



Sustainable?

ETRMA Annual Report **2012 - 2013**

ETRMA members

TYRE CORPORATE



www.vredestein.com



www.bridgestone.eu



www.conti-online.com



www.coopertire.com



www.goodyear.com



www.hankooktire-eu.com



www.marangoni.com



www.michelin.com



www.mitas.cz



www.nokiantyres.com



www.pirellityre.com



www.trelleborg.com

NATIONAL ASSOCIATIONS



BELGIUM www.federplast.be



FINLAND www.kumiteollisuus.fi



FRANCE www.lecaoutchouc.com



GERMANY www.wdk.de



ITALY www.federazionegommaplastica.it



THE NETHERLANDS www.vereniging-nvr.nl



SPAIN www.consortiocaucho.es

AFFILIATED MEMBERS



Tyre Corporate - BRISA
www.brisa.com



National Association - UK: BTMA
www.btmauk.com



Hungarian Tire Association
www.hta.org.hu/

Table of contents

ETRMA Mission	4
Key Figures from 2012	5
Message from the President	6
The Secretary-General reports	7
INTRODUCTION ON THE REGULATORY PATH	
Sustainable regulations!	8
In the driver seat: from CARS21 to CARS2020!	9
SECTION 1 PRODUCTION REQUIREMENTS: GREEN AND HEALTHY	
Know your chemicals!	10
Keep safe!	11
Reduce emissions!	12
SECTION 2 PRODUCT REQUIREMENTS: ENHANCE SAFETY AND COMPLIANCE	
Tyre labelling brought to life!	13
Food contact activities awakening!	14
SECTION 3 KEEP THE INTERNAL MARKET EFFECTIVE	
Establish a level playing field!	15
Be responsible!	17
SECTION 4 OUR WASTE IS A RESOURCE	
Consider end of life tyres as a resource!	19
Develop end of waste criteria at the EU level!	22
Standards for improved ELT-derived product quality!	22
Fight against fraud!	23
SECTION 5 SUSTAINABLE RAW MATERIALS	
Fair access to raw materials!	24
Make substitution of Natural Rubber a reality!	25
Improve the visibility of the fundamentals and make the most of what we have!	25
SECTION 6 CATCHING GROWTH AROUND THE WORLD	
Access new markets!	26
Achieve regulatory cooperation!	27

ETRMA Mission

As the spokesman of tyre and rubber goods producers mainly to European institutions, ETRMA activities focus on the following key interdependent areas: representation, co-ordination, communication, promotion and technical liaison.

→ REPRESENTATION

The primary objective of ETRMA is to represent the regulatory and related interests of the European tyre and rubber manufacturers at both European and international levels. ETRMA is the sole interlocutor, specifically designated by the European tyre and rubber producers to carry out this critical task. To work effectively, we are involved in continual dialogue with the relevant EU and international institutions, national agencies and other industry sectors.

→ CO-ORDINATION

Efficient representation requires effective co-ordination between members. ETRMA acts as the co-ordination centre for the European tyre and rubber industry.

→ COMMUNICATION

Successful representation and co-ordination activities require clear and effective communication, both with our members and external institutions. ETRMA is committed to ensuring that members are always consulted on any policies and regulatory issues that might affect the sector. In addition, we are fully committed to defining and communicating our members' common position to the relevant authorities on these issues.

→ PROMOTION

ETRMA endeavours to further enhance the image of the tyre and rubber industry by informing authorities of our policies and subsequent actions in areas including the economy, health, safety & environmental protection and transport. ETRMA is also committed to ensuring public awareness of the significant advances achieved by the tyre and rubber manufacturers in these different areas.

→ TYRE TECHNICAL LIAISON

ETRMA works closely with ETRTO (European Tyre and Rim Technical Organisation), which is responsible for standardisation, and provides expertise on technical performance and requirements for tyres, rims and valves.

European Tyre & Rubber Manufacturers:

A dynamic and contributing presence in Europe

Key 2012 data from ETRMA members in EU27 + Turkey*

Number of companies	~ 4,200		
Tyre Corporate Companies	<ul style="list-style-type: none">• 12 headquarters• 91 tyre manufacturing facilities• 15 R&D centres		
Direct employment	360 000		
Sector's turnover: € 46 B(e) [= -2% / 2011]	ETRMA tyre members, EU 27	€ 28.2 Bn [= -2.7% / 2011]	Source: ETRMA
	7 out of top 10 global tyre companies are ETRMA members, comprising 69% of the world tyre industry turnover (2012 ranking)		Source: Tyre & Accessories
Tyre production	4.6 million tonnes [= -5% / 2011]		Source: ETRMA and LMC
	European tyre production is estimated at 21% of the world tyre production		
GRG production	2.6 million tonnes [= -9.4% / 2011]		
Tyre sales (Replacement)	Passenger car & light commercial vehicle tyres	252 million units [= -13% / 2011]	Source: ETRMA and Eurostat
	Medium & heavy commercial vehicle tyres	9.6 million units [= -24% / 2011]	
Vehicle parc	Passenger car parc	274.2 million units [= +0.19% / 2011]	Source: LMC
	Truck parc	4.6 million units [= + 0.2% / 2011]	
Exports (value) + € 10.3 Bn [= +11.9% / 2011]	Tyre	+ € 6.3 Bn [= +18.2% / 2011]	Source: Eurostat
	GRG	+ € 4 Bn [= +0% / 2011]	
Exports (units) 67 million units [= + 7.3% / 2011]	Consumer Tyre	61 million units [= +9% / 2011]	Source: Eurostat
	Truck and Bus Tyre	6 million units [= - 9.3% / 2011]	
Imports (€) + € 9.6 Bn [= -3% / 2011]	Tyre	+ € 6.2 Bn [= -8.2% / 2010]	Source: Eurostat
	GRG	+ € 3.4 Bn [= +0% / 2011]	
Imports (units) 103.3 million units [= -16.2% / 2011]	Consumer Tyre	100 million units [= -18% / 2011]	Source: Eurostat
	Truck and Bus Tyre	3.3 million units [= -23% / 2011]	
R&D investments in tyre companies	Tyre	Up to 3.5% of annual turnover	Source: ETRMA
	GRG	Up to 5% of annual turnover	

(e) estimated

* except in export/import figures and tyre sales

Message from the President



2012 has been a year of change for the tyre industry with the implementation of legislations that allow European consumers to make a more informed choice on the performance of tyres. This has been a game-changer for the tyre industry as it opened a new terrain of competition and brought the need for significant investments to comply with

this new legislation,

taking European tyres to a new height with regard to safety, fuel consumption and rolling noise.

The industry has worked hard – through several high level EU initiatives – to build a long term political vision for a sustainable and competitive economy to make Europe not just an attractive market, but an attractive area for innovation and manufacturing.

The European tyre and rubber industry remains a strong European presence and it positively contributes to the European objectives of growth and employment as well as to the achievement of a more sustainable mobility in Europe.

The commitment of our industry to sustainability and competitiveness has not faltered through the crisis and this commitment needs to be supported by removing the stumbling blocks that still stand in our way. Addressing the volatility of the raw materials market, removing barriers to trade, stepping up efforts to improve the enforcement of EU legislations and support for SMEs are some of the actions that need to be undertaken in the future to ensure that the European tyre and rubber industry will continue leading global competition instead of enduring it.

The EU can do a lot to support our industry through this difficult process of turning challenges into opportunities and ETRMA has been a fantastic asset to ensure that our voice is heard in the crowd of EU competing interests. National associations have been as essential in ensuring the deployment of EU strategies at national level. Their importance is such that 2011 has seen the establishment of a new national tyre association in Hungary (HTA) and 2013 will see the birth of a new association in Poland. Similar efforts are ongoing in other countries such as Turkey.

"It is necessary to build a long term political vision for a sustainable and competitive economy to make Europe not just an attractive market, but an attractive area for innovation and manufacturing!"

Patrick Lepercq,
President of ETRMA

I would like to thank all ETRMA members for their invaluable contribution to the work of ETRMA as well as our team in Brussels for its commitment and dedication. I am sure that the combination of our efforts will contribute to keeping our industry competitive and sustainable.

A handwritten signature in blue ink, reading 'Patrick Lepercq'. The signature is stylized with a long horizontal stroke at the end.

Patrick Lepercq
President of ETRMA

The Secretary General reports



As we look back over the work of the last year and ahead to the challenges of the next, two words in particular spring to mind: “enforcement” and “sustainability”. Individual policy initiatives and regulatory reforms can no longer be viewed in isolation in our increasingly interrelated global economy and society. Even

seemingly targeted rules can have consequences that spread far beyond their original objective. I can quote as many examples as the ones contained behind the dusty keys leading us to Eur-lex: several of these legislations are listed in the following pages.

The industry captains expect from the legislator that he strikes a balance by having good, safe regulations while supporting innovation. And obviously, this is not so easy.

Europe is intending to maintain its leadership on the regulatory front! We have in place one of the most stringent regulatory frameworks for tyres. The industry believes that time has come for the market to deliver and for the authorities to take stock or better, take action where the market fails. This means to effectively enforce the existing rules and assess their impact!

The competitiveness of the industry depends also on its capacity to harness growth and open new markets, many of which are in Asia. What fewer people know is that Asia has surpassed NAFTA to become the EU’s main trading partner, accounting for a third of total trade and this figure continues to grow. China alone is the EU’s second biggest trading partner, after the US. Japan and ASEAN, as a group, are in the top five.

Tyre is a global product and yet it is subject to a whole array of different regulations in the different markets. On the one hand, the world market and world vehicle production are growing significantly and there are many new regions and emerging countries, which have a high demand for tyres at a lower purchasing price. On the other hand, the European market is declining, and yet demanding very high requirements, tighter tyre performances on wet-grip, tyre-rolling resistance, tyre-rolling noise. This makes it very difficult for the tyre manufacturers to have a good technically, economically balanced and sustainable response to these requirements. In other words, the high-cost regions are unfortunately not where the growth markets are at the moment!

“The high-cost regions are unfortunately not where the growth markets are at the moment!”

*Fazilet Cinaralp,
Secretary-General ETRMA*

Asia is also the main source-region for crucial raw materials. Natural rubber is one of them, particularly in the case of the global automotive industry and requires long-term growth of supply as well as dynamic action to achieve natural rubber sustainability. All the players in the rubber industry are called to focus on the implementation of sustainability best practices throughout the value

chain, with regard to resource efficiency and purchasing of raw materials. The recently initiated Sustainable Natural Rubber Action Plan, under the auspices of the International Rubber Study Group, aims to promote the use of voluntary standards throughout the natural rubber value chain in favour of the sustainability of the natural rubber economy. ETRMA and its members will be contributing to developing such a programme in the next 12 months.

2012 was all about seizing the fruits brought by improved competitiveness. We are not there yet, but rubber has a great capacity of bouncing back and beyond!

A handwritten signature in blue ink, which appears to read 'F. Cinaralp'.

