CONCERT REACH Industry Workshop «Novità e benefici attesi dall'implementazione degli "In Silico Tools" per le imprese chimiche»

# *"In Silico Tools" e Regulatory costs:* stima dei risparmi attesi per le imprese chimiche

13 Giugno 2023



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# Chemical Risk evaluation & assessment The post-REACH Registration era

#### **Registration summary data**

Source: Federchimica, 2019 estimates

Phase-in substances after the 3 deadlines (2010, 2013, 2018):

- 22,000 registered substances
- ➢ 95,000 registrations

In 2019 1,500 new registrations (new products).

Average costs expensed by REACH-compliant Chemical Companies:

> 1,000,000 € (within all the 3 deadlines)

Most recurring cost components: Letter of Access ("LoA")

Required (human) professional resources:

- 30% of declared they had to hire specific competences
- 40% reallocated internal resources
- 75% indicated the use of external support (consultancy).

Latest developments: **Dossier revision** required by ECHA to improve the quality of already provided safety data (concerning in particular chronic toxicity data with specific focus over reprotoxicity studies) Expected associated cost within the larger tonnage band (> 10 t/y) could vary from a few tens of thousands  $\in$  up to approx. 300,000  $\in$ .





100 000 chemicals in the market 22 600 chemicals with a use over 1 tonne per year 4 700 chemicals with a use over 100 tonnes per year prioritized in hazard characterization and evaluation

Visual inspired by EEA's "The-unknown-territory-of-chemical-risks": www.eea.europa.eu/soer/2020/soer-2020-visuals/theunknown-territory-of-chemical-risks

#### Source: European Environmental Agency (EEA)

14,000 registered chemicals in scope for extended Standard Information Requirements

# The European Chemicals legislation An articulated framework





### Shortcomings of "in vivo" analysis Predictive value of certain experimental data

Human ~ Rat

 $R^2 = 0.26$ 

N = 650

RMSD = 0.824

log10(Human p5 mg/kg-d)

0

Quantitative Concordance Between Rodent and Human Toxicological Responses

*"The results of a laboratory"* animal can only predict the results in reproductive toxicity of another species by 60%".

VHP4Safety project







New APCRA Case Study. Preliminary Results

# Ongoing developments (1) Transition is happening



- European Citizen's initiative (ex. "Save cruelty free cosmetics Commit to a Europe without animal testing' submitted to EC" initiative)
- European Parliament asking for a roadmap
- Food and Drug Administration modernisation act
- European Medicines Agency 3R working party
- European Food Safety
- Authority roadmap

• European Chemicals Agency (ECHA) Report & Workshop on New Approach Methods (NAM) Video: hiips://echa.europa.eu/it/-/new-approach-methodologies-workshop-towards-an-animal-free-regulatory-system-for-industrial-chemicals Report: hiips://echa.europa.eu/documents/10162/23919267/230530 117 3 alternatives test animals 2023 en.pdf/9cfc291e-9baf-ffa2-466c-2bc2c6f06b8e?t=1685428213290

# Ongoing developments (2) Last period performance for Adaptations

#### ADAPTATIONS (in particular READ-ACROSS) USED MORE THAN EXPERIMENTAL STUDIES (2009-2022)







No big differences with previous periods ('16, '19 and '22)

Higher tonnage bands > additional info required (higher-tier endpoints) > more adaptation



in vivo

in vitro

# Evolving Regulation for industrial chemicals

#### Information on properties of chemicals

- Horizontal: <u>REACH</u> (Registration + Evaluation)
- Sectorial: Pesticides, Biocides...

