



BREXIT

**Potential Impacts on the
Aerospace & Defense Chemical
Supply Chain From a “No Deal”
Perspective**



IAEG

INTERNATIONAL AEROSPACE
ENVIRONMENTAL GROUP

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REACH Program Office Director
United Technologies Aerospace Systems





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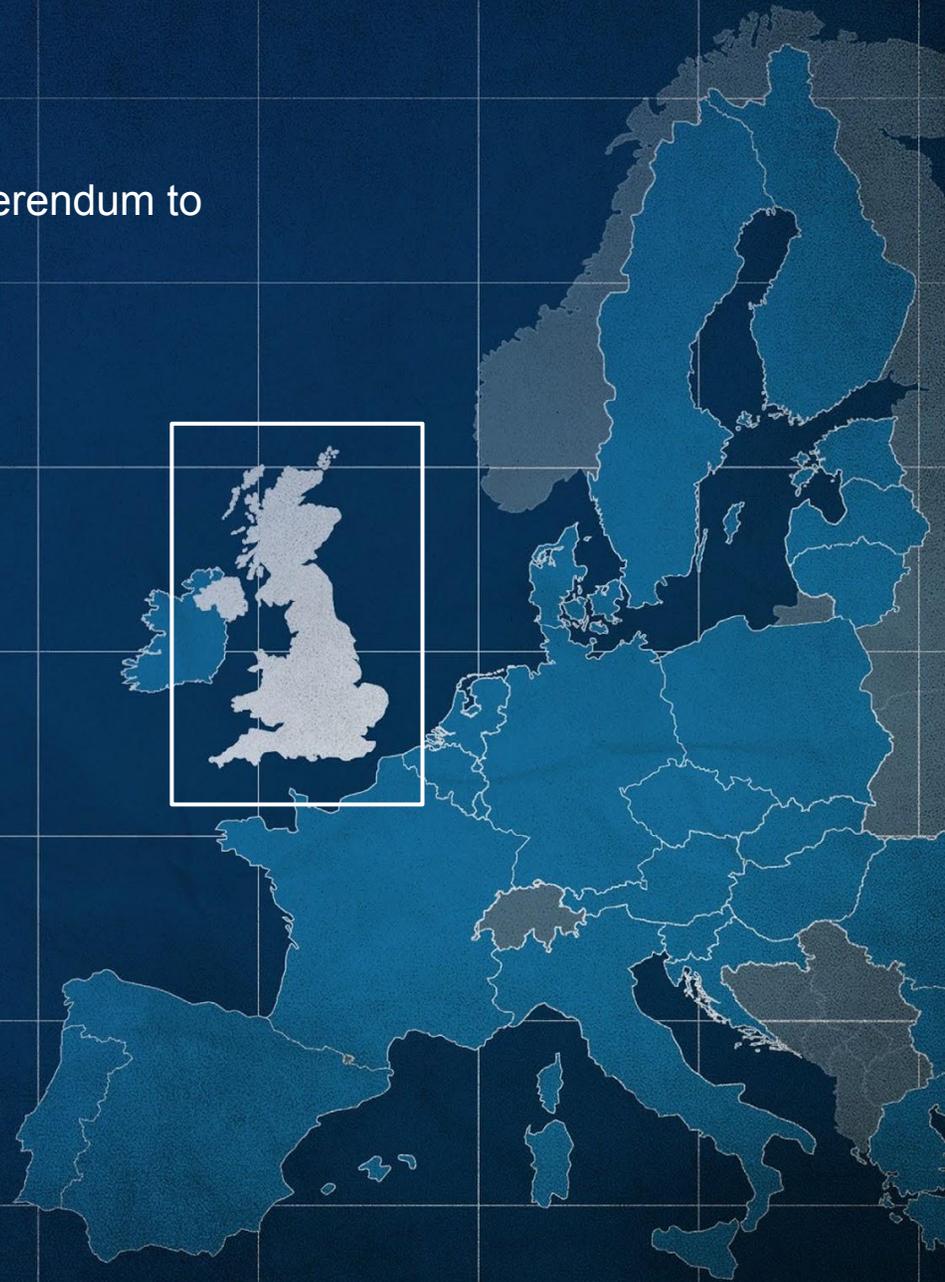
BREXIT

is an abbreviation of "British Exit", referring to the UK's decision in a June 23, 2016, referendum to leave the European Union (EU).