*Fazilet Cinaralp
Secretary-General*

Introduction:

On the Regulatory Path

Regulations have a significant impact on the competitiveness of the industry and its ability to create growth and jobs. For this reason, regulation needs to be sustainable too. It is necessary that each new legislative measure is the result of a thorough competitiveness proofing, that it is assessed in the context of the existing regulatory framework to avoid double legislation or lead to an excessive cumulative impact and, last but not least, that it is enforced effectively in order to create a level playing field amongst all economic operators.

SUSTAINABLE REGULATIONS

2012 was a key year for the tyre industry as it marked the implementation of two Regulations having a great impact on the European tyre market: the Tyre Labelling Regulation (EC 1222/2009) and the General Safety Regulation (EC 661/2009).

These represent the apex of a long regulatory path that makes the tyre industry one of the most heavily regulated industries in Europe.

EU Legislation regulates each step and aspect of our industry. This means that great investments are needed in order to comply with it as well as to meet increasingly ambitious regulatory targets imposed on the automotive industry as a whole.

These investments over the years have shaped the European automotive and aerospace market and made it the most technologically advanced in the world.

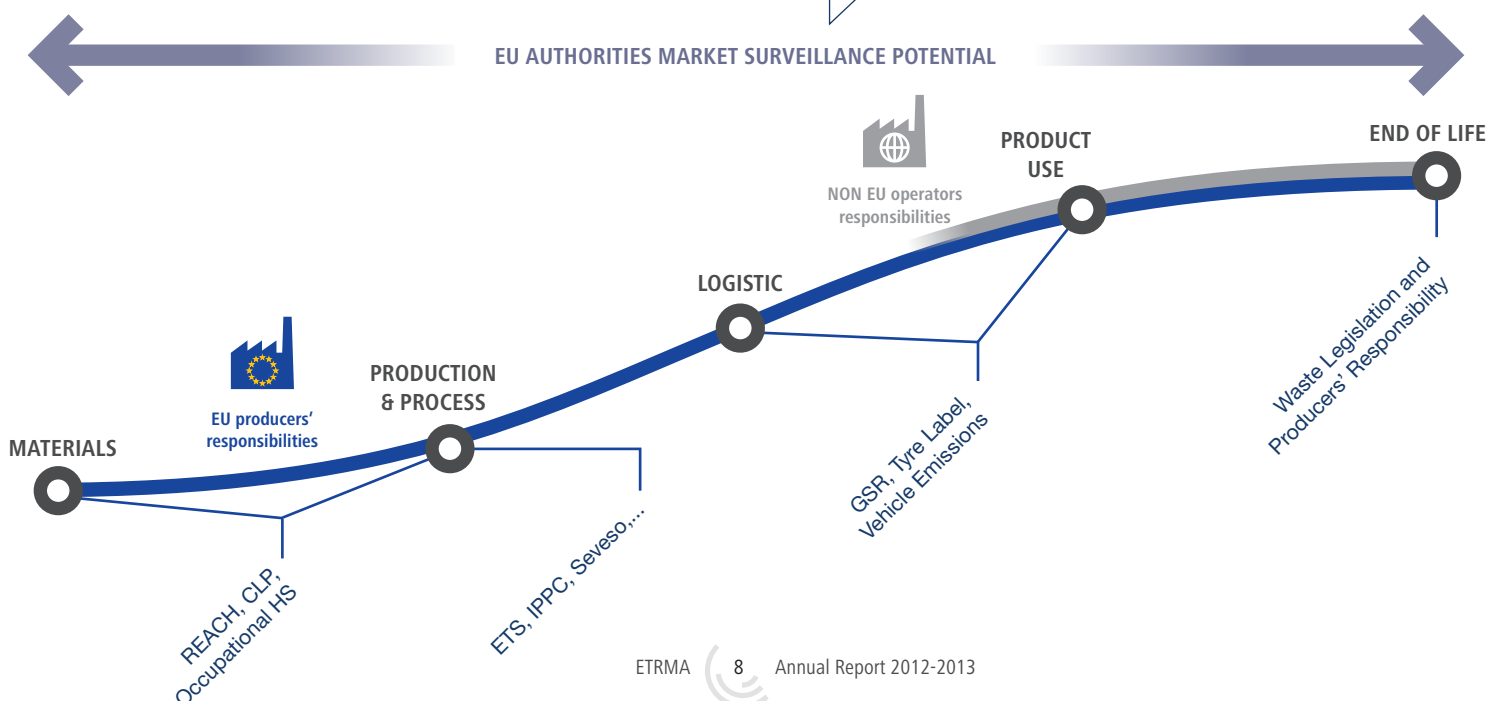
It should be no surprise that after such great efforts, the industry has been demanding the European Institutions to push for a higher degree of enforcement and controls on the market to ensure that all actors play by the same rules.



"Europe produces the best cars in the world. The Commission wants this leadership to be maintained, moving even further ahead in safety and environmental performance. [...]"

The automotive industry has all the assets to overcome current problems, remain competitive, become more sustainable and retain its manufacturing base in Europe. What is more, because of the multiplier effect it has in the economy, the car industry should provide a strong impetus to maintain a strong industrial base in Europe. Today's Action Plan will give the car industry all possible political support."

European Commission Vice-President Antonio Tajani, Commissioner for Industry and Entrepreneurship



"Despite the shrinking of the EU tyre market, European industry keeps investing in research and technology to remain competitive and contribute to making European transport safe and sustainable. Especially in a post-crisis transitory period, the regulatory environment should enable and support the industry in achieving these objectives and ensure that all players on the market compete on an equal footing."

Fazilet Cinaralp, Secretary-General ETRMA

Furthermore, during the past year, ETRMA was at the forefront of advocacy to ensure that the principles of smart regulation were respected and to avoid the risks resulting from double legislation.

Regulation should benefit people and businesses alike and translate into the sustainability of European society. With this in mind, ETRMA stands ready to support the European Institutions to ensure that these objectives are achieved for the whole of the European market in an efficient and effective manner.

IN THE DRIVER'S SEAT: FROM CARS 21 TO CARS 2020!

2012 saw the conclusion of the activity of the re-launched Competitive Automotive Regulatory System (CARS 21) High Level Group. This process, to which ETRMA greatly contributed, aimed at drawing the regulatory conditions that would enable greater competitiveness for the European automotive industry.

As a result, the final report takes into account the new challenges that the tyre industry is facing, such as access to raw materials, the need for new skills and more flexibility in employment matters, sustainability of the production processes and the necessity to ensure compliance with new and sophisticated Regulations towards safer and greener products.



CARS 2020

The Action plan was presented by the European Commission on 8 November 2012 and it aims to help strengthening the EU's automotive industry. It builds on the vision for industry competitiveness and sustainability in 2020 and recommendations on how to achieve this vision outlined in CARS 21 Final Report.

The main areas for action are: emissions, research financing, electro-mobility, road safety, new skills, smart regulation, trade negotiations and international harmonisation. This is also the first deliverable of the New European Industrial Policy presented in the Commission's October 2012 Communication.

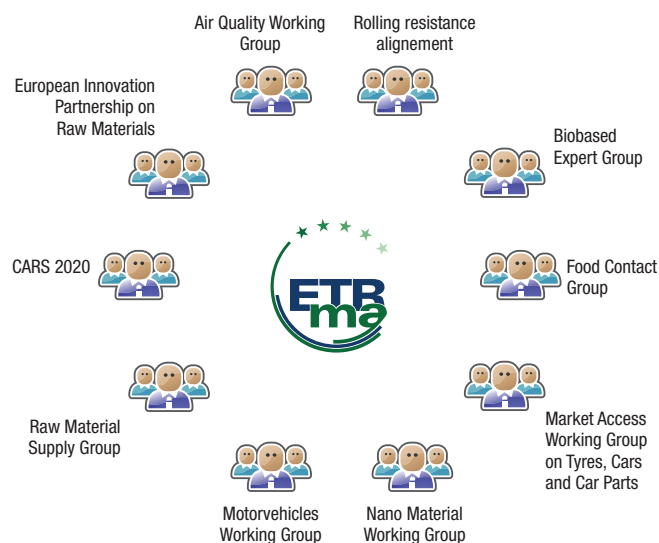
To make this happen, in November 2012, the European Commission presented the CARS 2020 Action Plan which will shape the future European automotive regulations.

CARS 2020 includes several proposals and ETRMA is involved in its implementation through the work of ad hoc working groups.

This Communication confirms the strategic importance of the automotive sector for the European economy. The tyre industry with 91 plants and 15 research centres in Europe remains a stronghold of European manufacturing. ETRMA will contribute to ensuring that CARS 2020 will result into a complete industrial policy roadmap that takes into account and builds on the regulatory efforts made so far, on the increased level of competition within more stringent conditions and on the need to establish a level-playing field inside and outside the European borders, thus improving access to third countries' markets.

CARS 2020 is not the only Commission's advisory group in which ETRMA is present; ETRMA is also member of the European Innovation Partnership on Raw Materials and of other eight groups whose responsibilities range from chemicals to trade.

EU INSTITUTIONAL GROUPS IN WHICH ETRMA IS REPRESENTED



ON THE REGULATORY PATH - TOP TIPS FOR THE REGULATORS:

- **Listen and interact with your industry:** this should be done as early as possible in the regulatory process.
- **Perform a thorough impact assessment** of new legislation as well as of cumulative effect of regulations and of other measures (e.g. FTAs, etc.).
- **Leave sufficient lead-time for the industry to adapt to new measures and publish long term objectives (roadmaps)** to indicate the direction that the legislator wants to pursue and **ensure regulatory certainty.**

Production Requirements: green and healthy

The establishment and implementation of the ETRMA Rubber Chemical Monitoring Programme can be considered as a 2012 milestone in the approach taken by ETRMA towards a proactive and sustainable management of constantly evolving requirements on chemicals and their related legislative framework. Such programme, particularly developed in support to SMEs, covers several hundred chemicals used in the sector and it spaces from monitoring legislative changes to gathering and consolidating information on uses and applications.

KNOW YOUR CHEMICALS!

The 2013 REACH registration deadline has further confirmed the benefit of the intense 2008-2012 ETRMA co-ordinated action to identify chemical uses, develop exposure scenarios and revise the rubber industry emission factors. Such an extensive and organised set of guidance documents and information has proved to be a key support to ensure accurate, correct and homogeneous registration of chemicals placed on the European market to manufacture finished articles.

"The challenges posed by the European legislation on chemicals downstream users represent an opportunity for companies to emerge. Of course, switching the mind-set from adaptation to proactivity is a must; in this context, the capacity to foresee and anticipate regulatory changes becomes a priority".

*Lorenzo Zullo,
Co-ordinator Chemicals & Environment Legislation and Advocacy ETRMA*

Safety data sheets and scaling equation: co-operation with chemical suppliers

Besides analysing the upcoming effects of the 2013 REACH registration deadline, ETRMA continues co-operating with chemical suppliers to promote the development of standard and homogeneous safety data sheets in order to improve and facilitate the communication and reception of chemical safety information.

Classification and labelling

Using internationally agreed chemical hazardous classification criteria and labelling elements facilitates trade and contributes to the protection of human health and the environment from the hazardous effects of chemicals.