#### Identification of hazards

- Horizontal: CLP
- [Sectorial: REACH, pesticides, biocides]

#### **Managing risks**

- Horizontal: REACH (Restrictions + Authorisations)
- Sectorial: Plant protection products, Biocides, Cosmetics, Toys, Water, Waste, Industrial emissions, Workers protection, Eco-design, Food contact materials, Industrial accidents

REACH revision: ED, PBT, vPvB and other 'critical' hazards restricted for consumer and some professional uses

CLP revision: new hazard

classes for ED, PBT, vPvB, PMT, vPvM

**REACH revision:** more

information on chemicals and their hazards



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## Concert REACH



### a network of non-testing methods (NTMs) for exploring the properties of new chemicals by using the data gathered within REACH





**External supporting** 



## **Adverse Outcome Pathways (AOP)**



Molecular Initial Event (MIE), Mode of Action (MoA) and Key Events (KE)



### Multi level transition analysis LIFE17 GIE/IT/000461 Identifying QSAR's barriers, leverages and opportunities

Providing scientific evidence is clearly not sufficient to make real changes

Need of flexible approach, mixed methods as well as interdisciplinary research

#### Alternative system

Source: Geels, F. W. (2011). The multi level perspective on sustainability transitions: Responses to seven criticisms.

Environmental innovation and societal transitions, 1(1), 24 40.



### **Next Generation (animal-free) Risk Assessment** THE CHALLENGE



9,338,162 ANIMALS

Were still being used for research and testing in the EU in 2017 (about one third for toxicity testing).

INTERDISCIPLINARY APPROACH

Integrating data from new in vitro and in silico methods, data sciences and social sciences

#### SLOW DECREASE

In 10-years time, the use of animals is only decreased by 22% with the current approach to gradually refine, reduce and replaceanimal testing.

HUMAN-RELEVANT SCENARIOS

Current animal tox testing regimes do not reflect human-relevant scenarios, such as differences in susceptibility due to age, gender, timing of exposure, or disease state.

#### REPRODUCIBILITY

Only 25% of published results obtained with animal data can bereproduced.



#### Human biology central

#### Science & regulations meet

#### PREDICTIVE VALUE

The results of a laboratory animal can only predict the results in reproductive toxicity of another species by 60%.

Virtual human platform for safety assessment of chemicals and pharmaceuticals

VHP4Safety project NWA 1292.19.272 is part of the NWA research program 'Research along Routes by Consortia (ORC)', which is funded by Netherlands Organization for Scientific Research (NWO).



# Digitalization opportunities (1) Artificial Intelligence & Big Data for Process Industries





# Digitalization opportunities (2) Articulated by Chemical segment & internal function



Source: Deloitte's report on «Chemistry 4.0: » https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-chemistry%204.0-full-report.pdf



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# REACH Compliance & CSR Endpoints' costs of experimental testing activities

#### Physico-Chemical Properties

- Boiling point
- Melting point
- Dipole moment
- Molar refractivity
- Parachor
- Octanol water partition coefficient
- Vapor pressure
- Density
- Solubility

• ...

#### **Biological activities**

- Binding affinity
- Lethal dose
- Inhibition concentration
- Mutagenicity
- Carcinogenicity

• ...

### Unit costs estimates for individual endpoints analysis to be externally outsourced (EU labs)

Research Paper

**Testing Capacity** 

Independent and Corporate GLP Laboratories in the EU

and Switzerland"

"Testing Costs and

According to the REACH

Requirements – Results of a Survey of Appendix 1: Average prices for the tests as required by the REACH proposal: Overview by size of