However, a final agreement on the terms and conditions of the UK's withdrawal from the EU, including the transition period, will need to be ratified before March 2019. **If you are a chemical manufacturer, importer, distributor or downstream user, **ACT NOW** to evaluate your supply chain before the exit date and consider mitigation planning, including compliance with the new UK Chemical Regulations.**



BREXIT
WITHDRAWAL:
MARCH 29
2019



TIMELINE



IF THERE IS A DEAL

on the withdrawal agreement (including transition period)

JUNE 2016
Brexit referendum

OCTOBER 2018
Planned EU-UK divorce deal
(did not occur)

MARCH 29, 2019
UK leaves the EU, transition deal due to start

2021
Transition ended; new EU-UK trade deal enters into force

2023
Transition may be extended to this date

2016

2017

2018

2019

2020

2021

2022

2023



IF THERE IS NO DEAL

on the withdrawal agreement (and no transition period)

EARLY 2019

EU and UK parliaments vote on exit deal

MARCH 29, 2019

No deal/No transition period



NO DEAL

IMPACT ON REACH:

- ✓ The EU REACH Regulation will cease to apply in the UK, which will become a country outside of the EU Single Market.
- ✓ EU REACH registrations and authorisations (or AfA) held by UK-based entities will become invalid on the exit date.
- ✓ The UK Government will implement its own version of REACH.
- ✓ New registration requirements will come into force for UK companies currently importing chemicals from an EEA country.
- ✓ EU-27+ companies purchasing chemical products from UK-based companies will become importers under REACH and vice versa.
- ✓ UK registrants and authorisation holders will lose access to ECHA's REACH IT system.
- ✓ EU and UK distributors before Brexit may become importers after the exit date.
- ✓ Downstream users of chemical substances and mixtures will need to check with their suppliers to ensure registrations are in place in the EU-27+ and UK.
- ✓ Volumes related to registration will need to be reconsidered for each jurisdiction (UK and EU-27+).
- ✓ Other chemical legislation obligations will also be impacted (e.g. CLP, BPR and PIC Regulations).



DICTIONARY:

If at any time throughout this report you come across a term you would like defined, simply click on the **Dictionary** icon at the top-right of each page to reference the definition section.



NOTE:

If the UK's withdrawal from the EU is agreed prior to the exit date, this will trigger a transition period (until December 31, 2020) during which the UK would retain access to the EU Internal Market and Customs Union on its current terms and in this case **EU REACH Regulation would continue to apply in the UK and REACH registrations/authorisations would remain valid until December 31, 2020.**

DEFINITIONS



A&D: Aerospace & Defense.

AfA: Pending Application for Authorisation.

BPR: Biocidal Products Regulation (EC) 528/2012.

CLP Regulation: Classification, Labelling and Packaging Regulation (EC) 1272/2008.

DEFRA: UK Department for Environment, Food & Rural Affairs.

Distributors (D): Legal entity based in the EEA that sources a chemical substance on its own or in a preparation within the EEA, stores it, and then places it on the EEA market for someone else (also under own brand without changing chemical composition in any way).

Downstream User (DU): Legal entity based in the EEA other than the manufacturer or the importer, who uses a substance (either on its own or in a mixture), in the course of their industrial or professional activities. Uses of those chemicals include companies that manufacture goods or offer services where chemicals are not the main element of their business, such as repair shops or cleaning companies. Chemicals used typically include paints, coatings, sealants, adhesives, solvents and cleaning agents.

ECHA: European Chemicals Agency.

EEA: European Economic Area, which currently includes 28 EU countries, and also Iceland, Liechtenstein and Norway.

EU-27+: After Brexit, there will be 27 EU countries + EEA countries. Here we use the term “EU-27+” to define the after-Brexit scenario.

Exit Date: Date the UK will leave the EU.

Formulators (F): Downstream users who produce and supply chemical mixtures further down the supply chain or directly to consumers. They mix together substances and/or mixtures, with no chemical reaction taking place during the process. Examples of such mixtures include paints, adhesives, cosmetics, lubricants, detergents and diagnostic kits.

HSE: UK Health and Safety Executive.

Importers (I): Legal entity based in the EEA that buys a chemical product directly from a supplier based outside the EEA, and is responsible for physical introduction of the chemical product into the customs territory of the EEA.