Despite Regulation 1272/2008 on Classification, Labelling and Packaging of substances and mixtures (CLP), which aligned existing EU legislation with the United Nations Globally Harmonised System (GHS), downstream users are still dealing with non-homogeneous classification assigned by different chemicals manufacturers on same substances. ETRMA is paying particular attention to the potential effects in the supply chain of the harmonised classification and labelling process at European Chemical

Agency level with the direct involvement of Member States representatives.

ETRMA is also getting ready for the classification notification deadline required for mixtures in 2015.



REACH

REACH (1907/2006/EC) is a regulation of the European Union, adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemical industry.

REACH places the burden of proof on companies, which have to demonstrate safe use and communicate related risk management measures to the users. If the risks cannot be managed, authorities can restrict the use of substances in different ways. In the long run, the most hazardous substances should be substituted with less dangerous ones.

Further information can be found on ETRMA's website: <http://www.etrma.org/activities/chemicals/reach>

ETRMA is an ECHA Stakeholder Accredited Organisation and contributes with its knowledge to the Agency's work and activities.

IT reporting tools with vehicle manufacturers (IMDS/GADSL)

The International Material Data System (IMDS), launched in 2000, is the global reporting standard tool that the automotive industry uses to collect and report product composition information throughout the automotive supply chain. Communication and exchange of chemicals information in automotive products is facilitated by the Global Automotive Declarable Substance List (GADSL) which is based on national and international regulations, scientific standards, and risk assessments.

ETRMA has been actively involved in discussions with automotive manufacturers to improve the way tyre chemical composition is reported and to secure a prompt GADSL update reflecting the constantly increasing worldwide chemical legislative requirements.

Debate on PAH restriction on consumer goods

A three-year long political debate on the restriction of PAHs in consumer products in contact with skin may be concluded at the end of 2013. Based on the precautionary principle, the European Commission presented a

proposal, for the first time under REACH fast track procedure, following the request of the German Authorities, amending Annex XVII of REACH. The proposal, backed by the REACH Regulatory Committee, was submitted to the European Parliament for the 3-month scrutiny period in June 2013.



FP7 SAFERUBBER PROJECT CONCLUDED SUCCESSFULLY!

The project SAFERUBBER, funded by the European 7th Framework Programme, was successfully completed in May 2013. The SAFERUBBER consortium succeeded in identifying a safer alternative to ETU, the accelerator molecule used in the vulcanisation of chloroprene rubber.

The industrial validation confirmed that the new molecule is a suitable candidate for the replacement of ETU in compounding, cable manufacturing, profile extrusion and compression moulding of chloroprene rubber.

Further information can be found on the SAFERUBBER website: <http://www.saferubber.eu>

Stakeholders Input Initiative (SII)

In 2013 ETRMA joined the Stakeholder Input Initiative, a group composed of several industry organisations designed to enhance the voice of chemicals downstream users wishing to interact at early stages in the decision process which may lead to the identification of substances of very high concern (SVHC) and their subjection to authorisation (i.e. inclusion in Annex XIV), with particular focus on Risk Management Options. The SII has established a specific working group, which aims to be formally approved by the REACH competent authorities (CARACAL).

CheMI platform

Established in 2003, the CheMI platform was created to represent the interest of those downstream users of chemicals whose major role in the supply chain is to convert substances and preparations into articles. ETRMA is one of the founding members. CheMI, representing 15 European industry associations, approximately 400,000 companies and more than 7 million employees, was reactivated in 2011 mainly to support the REACH revision. CheMI has seats in the Competent Authorities experts group (CARACAL) and the Director Contact Group (DCG) – set up by ECHA – represented by ETRMA.

Nanomaterials

Back in 2010, the industry's views were published in an ETRMA cutting-edge publication: *"REINFORCING FILLERS IN THE RUBBER INDUSTRY: Assessment as potential nanomaterials with focus on tyres"*. This document describes the use (decades-long) of amorphous silica and carbon black as reinforcing fillers in the rubber industry. It also explains that, in rubber industry applications, these fillers are handled in a physical form that exceeds all proposed size dimensions for nano objects and therefore do not represent a risk for humans or the environment.

The further publication of the definition of nanomaterials, beside the already ongoing standardisation activities (CEN and ISO), opened up a new political and legislative framework in which ETRMA remains closely involved.

ETRMA has also actively contributed to the revision of the REACH technical annexes and the drafting of workers exposure guidance documents, through its participation in the NMWG.

Considering an harmonised approach across Europe as a priority, ETRMA is also following emerging industry requirements at national level, such as reporting obligations, databases, etc.



ECHA NANO-MATERIALS WORKING GROUP

ECHA has established a nanomaterials working group (ECHA-NMWG) to discuss scientific and technical questions relevant to REACH and CLP processes and to provide recommendations on strategic issues. It is an informal advisory group consisting of experts from Member States, the European Commission, ECHA and accredited stakeholders organisations, with the mandate to "provide informal advice on any scientific and technical issues regarding implementation of REACH and CLP legislation in relation to nanomaterials."

Source: <http://echa.europa.eu/chemicals-in-our-life/nanomaterials>.

KEEP THE WORKPLACE SAFE!

The European Commission is assessing a potential revision of Directive 2004/37/EC on the protection of workers from the risks related to the exposure to carcinogens to include, amongst other substances and processes, "rubber process fume and dust" in the list of human carcinogens in Annex I.

Back in 2011, ETRMA initiated a broad assessment of the suitability and implications of the proposed amendment.

Based on the analyses and conclusions of several scientific and legal assessments, and referring to the experience of our industry, ETRMA advocates that effective protection of workers is achievable only through identification and quantification of individual hazardous substances. Such advocacy activities intend to avoid that an indiscriminate and counterproductive regulation of process fumes and dust as a whole would distract the attention from the ongoing industry targeted activities on hazard and risk identification. ETRMA has established a team of analytical experts aiming to develop internationally recognised and standardised test methods for the qualitative and quantitative assessment of chemical species in rubber fumes. This will help the industry to mitigate specific exposure risks and to pro-actively identify and eliminate as appropriate potentially hazardous components and/or their originating raw materials.

REDUCE EMISSIONS!

With the aim to further reduce industrial greenhouse gas (GHG) emissions the European Commission amended the EU Emissions Trading Scheme Directive (ETS III - January 2008). The revised ETS system foresees the identification of sectors which, due to risk of carbon leakage¹, are entitled to a partial compensation for the ETS direct costs. Such carbon leakage list currently includes the tyre industry because of its trade intensity. However helpful this inclusion may be, it does not make up for the indirect ETS costs deriving from the increase in the price of energy (electricity and steam), which accounts for more than 60% of the total ETS costs in the European tyre industry. This leads to a loss of competitiveness of European products at international level in an already dire economic climate.

ETRMA is intensively co-operating with the EU institutions to ensure a swift and full implementation of the ETS scheme and to support the revision of the new carbon leakage list which will apply for the years 2015-2019.

¹ Carbon leakage is the term used to describe the situation that may occur if, for reasons of costs related to climate policies, businesses were to transfer production to other countries which have laxer constraints on greenhouse gas emissions.

PRODUCTION REQUIREMENTS – GREEN AND HEALTHY – TOP TIPS FOR THE REGULATORS:

- ▶ **Secure involvement** of downstream users in decision making processes.
- ▶ **Promote enforceable legislation**, for instance supporting the industry's efforts in developing the appropriate test methods to secure compliance with the regulated substances in articles.
- ▶ **Pursue high European health and environmental standards while supporting European competitiveness.**



Product Requirements: safe and compliant

European product-related regulations are some of the most restrictive in the world. Not only do they aim at ensuring that a product is safe, but that they also provide benefits to the economic, social, environmental conditions of Europe. The race for sustainability is global and European tyres and rubber goods are at the forefront by providing consumers with products that are safe, compliant with the EU ambitious targets and state of the art in terms of technology and scientific research. In this context, all efforts need to be made to ensure that this competitive edge is not eroded by unfair competition or burdensome cumulative legislation.

TYRE LABELLING BROUGHT TO LIFE!

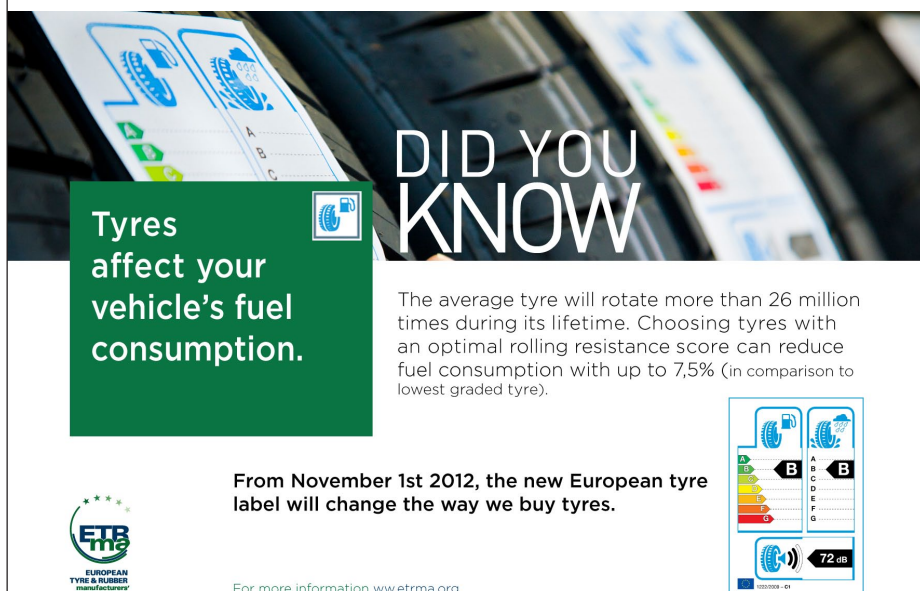
From 1 November 2012, consumers can buy their new tyres knowing how fuel efficient, noisy and safe they are. The EU Tyre Labelling Regulation (EC/1222/2009) makes compulsory to have tyres labelled with grades from A to G for rolling resistance (fuel efficiency) and wet grip (safety), whilst the number of dBs on the label displays their rolling noise.

The Tyre Labelling Regulation follows the General Safety Regulation (EC/661/2009), which sets new thresholds for the same performances, with the objective of stepping up the commitment of the industry and of the legislator towards safer and more sustainable road transport.

This is the first time that such a detailed label enters the automotive sector and it is a game-changer for the whole tyre supply chain down to the consumers. From the manufacturers' point of view, this had the effect of enhancing an already fierce competition. Consumers now benefit from product differentiation resulting from increased transparency on three of the many characteristics of a tyre. As a result, consumers are expected to be able to effectively compare tyres on the basis of objective information on performances that were so far little known.

The effect of these two legislations combined is a first attempt to show "what a tyre can do". It is in fact estimated that their correct enforcement could result into 5% fuel savings on the total EU fleet. This effectively means taking one million passenger cars off the EU roads every year and for the consumer, up to EUR 300 savings in fuel on the lifetime of a set of four tyres. Furthermore, choosing tyres with the best wet grip would result into shortening the stopping distance of a vehicle as much as four car lengths.

