



CARBON CONSULT GROUP
GROUPE CONSEIL CARBONE

Canada-EU free trade deal: how to make the most of it by staying on top of EU's challenging environmental regulations

March 9, 2017



Disclaimer

This material is not intended to be relied upon as previsions, research or legal advice. The opinions expressed are as of the date indicated and may change as subsequent conditions vary. The information and opinions contained in this document are derived from proprietary and nonproprietary sources deemed by *Carbon Consult Group* to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, **no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions** (including responsibility to any person by reason of negligence) is accepted by *Carbon Consult Group*, its officers, employees or agents. This document may contain “forward-looking” information that is not purely historical in nature. Such information may include, among other things, projections and forecasts. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this document is at the sole discretion of the reader.



Your hosts



Jean Paquin
Executive VP
Carbon Consult Group



Alex Jordan
Project Manager
Carbon Consult Group



Webinar contents

- Introduction
- What is the CETA free trade deal and who benefits?
- Key EU environmental legislation relevant to Canadian exporters
- Examples of key issues that Canadian exports could encounter
- New legislative developments
- Best practices
- Take-away



CCG in a nutshell

- Montreal based consulting company on environmental topics with a focus on GHG management
- Activities across Canada, the US and Europe
- Large expertise in the following sectors:
 - Manufacturing
 - Electronics
 - Aerospace
 - Renewable Energies
 - Chemical industry
 - Transportation
 - Finance

CCG expertise is rooted in the private sector



Regulatory
obligation
(vs.)
Risk
management

	Legal advice	Risk management
Assess if the regulations apply to my company	✓	✓
Assess the legal consequence of not complying	✓	✓
Anticipate regulations evolution	partially	✓
Assess overall business exposure	✗	✓
Decide whether to contact suppliers	✗	✓
Decide whether to contact customers	✗	✓
Decide how to track required product data	✗	✓
Define roles and responsibilities within the company	✗	✓

This webinar is about managing risks linked to environmental regulations



CETA free trade deal

- CETA means '*Comprehensive Economic and Trade Agreement*'
- Provisional entry into force by **spring 2017** (full entry into force after the ratification by each of the 28 EU countries)
- Customs and trade facilitation and access to public markets
- **EU import taxes elimination on up to 99% of the Canadian goods***

CETA, beneficial to Canadian exporters of chemicals, plastics, industrial and telecom equipment

*As per an [overview of the CETA](#) provided by the Canadian government. Duty-free products include: telecommunication equipment, chemicals & plastics and, with a few exceptions, all industrial goods.



Key EU environmental legislation*

RoHS

Restriction of Hazardous Substances in Electrical and Electronic Equipment

[Directive 2011/65/EU**](#)

REACH

Registration, Evaluation, Authorization and Restrictions of Chemicals

[Regulation \(EC\) No 1907/2006**](#)

Biocidal Products Regulation

[Regulation \(EU\) No 528/2012**](#)

*This list is not meant to be exhaustive.

**Each piece of legislation is different in terms of scope and requirements and exclusions and exemptions may apply.



How can EU's environmental requirements impact Canadian exporters?

Legal obligations

Under RoHS, non-EU manufacturers must ensure their exported goods are compliant

Contractual obligations

The customers require support to ensure the products they buy are compliant*

Bidding conditions

Prospective customers ask for proof of compliance as part of the bidding process

Border controls

EU Countries' Customs require proof of compliance at the borders

Canadian exporters face a variety of risks

*In most cases the companies receiving Canadian goods (i.e. Customers) will be responsible to ensure compliance.



What could go wrong?

Example:
Coating

Safety data sheet not compliant with REACH
(e.g. no exposer scenario, not in local language)

Uncompliant substance in the paint formulation
(e.g.: restricted, unregistered or unauthorized substance under REACH or unauthorized active substance under Biocides reg.)



Labelling on packaging not compliant with REACH / CLP
(e.g. not latest pictograms)

Substance in the paint formulation at risk of future restriction
(e.g.: substance on Authorization list or proposed for restriction)

Although they comply to Canadian norms, companies exporting chemicals to the EU may face new risks



What could go wrong?

Example:
Electronic &
Electric
Equipment



Uncompliant substance in a product's **sub-components** or in the **packaging**

(e.g.: restricted substance under REACH or RoHS or unauthorized active substance under Biocides reg.)

