Resetting the UK-EU Relationship

A Path to Stabilizing the Chemical Supply Chain

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Brexit-related disruptions impact the UK chemical supply chain, emphasizing the importance of renewed UK-EU collaboration.

Critical to domestic and global industry, the UK chemical supply chain continues to experience Brexit-related disruptions. Tim Doggett, CEO of the Chemical Business Association (CBA), explains why relations with the EU are best rekindled.

A Barrage of Disruptions

In recent years, the chemical supply chain has faced disruption from all angles: the pandemic, the Russian-Ukrainian war, Red Sea shipping attacks, global inflation and more recently, trade tariffs. What's more compared to pre-pandemic years, UK chemical production has fallen by a quarter, with major reductions in exports.

Throughout this period, the EU—who's chemical industry revenues are second only to Asia—has remained a critical partner, transit route and market for the UK chemical industry, with annual exports to Europe of around £30 billion (€34.8 billion). Despite this, Brexit-related logistical and regulatory issues are disproportionately impacting chemical businesses on both sides of the border, particularly SMEs.

In the CBA's latest Brexit survey of members in November 2024, 71% faced chronic import/export challenges, while 82% were concerned by regulatory uncertainty. What's more, in practice, the combination of increased regulation and border checks has extended typical delivery timescales from three days to as much as two weeks and in some cases, they are even longer.

To mitigate the potential for bottlenecks and missed deadlines, some UK businesses are now holding around four weeks' worth of stock, compared to just one weeks' prior to Brexit. This increase, a precautionary necessity, has inflated warehousing costs, impacting company cash flows and investment in growth.

The shift from 'just in time' to something more akin to 'just in case' inventory models has also presented financial and logistical challenges. Businesses that have had to stockpile materials to mitigate delays are experiencing higher warehousing costs, which in turn are having an impact on cash flow and in some cases liquidity. With some companies unable to absorb the added costs and delays, they have opted to reduce or cease certain trade routes altogether or indeed move their operations to the EU.

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Tim Doggett, Chemical Business Association (CBA)

Regulatory Challenges

A significant import/export issue for chemical companies trading between the UK and EU is they now have to comply with both UK and EU regulations. Not only has this created a major administrative burden, but the costs of compliance have risen substantially. In some cases, only wages and capital investment are now costing more on the bottom line.

One of the biggest regulatory challenges is UK REACh. Before Brexit, the UK followed EU REACh regulations. It is estimated that over the years more than £500 million (€580.6 million) was spent on data to achieve compliance. Following Brexit however, EU REACh was replaced by UK REACh, a model that effectively requires the duplication of EU REACh data.

Not only are the costs of duplication which are estimated by the Department for Environment, Food & Rural

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Affairs (DEFRA) to be between £1 billion (€1.16 billion) and £3.5 billion (€4.06 billion) a significant impact on business, the regulation—and particularly ongoing uncertainty as to what the final model will look like—are a significant incumbrance and barrier to trade for UK businesses. Moreover, the impact of UK REACh goes beyond the chemical supply chain and the wider chemical industry, affecting users who had not previously been within the regulation's remit including downstream users who are now also affected.

Despite ongoing lobbying by the CBA directly with the Government and government departments, since DEFRA announced it would explore an alternative model, and look at the deadlines in December 2021, progress on UK REACh has continued to be slow.

Although the deadlines have been extended, businesses still wait for clarification on an Alternative Transitional Registration model (ATRm). With work still in progress, the ongoing uncertainty on UK REACh means investment is curtailed, stifling trade, innovation, and growth in the UK chemical supply chain, the chemical sector and indeed the wider economy.

Ambiguity, coupled with widening regulatory divergence between the UK and the EU, has also made compliance more complex. Many businesses are

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struggling to source critical materials, leading to supply chain inefficiencies and, in some cases, making certain chemicals commercially unviable. Without timely resolution, the lack of clarity will further hinder trade, innovation, and economic growth.

Beyond UK REACh, evolving EU regulations also continue to affect UK exporters. The recent updates to the EU's Classification, Labelling, and Packaging (CLP) and REACh regulations impose additional requirements, adding further compliance obligations for UK businesses trading with the EU.

Re-Establishing the EU Relationship

The UK Government's stated desire to reset its relationship with the EU clearly underscores a commitment to rebuilding and repairing ties with the bloc through closer alignment. And while exploratory talks and negotiations have been promising, the importance of the chemical supply chain on both sides and its enormous impact on everyday life means it is vital to resolve the issues and disruption caused by Brexit.

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The CBA remains a leading voice in advocating for meaningful progressive discussions with the EU. The chemical supply chain underpins a vast range of critical industries, from healthcare and energy to manufacturing and construction. Underlining the need for practical, clear workable solutions is clear and has never been more urgent.

The CBA is focused on securing regulatory clarity, easing trade friction, and fostering deeper collaboration with EU counterparts, all essential to restoring the sector's global competitiveness and enabling long-term sustainable growth.

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Compounding existing pressures, the recent announcement of broad reaching US tariffs has introduced additional confusion and disruption into already stretched global supply chains.

Whilst chemicals may not have been specifically targeted, such measures will inevitably have knock-on effects across many sectors, including the chemical supply chain, raising concerns and costs for downstream industries, dampening demand, and increasing uncertainty for manufacturers on both sides of the Atlantic.

For an industry reliant on complex, cross-border supply routes for raw materials and intermediates, the introduction of further trade barriers risks delaying shipments, inflating production costs, and eroding competitiveness.

Against this backdrop, there is renewed opportunity, and necessity, for the UK and the EU to collaborate more closely. Greater regulatory alignment and reduced trade friction will not only strengthen supply chain resilience but also reinforce the region's standing in an increasingly volatile global market.

What this may mean for many, is restoring some semblance of full market access, something which may well not be possible without re-negotiating current agreements or the UK rejoining the single market.

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