ETRMA INFORMATION CAMPAIGN, NOVEMBER 2012



Did you know?

Tyres affect your vehicle's fuel consumption.

The average tyre will rotate more than 26 million times during its lifetime. Choosing tyres with an optimal rolling resistance score can reduce fuel consumption with up to 7,5% (in comparison to lowest graded tyre).

From November 1st 2012, the new European tyre label will change the way we buy tyres.

For more information www.etrma.org

Effective market surveillance activities will be key to ensure compliance with this regulation as well as to secure the consumers' trust in the labelling scheme.



LABELLING REGULATION

This regulation puts specific responsibilities on producers, importers and distributors: the first ones are responsible to make all the necessary information available (for the sticker/label, technical documentation and on the internet), the latter have to make sure that the information is clearly displayed together with the tyre, that the consumers are well informed of the grading of the tyres they are acquiring and that the class information is integrated on or with the invoice given to the end user. Vehicle manufacturers also have responsibilities in this sense since they are required, in case the end user has a choice amongst different tyres, to provide all relevant information on the label grading. That information shall be included at least in the technical promotional material.



FOOD CONTACT ACTIVITIES AWAKENING!

Towards harmonisation of legislation on rubber products in contact with food and drink

Rubber food contact applications are represented by a very broad range of products that go beyond the packaging, food transportation and handling and include pipes and machinery components, pumping, seals and baby feeding. The rubber industry complies with the requirements for all food contact materials laid down in Framework Regulation 1935/2004 by means of two Council of Europe Resolutions: AP-2004-4 (rubber products intended to come into contact with foodstuffs) and AP-2004-5 (silicones used for food contact applications).

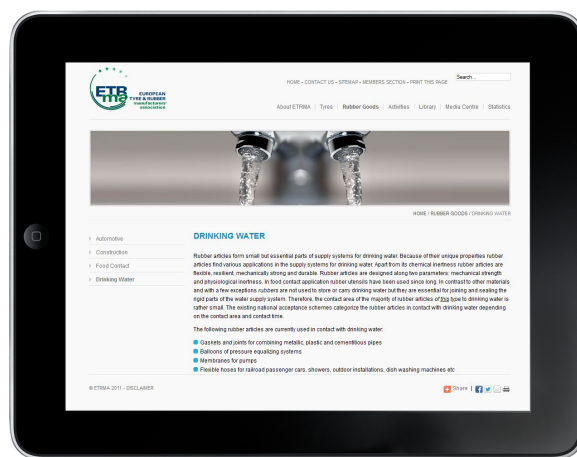
The industry, which operates in a non-homogeneous legislative framework, needs harmonised requirements across Europe. ETRMA is actively supporting the work of the European Commission and of the European Food Safety Authority (EFSA) to harmonise legislation on food contact materials, to ensure consumer safety and ultimately lead to a proper functioning of the internal market.

Construction products and materials in contact with drinking water: towards a European Acceptance Scheme (EAS)

Construction products and products entering into contact with drinking water represent an important niche for general rubber goods applications. While construction products are homogeneously regulated at EU level – by means of Regulation 305/2011 – a European legislative effort is still required to properly regulate products entering into contact with drinking water (such as sealing, hoses, pumps, membranes and valves).

These products are only partially covered by the Drinking Water Directive (98/83/EC) and, at European institutions level, there is no current intention to develop a European Acceptance Scheme. Such a scheme would certainly help to avoid acceptance costs coming from multiple approvals and would ensure a high level of protection and consistency. ETRMA is monitoring the ongoing international voluntary initiatives of France, Germany, the Netherlands and the UK to co-ordinate the harmonisation of material and product approvals via tests and acceptance criteria.

Further information can be found on ETRMA's web site: www.etrma.org



PRODUCT REQUIREMENTS - SAFE AND COMPLIANT - TOP TIPS FOR THE REGULATORS:

- ▶ **Focus on implementation and enforcement** of existing legislation with the objective of establishing a level playing field amongst all economic operators and foster a relationship of trust with the consumers.
- ▶ **Harmonisation of requirements and mutual recognition** of certifications for products across the EU: this would avoid a dispersion of investments and energies in different acceptance schemes and guarantee a uniform level of protection of European citizens.

Keep the internal market effective

The EU made use of its legislative instruments to obtain sustainability at each stage of production, the European tyre industry is and it is striving to remain the most competitive in the world, European consumers are now informed and are prompted to choose sustainable products: can we speak of “job done”? Sadly, the answer is negative as one element has not so far received adequate attention: enforcement.

“Market surveillance is the answer. If high quality legislation, based on sound evaluation of market needs is one side of the coin, market surveillance is the other. [...] Market surveillance has not kept pace with developments in the Union regulatory framework. [...] There is therefore a need for Union legislation which creates uniform obligations in relation to the activities to be carried out, the resources to be attributed and the powers and duties of market surveillance authorities”.

Explanatory Statement of the proposal for a Regulation on Market Surveillance

ESTABLISH A LEVEL PLAYING FIELD!

The Proposal for a Regulation on Market Surveillance of Products

As reported in the previous chapters, it is a clear responsibility of the manufacturers to produce goods that are safe and compliant and it is the responsibility of importers and distributors to ensure that they make available to European consumers only products that are safe and compliant with those EU standards. However, ETRMA’s experience shows that alongside responsible economic operators, prepared to invest and adapt their products and procedures to comply with EU regulations, there are others who cut corners or deliberately choose not to respect these rules in order to gain a competitive edge (see info-box in this respect). These practices skew the European single market in favour of non-compliant operators, encourage illegal behaviours and could potentially put at risk the environment as well as citizens and consumers.

“Lack of sanctions and lack of post market surveillance undermine the competitiveness of the legitimate economic operators. No new regulation should be proposed until the current ones are effectively implemented and respected by all players in the European market.”

Fazilet Cinaralp, Secretary-General

The Proposal for a Regulation on Market Surveillance – part of a wider Product Safety and Market Surveillance Package – intends to tackle this issue and gives Market Surveillance Authorities in cooperation with Customs Authorities the responsibility to check that all operators on the European market play by the same rules.

Market surveillance has been one of the top priorities for ETRMA for the past few years and this Regulation – albeit not specific to motor vehicles – goes in the right direction as it aims at establishing uniform rules for market surveillance activities across the EU.

ETRMA fully supports this initiative including the extension of the concept of risk to cover products in breach of EU regulations, albeit with a differentiation between these two categories.

ETRMA is in favour of a clearer definition of economic operators and of their obligations to ensure product traceability and identify and sanction relevant actors according to their level of responsibility.

ETRMA also recommends to introduce harmonised administrative penalties. Unfortunately, the proposed text of the European Commission only includes general guidelines for EU Member States, which are left to decide and put in place their own system of penalties. In practice this could mean that different Member States could impose different fines, making some countries more “attractive” for non-compliant traders, potentially hindering the efficiency of the internal market.



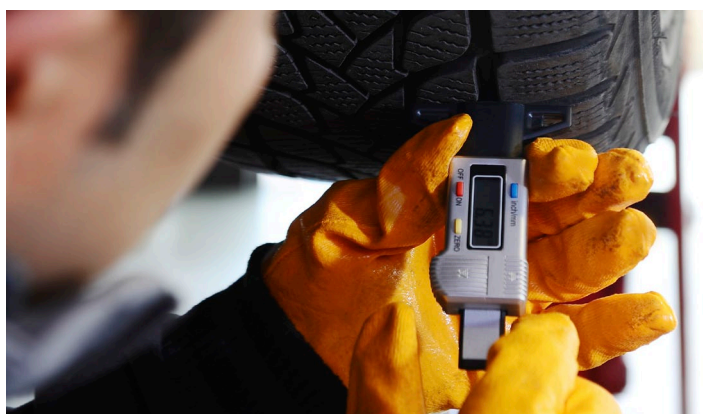


NON COMPLIANCE WITH EU REGULATIONS: THE CASE OF TYRES

The Italian Traffic Police carried out yearly inspection campaigns from 2004 to 2012 on over 100,000 vehicles. Between 2009 and 2012, the authorities found regions with up to 11% of vehicles fitted with non-homologated tyres. Furthermore, in 2010, a check on 20,000 motorcycles showed that as much as 20% of them were fitted with tyres that were non-homologated. One should wonder the impact of such mal-practices on the safety of the road users!

Finally, industry campaigns carried out by ETRMA in 2010 and 2011 showed a non-compliance rate with the REACH Regulation on PAHs levels in tyres between 10 and 11%. A more recent testing campaign published in 2012 by ECHA confirmed this data and showed that the number of REACH non-conform tyres is still high with over 8.5% of tyres from China containing high levels of PAHs found on the market.

Given the number of tyres imported by the EU and the number of vehicles on European roads, the percentages of non-compliant products shown above translate in several millions of European drivers using illegal, potentially unsafe tyres.



Finally, an essential element of this proposal is the creation of a European Market Surveillance Forum (EMSF), which includes, amongst others, the Tyre Labelling Market Surveillance Administrative Cooperation (Tyre Labelling ADCO). Only market surveillance authorities can participate in the ADCOs, but an observer role for consumers' and industry associations is foreseen in the EMSF. It would be advisable to make this cooperation as regular as possible in order to make full use of the industry expertise with regard to checks for safety and compliance.

The Market Surveillance Regulation was presented by the European Commission in February 2013 and voted in the Internal Market Committee of the European Parliament in October 2013, with a vote in Plenary planned for the end of 2013 or beginning 2014. It is ETRMA's hope that the text proposed by the European Commission will be strengthened by the European Parliament and by the Council to achieve targeted, co-ordinated and effective market surveillance across the EU accompanied by harmonised and dissuasive sanctions proportionate to the role of each economic operator in the supply chain.

New vehicle regulations enhancing market surveillance

Two new vehicle regulations include provisions to reinforce market surveillance: the Regulation on the approval and market surveillance of agricultural and forestry vehicles on the one side and that on two or three-wheel vehicles and quadricycles on the other side.

These legislative texts make type approval compulsory for the vehicles concerned and include rules for the fitment of tyres. These make reference to relevant UN ECE Regulations for tyre type approval (75 for two- and three-wheelers and 106 for agricultural vehicles, respectively). Most importantly, they include specific provisions which establish responsibilities for economic operators (from the manufacturers, through the importers, to the distributors) and Member States, which are called to organise market surveillance activities.

Legislation on Roadworthiness Tests

One key aspect of transport sustainability is vehicle safety and tyres – the sole point of contact between the vehicle and the road – play an essential role in ensuring it. Safety is one of the many objectives of the latest improvements in terms of tyre technology and of recently implemented regulations (e.g.: General Safety Regulation EC/661/2009). However, correct fitment and maintenance of tyres is needed in order to ensure that this progress is effectively translated into safety on the roads. To do so, drivers need to be made aware of their role in guaranteeing the best performance of their tyres, and hence of their vehicles.

