

International Conference on Chemicals Management

The Concept of Chemical Leasing

Dr. Reinhard Joas, BiPRO, Germany

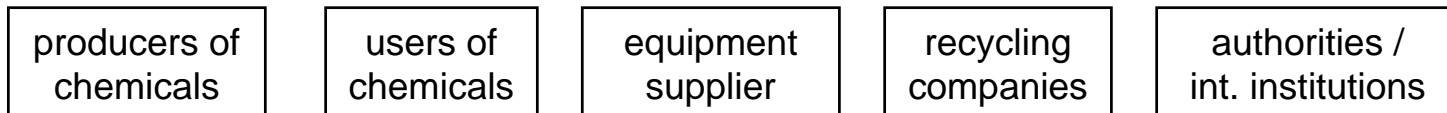
06 February 2006

Objectives and Approach of Chemical Leasing

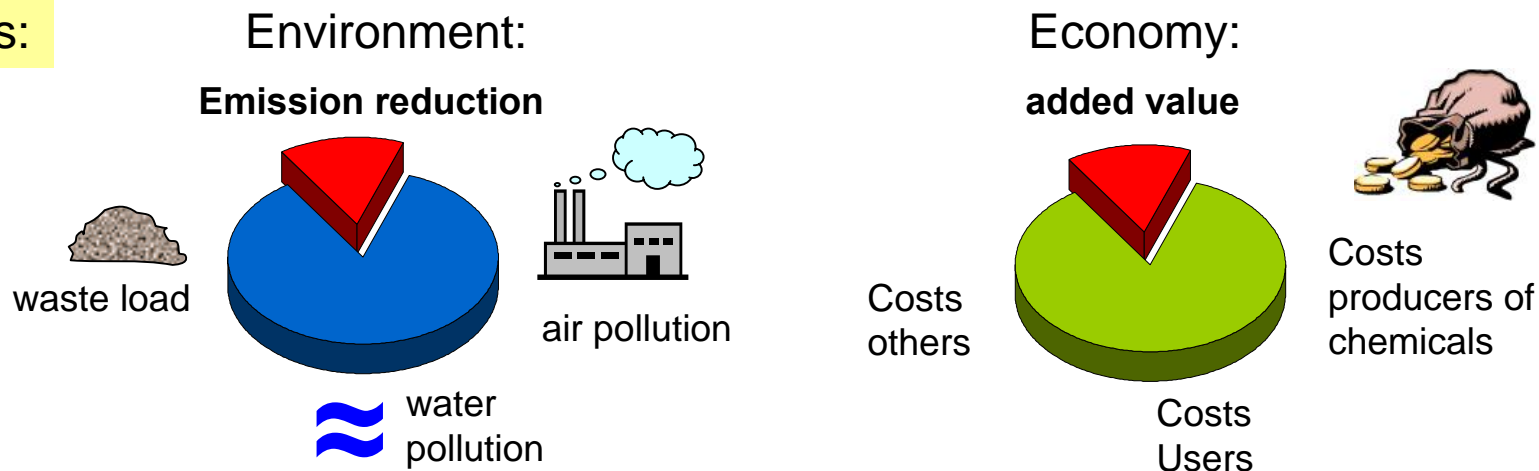
What is it:

Chemical Leasing is a service oriented business model

Players:



Objectives:



Principle:

Chemical Leasing suggests new forms of payments for chemicals that direct the economic interests of all partners towards process optimisation and reduction of chemicals consumption.

Payments on the benefits of chemicals



Chemical producer

provides chemicals to
(no sales)

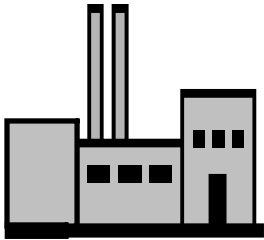
the user

payment not for the chemical itself, but for the benefits of the chemical
(e.g. not for tons of solvents used, but for number of tubes cleaned!)



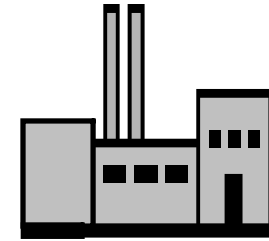
amount of produced chemicals **will decline** as chemicals volume turns from a factor for earnings (*“the more you sell the more you earn”*) to a cost driver (*“less is more”*)

How to realise the added value: example



Chemical producer
With classical business

User needs cleaning of 2 million tubes



Chemical producer
With Chemical leasing

100 t solvents sold = 100.000 \$ turn over
100 t production = 80.000 \$ var. costs
= 10.000 \$ fix costs

Result: 10.000 \$ net profit

Added value from process optimisation

Only 60 t solvents needed

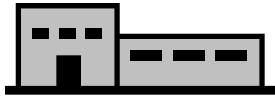
Leasing rate 0,04\$ per tube

Leasing income = 80.000 \$ turn over
60 t production = 48.000 \$ var. costs
= 10.000 \$ fix costs

