose, it is important that such a governance structure allows for appropriate information about industrial aspects of policies across all policy areas. It is vital to guarantee for a close cooperation between the European institutions and stakeholders. We need a high-level, clear, effective and transparent governance structure to design, implement and monitor industrial policy. Therefore, it is necessary to find answers to the following questions:

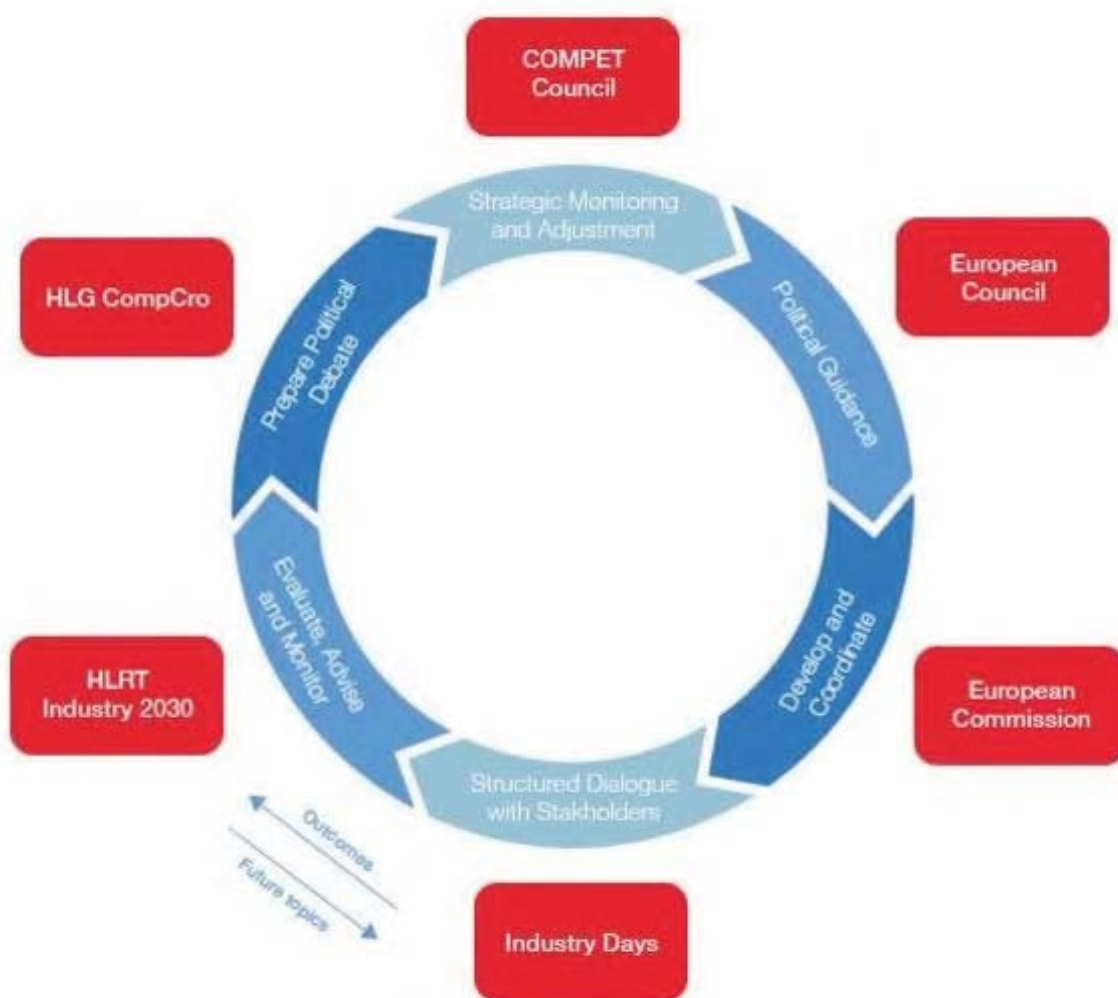
- Who should develop a strategy?
- Who should implement a strategy?
- How should organize an informed and structured dialogue?