To this end awareness and testing campaigns have been running in Europe for years and the data collected show very poor results: about 80% of vehicles tested were rolling on underinflated tyres, about 25% of these were using tyres with a tread depth below the legal limit (see the next section for more in detail data) and these vehicles are still on the roads!

In this context, roadworthiness tests (both periodic and roadside) become an essential tool to guarantee that only safe and legal tyres are allowed to populate European roads. It is for this reason that ETRMA has been working hard with the EU institutions towards a standardised check list for tyre controls in the EU. This work accelerated with the publication in July 2012 of the Roadworthiness Package.

The package includes a Directive on vehicle registration, and two Regulations: one on periodic roadworthiness tests and one on technical roadside inspections with the objective to lay down updated and harmonised rules on the roadworthiness testing of motor vehicles and their trailers in order to enhance road safety and environmental protection.

With regard to tyres, the text approved by the European Parliament - and currently undergoing negotiations with the Council - has the merit of including checks on tyre pressure and tyre tread depth together with the verification of the sidewall type approval marking, proper fitment, tyre integrity and the functioning of the Tyre Pressure Monitoring System (TPMS). Furthermore, the two Regulations impose harmonised standards to assess the deficiencies detected which are defined as minor, major and dangerous according to the risks for the vehicle safety.

Finally, the scope of the periodic roadworthiness tests was extended to two-wheelers, with the effect of harmonising a very patchwork-like situation with 11 Member States out of 27 having no testing obligations for two-wheelers until now. Drivers of two-wheelers are amongst the most vulnerable road users both because of their lower visibility and the lower level of protection offered by the vehicle. The importance of this step is testified by the number of tyre irregularities as evidenced by the outcome of the Italian testing campaigns (see Information box).

ETRMA strongly believes that this Package will have a positive impact on transport sustainability as better checks will lead to a higher level of compliance on European roads as well as to enhancing the drivers' perception of the importance of tyres for their safety.

KEEP THE INTERNAL MARKET EFFECTIVE - TOP TIPS FOR THE NATIONAL AUTHORITIES:

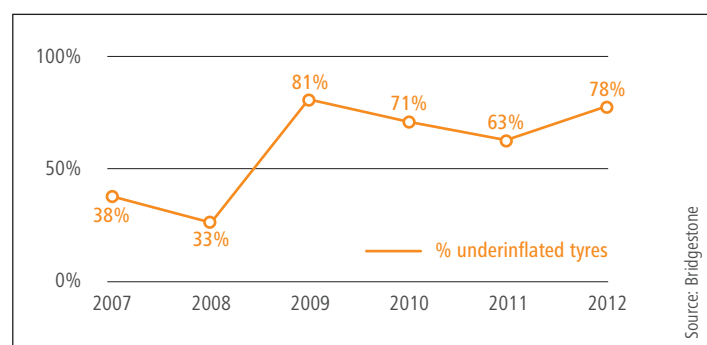
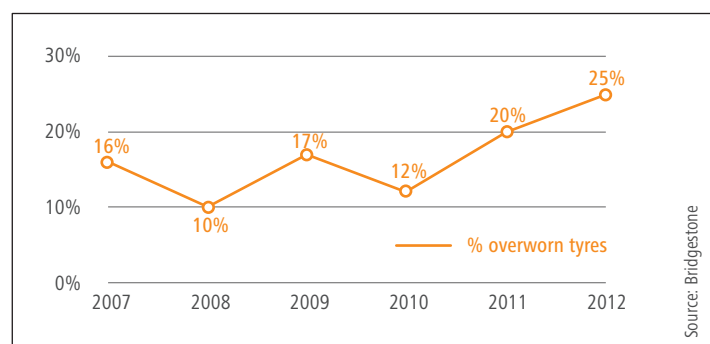
- **Customs together with market surveillance authorities:** check the containers and the tyres already on the market.
- **Vehicle inspection authorities:** when carrying out a roadworthiness test ensure that tyres are properly checked. A tyre that is not correctly type approved, mounted and maintained is a potential danger for the whole vehicle.
- **Maximise the efforts to influence drivers' behaviours:** develop and carry out joint public-private awareness campaigns.

BE RESPONSIBLE!

The importance of proper tyre maintenance

Having tyres properly and regularly checked by authorities is an important step towards road safety. Nonetheless, it is clear that the responsibility for regular checks on tyres lays completely with European drivers. However, campaigns carried out by ETRMA members across the EU from 2005 to 2012 on a total of 260,445 vehicles, show that this practice is not as common as it should be.

Driving with tyres at the right pressure is of paramount importance for vehicle safety, since only properly inflated tyres hold the load, adhere to the road, consume less fuel, produce less noise, assure the best braking distance and contribute to extending the lifetime of the tyres. Indeed, under-inflated tyres can increase fuel consumption by up to 4%, as they require extra energy to roll, while reducing tyre lifespan by 45%. Having tyres at the right pressure also provides environmental benefits as it enhances the efficiency of low rolling resistance tyres, and can reduce CO₂ emissions by as much as 5g for each kilometre driven.



The depth of tread is crucial for tyres. When a car travels on tyres with a tread depth below 1.6 mm (the legal minimum for passenger car tyres²), **the speed at which hydroplaning starts is reduced by up to 40% and the braking distance from 80 km/h will increase by 13 metres.**

² Council Directive 89/459/ECC of July 1989 on the approximation of the laws of the Member States relating to the tread depth of tyres of certain categories of motor vehicles and their trailers.



The previous graphs show a fluctuating, but generally decreasing degree of tyre maintenance in recent years. The reason for such trend could be identified in the effects of a prolonged economic crisis: with rising fuel prices and declining purchasing powers, European drivers use their cars less often and therefore check their tyres less frequently. Nonetheless such a situation can become dangerous and it needs to be addressed.

Appropriate tyres for the appropriate season



Winter tyre technology is specifically developed for temperatures under 7°C (a threshold at or below which it is safer to use winter tyres) in order to provide better grip and handling on cold, wet and snowy roads. This translates into better adherence/grip on snow and in a reduction of fuel consumption. Finally, they significantly reduce braking distances compared to summer tyres and increase safety compared to summer tyres or tyres with chains, in winter conditions.

The tyre industry has worked very hard at EU level to achieve a harmonised approach to European snow tyre legislation. This work was rewarded by the EU reaching a common definition of snow tyres, which came into force in November 2012 (General Safety Regulation EU 661/2009).

The majority of EU Member States and candidate countries have average day temperatures at or below 7°C from the beginning of November to the end of March³. Yet, not all concerned EU members have so far translated the need for use of winter tyres into legislation, nor have they harmonised the definition of winter tyres as requested in the new legislation.

³ Out of the thirty-one capitals of the EU Member States and Candidate Countries, twenty-five have average day temperature at or below 7°C during mentioned period. In the rest of the Member States, even if the average daily temperature in the capital does not fall under 7°C, it certainly does so in other regions of the country. The only exceptions are Cyprus and Malta.

BE RESPONSIBLE - TOP TIPS FOR THE DRIVERS:

- ▶ **Check tyre pressures regularly** – once a month!
- ▶ **Invest in your personal safety, your family, and of all road users:** use tyres with requirements for the season.
- ▶ **Regularly rotate your tyres** (front to back, back to front) and help prevent irregular and premature wear. You should rotate your tyres at least every 8000 km or when changing the oil.

Our waste is a resource!

In Europe, around 3.3 million tonnes of used tyres are generated annually. After sorting out the tyres going for reuse and retreading, an estimated 2.7 million tonnes of End of Life Tyres (ELT) are left to be treated. The ELT-derived rubber fraction is used in many applications (as for example rubber infill in synthetic turf soccer fields, athletic tracks, bitumen modifier in asphalt, civil engineering, landscaping), mostly outside the conventional tyre industry, due to safety factors and property loss.

Consequently, there is an increased pressure for the sector to better manage that source of secondary raw materials in a sustainable way and all applications that recycle or recover rubber will help to preserve this valuable resource. To make this possible, the waste status for ELT-derived materials should be removed.

END OF LIFE TYRES: A VALUABLE RESOURCE!

Ever-spiralling energy and raw materials costs could have a positive impact on the end of life market, especially for tyre-derived products used as raw materials for recycling and/or as alternative fuel.

The availability of natural and synthetic rubbers may become problematic in the coming years. Shortages affecting natural rubber will in turn affect synthetic rubber. Synthetic rubber is made from fossil fuels and is therefore a non-renewable resource.

It is therefore appropriate to enhance the work on the recycling of vulcanized products in crude mixtures to reduce this dependence on raw materials – in particular on general rubber products which use a wide variety of polymer matrices.

Significant improvements in resource efficiency can be realised by removing bureaucratic policies regarding recycling and re-utilisation of materials and articles.

Producer Responsibility prevails in Europe

The Landfill Directive (1991/31/EC) banned the landfilling of certain ELTs since 16 July 2006, which places ELTs amongst the most obligated waste streams in Europe.

"EU harmonised end-of-waste criteria for casings suitable for retreading and ELT derived materials are needed to tap into the readily-available resources."

*Jean-Pierre Taverne,
End-of-Life Tyres Technical Coordinator - ETRMA*

SOME TARGETS IN EU WASTE LEGISLATION

		min recovery	min recycling	collection rate
Packaging	2008	60%	55%	
Cars	2015	95%	85%	100%
Electronics	2015	70-80% (by August)	70-80% (by August)	min. 4kg/inhabitant per year or μ amount of WEEE collected in the three preceding years (by year-end)
	2015-2018	75-85%	55-80%	
	2016-2018			45% of EEE put on the market
	2019			65% of EEE put on the market or 85% of WEEE generated
Batteries	2011		50% to 75% (efficiency)	
	2012			25%
	2016			45%
Tyres	2006	0 landfill of tyres		
Biowaste diverted from landfills	2006	reduction to 75% of the 1995 level		
	2009	reduction to 50% of the 1995 level		
	2016	reduction to 35% of the 1995 level		
New targets (WFD)	2015	separate collection: at least paper / metal / plastic / glass		
	2020	50% municipal waste		
	2020	70% construction and demolition waste		

Source: EU Commission DG Environment



ETRMA-ELT FORUM

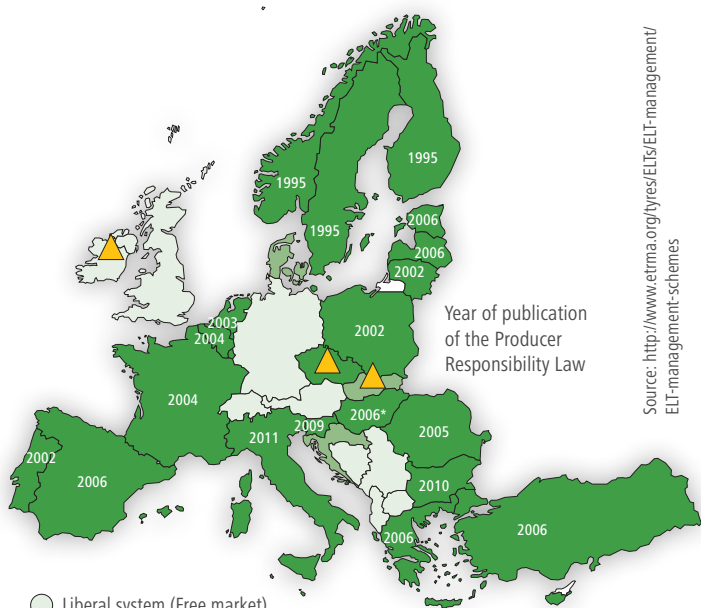
A 3-year Services Agreement between ETRMA and ELT management companies in Europe set up at the initiative of tyre manufacturers was renewed in 2013 with the following objective:

- Support, advise and provide harmonisation on EU regulatory compliance matters such as REACH, waste list and end of waste criteria, EU Emission Trading Scheme and biomass impacts, occupational exposure issues, scientific review of health aspects and environmental assessment of recycled rubber applications.
- Provide the platform and tools for evaluating opportunities of joint technical activities and studies on topics listed above and/or taking advantage from such studies across EU.
- Contribution and participation in CEN standardisation activities, and provide co-ordination on position development and sharing.
- Promotion of appropriate sharing of country-based experience and activities across Europe and beyond.