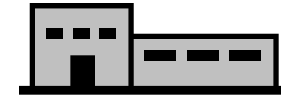
Result: 22.000 \$ net profit

Added Value: 12.000 \$ net profit

How to realise the added value: example



User needs cleaning of 2 million tubes



Chemical user
With classical business

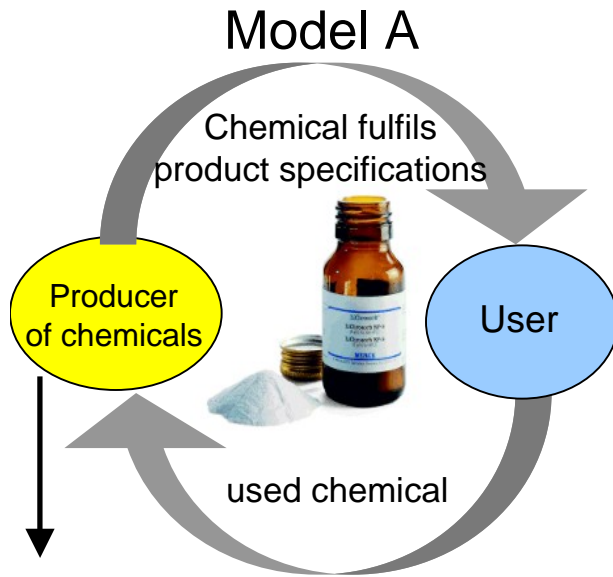
Chemical user
With Chemical leasing

Costs to buy 100 t solvents = 100.000 \$

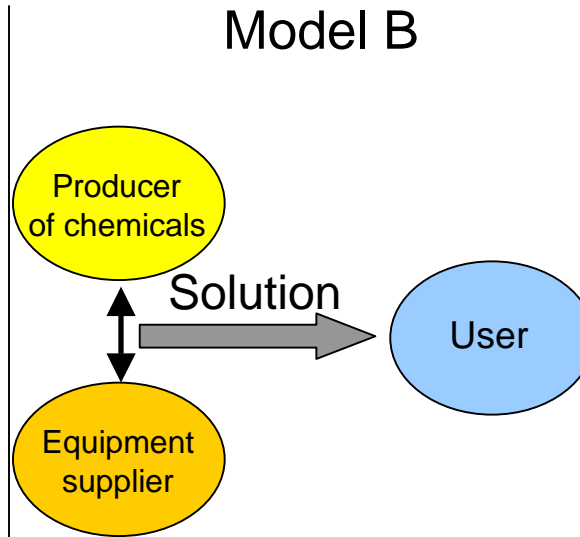
Costs for leasing of 60 t solvents = 80.000 \$

Added Value: 20.000 \$

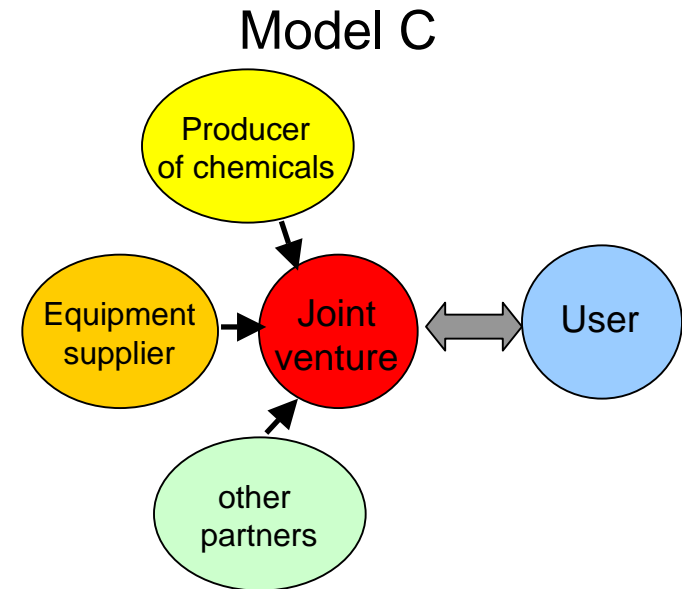
Different approaches for Chemical Leasing