¹² Data based on the World Input-Output Database (WIOD), allowing for a more detailed measurement of the service component, is available only up to 2014 and thus does not meet the requirements for this exercise.

- Who should evaluate and monitor?
- Who should check whether we are going in the right direction or not - adjustment and political guidance?

The graph below illustrates how the governance of industrial policy could be orchestrated through the existing fora.

Graph 2: Governance cycle for the future EU industrial policy strategy



(1) Develop and coordinate - European Commission

We call on the next European Commission to put industrial competitiveness on top of the agenda, which should be effectively mainstreamed across the different DGs, and appoint a Vice-President of the Commission dedicated to industrial policy. He or she would be responsible for developing and coordinating¹³ the future EU industrial policy strategy (including an action plan as part of the Commission's annual and multiannual priorities) - implemented in close cooperation with Member States and stakeholders.

(2) Structured Dialogue with Stakeholders - EU INDUSTRY DAY

The annual EU Industry Day plays an important role in establishing the permanent dialogue between policy makers, experts and Industry at European, national, regional and local level. It serves as a forum for stakeholders contributing to European industrial competitiveness to showcase their activities, learn from each other, discuss cross-cutting issues and develop joint visions for the future. The previous two Industry Days in 2017 and 2018 showed already the potential of bringing together the different stakeholders and discussing the current challenges for Industry. The timing of such an event is crucial and should regularly be organised ahead of the Spring European Council.

Inspired by discussions with stakeholders in the Working Party on Competitiveness and Growth (Industry) during the Austrian Presidency, the Industry Day could be extended to an Industry Week with events all over Europe, following the examples of the Single Market Week or the EU Raw Materials Week. It will help promoting Industry as driver for jobs, growth and innovation in Europe and to highlight new emerging industrial, societal and environmental trends that may need to be reflected in the implementation and monitoring of the future EU industrial policy strategy.

The thematic selection of topics to be discussed at the Industry Days should be done by the successor of the High Level Round Table "Industry 2030". Consequently, the conclusions of the Industry Days should be discussed by the High Level Round Table and be reflected in the recommendations for the implementation or adjustment of the strategy.

¹³ In accordance with Art 173 TFEU

(3) Evaluate, Advice and Monitor - High-Level-Industrial Roundtable “Industry 2030”¹⁴

To support the Commission in making the conclusions of the Industry Day operational and give advice in defining priorities for future measures in industrial policy as well as monitoring progress and implementation of the future strategy on EU, national, regional and local level, the Commission set up the “Industry 2030” Roundtable in February 2018¹⁵. It will produce a report on the visions of industrial policy by mid-2019 and is composed of 20 members (excluding Member States), who were appointed in a personal capacity or to represent the common interest of industrial enterprises or employees. The lifetime of the “Industry 2030” group is limited to the mandate of the current Commission.

In order to guarantee for a long-term structure, the successor of this group should be provided with a permanent lifetime and a broader mandate. This group should act as a Sounding Board bringing together high-level experts from academia and business representatives as well as from the EESC (European Economic and Social Committee) and CoR (Committee of the Regions). The Member States shall be represented by the HLG CompCro Chair in order to guarantee for a transparent and continuous exchange of information between Council and Commission groups. The Commission General Secretariat should be in charge for operating this group as it is already coordinating cross-sectoral policies.

The mandate of such a group should include:

- i) Monitoring the development of industrial competitiveness of the EU as well as the implementation of the renewed industrial policy strategy based on quantitative indicators (see section above).
- ii) Provide feedback on the Commission's initiatives and actions.
- iii) Publication of an annual report on the progress/results of industrial policy, which should add a qualitative analysis to the quantitative indicator exercise.