During planning for the implementation of the Landfill Directive, the tyre industry initiated a strategic programme based on producer responsibility which was developed by the members of ETRMA. This led to the gradual creation of national ELT management companies backed by a proper statutory regime. Currently there are 18 countries with an ELT producer responsibility regime and 14 operating ELT management companies, which means that used tyres under producer responsibility law account for 61% of EU used tyres arisings.



COUNTRY SPECIFIC IMPLEMENTATION AND ELT COMPANIES



- Liberal system (Free market)
- Government responsibility financed through a tax
- Producer responsibility (P.R.) / System with take-back obligation
- ▲ Change of regulatory framework (on-going / under discussion) towards a collective P.R.

* In 2012, the Hungarian administration changed the 2006 legal framework from a collective implementation of producer responsibility to an individual one



Belgium



Estonia



Finland



France



Greece



Italy



Netherlands



Norway



Poland



Portugal



Romania



Spain



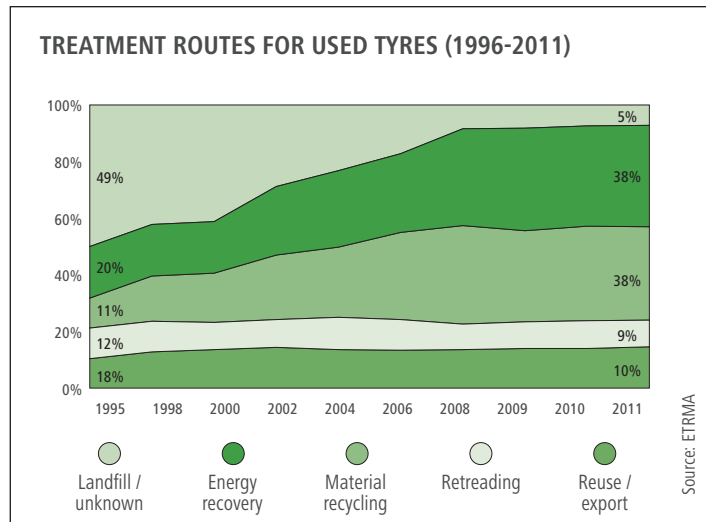
Sweden



Turkey

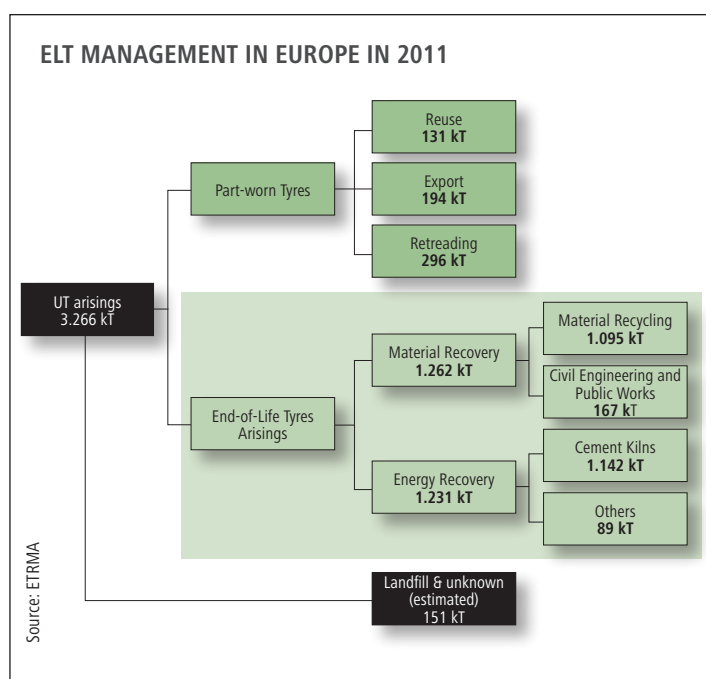
Used tyres treatment trends in Europe

A little more than 3 million tonnes⁵ of used tyres are annually managed in an environmentally sound and economically viable manner. The used tyres treatment rate has reached 95%, which is remarkably high compared with EU recovery rates for paper (69%) and plastics (58%).



After sorting out the data of those tyres going for reuse or retreading, an estimated 2.7 million tonnes of ELTs were left to be treated. This material flow went into a variety of recycling applications, public works and civil engineering or was used as a fuel substitute in cement kilns, boilers and power plants.

In numbers, this means that 1.26 million tonnes of ELTs went to material recovery and 1.23 million tonnes in energy recovery. As compared to used tyres arisings, material recovery is on a par with energy recovery (38% each).



Within material recovery, recycling of ELTs as rubber granulate and powder in various applications is the main route (83%), followed by the use of ELTs in civil engineering applications and public works (13%), as dock fenders, blasting mats (3%) and as a reducing agent in steel mills and foundries (1%).

In terms of trends within material recovery, the granulation market remained stable in 2011 (1.05 million tonnes) whilst the use of ELT rubber fraction in steel mills and foundries collapsed (-33%) as well as the civil engineering and public works route (-31%). More tyres were instead reused as dock fenders and blasting mats (+121%).

With regard to energy recovery, the main user of ELT shreds or whole tyres remains the cement industry (93% in volume), whilst district heating and power plants absorb the remainder.

The reuse of part-worn tyres (retreading, second-hand tyres and export) increased by 8% to reach 621,000 tonnes mainly due to retreading (+15%) and export (+4%).

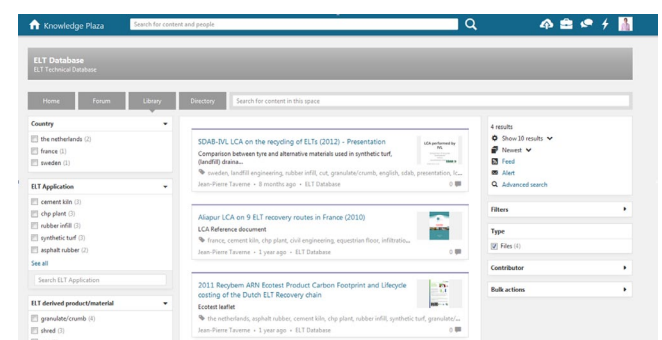
Internationally, recovery rates for ELTs have also increased significantly, although recovery rates in the EU are higher than in the USA, Japan and South Korea, making Europe one of the most advanced regions in the world in terms of treating ELTs.



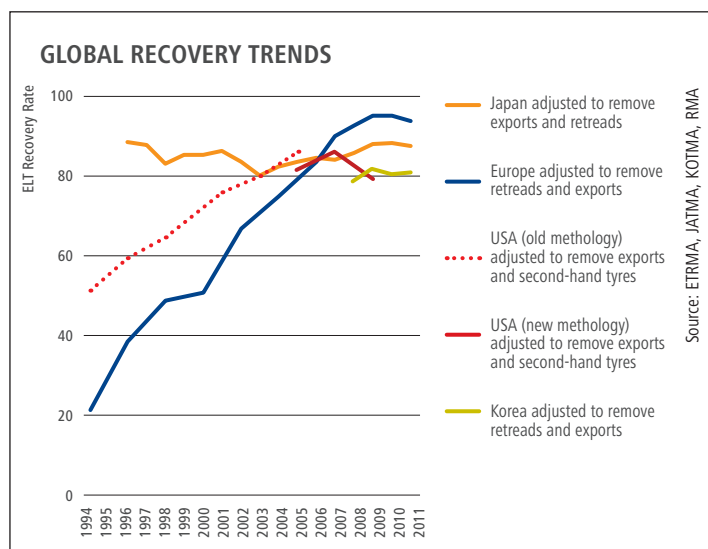
ELT TECHNICAL DATABASE

ETRMA has developed an ELT Technical & Scientific database with access reserved to ETRMA members and ELT management companies (ELTcos) to mutualise ELTcos scientific & technical publications and studies related to the management and use of ELTs. This "knowledge exchange" platform using "Knowledge Plaza" solution also contains studies from other sources such as academia, ETRMA sister organisations, etc.

The database already contains 117 ELT-related studies and is regularly updated with new content covering ELT recovery techniques (energy recovery of ELTs in cement kilns, ELT pyrolysis, etc.), ELT rubber granulates applications (asphalt rubber, TDA used in civil engineering, etc.), LCAs related to ELT recovery routes, environmental and health risk assessment studies related to ELT applications, etc.



⁵ 3.5 million tonnes in the ETRMA perimeter (EU27+Norway, Switzerland & Turkey).



DEVELOP END OF WASTE CRITERIA AT THE EU LEVEL!

The widely applied waste status for ELT-derived products leads to serious administrative and financial burdens (collection, transportation, etc.), which are slowing down the development of further routes of recovery. This approach contrasts with the EU objective of becoming a recycling society and to encourage sustainable use of natural resources.

ETRMA is convinced that ELT derived materials are particularly well positioned to be excluded from waste status, since they comply with end of waste criteria enshrined in the EU Waste Framework Directive 2008/98/EC:

- *ELT-derived materials are commonly used for specific purposes, meet related technical requirements as well as existing legislation and standards applicable to products.*

Tyres have a wide range of uses in the form of powders and granulates; its main applications are synthetic turf, industrial floors, sport fields and children playgrounds, while equestrian floors, moulded pieces (industry & urban furniture) and anti-vibratory and insulation mats are markets in development.

- *The use of ELT-derived materials does not lead to overall adverse environmental or human health impacts.*

Over the last decade, several Life Cycle Analyses (LCAs) have been performed in Europe to compare the environmental impacts of different ELT recovery routes. These have provided the industry with a better knowledge of the positive contribution of replacing virgin raw materials with ELTs.