Undeclared REACH Candidate List substances found above legal threshold

(e.g.: nonylphenols, cadmium, hexavalent chromium)

Labelling on the product not compliant with RoHS

(e.g. no CE marking)

Exporters of goods face the challenge of tracking substances in every sub-component of the end-product



Consequence of non-compliance

- Penalties or criminal charges incurred by exporters or by their customers
- Operational and financial losses
 - delayed or blocked shipments of goods
 - decreased sales due to negative brand reputation
 - missed business opportunities
 - decreased interest from investors due to company's poor reputation
 - decreased productivity due to fire-fighting mode

Example: in a landmark case of non-compliance with restricted substances, Sony Corporation lost an estimated 150 million USD

The overall cost on non-compliance outweighs the investments needed to ensure due diligence



Recent
developments:

REACH 2018
registration
deadline

REACH 2018



Are you affected by the deadline?

If you manufacture chemical substances or import them from outside the EU above one tonne per year, you may have registration obligations under REACH. Additionally, if you manufacture or import a product (mixture, article), it may contain substances that need to be registered individually.

- Pre-registration must be done before May 2017 to avoid the risk of disruptions
- Late registrants are at risk of not being allowed to import their products after May 2018

Canadian exporters of chemicals need to ensure correct registration of their substances by the deadline



Recent developments:

Amended REACH guidance for manufactured goods

- REACH requires the disclosure of Candidate List Substances if above 0.1% weight/weight in a manufactured good
- In past interpretation, the concentration of Candidate List Substances would be calculated and declared at the end-product level

What changed?

- The EU court of justice ruled that **REACH requirements also apply to each subcomponent of a manufactured good** (i.e. substance concentrations should be calculated and declared for each subcomponent)
- An amended draft guidance was published in Jan. 2017

Canadian exporters may need to re-assess the presence of Candidate List Substances in their products



Recent
developments:

Increased REACH
Enforcement for
manufactured
goods

Forum starts projects on internet trade of chemicals and on substances in articles

ECHA/NA/15/36

At its November meeting, the Forum for Exchange of Information on Enforcement decided on two new pilot projects for 2016 and 2017.

Helsinki, 10 November 2015 - In 2016, a pilot project will focus on internet sales of chemicals. The intention is to enforce that legal provisions are complied with (e.g. appropriate information is provided to customers) when substances and mixtures are offered for sale on the internet.

The pilot project for 2017 will focus on enforcing the provisions for substances in articles in REACH. The Forum is committed to coordinating enforcement of these provisions following the recent judgement of the Court of Justice (10 September 2015 in case C-106/14) clarifying the obligations under Articles 7(2) and 33 of REACH.

In 2017, EU authorities will focus on enforcing the requirement to disclose REACH Candidate List substances when found above 0.1% weight/weight in articles in manufactured goods

Canadian manufactured goods may see an increase in compliance controls, including at customs



Best practices

Customers

How customers use your product?

What information customers may need from you?

House cleaning

Inventory of chemicals used in house & ensure up to date SDS

How much of in-house chemicals remain in your product?

Assessment of EU export risks from in-house chemicals

Suppliers

Obtain info on chemicals present in goods supplied to you

Assessment of EU risk from supply chain chemicals



Example of best practices

IPC-1754
Aerospace &
Defense
Standard

Developed by
International
Aerospace
Environmental
Group

Aims to facilitate
chemical reporting
in the supply chain

Expected to be
cascaded in supply
chain by major
OEMs

DCC
authorization

Early identification
of coming ban on
two of its chemicals
under REACH

Strategic decision
to request an
authorization

Currently, only
company allowed
to commercialize
the chemicals in the
EU



New market opportunities

Higher market expectations

Proactive environmental management

No EU import tax on most goods made in Canada*

Customs & trade facilitation

Access to new markets

Environmental compliance risks

High environmental requirements on manufactured goods

Environmental enforcement on imports is scaling up

More conventional chemicals regulated or restricted

Take-Away

Proactive environmental management is key to fully leverage the new opportunities brought by CEPA



Benefits of working with CCG



What we do

- Educate so that you can take best decisions
- Assess your current situation
- Work with your personnel to establish and implement the right processes
- Regularly monitor EU regulations
- Assist you in EU legal tasks

Benefits for you

- No more compliance and legal risks
- Gain competitive advantage on the EU market



CCG helps you to build a cost-effective risk management plan



CARBON CONSULT GROUP
GROUPE CONSEIL CARBONE



[@CCarbonGroup](https://twitter.com/CCarbonGroup)



www.carbonconsultgroup.com



info@carbonconsultgroup.com