¹⁴<http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3572&news=1>

¹⁵ C(2017)8565/1

- iv) Provide policy advice for an effective implementation of the industrial policy strategy on EU, national, regional and local level.
- v) The group's mandate shall be extended to assist the Commission in deriving policy initiatives/measures from its various cumulative cost assessments, especially related to energy intensive sectors, as so far no clear policy actions have been concluded.
- vi) Thematic selection of relevant topics for the Industry Day(s) and discussion of the conclusions from the Industry Day(s).

The European Industry Days and the successor of “Industry 2030” will play an important role in establishing a permanent structure that facilitates mainstreaming of industrial competitiveness across policy areas at all levels.

(4) Prepare political debate- High Level Working Group on Competitiveness and Growth

In 2014, the High Level Group on Competitiveness and Growth (hereafter HLG) was formally set up as a working party under the Italian Presidency.¹⁶ The HLG is mandated to supporting the Competitiveness Council in monitoring and mainstreaming industrial competitiveness across relevant policy initiatives at EU level. Under the Estonian, Bulgarian and Austrian Trio Presidencies the Chairmanship was jointly appointed to the Austrian HLG representative, while Estonia and Bulgaria each appointed a Vice-Chair.

During the current Trio-Presidencies, the HLG held in-depth discussions on important mainstreaming issues, including the SME sector, the Future of the Single Market, Smart specialisation, Raw materials, Artificial Intelligence, etc. In terms of future improvements, the HLG elaborated on a set of indicators as an input towards a fully-fledged monitoring mechanism regarding industrial policy (see above).

¹⁶ Doc. 15006/14

Regarding the future EU industrial policy strategy - and in line with its mandate to support the Council in monitoring and mainstreaming industrial competitiveness - the HLG should discuss the annual report of the Industry 2030 (and its successor group), including its conclusions on the implementation of the strategy in preparation of the November COMPET Council. It should thereby also take into account the indicators suggested by the HLG. Moreover, synergies with the successor of “Industry 2030” should be created through the participation of MS (via the HLG Chair).

(5) Strategic monitoring and adjustment - Competitiveness Council

The Council of the EU shall improve its mainstreaming efforts by further scaling up the role of the Competitiveness Council. It should act as a platform to coordinate different groups, interests and stakeholders. In reference to the Luxemburg Presidency towards a more integrated approach to competitiveness within and between Council formations, the Council Working Party CompCro (Industry) is central. Joint meetings with other Council Working Parties - particularly on issues related to environment, energy or trade - to examine the industrial competitiveness dimension of proposals should be continued by future presidencies. In this respect, joint Informal Ministerial Meetings could also be regularly organised to bring together Ministers in charge of Industry with Ministers in charge of policies affecting industrial competitiveness.

With the strong support of both the Member States and the Commission, the Luxembourg Presidency put in place the Competitiveness Check-up. The aim of the Check-up is to allow Ministers to put forward priorities and to respond to urgent issues and developments in all areas of relevance to the core business of the Competitiveness Council: the real economy. While discussions among Competitiveness Ministers are important, we need to develop further our tools to incorporate the views of Competitiveness Ministers into legislative dossiers outside their competence but with an impact on industrial competitiveness.

In order to strengthen the Competitiveness Check-up, this agenda item could provide the basis for the governance of the future EU industrial policy strategy in terms of strategic monitoring and political input for necessary adjustments. The annual report on the progress of the EU industrial policy strategy from the successor of “Industry 2030” should be presented in each November COMPET by the future Commission Vice President in charge of industry. The Austrian Presidency also considers the hearing of a high-level business leader during the Check-Up, who reports on the most pressing problems in his/her specific sector as a step forward. Moreover, the Austrian Presidency proposes to submit a letter of the COMPET-Chair (summarising the key points of the discussion) to the Presidents of the **European Council**, the European Parliament and the European Commission. The Commission should report the findings across the concerned Council formations.

(6) Political guidance - **European Council**

To highlight the importance of the EU Industrial Policy Strategy, the Heads of States and Governments could, based on the input of the Competitiveness Council, take stock every year at the Spring **European Council** and provide political guidance for new policy goals regarding jobs, growth, and industrial competitiveness.

