

A performance-based business model for sustainable chemical management

CEFIC - EUROPEAN CHEMICAL INDUSTRY COUNCIL



Chemistry is central to the idea of the circular economy. Circular economy provides the European chemical industry with a massive opportunity to preserve value through multiple life cycles by recovering or recycling valuable waste.

There are many ways available to manage valuable raw materials in products throughout their lifecycles.

Chemical Leasing is one of the options available for sustainable management of chemicals and improving circularity along the value chain. The buyer purchases the service of a chemical or product and, consequently, pays for its performance. For example, instead of selling solvents, some companies sell a “solvent solution”. They provide fresh solvent, get paid for the number of parts which are cleaned with the solvent and recover the used solvent for reconditioning and reuse. In this case, the seller has the incentive to recover and recycle the material. This facilitates circularity in the supply chain.

While Chemical Leasing works for some applications, it is not applicable to all chemicals and their uses due to feasibility and performance issues. Whether Chemical Leasing is a viable option depends on many parameters, including its economic benefits and environmental impact.

Sylvie Lemoine

*Executive Director
Product Stewardship*



FECC - EUROPEAN ASSOCIATION OF CHEMICAL DISTRIBUTORS

You have an extensive experience in the field of chemicals management. Do you remember when you had your first “encounter” with performance-based business models applied in the chemical’s management, and what were your first thoughts about them?

Dorothee Arns

Director General

Indeed, I have been working for the chemical industry since more than 20 years, and I think the first time I saw performance-based business models was in the automotive industry about 20 years ago. At the time, I was business manager for commodities, used to selling chemicals in high volumes and usually in bulk. The automotive industry – our customers – changed their business model to a performance-based approach at a relatively early stage. For cars, this meant, for example, that the supplier’s performance was measured by cars coated, not any longer by how many tons of coatings would be needed to coat a car.

My initial thought, frankly speaking, was concern about potentially losing sales volume with this approach, but after the first “culture shock” I was rather fascinated. New, innovative business models have always intrigued me. Meanwhile, performance-based contracting and the optimisation of chemical input has become much more widely spread, not only in the automotive sector, but also in other areas. With regulators putting more emphasis than ever before on resource-efficiency – especially via implementation of the circular economy – concepts fostering end-products with optimal resource input may become ever more important.

In your experience, are chemical suppliers in Europe today more open to innovations, new business models and new approaches in chemicals management than 10 years ago? What brings them to change their attitude?

Well, I think chemical suppliers in Europe have always been open to innovations and structural changes, because in terms of energy and feedstock prices, regulation and labour

costs, we certainly cannot compete with other regions. Hence, this was always a must and is part of our DNA. Just now, the focus of innovation is rapidly shifting towards circular economy solutions, due to global sustainability deliberations. We are moving from mere shareholder value, which was the order of the day still some years ago, to stakeholder value. The question is less how companies perform economically, but more how they contribute to a sustainable society in Europe.

Do you think that the “shift” in a technological progress will encourage the further development and mainstreaming of performance-based business models such as Chemical Leasing?

Very likely. However, it is not only the technology itself, but also the development of a deeper mutual understanding of what are the value-creating factors for all stakeholders involved to achieve a win-win situation for everyone. In many cases, there are more than two parties involved in this business model, so the analysis of needs, targets, and drivers is even more important, because we are talking of triple or quadruple win-win solutions.

What do you think about the future of the service-oriented business models and in particular of Chemical Leasing? How does Chemical Leasing meet the strategic goals of your organisation and how does it respond to the needs of the industry in general and in particular of your members?

Personally, I think Chemical Leasing has a bright future ahead, although of course it is a strategic decision of all individual member companies which path to follow. I see a good match with implementing the principles of Responsible Care as well as with sustainability. Responsible Care, because our members as suppliers will educate their clients about the characteristics of their products and how to use them safely and in an environmentally friendly manner, which means applied product stewardship. Sustainability, because the target is achieved under the conditions of utmost resource-efficiency; nothing is wasted. Chemical leasing models may make more sense for small- and medium-sized enterprises, which might not have cohorts of chemists in-house, but this kind of know-how is critical for the production process. In many of these cases, chemicals are only used as a tool or indispensable auxiliary. This is a classical segment for chemical distributors.



**ISC3 - INTERNATIONAL SUSTAINABLE CHEMISTRY
COLLABORATIVE CENTRE**

How do you think Chemical Leasing can foster innovation?

Chemical Leasing is a proven tool for efficient chemicals management that appeals to industry. It undoubtedly has gained momentum within the past decade and has been applied successfully in many industries and across sectors. Based on principles such as sustainability, mutual trust or open innovation, Chemical Leasing can break up silos, stimulate the exchange of know-how, and open doors for new, innovative solutions. It fosters innovation, because it offers a systematic approach to introducing different dimensions of innovation, including social, economic and environmental aspects, all at once. It brings business partners along value chains closer together and inspires them to explore new opportunities, which is the most important aspect of seeding and nourishing innovation.

Alexis Bazzanella

*Co-Director ISC3
Innovation Hub*