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	Test guide- lines: OECD / EU	No. of all labs	Avg. pr			
Tests as specified in Appendix V-VIII of the REACH proposal			All labs	Large labs	BAuA (2004) labs	Large lab sha of tot. capacit (%)
v 011 - Spectral data		10	2,094	2,626		40
v 012 - Analytical characterization		8	2.554	2.294		48
v 014 - Development of analytical method		9	5,239	9,500		85
v 5.02 - Melting point	102 / A.1	12	674	848	600	71
v 5.03 - Boiling point	103 / A.2	12	719	905	600	71
v 5.04 - Relative density	109 / A.3	11	657	829	600	72
v 5.05 - Vapour pressure	104 / A.4	8	2,779	3,211		84
v 5.06 - Surface tension	115	12	817	976	800	70
v 5.07 - Water solubility	105	11	3,813	4,508	3,900	78
v 5.08 - Partition coefficient	117 & 107	10	3,248	4,034	3,000	76
v 5.09 - Flash-point	A.9	11	809	896	800	75
v 5.10 - Flammability	A.10	9	812	912		77
v 5.11 - Explosive properties	A.14	9	2,284	1,885	3,300	76
v 5.12 - Self-iginition temperature	A.15 or 16	9	1,338	1,646	1,800	82
v 5.13 - Oxidising properties	A.17	9	2,144	2,611	2,700	74
v 5.14 - Granulometry	ECB GuideL	6	1,328	1,318		92
vii 5.18 - Stability in organic solvents	105	5	3,496	4,427		76
vii 5.19 - Dissociation constant	112	8	3,216	4,663		76
vii 5.20 - Viscosity	114	7	860	1,281		66
v 6.1 - In vitro skin imitation/corrosion	430 & 431	4	1,645	1,893		98
vi 6.1.1 - In vivo skin imitation/corrosion	404	10	1,194	1,494	1,200	83
v 6.2 - In vitro eye imitation/corrosion		4	1,615	1,615		100
vi 6.2.1 - In vivo eye imitation/corrosion	405	12	1,343	1,650	1,100	86
v 6.3 - Skin sensitisation (LLNA)	406	8	3,959	4,668	3,200	88
v 6.4.1 - In vitro gene mutation study (Ames test)		- 11	3,174	3,204	2,900	91
vi 6.4.2 - In vitro cytogenicity study in	473	11	10.161	10.217	15,000	86

Source: Journal of Business Chemistry - Manfred Fleischer (September 2007) hiips://repositorium.uni-muenster.de/document/miami/34db8d76-be1d-4cdf-9c8e-a26c5b045d51/2007\_vol4\_iss3\_96-114.pdf



#### **Human Health**

public health (consumers)

 occupational health (avoidance or reduction of diseases caused by occupational exposure to chemicals: reduced costs to cure workers' ill-being by the general public - medical care; improved quality of life for the individual worker; reduced operating costs for the employer, often associated to increased working days, as well as improved Risk Management Measures-RMMs)

#### **Environmental Benefits**

- less environmental damage as well as less (public) spending for its compensation (remediation costs)
- risk reduction for dangerous chemicals (reduced exposure)
- less costs from penalties related to environmental emissions
- reduced consumption of chemicals, solvents and other lab material and resources necessary for "in vivo" and "in vitro" R&D studies

#### **Benefits for the Business**

• reduced R&D costs (all market actors have better hazard, risk and use information, while the decision basis for R&D becomes complete – provided the IST estimates prove reliable – and long-term planning easier)

- reduced Compliance costs for manufacturers and importers ("red tape")
- reduced liability claims and prevention of business risks

• increased competitiveness of EU manufacturing industries (IST as a fast tool platform allowing for efficient and cheap screening, identification and substitution of dangerous chemicals in order to prioritize safer ones etc.etc.)



# **Cost-Benefit Analysis (1)** Emerging drivers for IST impact analysis

#### **Operational expected savings** within the R&D function:

- reduced overall length-time of R&D individual product development
- reduced cost of R&D/technical internally dedicated personnel (descendent from the associated reduction of their time-effort)
- reduced consumption of chemicals, solvents and other lab material and resources necessary for "in vivo" and "in vitro" R&D studies (input: unit costs estimate of individual endpoints externally outsourced to labs)

#### Improved R&D productivity & performance associated to IST Regulatory investments

- REACH compliance & Chemical Safety Report (CSR dossier preparation, WoE Weight-of-Evidence)
- Improved Supply Chain communication with Suppliers and Downstream Users (product dev)

#### Indirect benefits and sectorial implementation:

- Safety Data Sheets SDS elaboration (indirect benefits)
- Product Regulations (such as Product Information File within Cosmetics Supply Chain, Agropharma, FCM, etc.)



