

43 – Using Fees to Improve Chemical Management in Europe

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As COVID-19 strains fiscal budgets both in terms of lower revenues and higher expenditures, regulatory agencies may need to find innovative ways to finance their activities. The European Chemicals Agency (ECHA) is furthermore struggling with loss of revenues due to Brexit as well as lower revenues from registration fees after the REACH registration deadline 2018. In this explorative paper we discuss how fees can be used to both generate revenue and improve chemical management in Europe. In particular we analyse how fees can be used to incentivize information provision and a phase out of substances of very high concern (SVHC).

Despite the “No data no market” principle in REACH, the quality of the mandatory registration dossiers companies need to submit before placing new substances on the market is in many cases incomplete. Based on a review of the current cost of non-compliance, we suggest that this can be raised by increasing both the probability of detection and the sanctioning fees.

In order to attain an authorisation for the use of a SVHC, REACH requires companies to prove that the benefits of continued use are larger than the costs. However, due to asymmetric information, it is difficult for the regulator to know if the information provided by the companies is correct. Based on a review of the estimated costs and benefits in 114 socio-economic analyses submitted to ECHA by companies seeking authorisation we discuss design options for an authorisation system providing effective incentives for truthful reporting of costs and benefits. One option is a revised authorisation fee being a share of the SVHC substitution costs reported by companies seeking authorisation. We find that an authorisation fee of 1000 EUR/tonne SVHC could lead to a phase out of 49-71% of the total amount of SVHCs under authorised use on the European market.

Identifying and reducing the risk posed by SVHCs is central to REACH. However, 13 years after the regulation entered into force only around 250 substances have been identified as SVHCs and the use of these substances is in many cases still substantial. Based on read across, substances with a similar chemical structure as a known SVHC can be identified and flagged as a suspected SVHC. We discuss how a differentiated fee on the use of SVHCs and suspected SVHCs can be designed. Finally, we estimate the effects on revenue generation and on the use of SVHCs from the suggested fees.

Biographical note

Daniel Slunge, PhD, is a health and environmental economist doing applied research on valuation, risk perceptions and policy instruments related to chemical management and vector borne diseases. He is based at the Gothenburg Centre for Sustainable Development at the University of Gothenburg. He is very active in the research-policy interface and combines research with advisory work for national and international organisations such as the World Bank, UNEP and the Swedish Chemical Agency. He recently served as an expert on the Swedish governmental inquiry on a tax on chemicals in clothes and shoes and in the writing of the Global Chemicals Outlook II report.