- The user pays for the benefit of the chemical
- Example:
 - active carbon

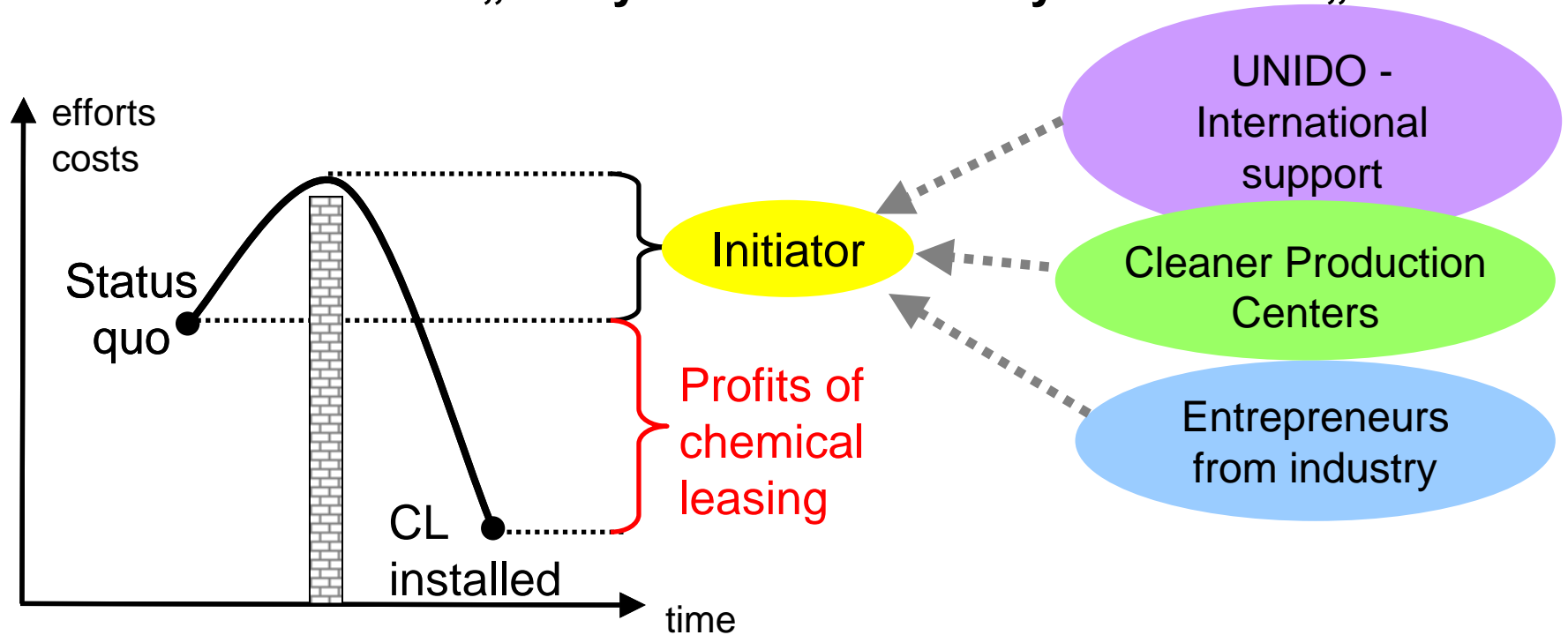


- The user pays for the complete solution
- Examples:
 - paints



- A joint venture bunches all interests of partners and generates synergies
- Example:
 - solvents in industrial cleaning

Chemical leasing concepts are no „self running“ processes! An initiator and some „catalysts“ are necessary to start the „reaction“



Problems to be solved:

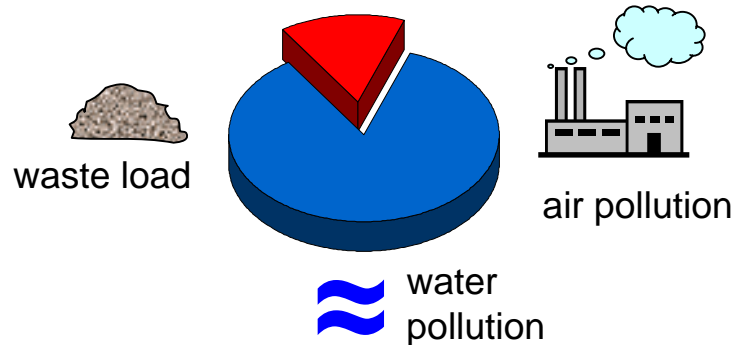
- Find right partners
- Confidence between partners
- Quality assurance
- Fair contracts that meet expectations

Multi stakeholder open working group has been installed to exchange experiences

Chemical Leasing is not only a business model, it can also serve as a policy tool

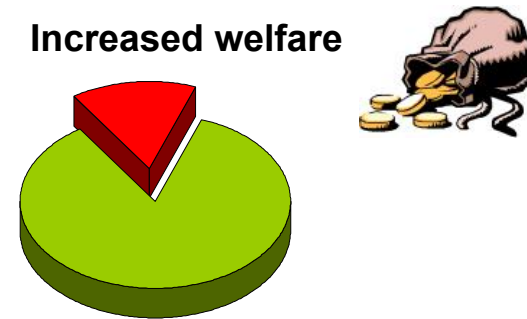
Environmental Objectives:

Emission and risk reduction



Economic Objectives:

Increased welfare



arguments for use of policy tool

1. Emission reduction without economic burden but with economic benefits
2. Increased responsibility of the producers reduces risks
3. Know how and technology transfer to developing countries



Conclusions

1. Chemical Leasing is a new approach for a win-win situation for economy and environment
2. First pilot projects in Austria, Mexico, Egypt and Russia proof applicability and potentials of the model
3. An open multi stakeholders working group helps to exchange experiences and solve principal problems
4. Chemical Leasing can also be used as a policy tool for know how transfer, risk reduction and environmental objectives of risk reduction. In this function it should be supported by the international community



Cleaner
Production
Projects



Chemical
Leasing
Projects



Process
optimisation



Environmental and
Economic benefits