Generally speaking, LCA studies show that the benefits provided by the recovery of ELTs come from the avoidance of production and transport of certain substituted materials. This is even more evident when the life span of ELT products is greater than that of the products they replace. Together with the end of waste criteria for ELT derived materials, ETRMA has also agreed similar criteria for casings suitable for retreading. The implementation of these criteria will enable to shift the current downward trend in truck tyre retreading.



COMPARISON BETWEEN ELT-DERIVED AND ALTERNATIVE MATERIALS USED IN SYNTHETIC TURF

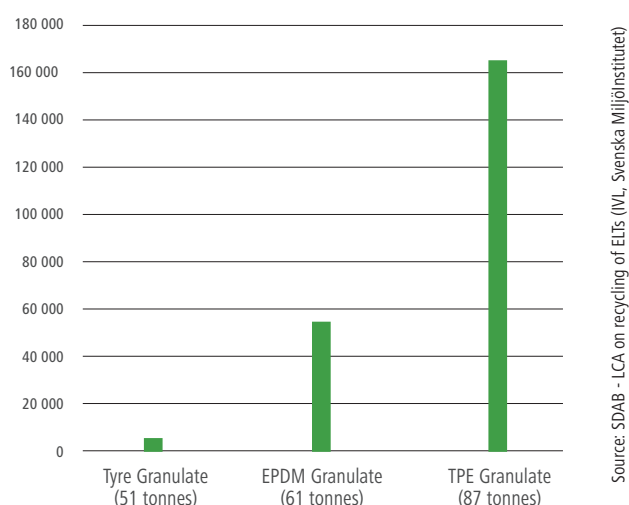
Tyre granulates as top layer in artificial football fields (synthetic turf) were studied. ELT-derived rubber infill was compared with alternative materials (EPDM and TPE) from a life cycle perspective.

The study analyses the environmental impact of materials production, energy generation and use and relevant transportation. The objective was to allow a better informed decision when choosing between these materials. The intended audience includes suppliers of civil engineering solutions, purchasers and responsible persons within public authorities.

A base case has been compiled for the scenarios studied. In addition to this, a number of sensitivity analysis calculations have been performed to reflect the influence on the results when certain conditions, assumptions or parameters vary.

The results from the base case as well as the sensitivity analysis show that tyre granulate is preferred to alternative materials (EPDM and TPE) when looking at the analysed environmental impact criteria.

GLOBAL WARMING POTENTIAL OF DIFFERENT MATERIALS USED IN SYNTHETIC TURF KG CO₂ EQ/SPORT FIELD



STANDARDS FOR IMPROVED ELT-DERIVED PRODUCT QUALITY!

The ongoing development of quality standards for ELT derived materials at CEN level (TC366) together with the high ELT recycling and recovery performance achieved throughout Europe is a major step towards obtaining the end of waste status for ELT-derived products.

Furthermore, the development of EU standards is likely to contribute to a significant increase in the quality level of tyre-derived products while opening the market to new applications, promoting technology exchanges and access to know-how and innovation, and protecting the environment.



In 2011, a new CEN Technical Committee was set up (TC366), replacing the previous Project Committee which had completed its mandate. A new Business Plan was adopted in May 2012 with the main aim of validating and converting CEN TS14243 into an EN standard.

Beyond the present characterisation of the different materials derived from ELTs in terms of dimensions (cuts, shreds, chips, granulates and powders) and impurities (steel & textile) using harmonised methods of sampling and testing, further ELT properties will be standardised, such as physical characteristics and chemical composition.

With regard to standardisation of sport surfaces (CEN TC217), the TS16384 on "synthetic sport systems leaching test" was recently approved and published. ETRMA is involved as Liaison in both CEN TC217 and CEN TC366 and providing expertise in its four working groups.

FIGHT AGAINST FRAUD!

With the development of internet tyre sales in Europe, the proportion of free-riders is rising. This leads to a growing number of tyres being presented for collection without having financially contributed to their recovery. Tyre producers duly paying the eco fee face therefore unfair competition leading to higher collection and management costs that will eventually have to be transferred to the consumer.

In France, in order to ensure a level playing field amongst suppliers, the government has imposed administrative fines on producers not respecting their regulatory obligations. After an examination of how seriously they fail to respect these obligations and the advantages they have obtained as a result, this fine can be as much as EUR 7,500 "per product unit manufactured, imported or distributed" - in this case, per tyre. ETRMA is launching steps at EU level to quantify this phenomenon and take corrective action to ensure that all tyre producers are treated equally.

OUR WASTE IS A RESOURCE - TOP TIPS FOR THE AUTHORITIES:

- ▶ **Producer responsibility effectively enforced:** Identify and sanction unfair competition practices to protect the competitiveness of those tyre suppliers who duly pay the eco fee.
- ▶ **Support the implementation of end-of-waste criteria for casings suitable for retreading and ELT rubber granulates & powder:** This will enable to shift the current downward trend in truck tyre retreading through a better sorting of casings upstream in the chain with positive effects on resource efficiency, jobs and administrative process.
- ▶ **Green public procurement to encourage new markets:** Reduced public investment in new infrastructures (sport surfaces, road maintenance, etc.) contributed to a situation of overcapacity in ELT granulation on the EU market. Since a precondition for recycling is the existence of a market for the recycled materials and the final products, there is need to support and develop markets for ELT-derived products. Green public procurement should be more integrated in both national and EU policies.

Sustainable raw materials

Fair and unrestricted access to raw materials is essential to the industry, as to be competitive it needs transparency of the fundamentals leading to predictability of the market. Cartel-like behaviours of the main natural rubber producing countries, lack of their representation in the fora co-ordinating consumers and producers, export restrictions, and raising demand and competition on the rubber market are making attaining this objective an increasingly challenging task.

The EU has taken some important steps to improve the situation and it now needs to put all its weight behind its commitments to take the right actions towards achieving sustainability in raw materials in general and in natural rubber in particular.

FAIR ACCESS TO RAW MATERIALS!

Almost all natural rubber is extracted from one biological source: the Brazilian rubber tree (*Hevea Brasiliensis*). All of the natural rubber thus produced and used by the European tyre and rubber industry is imported and about 93% of it is produced in South-East Asia. Currently, there is no viable substitute to natural rubber that could be used as a replacement in all its applications.

This dependency on imports of natural rubber from a very limited number of countries makes fair and sustainable supply of raw materials a growing challenge as competition in demand is growing.

As for other raw materials, this has been driven not only by the EU and US (respectively second and fourth consumer of NR), but by emerging markets such as China and India. The Chinese demand of natural rubber more than doubled between 2002 and 2012 and the Indian one is expected to grow by 96% by 2018 when it is expected to surpass that of the EU. Traditionally exporting countries such as Indonesia, Thailand and Vietnam have also experienced a staggering growth between 2002 and 2012 in their consumption of natural rubber with +235%, +75%

and +194% respectively. This is linked to an increasing tyre production in these countries which are becoming new manufacturing hubs for South-East Asia.

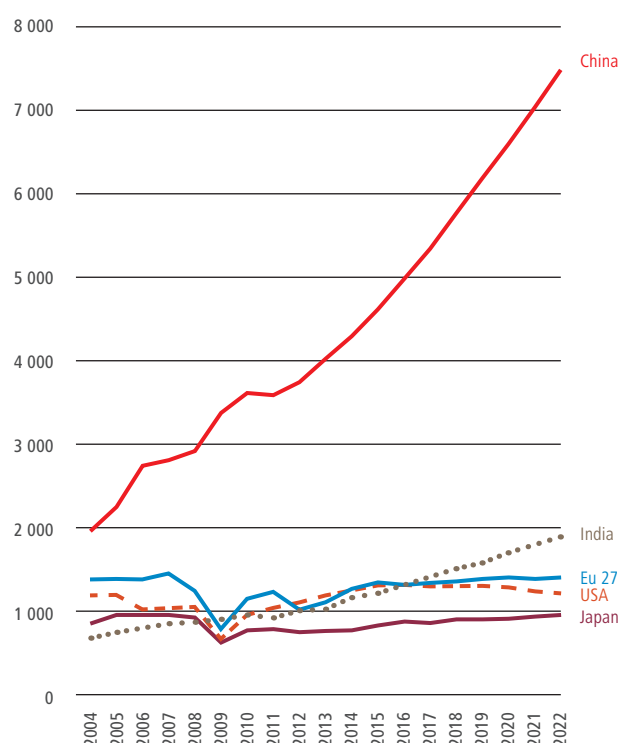
Fluctuations in the natural rubber market are also linked to other “systemic elements”, such as the long gestation and maturity period of the hevea tree, the predominant role of small-holders in the production of natural rubber (85% of plantations < 3ha) and, the fact that it is a labour-intensive crop that is heavily influenced by climatic elements.



KEY FACTS ON NATURAL RUBBER

- **Natural Rubber (NR)** alone accounts for 34 % of the European tyre manufacturers' raw materials costs.
- **74%** of globally marketed Natural Rubber is used for tyre production.
- **Indonesia, Malaysia and Thailand** account for 66% of global NR production and 68% of EU imports. In 2002, these countries established the International Rubber Consortium Ltd. Vietnam (#3 world producer) was also invited to join the organisation, but has so far participated only as observer.
- Whilst in the EU around 39% of material from end of life tyres is recovered (this includes rubber, but also steel and fabric), **recycled materials cannot be used as a substitute for natural rubber in new tyres because of technical limitations.**

NATURAL RUBBER CONSUMPTION OF CERTAIN COUNTRIES/ REGIONS 2012 – 2022 ('000 TONNES, SOURCE: IRSG)



Non-systemic hurdles to stability and transparency in the rubber market include export restrictions and duties, which could potentially lead to price fluctuations. Furthermore, Indonesia, Malaysia and Thailand set up the International Rubber Consortium Ltd (IRCo). This company was established to provide support to the International Tripartite Rubber Council (ITRC) to carry out strategic market operation to ensure a balance between production and consumption of natural rubber. This translated into several statements announcing trade and/or production restrictions aiming at increasing the price of natural rubber any time this was lagging off⁶.

ETRMA continues working with the European Institutions in order to remove all sources of trade/export restrictions and to support measures that contribute to higher visibility of the fundamentals such as planting/yields and government flanking programmes. This would allow to achieve increased planning reliability for the industry as well as guaranteeing a sufficient supply for regions lacking these resources.

MAKE SUBSTITUTION OF NATURAL RUBBER A REALITY!

To tackle the elements at the source of instability of the market of many raw materials, the European Commission launched in 2012 the European Innovation Partnership on Raw Materials (EIP), which brings together EU Member States, companies, NGOs, industry organisations etc.

Natural Rubber is part of the raw materials in the focus of the Partnership and ETRMA takes part in the High Level Group and the working groups. As the EIP on Raw Materials aims to promote innovation along the entire value chain, ETRMA would like the Partnership to support the industry's research of alternative sources of natural rubber to ensure more diversification in supply and therefore more stability in the market. Furthermore, it is ETRMA's hope that the EIP can work towards a geographic expansion of the production basis of natural rubber to lessen the current dependency on South-East Asia and ensure fair and sustainable supply of this key raw material.