# Cost-Benefit Analysis (2)

Components of Chemical Industries' R&D expenses

#### **Functional areas:**

- Administrative (for instance, Regulatory)
- Technical (advanced dialogue within Suppliers and other stakeholders within the Supply Chain, e.g. SDS)
- Commercial (Customer "fidelization" and interaction with Downstream Users. e.g. NIAS)

Benefiting	General purpose	IST exploitation and usage				
functional unit		Expected concrete benefits	Examples and other info			
Administrative Beureaucracy	REACH regulatory compliance	Cheaper and faster CSR completion				
Compliance (Red Tape)		Cheaper and faster CSR updating and modification	ECHA's request for improvement of presented (low-quality) REACH Dossiers			
	Requirements for Supply Chain communication in general (often	Feeding required "missing" safety data to <b>Cosmetics</b> producers	Raw Material producers feeding PIF-Product Information File			
	associated to existing Specific Product Regulations)	Elaborate and present safety data within the <b>FCM</b> sector	Provision of safety data as for German ordinance's chemicals' list (anticipating EU-wide expected Regulation)			
	Compliance with other "ordinary"	SDS completion with missing safety data	Low tonnage chemicals (tonns/year <1)			
	administrative requirements in Transport & Logistics		Lab internediates & reagents for R&D purpose			
R&D and	R&D efficiency &	Improved general	Prioritization			
Innovation departments	productivity (streamline R&D process)	understanding of safety issues associated to specific chemicals	AOP mechanism comprehension (understanding methabolic pathway of deeases)			
Supply Chain Management (Operations)	Customer fidelization through provision of "supplementary" safety	Feeding supplementary (but helpful) safety data to <b>Cosmetics</b> producers	Raw Material producers feeding PIF-Product Information File			
	data and info	Specific info requests from Clients	NIAS (Non Intentionally Added Substance)			



Source: CEFIC 2021 data (2023 Facts and Figures of the European Chemical Industry - cefic.org)

# The Cost of EU Innovation & Sustainability Increasing R&D expenses (and Regulatory costs)

R&I spending in the EU27 chemical industry



Source: Cefic Chemdata International

# **R&D expenses** IST exploitation and R&D productivity improvement

Companies' Regulatory expenses	Without IST	With IST	Saving ( $\Delta$ )	
Internal resources (Professionals & technical assets)	2,500%	1,000%	1,500%	
Personnel costs for R&D, Operations & Administration <sup>1</sup>				
Equipment & Machinery				
Laboratory materials and reagens				
Stabularium (animals for «in vivo» studies)				
External resources (Subcontracting and Assignments)	1,500%	0,500%	1,000%	
Consultants (R&D, Operations and Administrative)				
Outsourced tests to external laboratories				
Letter of Access (LoA)				
Administrative & Marketing (Regulatory fees)				
Training expenses for dedicated Personnel	0,500%	1,000%	-0,500%	
Regulatory costs as % of turnover	4,500%	2,500%	2,000%	
<sup>1</sup> Operations & Administration require Supply Chain commun	nication with Downstrea	m Users and Suppli	ers, elaboration	

of SDS, verify existence of NIAS ancd comunicate it accordingly, etc. etc.

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# Expected R&D savings (2021 data) Impacting the EU Chemical Industry



%					R&D R	Actual expected saving					
Product Groupings	Turnover		Sub-groupings	Turnover	Sub %	Without IST (4,5%)	With IST (2,5%)	Potential max saving (∆)	Scenario 1	Scenario 2	Scenario 3
	(BLN €)			(BLN €)		(BLN €)	(BLN €)	(BLN €)	25,0%	50,0%	75,0%
Petrochemicals	153,425	26,4%		153,425	26,4%	6,904	3,836	3,068	0,767	1,534	2,301
			Fertilizers	29,267	5,2%	1,317	0,732	0,585	0,146	0,293	0,439
Basic Inorganics	72,348	13,0%	Industrial Gases	16,149	2,7%	0,727	0,404	0,323	0,081	0,161	0,242
			Other Inorganics	26,931	5,1%	1,212	0,673	0,539	0,135	0,269	0,404
			Plastics	109,229	16,7%	4,915	2,731	2,185	0,546	1,092	1,638
Polymers	121,660	18,8%	Man-Made fibres	7,827	1,4%	0,207	0,115	0,092	0,023	0,046	0,069
			Synthetic rubber	4,605	0,7%	0,352	0,196	0,157	0,039	0,078	0,117
			Paints & inks	45,530	8,1%	0,471	0,262	0,209	0,052	0,105	0,157
Specialty chemicals	165.999	28.3%	Dyes & pigments	10,465	2,2%	0,606	0,337	0,270	0,067	0,135	0,202
	,	,_,	Auxiliaries for industry	96,528	15,5%	2,049	1,138	0,911	0,228	0,455	0,683
			Crop protection	13,475	2,5%	4,344	2,413	1,931	0,483	0,965	1,448
Consumer chemicals	80,297	13,5%		80,297	13,5%	3,613	2,007	1,606	0,401	0,803	1,204
Total	593,729	100%		593,729	100,0%	26,718	14,843	11,875	2,969	5,937	8,906