ANNEX I - Indicator Framework

Core Areas	Indicator	Source
Headline Indicators	Manufacturing value added per capita (in current US-\$)	World Bank
	Gross value added annual % change Selected Sectors: C, G-N	Eurostat/OECD
	Gross value added per person employed constant prices; % change (5 year MA) Selected Sectors: C; G-N excl. real estate	OECD
	Number of employees (domestic concept), % change Selected Sectors: C; G-N	Eurostat/OECD
	Global Market share of exported manufactures (%)	WTO
Investments	Gross Fixed Capital Formation - total % GDP	Eurostat/OECD
	Gross expenditure on R&D in % of GDP business enterprise sector and total	Eurostat
	Investment rate (investment/total value added at factor costs) in % NACE Sector C	Eurostat
	Private gross investments in activities of circular economy sectors in % of GDP	Eurostat
Policy related Areas		
Research and Innovation	Total Researchers per 1.000 employees (total employment)	OECD
	PCT Patent Applications per billion GDP (in PPS €) filed under the Patent Cooperation Treaty	EIS
	Share of high growth enterprises in the manufacturing sector (growth by 10% or more, measured in employment)	Eurostat
	SMEs innovating in-house (relative to EU in 2010)	EIS
	Intellectual property products (total Economy) Investments in % of total Investments	Eurostat; OECD
	ICT investments (total Economy) Investments in % of total Investments	Eurostat; OECD
	Number of installed industrial robots per 10.000 persons in the manufacturing industry (ISIC Rev. 4 - Section C)	IFR (International Federation of Robotics)
Skills	Share of graduates in STEM (Science, technology, engineering and mathematics) in % of all graduates	OECD
	Adult participation in learning (% of population aged 25 to 64)	Eurostat
	Employment shifts in manufacturing by education	Eurofound
Digital Economy	Digital Transformation Enablers Index	DTEI
	Human Capital/digital skills	DESI
	Integration of digital Technology	DESI
Decarbonisation and Circular Economy	Air emission intensities (Greenhouse gases) Kilograms per euro, chain linked volumes (2010), % change Selected Sectors: NACE Rev. 2 C; G-N	Eurostat
	Trade in recyclable raw material nominal % change of Exports and Imports	Eurostat
	Energy productivity GDP per unit of TPES, % change	OECD
	Eco-innovation related patents (per mln population)	Eco-Innovation Scoreboard
	Electricity price for medium sized industries Euro per kWh	Eurostat
Single Market	Intra-EU28 trade in goods and services nominal % change, imports and exports	Eurostat
	Intra-EU trade in intermediate goods % share of total Intra-EU-trade, imports and exports	Eurostat
	Price dispersion across Member States Coefficient of variation	Eurostat
International Dimension	Domestic value added in gross exports % Total Value, change in p.p.	OECD
	Stock of FDI inward, % of GDP (manufacturing)	Eurostat
	Stock of FDI outward, % of GDP (manufacturing)	Eurostat

Annex II –Thematic discussions

Underlining the importance of effective mainstreaming of industrial policy and in order to give an idea of how a structured dialogue between stakeholders, Member States and different DGs can work, the AT Presidency organised various discussions on governance issues and relevant policy areas. The intention was to break silos between different DGs and Working Parties.

Thematic Discussions during the Austrian Presidency in the Working Party CompCro (Industry) - hereafter Working Party - can be clustered as followed:

I. Governance

Based on a presentation from stakeholders (#Industry4Europe), the Working Party dedicated a session to ideas on “A Governance Structure for an ambitious EU Industrial Policy Strategy”: The following building blocks for an efficient governance structure were raised in particular:

- A Commission Vice-President responsible for Industrial Policy.
- A key role for COMPET as a coordinator of different policy areas with an impact on industrial competitiveness (e.g. energy and environment, artificial intelligence, digitalization, etc.)
- A permanent dialogue between the industry and policy decision-makers in association with civil society and stakeholders.
- A structure of European Institutions, which allows for an Industrial Strategy to be addressed and implemented at highest level.