Manufacturer (M): Legal entity based in the EEA that produces or extracts a chemical substance. You are not a manufacturer under REACH if you only blend substances into mixtures or use chemicals to produce articles. In that case, you are a downstream user.

Only Representative (OR): Companies based outside the EEA can appoint a European-based OR to take over the tasks and responsibilities of EEA-based customers who import from the appointing company. This can simplify access to the EEA market for their products, secure the supply and reduce the responsibilities for their EU customers.

PIC Regulation: Prior Informed Consent Regulation (EC) 649/2012.

REACH Regulation: EC Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

RoW: Rest of the World (non UK and EU-27+ countries).

UK: United Kingdom.



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- ✓ EU and UK distributors before Brexit may become importers after the exit date.
- ✓ Downstream users of chemical substances and mixtures will need to check with their suppliers to ensure Registrations are in place in the EU-27+ and UK.
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- ✓ Other chemical legislation obligations will also be impacted (i.e. CLP, BPR and PIC Regulations).



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 **ECHA has published information on its website (including Q&A)** to address the UK's forthcoming withdrawal from the EU. The updates cover topics related to the authorisation and registration of substances and mixtures under REACH, as well as general advice to current non-EU companies. If the EU and the UK conclude a withdrawal agreement and therein agree on a transition period, ECHA will amend the Q&As accordingly.



Department
for Environment
Food & Rural Affairs



In the event of a “No Deal”, the UK Government Technical Notice sets out how businesses producing, registering, importing or exporting chemicals may be affected when the UK leaves the EU on March 29, 2019.



IAEG SURVEY

BACKGROUND:

IAEG conducted two surveys in August 2018 to understand the risk perception of chemical distributors and formulators in the case of a Brexit “No Deal” scenario.

OBJECTIVES:

- Identify and contact key UK and EU-27+ chemical formulators and distributors to evaluate possible issues related to the continued supply and use of chemicals for the aerospace and defense industry.

RESPONSE RATE:

- Approximately 200 EU and UK chemical distributors and formulators were identified by membership.
- As of September 26, 2018, 42 responses were received (approximately 20 percent of those surveyed).

20%



of the respondents are either unaware of Brexit or don't understand that if there is no deal, UK-based authorisations and registrations will become invalid.

41%



have not considered stockpiling chemicals and mixtures as a means to mitigate potential business disruption in advance of the exit date.



55%

don't have “No Deal” mitigation plans.



RISKS

COMPLIANCE

A “No Deal” scenario might lead to potential compliance shortfalls or supply chain disruption if:



There is a lack of supply chain awareness about new importer obligations.



Existing REACH Registrations/ Authorisations held by UK-based entities are invalidated in the EU-27+ on the exit date.



There is a presumption that there will be a deal before the exit date.



Due to current uncertainty regarding possible new UK regulations, the requirements, response time and compliance costs are still **UNKNOWN.**

BUSINESS OPERATIONS



Suppliers might perceive Brexit-driven regulatory changes as burdensome and expensive (this may result in obsolescence issues).



Chemical substances might be delayed at customs (manufacturing schedules and customer deliveries may be impacted).



Internal compliance systems and processes might not align with the new requirements (requiring extra cost and time to upgrade).



RISK MITIGATION CONSIDERATIONS

SUPPLY CHAIN ENGAGEMENT



IDENTIFY

potential obsolescence issues.



REVIEW

supply chain and sourcing strategy (alternate routes).



EVALUATE

the most critical processes for your organization and coordinate with your supply chain to find possible solutions.

BUSINESS PLANNING



ASSESS

the information provided in this IAEG Brexit/REACH fact sheet and distribute to your supply chain.



FREQUENTLY MONITOR

official websites to stay informed.



SECURE

resources to support a mitigation strategy, including technical, financial, professional advice and supply chain communication to ensure business continuity.



Based on the currently-available public information, IAEG has developed the following scenarios to address potential mitigation actions for the aerospace and defense chemical supply chain located in the UK, EU and the rest of the world, in the event that a withdrawal agreement is not ratified prior to the UK's exit from the EU on March 29, 2019.





NO DEAL SCENARIOS: REACH AUTHORISATIONS FOR UK APPLICANTS/HOLDERS

I AM AN AUTHORISATION APPLICANT BASED IN THE UK



ASK YOURSELF

Do I supply to the UK?

