

AICM's Suggestion on The "Emergency Notice on Soliciting Opinions on the <Regulation and Improvement Plan for Jiangsu Chemical Industry (Draft for Public Comment)>

The General Office of the Jiangsu Provincial People's Government issued an "Emergency Notice on Soliciting Opinions on the <Regulation and Improvement Plan for Jiangsu Chemical Industry (Draft for Public Comment)> (hereinafter referred to as the <Plan>) on April 1. Since most AICM members have manufacturing plants in Jiangsu Province, and key partners along the value chain - suppliers or customers - in the same Province, they have serious concerns on the contents of this plan.

After reading carefully, we put forward the opinions and suggestions of AICM member companies based on the content of the <Plan>, with purpose to contributing to high-quality development of China's chemical industry and further improving scientific planning and management performance level of the chemical industry.

The Plan states that "it is proposed to substantially reduce chemical production enterprises within 1 km from both sides of the Yangtze River mainstream and its tributaries, in environmentally sensitive areas, urban densely populated areas, outside chemical parks, and below designated scale. Specific measures include reducing the number of provincial chemical production enterprises to 2,000 by the end of 2020, and making the number of provincial chemical production enterprises not exceed 1,000 by 2022."

AICM Member companies believe that: The reduction of chemical production enterprises should not be set with a number but refer to and focus on performance criteria. Suggest government officials to help companies to reach compliance, and enterprises which eventually cannot meet the requirements can be shut down and relocated. Otherwise, large-scale reduction or closure of enterprises would have a major impact on employment and the economy. AICM members are also worried that other Provinces could follow this practice, then causing an impact on China's entire manufacturing industry.

The Plan proposes to "reduce the number of chemical production enterprises along the Yangtze River, prohibit new construction or expansion of petrochemical and coal chemical projects along the Yangtze River, and strictly prohibit new construction and expansion of chemical parks and chemical projects within 1 km from the Yangtze River mainstream and its tributaries."

AICM Member companies believe that: forbidding existing enterprises to launch new projects will hinder the development of enterprises and the industrial chain, which would then not meet the market demand. We hope that the government will firstly focus on and force the enterprises that fail to reach the safety and

environmental standards along the Yangtze River to make improvement and rectification. Only such measures are beneficial to the healthy development of the industry.

In the <Plan>, it is also proposed that "the chemical park will be reduced from 50 to 20", "the industry's access requirements will be improved from aspects of planning, investment, technology, quality, safety, environmental protection, energy consumption, land use, etc. In principle, the investment in new chemical projects should not be less than 1 billion CNY."

AICM Member companies believe that Jiangsu Province has been regulating chemical companies in the past few years, and it seems that the regulation will become more and more strict in the future, which is beneficial to the sustainable transformation and upgrading of the industry. However if it makes companies spend too much effort on it, thus not conducive to development and innovation, it will eventually not bring benefits. Moreover, high performance enterprises in the park would be fatally damaged if they were forced to shut down in the near future.

Most fine chemicals and specialty materials companies invest primarily in R&D and innovation knowhow, and less production equipment and fixed assets. The threshold that "the investment amount of the new project should be not less than 1 billion CNY" would keep relevant projects out only because they are in sectors where the scale of investment is lower. This is not conducive to the sustainable transformation and upgrading of the industry, and will even affect the development of related materials application industrial sectors.

It is recommended that good companies reaching safety and environmental protection standards should be considered one by one, implementing "One enterprise, One policy" .

Consideration should be given to multiple perspectives of market demand and employment, economic development. Also, it is recommended not to set investment thresholds (limits) for good projects.

In addition, AICM members believe that modern chemical industry production requires increasingly higher standards for production staff, management, public facilities, and regulatory bodies.

If economically developed regions utilize governmental policies to force chemical production enterprises and projects to relocate to other, less-developed regions, the related costs of chemical companies will be increased, which won't help effective control of production safety and environmental protection.

The particularly serious "3·21" explosion accident in Xiangshui, Jiangsu caused major casualties, and the serious consequences brought serious social impacts. AICM considers that the government should urge enterprises to strictly implement safety risk management and control, strengthen the management of

hazardous chemicals safety production information; urge enterprises producing, operating and using hazardous chemicals to strictly implement the requirements of “one SDS, one Label”; and accelerate practical bearing of responsibility as the performance subject to curb the increasing momentum of accidents. However, we also believe that it is necessary to implement scientific evaluation rules based on enterprises’ actual performance and evaluation results, rather than take “a sweeping approach”, or simply set the shutdown target.

At the same time, AICM considers that Responsible Care is an effective management method and implementation means for improving enterprise performance in terms of safety and environmental protection. It is recommended that the government urge enterprises to commit to making continuous practical efforts in improving health, safety and environment quality under the initiative of the concept of “Responsible Care”. It is necessary to establish a new image of chemical industry in the whole society through evaluation, announcement and dialogue on these activities and their achievements, thereby promoting the sustainable development of chemical industry.

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