II. Long term Strategy: what is needed

i) EPC industrial action plan

Building upon a sound evidence base regarding the factors shaping industrial transformations and examples of innovative industrial practices, the EPC (European Policy Centre) established a Task Force to develop a pan-European ‘Industry Action Plan for the European Union’. The Task Force provides a platform for multi-stakeholder discussions. The findings of the project will be integrated into a final publication (released in the autumn of 2019) setting out concrete recommendations for the newly elected European Commission to drive this agenda forward. The EPC was invited to the Working Party to present their current work. The discussion revealed the following issues:

- The EU faces multi-faceted challenges related to increasing internationalization (globalization), nationalism, digital transformation, sustainability and climate change, fierce competition in global value chains, etc.
- It takes a coordinated effort to define strategic objectives and streamline EU and national policy measures.
- Industrial policy should become part of the “Sovereign Europe Agenda”. Industrial policy should not protect aging industries but rather eliminate unfair trading practices as well as the establishment of an action plan in accordance with the strategic objectives.
- Completing the single market remains a prerequisite for industrial competitiveness.

ii) Report of the European Economic and Social Committee

The Austrian Presidency requested an opinion of the European Economic and Social Committee (EESC) on “*Strategic developments in industrial policy by 2030, with a view to strengthening the competitiveness and diversity of the industrial base in Europe and focusing on long-term performance within global value chains.*” The issues identified during the discussion at the Working party were:

- One coordinated action plan of EU Member States instead of 27 different ones to stay competitive.
- Next to the Competitiveness Council, which should be in the driving seat of industrial policy, the European Commission should appoint a vice president responsible for industrial policy.
- Industrial policy will be the key to make the digital transition happen in which a dominant raw material will no longer be steel but big data and in which the dominant production strategy will be based on ICT technology.
- Europe needs to find appropriate answers to the protectionist economic policy of the USA. China could provide some inspiration for the European infrastructure with its border crossing investment projects on CO2 reduction.

III. Selected policy areas

i) Capturing the potential of digitalisation: Digital Europe Program for the period 2021-2027

In the light of the digital transition, the Working Party discussed the Digital Europe Programme for the Period 2021-2027. The following issues were identified in particular:

- Activities and competencies of Digital Innovation Hubs should be further elaborated.
- Moreover, plans for SMEs and public administration to keep up with digital innovation need to be prioritized.
- Synergies and complementarities between the different financial programmes of the MFF should be used, in order to reinforce Europe's digital capacities (cyber security, AI, digital skills and high performance computing).
- A flow of information between the Working Parties Industry and Telecom should continue in the future.

- Information and an overview about new launched groups, meetings and conferences in the digital area would be valuable to stay up to date.

ii) Strategic value chains: The Strategic Action Plan for Batteries

Europe's positioning in strategic value chains will play a decisive role in determining whether our industry emerges as a winner in the global competition for growth and jobs. One of these strategic areas is the battery sector. In October 2017, the European Commission launched the "European Battery Alliance" cooperation platform with key players from industry, interested Member States and the European Investment Bank. The discussion at the Working Party regarding the Strategic Action plan for batteries identified the following issues:

- Creating a competitive and sustainable battery industry is a huge and urgent challenge for Europe, requiring rapid action in global competition. According to some forecasts, the battery market in Europe could be worth up to EUR 250 Billion from 2025 onwards. To meet these needs alone, the EU would need 10 to 20 Giga companies (for battery mass production).
- Europe is strong in the research area but still faces problems to bring innovation to the market. It can be a fast follower in solid state technology but action is needed now.
- The battery value chain is a good example for a mainstreaming approach, which shows that mainstreaming is not only important for Member States but also for different DGs of the Commission.
- The European Battery Alliance is an important platform, however, as not all Member States are part of this Alliance more transparency and information exchange would be necessary for a better cooperation.

iii) Climate and Energy policy in the light of industrial competitiveness: mainstreaming debate