Data source: CEFIC Facts & Figures 2023 (data 2021) SC internal calculations.



Source: elaboration based on ISTAT (Italian National Statistic Institute) data



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- Reach registration costs for Industry during 2010 – 2018 → around € 5 billion, most likely even higher Source: Directorate-General for Internal Market, Industry (DG GROW) "Entrepreneurship and SMEs Study on the impacts of the REACH 2018 registration deadline - Final report - Wood EIS GmbH – May 2021"

- ECHA Reach Registration dossier evaluation activities show 2/3 of dossiers with insufficient data
- ECHA requires dossier integration and updating, read-across to be supported by accurate WoE documentation
- ECHA dossier integration requirements are mainly for animal testing. ECHA communication in March 2023 says:

""The law requires companies to use alternative methods whenever possible – so companies should only ever test on animals as a last resort. At the moment, accepted alternative methods, as direct replacement of animal testing, only exist for acute and short-term effects, such as eye irritation, skin sensitisation, or bioaccumulation testing. Animal tests are often still essential for assessing the long-term effects, such as organ damage, weakening of the immune system, development of allergies or asthma or reproductive problems and birth defects. Unnecessary testing can, however, be avoided also in areas where no internationally accepted alternative methods exist, by sharing data or predicting the effects from what is known about similar chemicals.""



Industry will have to spend further approx.  $\in$  1,0 – 2,0 billion over next 7 – 10 years only for these dossier integration activities

Will an increased and by Authorities accepted higher use of NTM/IST save at least 5 % of these additional costs =  $\in$  50 – 100 million and save a significant number of animals?



#### Chemicals Strategy for Sustainability (CSS)

The EC adopted its Chemicals Strategy for Sustainability (CSS) on 14 October 2020 with action plan to:

- Ban the most harmful chemicals in consumer products allowing those chemicals only where their use is essential.
- Pay attention to the cocktail effect of chemicals when assessing chemical risks.
- Phase out per- and polyfluoroalkyl substances (PFAS) in the EU, unless their use is essential.
- Boost investment and innovative capacity for the production and use of chemicals that are safe and sustainable by design throughout their lifecycle. The concept of "Safe and sustainable-by-design" intends to determine the future of not only chemical innovation but also chemical markets.
- Promote the EU's supply and sustainability of critical chemicals.
- Establish a simpler "one substance, one assessment" process for assessing the risks and hazards of chemicals.
- Play a leading role globally by championing and promoting high chemical safety standards and not exporting chemicals banned in the EU.

All this requires a strong commitment, also financially, and definitely a wide use of NTM/tools to support this strategy



#### **CLP Revision**

ECHA will assist the EC in revising and developing new hazard criteria under the CLP Regulation for:

- persistent, mobile and toxic (PMT) and very persistent and very mobile substances (vPvM);
- terrestrial organisms;
- immunotoxicity and developmental neurotoxicity;
- endocrine disrupters (ED); and
- persistent, bioaccumulative and toxic (PBT) and very persistent, very bioaccumulative substances (vPvB).

ECHA will assess the information it has available to identify substances that qualify for the new and further hazard classes or criteria and, where possible, set up a list of these substances.