IMPROVE THE VISIBILITY OF THE FUNDAMENTALS AND MAKE THE MOST OF WHAT WE HAVE!



The International Rubber Study Group (IRSG) provides a forum for the discussion of matters affecting the supply and demand of both synthetic and natural rubbers and serves as the authoritative source of statistics, information and analysis on all aspects of the rubber industry, including production, consumption and trade in rubber as well as rubber products.

Since 2011, the Secretary-General of ETRMA is chairman of the Industry Advisory Panel of the IRSG and as such ETRMA has been promoting the work of the Group. In May 2013, the Group launched its Sustainable Natural Rubber Action Plan with the objective of promoting the use of voluntary sustainable natural rubber standards throughout the global rubber economy. The plan will be complementary to existing domestic economic, social and environmental programs in NR-producing countries and aims at improving the production mechanisms in both new and traditional producing countries.

i EUROPEAN INNOVATION PARTNERSHIP (EIP) ON RAW MATERIALS

The EIP was launched in February 2012 – in line with the Europe 2020 Flagship Innovation Union – together with Partnerships on sustainable agriculture and active and healthy ageing. The objective of all three EIPs is to address weaknesses, bottlenecks and obstacles in the way of European research in order to avoid under-investments, outdated regulations, lack of standards, and fragmentation of markets.

The EIP on Raw Materials looks at the entire value chain of non-energy raw materials regardless of whether they are of primary (virgin materials) or secondary (recycled materials) origin. As Vice President Tajani said “*such innovation is decisive for Europe's competitiveness, sustainable growth and new jobs*”.

Ensuring fair and sustainable supply of raw materials is the ultimate objective of the Partnership by fostering sustainable supply within the EU, boosting resource efficiency and promoting recycling. The Partnership also takes into consideration the importance of the stability and transparency of commodity prices.

ETRMA participates in the High Level Steering Group of the EIP on Raw Materials.

⁶ LMC International and Steptoe & Johnson LLP, *Understanding Natural Rubber Price Volatility*, June 2011.

ACHIEVE SUSTAINABILITY OF RAW MATERIALS - TOP TIPS FOR RAW MATERIAL DIPLOMACY:

- ▶ **Promote the necessary dialogue between consuming and producing countries in the IRSG.**
- ▶ **Ensure that the Natural Rubber Market is not distorted by unfair practices by introducing binding measures against raw material export restrictions in FTA and other trade agreement negotiations.**
- ▶ **Develop partnerships for foreign direct investment** to expand production of natural rubber in other parts of the world.

Catching growth around the world

In a highly competitive global market, sustainability of the industry requires the ability to follow economic growth around the world. Despite the crisis that since 2008 has stricken Europe, other regions still experienced two digit growth and unfortunately, it is often these regions that have and impose barriers to prevent and make very difficult the entrance of foreign products in their market. Furthermore, it is often these very same countries that are the biggest exporters and benefit the most from the openness of the European market. It is therefore of fundamental importance that trade negotiations succeed in eliminating all barriers to trade and that commercial partners can agree to harmonise their legislation with UN ECE standards.

ACCESS NEW MARKETS!

ETRMA works intensely to remove market-access barriers and has supported the conclusion of those Free Trade Agreements (FTAs) that are ambitious and comprehensive enough to achieve this objective.

In this context, ETRMA regards the FTA with Korea, now at its second anniversary, as a good model for the future, although the last stumbling blocks to "real" free trade still need to be removed. In this context, it is of great concern to ETRMA that FTAs currently under negotiation, such as that with India, may not carry the same level of ambition.

Any FTA should effectively liberalise the market and create a level playing field between the economic operators of the two commercial partners. Failing to do so for all industries concerned would not only result into a missed opportunity, but in an actual damage as a key tool for negotiations would be lost and a dangerous precedent would be created when discussing FTAs with other countries.

ETRMA has been advising the European Commission to uphold the principles of trade liberalisation when entering into any new trade negotiation. Furthermore, it is essential that when evaluating the relevance of an industry in any FTA, this is done taking into account the potential for market expansion, rather than the pre-negotiation trade volumes. This is key to ensure that the FTAs can bring effective market access for those industries whose trade flow is most hampered by tariff, technical and administrative barriers and that would have most to gain from trade liberalisation.

"Not all FTAs are good FTAs. Those that do not succeed in legal approximation, as well in as the dismantling of non-tariff and tariff barriers, are deemed to fail to achieve their objective of better trade relations and should therefore be avoided."

*Marta Conti,
Advisor, Trade and Parliamentary Affairs - ETRMA*



CURRENT TRADE AGREEMENT NEGOTIATIONS

EU-Japan: The EU and Japan officially launched negotiations for an FTA in March 2013.

EU-US: In March 2013, the European Commission agreed to start negotiations with the United States. The European and American tyre industries hope that this agreement will result into a higher commitment to regulatory cooperation through the GTR (Global Technical Regulation).

EU-ASEAN COUNTRIES: Negotiations with Thailand started in March 2013, whilst those with Vietnam and Malaysia started respectively in 2012 and 2010. This region dominates the world production of natural rubber, and it is key that fair and sustainable access to this raw material is ensured through the FTA.

EU-India: Negotiations started in 2007 and there have been speculations that they could be concluded before the Indian elections take place. ETRMA maintains that should any FTA be concluded, this should aim to remove all existing barriers to trade as well as liberalising the tariff regime.

ETRMA has also been calling for the dimension of raw materials to be included in the negotiations, something that is largely recognised as necessary in the "EU Trade Policy for Raw Materials".

Finally, ETRMA has been working closely with the EU to offer a prompt evaluation of the draft regulations notified through the WTO by other countries and potentially constituting barriers to trade. Unfortunately, not all countries notify their regulations in due time and publish all relevant documents. These shortcomings should be corrected and trade agreements should also be used to ensure transparency in the adoption process of regulations that could impact trade flows. Furthermore, FTAs should ensure that partners' new regulations are adopted in the spirit of regulatory convergence and cooperation.

In addition to bilateral contacts, ETRMA will continue to participate in and contribute to the tyre dedicated Market Access Working Group, which –

active since 2008 – was merged in the beginning of 2013 with that of cars and car parts. This Group remains at the top of ETRMA's priorities as the ideal forum to discuss and remove all regulatory hurdles standing in the way of market access.

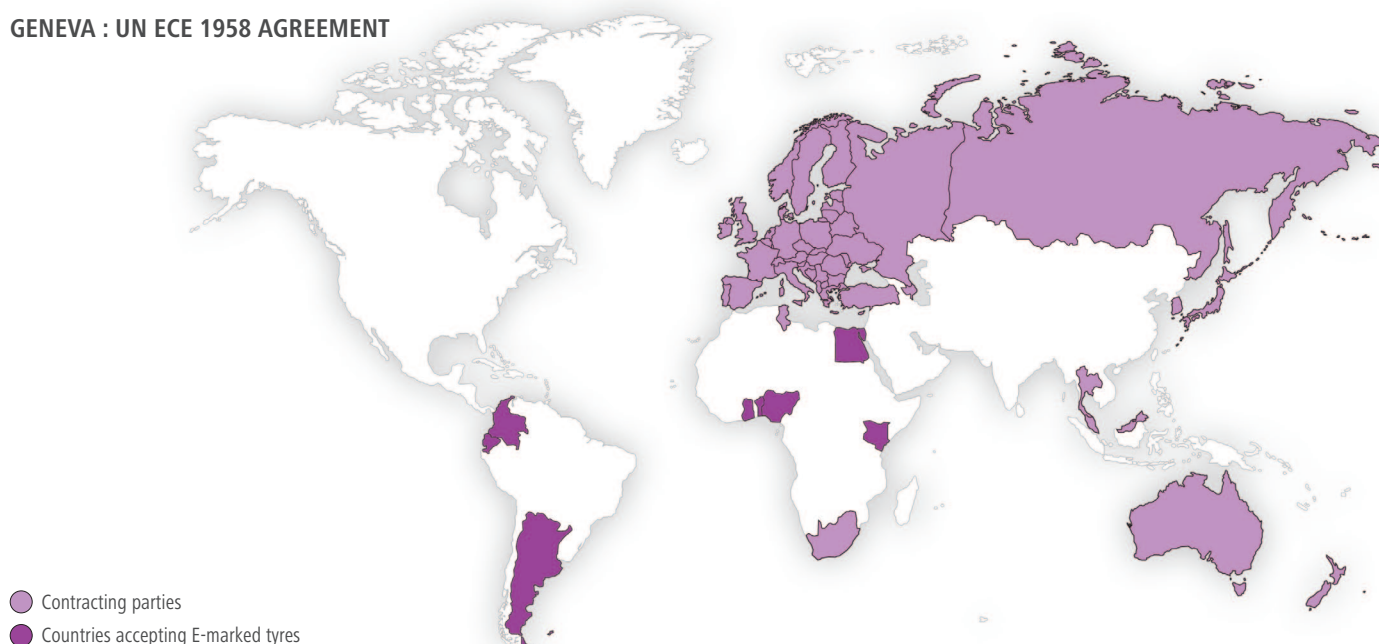
ACHIEVE REGULATORY COOPERATION!

Global products, such as tyres, require global rules in order to grant a level playing field in which all manufacturers can compete on an equal footing.

It is for this reason that ETRMA has been working to promote global technical standards and performance requirements as well as mechanisms to establish effective cooperation.

In this context, technical harmonisation through UN ECE 1958 is key to allow the application of a common set of type-approval standards. This would make sure that a product judged as conform in one national legislation could be recognised as such in another.

GENEVA : UN ECE 1958 AGREEMENT



It is for this reason that ETRMA maintains that all trade negotiations carried out by the EU should aim at reaching further legal harmonisation through UN ECE. This would help the elimination of non-tariff barriers, particularly towards those countries that have most enjoyed access to the European market.

Concerning some important world economies (e.g. China, Russia), the bilateral regulatory dialogues have proven to be important fora to exchange information and address specific issues on a political level. ETRMA has actively co-operated with the Commission on these dialogues.

However, regulatory dialogues are not sufficient; some of the EU's global trading partners tend to resort increasingly to non-tariff barriers (NTBs), be they technical or administrative in nature, to hamper the access to their markets. For this reason, ETRMA calls for the Commission to systematically introduce binding chapters on NTBs in all trade agreements with third countries.

CATCHING GROWTH AROUND THE WORLD - TOP TIPS FOR SUCCESSFUL FTAS:

- ▶ **Achieve true reciprocity through full tariff dismantling** at both ends or same level tariffs and the inclusion of a chapter on NTBs, both of technical and administrative nature to effectively remove all barriers to trade.
- ▶ **Include binding chapter against export restrictions of raw materials**, including natural rubber.
- ▶ **Base the rules of Origin on 'Change of Tariff Heading'** and not 'Value limit rule of foreign content' (VL).

ETRMA - European Tyre & Rubber Manufacturers' Association

Avenue des Arts 2, box 12
B-1210 Brussels
Tel. +32 2 218 49 40
Fax. +32 2 218 61 62
info@etrma.org



