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#### WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party on Competitiveness and Growth (Industry)
Subject:	Presentation by the European Commission, DG GROW: Cumulative impact of legislation: Pilot projects in cosmetics (agenda item 2.) Working Party on Competitiveness and Growth (Industry) meeting on 24 April 2025



# *Pilot Project*: Assessment of the cumulative impact of recent EU product legislation on an industry sector - the example of the Cosmetics sector

European Commission DG GROW Unit F2 – Bioeconomy, Chemicals, Cosmetics

#### The Cosmetics Sector – Key Facts and Figures

- EUR 96 billion (2023) EU industry turnover.
  - Second-largest market after the US.
  - 260,000 direct and 3 million indirect employees in the cosmetics value chain.
  - EUR 11 billion/year to the EU economy through the manufacture of cosmetic products and EUR 18 billion billion/year through the supply chain.
  - Approximately 600,000 cosmetic products on the EU market and 200,000 replaced every year.
  - 5% of annual sales invested in R&D.
  - Introduction of appx. 80 new ingredients/year in product portfolios of large companies and 22 new ingredients/year to product portfolios of SMEs.



### Introduction – the Pilot Project



This Pilot Project focuses on the **economic implications** of regulatory compliance and attempts to provide insights into the potential **costs** and **burdens** imposed on the cosmetics sector by various EU legislations.

In addition, the project's aim is to offer perspective on **the overall impact** of relevant EU legislation on the cosmetics sector, for policymakers to consider when developing policies that are based on **evidence**, including on impacts on **competitiveness**, particularly of SMEs, but which do not compromise on **safeguarding public interests**.



#### Introduction – the Pilot Project



- Goal: identify and quantify (where possible) the impacts of relevant EU legislation on the cosmetics industry;
- Scope: 16 (up to 25) pieces of EU legislation, including updates to the Cosmetics Regulation and REACH restrictions, as well as other legislations related to environmental and sustainability aspects;
- *Timeframe*: years 2020 to 2024;
- Participants: 16 enterprises representing a range of sizes (4 large international, 6 large national, 4 medium and 2 small) and geographic locations (FR, IT, DE, ES, PL), - collaboration with Cosmetics Europe and SMEUnited.



### **Data Collection and Analysis**



The project utilized a mixed-methods approach, combining **qualitative** and **quantitative** data collection.



A standardized **questionnaire** to collect data from participating companies, including *Baseline* data (e.g., company size, turnover, employment), *Qualitative* assessments (scores) and *Quantitative* estimations of how these legislations affected their operations' costs.



Data were analysed using scores, weights, averages, etc. to estimate the impact on the sector, with a focus on the various *steps of the value chain* (e.g., supply of ingredients, R&D/formulation development/manufacturing, packaging, labelling, and reporting /regulatory compliance).



### Uncertainties, Limitations, and Caveats

#### Data Quality and Completeness

- **Inconsistent** and **incomplete** data submissions from respondents.
- Lack of quantitative data in monetary terms; reliance on percentages of turnover.
- Variability in responses reflecting different company sizes and types.
- Potential **selection bias** due to volunteer participation.
- Possible **overestimation** of impacts by companies.

Temporal and Scope Considerations

Short project timeframe limiting comprehensive methodology application.

Regulations with **varying time horizons difficult to** account for.

**Benefits** of compliance such as market access, health, and environmental protection **not assessed.** 

The **Brussels Effect**: **potential** for EU standards to become global benchmarks.

#### **Methodological Challenges**

**Complexity** of assessing and **difficulty** in attributing specific costs to **individual** EU acts.

Assumed **equal importance** of value chain steps may not reflect actual business impact.

Simplistic estimation of cumulative impacts may under or overestimate the actual burden.



## Results: Regulatory impact on cosmetics



The project found that companies report **significant impacts on costs** linked to complying with EU legislation.

- Companies reported negative impacts on several steps of the value chain, particularly in the supply of ingredients, R&D/reformulation, labelling and packaging due to the restrictions and prohibitions imposed by various legislations.
- Highest negative impacts reported for fragrance allergens labelling, intentional microplastics, and siloxanes (D4-D5-D6).
- The high number of new requirements, the lack of or too short transition periods, and the uncertainty surrounding the availability and price of raw materials were major concerns for companies.