#### **REACH Revision**

ECHA will support the amendment of REACH information requirements for substances that have critical hazard properties. The Agency is involved in preparatory work for extending the registration duty to certain polymers, which currently do not need to be registered under REACH.

There are further Intentions to:

- introduce a mixture assessment factor
- develop the use of the generic approach to risk management
- develop options to reform authorisation and restrictions
- develop criteria for prioritising substances and groups of substances for restrictions
- introduce the CSR requirement also for the lowest tonnage-band 1-10 t/y



#### Moving towards animal free regulations

One-to-one replacement is hardly happening... but some exception is already here:

- Skin sensitisation, skin and eye irritation
- Hyalella Azteca bioconcentration test (HYBIT) instead of fish bioaccumulation test

Most often, the replacement will be assured by the combination of methods and complex approaches

Weight of Evidence approaches

#### Other possibilities to reduce/phasing out animal testing

- Substance tailored exposure driven testing
- REACH Annex XI, section 3: Testing may be omitted for specific tests (OECD 421/422); 28 day repeated dose test (for <100 tonnes):</li>
- If no significant exposure and DNELs PNECs are available relevant for the omitted information and for risk assessment and exposure < DNELs PNECs</li>
- For substances not incorporated in articles: strictly controlled conditions throughout life cycle
- For substances in articles, in which it is embedded/contained: no release during life cycle; negligible exposure; conditions for transported isolated intermediate applies
- Lower tonnages manufactured/imported might lead to lower emissions/exposure
- For substances not incorporated in articles: strictly controlled conditions throughout life cycle
- For environmental hazards: Relationship normally assumed
- For human health hazards: Link between tonnage level and emission/exposure might depend greatly on uses
- Refinements possible by taking into account uses and physico chemical properties
  → Potential for reducing animal testing for lower tonnages by including waivers



#### Significant potential for refinement and reduction using NAMs under current system

#### For lower tier endpoints

 Developments of in silico methods (e.g. QSARs) with higher predictive capacity and broader applicability domain for hazard and risk assessment

#### For higher tier endpoints

Better utilisation of NAMs to support read across and grouping

#### Problems experienced when introducing NAMs under REACH Information Requirements

- NAMs not sufficiently validated or standardised (OECD TG required?)
- Perception of "less safe" & higher uncertainty
- NAMs used to trigger additional animal testing rather than reduce animal use
- NAMs for systemic toxicity: not 1 to 1 replacement, need for IATA
- Standalone NAMs not able provide legal certainty for Classification & Labelling (C&L) (not identifying adverse systemic health effects and environmental hazards)



#### Other possibilities to reduce/phasing out animal testing

- Use based triggering/waiving
- Triggering of testing for uses with high potential for emissions/exposure/risks
- Triggering/waiving based on consumer/professional/industrial uses (in connection with proportionality or prioritisation considerations)
- Exposure driven, emission/exposure and use based waiving/triggering underemployed due to database architecture, challenges for checking compliance etc.
- □ Further analysis required of what would be needed to more often apply such approaches, overcome challenges etc.
- **<u>Grouping</u>**: require animal testing for some group members (+ read across or other methods, e.g. Omics)
- Need to clarify how biological information (e.g. Omics) can support grouping based on structural similarity hypothesis
- Base grouping approaches only on biological information?
- $\rightarrow$  Which group members to test, cost sharing, data sharing rules
- → Templates for reporting biological information (see OECD Omics Reporting Framework)
- $\rightarrow$  Guidance on the use of biological information



#### Legal certainty

- Mutual Acceptance of Data (MAD) at international level
- Clarity for industry how to fulfil their obligations and the conditions for acceptance by authorities (information requirements; waivers and adaptations; testing proposals)
- · Clarity for authorities that data fulfil requirements facilitates checking of compliance/enforcement
- Importance of legal certainty for industry and authorities for
- Predictability
- Replacing/avoiding animal testing
- Avoiding delays in providing information for the assessment of chemicals
- Description of IR/classification criteria as clear as necessary
  Reporting templates, guidance

### THANK YOU FOR YOUR ATTENTION



Does anyone have any questions? p.manes@sviluppochimica.it