Climate and Energy policy plays a key role when discussing the future of EU Industry. In this context the Working Party discussed how energy intensive industries like Europe's steel industry, the aluminium industry, the cement industry - can achieve Europe's climate goals without losing out in the ever-increasing global competition. The following issues were identified in particular:

- Next to a reduction of the energy price to stay competitive, the infrastructure for energy supply needs to be further expanded to guarantee for a better interconnectivity between European Member States.
- In light of the ongoing electrification, new carbon neutral technologies need to be further developed. There is a big market potential in this area as well as in the energy storage area.
- Climate protection must be addressed on the global level to avoid European carbon leakage.

iv) Boosting Innovation through Key Enabling Technologies

Key Enabling Technologies are the key elements of the European industrial policy. Therefore, Member States had a discussion on this important topic in the Working Party with the following findings:

- Key Enabling Technologies are the basis for innovation in different industrial products. They are economic motors and help to boost energy efficiency.
- Creation of Digital innovation hubs and one-stop shops that underpin the full innovation chain for each KET are crucial.
- A special focus should lay on SMEs to provide dedicated support, as often they do not know how KETs could be valuable for them and have no money or time to research.

- Rethink and reshape education and training. Engaging and educating the new generation will be one of the biggest challenges to get human resources 4.0.

v) REACH Review in the light of competitiveness

To allow for a cross-cutting discussion members of the Working Party Environment and DG ENV participated at the working party with a focus on the REACH Review in the light of competitiveness and the Industrial policy challenge for the chemical industry.

Following the publication of the European Commission's second General Report on the operation of REACH and review of certain elements (hereinafter referred as "the Report") in March 2018, discussion amongst Member States took place in the Working Party Environment (WPE) in March and May 2018. The European Commission organised a one-day conference in June 2018 in Brussels on the outcome and follow-up of the second REACH review. Anticipating wide support for the proposed actions, the Commission started expert discussions on operational issues for selected actions at the CARACAL meeting in June 2018. In the same month, the Bulgarian presidency distributed a "Non-Paper on the discussions in the WPE on the Second REACH Review" which provided a brief summary of the Report and preliminary reactions of Member States. In autumn, the discussion continued in the Working Party on Competitiveness and Growth (Industry) and in the WPE (working party on the Environment). Under the Austrian presidency, the conferences on Human Biomonitoring in September 2018, on the International Chemical Policy from a European Perspective in October 2018 and on Green Chemistry in November, followed by the UNIDO – Global Chemical Leasing Award, took place in Vienna.

The responses of the consulted parties can be broadly categorised into three types:

- There is wide agreement with the Commission’s conclusion that REACH essentially functions well and delivers the expected results, but there is also consensus on the need for several further improvements within the existing legal framework. All parties seem to support the 16 priority actions identified by the Commission.
- Several parties explicitly expressed their opinion that the implementation of some of the proposed actions such as the simplification of REACH procedures will possibly require a revision of the enacting text.
- Most parties stated that they consider innovation as a key issue for the chemicals sector, contributing significantly to its competitiveness within the global market. There is also broad consensus that substitution policy under REACH could become a strong driver for innovation, while currently there exist some fears that this policy may hamper existing developments. In order to make substitution fully effective, the principle of “benign by design” needs to become operational. Moreover, a number of current policy objectives such as the objective of low carbon production, the introduction of a circular economy and the vision for non-toxic environment require the integration of new and fully sustainable concepts such as the principles of Green chemistry into European’s chemicals policy, having potential implications also for REACH.