#### Heatmap of impacts (Qualitative assessment)

Group	Legislations	Supply of ingredients and raw materials	R&D, formulation development and manufacturing of cosmetics	Packaging	Labelling	Reporting and regulatory compliance	Responsibility for the product (including withdrawals)
1	Regulation 2021/850 – CMR Omnibus 3 - TiO2 restriction	-0.5	-1.5	-0.6	-1.0	-1.2	-0.1
	Regulation 2021/1902 – CMR Omnibus 4 – ZnPt and Lilial prohibition	-2.4	-3.1	-1.2	-2.9	-2.5	-2.1
	Regulation 2021/1099 – Prohibition of Deoxyarbutin & Restriction of Dihydroxyacetone	-1.8	-2.1	-1.2	-2.1	-1.4	-1.3
	Regulation 2022/135 – Restriction of Methyl-N-methylanthranilate	-0.4	-0.5	0.0	-0.3	-1.2	0.0
	Regulation 2022/1176 – Restriction of Benzophenone-3 & Octocrylene (UV- filters)	-1.2	-0.7	-0.3	-0.6	-1.0	-0.3
	Regulation 2022/1181 – Changing preamble of Annex V (formaldehyde releasers: labelling threshold)	-0.7	-1.3	-0.4	-1.1	-1.3	-0.8
	Regulation 2022/1531 – CMR Omnibus 5 - Methyl Salicylate restriction	-2.1	-1.5	-0.5	-1.2	-1.5	-0.9
	Regulation 2022/2195 – restriction of ingredients & authorisation of UV-filter	-1.0	-1.5	-0.1	-0.6	-1.3	-0.3
	Regulation 2023/1490 – CMR Omnibus 6	-0.8	-1.1	-0.3	-0.5	-1.3	-0.5
	Regulation 2023/1545 – Fragrance allergens labelling	-3.0	-3.2	-1.9	-4.3	-3.3	-3.2
	Regulation 2024/858 – Omnibus on Nanos	-0.5	-0.7	-0.4	-0.6	-0.9	-0.3
	Regulation 2024/996 – Omnibus on 9 ingredients	-0.5	-1.0	-0.5	-1.3	-1.5	-0.8
	Regulation 2023/1115 – Deforestation	-2.8	-1.9	-1.2	-0.8	-2.3	-1.1
•	Regulation 2023/2055 – Intentional microplastics	-2.8	-3.2	-1.5	-2.6	-2.9	-2.4
2	Regulation 2024/1328 – Siloxanes (D4-D5-D6)	-2.5	-3.4	-1.7	-2.8	-2.4	-2.2
	Regulation 2024/1781 – Ecodesign for Sustainable Products Regulation	-2.3	-2.8	-2.5	-2.0	-3.5	-1.8
	Regulation 2020/852 – Taxonomy Regulation	-1.0	-1.0	-1.0	-0.8	-2.5	-1.0
	Directive 2022/2464 – Corporate Sustainability Reporting Directive	-1.5	-0.9	-1.4	-0.6	-4.1	-1.0
3	Regulation 2023/956 – Carbon Border Adjustment Mechanism (CBAM)	-0.5	-0.5	-0.9	-0.4	-0.5	-0.6
	Regulation 2023/988 – General Product Safety Regulation	-0.5	-0.3	-0.2	-0.6	-1.5	-0.9
	Directive (EU) 2024/825 – Empowering consumers for the green transition	-0.5	-0.6	-0.5	-1.4	-1.8	-0.8
	Regulation 2024/1760 – Corporate Sustainable Due Diligence Directive	-1.7	-0.7	-1.0	-0.5	-1.8	-1.2
	Urban Wastewater Directive	-1.3	-2.7	-0.4	-0.9	-3.7	-1.7
	Packaging and Packaging Waste	-1.2	-2.1	-3.8	-2.4	-3.7	-1.4
	Green Claims Directive	-0.3	-0.8	-0.3	-1.6	-2.8	-1.5

The values in the table above are an average across those respondents that provided a value in their replies (i.e., excluding "don't know" and blank answers), while such averages are based on a rather low number of replies, i.e., the total number of responses per questions varied from N=10-16 for Group 1 and 2, while N=4-12 for Group 3.



#### **Results: Competitiveness**

The qualitative analysis found that:



- Companies <u>perceive</u> the impact of relevant EU legislation on **competitiveness** of the EU cosmetics industry as "**significant**", with EU companies facing **higher costs** and **additional administrative burdens**.
- small and medium-sized enterprises (SMEs) are disproportionately affected by regulatory changes, facing higher compliance costs and resource constraints.



#### Heatmap of Competitiveness (Qualitative assessment)

Group	Legislations	Average impact on competitiveness within the EU	Average impact on competitiveness in relation to companies outside the EU
1	Regulation 2021/850 – CMR Omnibus 3 - TiO2 restriction	-0.1	-1.6
	Regulation 2021/1902 – CMR Omnibus 4 – ZnPt and Lilial prohibition	-1.5	-2.8
	Regulation 2021/1099 – Prohibition of Deoxyarbutin & Restriction of Dihydroxyacetone	-0.1	-0.9
	Regulation 2022/135 – Restriction of Methyl-N-methylanthranilate	-0.4	0.0
	Regulation 2022/1176 – Restriction of Benzophenone-3 & Octocrylene (UV-filters)	-0.5	-1.6
	Regulation 2022/1181 – Changing preamble of Annex V (formaldehyde releasers: labelling threshold)	-0.5	-1.5
	Regulation 2022/1531 – CMR Omnibus 5 - Methyl Salicylate restriction	-0.9	-1.2
	Regulation 2022/2195 – restriction of ingredients & authorisation of UV-filter	-0.4	-1.4
	Regulation 2023/1490 – CMR Omnibus 6	-0.8	-1.1
	Regulation 2023/1545 – Fragrance allergens labelling	-1.5	-2.3
	Regulation 2024/858 – Omnibus on Nanos	0.1	0.1
	Regulation 2024/996 – Omnibus on 9 ingredients	0.1	-0.8
2	Regulation 2023/1115 – Deforestation	-1.3	-1.7
	Regulation 2023/2055 – Intentional microplastics	-1.4	-1.6
	Regulation 2024/1328 – Siloxanes (D4-D5-D6)	-1.3	-1.7
	Regulation 2024/1781 – Ecodesign for Sustainable Products Regulation	-1.0	-2.3

The values in the table above are an average across those respondents that provided a value in their replies (i.e., excluding "don't know" and blank answers), while such averages are based on a rather low number of replies, i.e., the total number of responses per questions varied from N=7-12 for Group 1 legislations and N=10-12 for Group 2 legislations).