- Notify HSE of existing REACH EU authorisation within 60 days after the exit date.
- Follow UK government technical notices and guidance on REACH for more information.

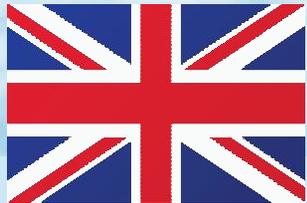


ASK YOURSELF

Do I supply to the EU-27+?		Transfer timings	More information (ECHA Q&A)
Manufacturer of Chemical Substance	Transfer EU authorisation or AfA to an OR or affiliate in EU-27+.	At the time of the UK withdrawal	Q&A 1466
Formulator Applicant	Transfer EU authorisation or AfA to an OR or affiliate in the EU-27+.	At the time of the UK withdrawal	Q&A 1466
Importer of Chemical Substance	Transfer import to an affiliate in the EU-27+, if available. Or, non-EU manufacturer must transfer to an OR in the EU-27+.	Must take place ahead of the UK withdrawal	Q&As 1239 and 1241 to 1249
Only Representative	Contact principal to transfer authorisation to an OR in EU-27+.	Must take place ahead of the UK withdrawal	Q&A 1250
End User Applicant	Not applicable (no further downstream use).	Not applicable	Not applicable



RESOURCES



UK

**GOVERNMENT
PUBLICATIONS**

[Technical Notice Number CBP 8403, 24
September 2018: Brexit and Chemicals Regulation
\(REACH\)](#)

[How will aerospace be affected by *NO DEAL*?
Government Technical Notices](#)

[BPR if there's *NO DEAL*](#)

[CLP if there's *NO DEAL*](#)

[Import and export of hazardous chemicals if
there's *NO DEAL*](#)



EU

**GOVERNMENT
PUBLICATIONS**

[ECHA Q&A: The UK's withdrawal from the EU](#)

[ECHA National Helpdesk](#)

[EC: Brexit and the transport sector](#)

[EASA](#)

 **[FULL LIST](#)**

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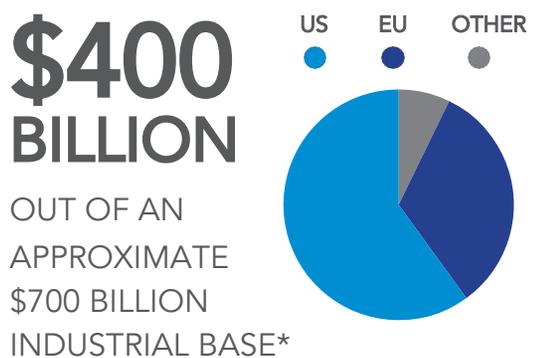
 was founded in 2011 with a vision to advance innovative environmental solutions for the aerospace and defence industry.

Starting with 11 founding members, and now with 50 members, this collaboration forum is designed to address pertinent environmental issues that all member companies face. As we have grown, we have found tremendous value and synergy in working these non-proprietary issues together, for the betterment of the industry at large.

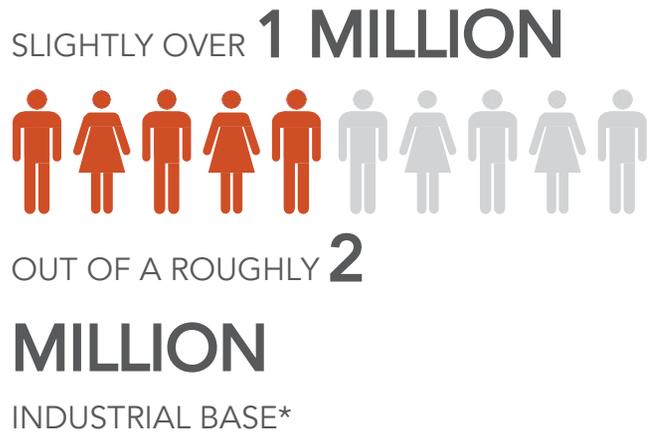


Sally Gestautas
Board Chair

REVENUE FOOTPRINT



EMPLOYMENT FOOTPRINT



SOLUTIONS



 IAEG.com

*Deloitte, 2014 Global aerospace and defense sector financial report

Expert Panel



Steve George
Rolls-Royce



Michele Lewis
UTC Aerospace Systems