 <b>Regulatory Policy Committee</b>	<b>Validation of the One-in, Two-out Status and the Net Direct Impact on Business</b>	
<b>Impact assessment (IA)</b>	Pressure Equipment (Amendment) Regulations 2015	
<b>Lead department/agency</b>	Department for Business, Innovation and Skills	
<b>IA number</b>	Not provided	
<b>Origin</b>	European	
<b>Expected date of implementation</b>	1 June 2015 (SNR9)	
<b>Date of regulatory triage confirmation</b>	8 October 2014	
<b>Date IA submitted to RPC</b>	18 February 2015	
<b>Date of RPC validation</b>	25 March 2015	
<b>RPC reference</b>	RPC14-FT-BIS-2223(2)	
<b>Departmental assessment</b>		
<b>One-in, Two-out (OITO) status</b>	<b>Out of scope</b>	
<b>Estimate of the equivalent annual net cost to business (EANCB)</b>	<b>£0.24 million</b>	
<b>RPC assessment</b>	<b>VALIDATED</b>	
<b>RPC summary comments</b>		
<p>The impact assessment (IA) is fit for purpose. The Department states that only limited evidence on likely costs and benefits has been identified and, therefore, it relies largely on analysis undertaken by the EU. The Department considers that further analysis would be resource intensive, and disproportionate given the size of the sector and the relatively limited changes being introduced by the new directive. This seems to be a reasonable approach.</p> <p>The proposals are of European origin. There is no evidence that the increase in regulation would go beyond minimum requirements, or of a failure to take advantage of available derogations that would reduce the costs to business. The RPC is, therefore, able to confirm that the proposals are out of scope of One-in, Two-out. The RPC is also able to confirm that the EANCB figure of £0.24 million is reasonable.</p>		
<b>Background (extracted from IA)</b>		
<b>What is the problem under consideration? Why is government intervention necessary?</b>		
<p><i>The Pressure Equipment Directive (PED) harmonises across the EU safety requirements in an area that was covered previously by disparate and conflicting national regulations. This has brought benefits to manufacturers by simplifying a</i></p>		

*complex area and creating a level playing field.*

*The proposed legislation will implement part of a new PED, which aligns the classification of equipment provisions to the introduction of EU regulation on classification, labelling and packaging of substances and mixtures (CLP). The new PED will revoke the current basis for product classification in the old PED.*

#### **What are the policy objectives and the intended effects?**

*The amending regulations will implement the updated references to the CLP regulation in UK law. The CLP regulation is the EU implementation of the updated UN globally-harmonised system of classification and labelling of chemicals. The PED is being amended to ensure that the correct references can be used for classifying pressure equipment.*

#### **RPC comments**

The IA states that the proposals affect a relatively small market for which there is limited market information. Significant stakeholder engagement has been undertaken, at both the UK and EU level, as part of the development of the revised directive. However, this provided only limited evidence on likely costs and benefits. The UK's IA, therefore, relies largely on analysis undertaken by the EU. The Department considers that further analysis would be resource intensive, and disproportionate given the size of the sector and the relatively limited changes being brought in by the new directive. This seems to be a reasonable approach.

The IA assesses the impact on business as follows:

##### Costs

The IA explains that the Department expects the administrative impact of the legislation to be one-off in nature - familiarisation with new regulation, additional training and updating guidance - and will fall mainly on all manufacturers of pressure equipment. There may also be some ongoing costs in terms of equipment manufacturers having to meet higher levels of conformity assessment when placing new equipment onto the EU market, and changes to requirements for marking equipment. The sector in the UK is relatively small and has declined in recent years from 843 to 653 manufacturers; the majority of these are small and medium-sized businesses.

The IA states that informal consultation with stakeholders did not provide evidence on which to quantify these costs, but the consultation confirmed that they are likely to be relatively small and easily absorbed by businesses, which are used to operating in a regulated environment. Changes to guidance and additional training would take place, anyway, as part of routine updating within

the industry.

The EU IA estimated that only five per cent of all manufacturers of pressure equipment are likely to face increased compliance costs and the increase in these costs is likely to be of the order of five per cent. The EU IA calculates a baseline cost of compliance with the current directive and then uses these assumptions to calculate a potential increase in compliance costs of €8.5m per year for European equipment manufacturers as a whole.

The UK IA assumes that these costs are equally distributed across all EU manufacturers. The UK represents five per cent of EU manufacturers of pressure equipment so the cost attributed to these manufacturers, on a pro-rata basis, is €0.4 million (or £0.31 million) per year (five per cent of €8.5 million). The EU IA considers, however, that this may over-estimate the likely costs. It provides a possible range of increased compliance costs of between €2.7million and €13.3 million. This suggests a UK range of €0.14 million to €0.67 million (or £0.1million to £0.5 million using an exchange rate of £1 to €1.27) per year. Discussions with UK stakeholders suggest that compliance costs are likely to be at the lower end of this range of possible costs.

### Benefits

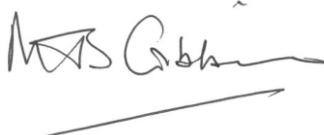
The IA states that the benefits of the legislation relate largely to greater international conformity for all EU pressure equipment manufacturers as the CLP regulation will bring them in line with the UN globally-harmonised system of classification and labelling of chemicals. Thus a key benefit of these changes is that there is a single classification system for European manufacturers regardless of which market is supplied.

The IA states that this should mean more effective competition on a level European level playing field, and greater opportunities for European manufacturers to supply international markets with which the EU classification system will be compliant. However, neither the EU nor the Department has been able to quantify these benefits.

### One-in, Two-out (OITO)

The Department assesses direct costs to business at between £0.1 million and £0.5 million per year. Using the average (£0.3 million/year) gives a net present value of £2.84 million, which equates to an equivalent annual net cost to business (EANCB) of £0.24 million. The RPC confirms that this EANCB figure is reasonable.

The proposals are of European origin. There is no evidence of an extension of regulation beyond minimum requirements or of a failure to take advantage of available derogations, which might reduce costs to business. As a result, the RPC confirms that the proposals are out of scope of One-in, Two-out in accordance with paragraph 1.9.8. ii of the Better Regulation Framework Manual (July 2103).

<b>Signed</b>		<b>Michael Gibbons, Chairman</b>
---------------	---	----------------------------------