#### Results – Baseline (Quantitative assessment)

The baseline analysis shows the average cost expressed as percentage of turnover at each step of the value chain under **normal operating conditions (2019)**.



- Supply of ingredients and raw materials
- R&D, formulation development and manufacturing of cosmetics
- Packaging
- Labelling
- Reporting
- Responsibility for the product (including withdrawals)

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### **Results - Quantitative Estimations**

The quantitative assessment considered the average impact of the legislations on companies' costs. The results showed significant variability in impacts expressed as % of turnover impacts across companies and legislations.

	Group 1	Group 2
Large internati onal	Report the <b>lowest</b> burden with an average cost of <b>1.37%</b> of turnover. <b>Narrow</b> cost range of 0.78% – 2.00%.	Report the <b>highest</b> burden with an average cost of <b>12.10%</b> of turnover. <b>Very wide</b> cost range: 0.01% – 34.40%, driven by high microplastics & deforestation-related costs.
Large national	Report the <b>highest</b> burden (within the group) with an average cost of <b>4.36%</b> of turnover. <b>Widest</b> cost range: 0.36% – 8.70%, indicating variable impact.	Report the <b>moderate</b> burden with an average cost of <b>4.19%.</b> Range: 0.00% – 8.46%, suggesting more consistency in exposure.
Medium	Report the <b>moderate</b> burden with an average cost of <b>1.71%</b> of turnover. Cost range: 0.09% – 5.50% indicating variable impact.	Report a <b>lower</b> burden with an average cost of <b>3.41%.</b> 0.05% – 7.00% highlights strain on some companies.

Small Report very high costs, in size up to 100% of turnover (raises concerns about financial viability).



## Results - Quantitative Estimations and overall cumulative impacts (Group 1 and 2 legislations)

Large international	Average cost equal to <b>13.47%</b> of turnover. Exposed to a wide range of regulations (cosmetics & environmental). Maximum impact: 35.73% (highlighting challenges in compliance across diverse markets). <i>Despite their scale, international firms</i> <i>face significant regulatory burdens due to</i> <i>complex global compliance requirements.</i>	Medium	Average cost equal to <b>5.12%</b> of turnover. Maximum value: 12.50%, suggesting more manageable (?) overall impact. More adaptive to regulatory changes to CPR. <i>Medium-sized firms experience relatively lower</i> <i>costs and greater adaptability, but still face</i> <i>burdens, especially from environmental</i> <i>regulations.</i>
Large national	Average cost equal to <b>8.55%</b> of turnover. More <b>predictable</b> costs, with a <b>maximum</b> <b>of 16.24%</b> . Greater <b>flexibility</b> in adapting to regulations compared to large internationals. <i>National firms face moderate challenges but</i> <i>benefit from more stable and manageable</i> <i>compliance costs</i> .	Small	Excluded from detailed analysis but report <b>extremely high relative burden.</b> Vulnerable to extreme regulatory costs (e.g., cost equal to <b>100%</b> of turnover) and challenging compliance, particularly in niche markets. <i>Small firms are at high risk and require targeted</i> <i>support to navigate complex and costly regulatory</i> <i>changes.</i>



#### Conclusions

- The reported impacts reveals variation across both the type of regulations and the size of the affected enterprises.
- Most enterprises reported relatively much higher burdens and stronger negative impacts of legislations linked to sustainability and environmental aspects. This likely reflects their limited resources for re-formulation, compliance adaptations, and supply chain adjustments.
- Large enterprises generally reported relatively low/moderate impacts, suggesting greater resilience to regulatory requirements and adaptive capacity.
- The lack of or insufficient transition periods and the uncertainty surrounding the availability and price of raw materials are major concerns for companies.
- Reliable and objective information on possible impacts on companies is important for the development of regulatory policy, but it is very hard to obtain.

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#### Take – Home Messages

The pilot project explored the *potential* of assessing the cumulative impact to support effective policy-making, but it also showed its *limitations*.



- The project provided a **high-level estimation** of quantitative impacts of legislations but met difficulties in cumulating those impacts. It highlighted that
- the sample size is crucial for such assessments, as well as companies' readiness to provide data;
- impacts may vary by company size, product portfolio and market position making difficult to generalize on the whole sector;



- standardized reporting formats and improved data collection mechanisms (while minimising administrative burden) are essential;
- iterative refinement of methodology is crucial for improving data quality and accuracy;



# Thank you !!!

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#### Keep in touch



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