Regarding the discussion of the 16 proposed actions (Annex) there seems to be a wide consensus on the following:

- Actions nos. 1 – 4 which address the knowledge and information distribution about chemicals and their impacts across the supply chains down to consumers are of high priority. The ECHA database on chemicals is currently the world-wide most comprehensive data collection and the quality and proper use of this information is seen as a key element for the future role of Europe in the global context.
- Improvement of the compliance with REACH regulations requires additional specific support for SME as reflected in action 14 as well as an efficient enforcement as proposed in action 13.
- Action 5 addressing substitution is generally seen as an important innovation driver for industry, and thus should contribute significantly to its competitiveness on a long-term perspective. However, the corresponding procedure is too burdensome and costly, especially for smaller and medium enterprises, and thus should be simplified as proposed under actions 6 and 7.
- The coherence of chemicals policies between different sectors of EU policy (chemicals occupational safety and health and waste policy) is currently insufficient and requires an update and alignment of existing provisions and processes, as addressed under action 12.
- ECHA is already a world-widely acknowledged institution on risk management, and is increasingly becoming an important player in the global chemicals economy. This position indirectly contributes to a strengthening of European´s chemical industry in the global world. In order to ensure the effective and efficient work of ECHA also in the future it is vital that ECHA´s budget is used in a very focused and efficient way - taking into account the budgetary conditions (as laid down in action 15).

A number of Member States seem to agree with the Commission's presumption that there is no urgent need to change the enacting terms of REACH, However, a second category of comments have identified additional and/or supplemental measures which are likely to require a reopening and amendment of the legal text of REACH. These issues include the following:

- Introduction of clear definitions of key terms such as “nanomaterials”, “industrial and professional uses”, “scientific research and development”, “complex articles”, etc.
- Revision of articles 7 and 33 in accordance with the Court Decision on complex articles.
- Adequate provisions which should ensure a level playing field for European versus imported articles containing SVHCs.
- Consideration of the risks originating from combined effects of chemicals such as groups of chemically similar compounds used in different products for the same purpose.
- Stricter and more effective provisions requiring the investigation of alternatives under authorisation.
- Specific complementary provisions regarding the management of recovered substances under REACH and the better alienation of waste and chemicals policy.
- Introduction of restriction for mixtures containing PBT, vPvB and endocrine disrupting chemicals in consumer products in analogy to CMR substances.
- Formal involvement of customs authorities in the enforcement of REACH as well as the introduction of a formal framework establishing an enhanced coordination and co-operation between chemical inspectorates.

- Potential additional provisions resulting from the Commission's review of registration requirements for low tonnages and polymers.
- Additional measures aiming at a further reduction of animal testing.
- Reducing the effect of possible disproportional burdens by the REACH-registration scheme on manufacturers and importers of substances in the tonnage range of 1-100 tons per year.
- Introducing necessary simplifications in particular for spare parts, low-tonnage uses, uses in closed systems and recovered substances.
- Making appropriate use of exemption options like art. 58 (2) REACH while further developing and formalising the Risk Management Option Approach.

Finally, a third category of responses emphasized the importance of substitution policy for SVHCs. It is acknowledged that this policy should take full account of the proportionality principle, of efficiency and fairness under chemicals legislation, including a timely cost assessment of policy options, in particular for SMEs, and a full comprehension of all policy sectors potentially affected by that policy. However, it was equally argued that substitution may have strong impetus for enhancing innovativeness and competitiveness on a long-term perspective.

In March 2018, the Dutch government invited to a workshop on the Netherlands' Safe Chemicals Innovation Agenda with the aim of identifying opportunities for research for safe chemicals, materials and products that can replace hazardous chemicals. Seven thematic areas for the development of safer alternatives have been proposed for the 9th Framework Programme and/or other relevant European and national programmes.

In October 2018, an International Conference on Chemicals Policy from a European Perspective took place in Vienna. The intention of this initiative was to inspire discussions amongst experts from different sectors and to highlight costs and benefits of chemicals legislation, as well as the importance of global cooperation in regulating chemicals.

In November 2018, an international conference on Green Chemistry took place in Vienna. The intention of this initiative was to inspire discussions amongst experts on possible integration of the objectives of Green Chemistry into European chemicals policy. While substitution related activities proposed in the Report focus on the different life-cycle stages of a chemical following its coming on the market, Green Chemistry places an emphasis on the pre-market phase of chemicals.

If substitution should become fully operable at a long-term perspective, these principles of Green Chemistry need to be implemented into the European policy framework.
