

Chemical Leasing is a Viable Option

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By Lynn L. Bergeson

Use it to promote sustainable management of chemicals.

The United Nations Industrial Development Organization (UNIDO) on Feb. 12, released its annual report on chemical leasing (ChL). The report is available at <http://www.chemicalleasing.com/docs/news/AnnualReport2008.pdf>. For those of you unfamiliar with the concept, ChL as a commercial business model may enjoy greater application in the future as a tool to cut risk and waste. Experiences show that applying these new models reduces ineffective use and over-consumption of chemicals and helps companies to enhance their economic performance, says the ChL Web site.

What Is ChL?

ChL is defined as “a service-oriented business model that shifts the focus from increasing sales volume of chemicals towards a value-added approach.” The producer “mainly sells the functions performed by the chemical and functional units are the main basis for payment, according to the ChL Web site. Within ChL business models the responsibility of the producer and service provider is extended and may include the management of the entire life cycle.”

Although the concept is premised on the “leasing” model, in ChL the lessee doesn’t actually apply the product itself. Fundamental to the ChL concept is that the user benefits from the services that the chemical supplier provides. The producer sells the functions performed by the chemical substances; compensation is based on the number of functional units, for example, the number of pieces, area coated, etc., using the chemical. The revenue of the chemical supplier, for example, shifts from being based on the volume of sold solvent to the volume of cleaned metal. Herein lies the waste reduction potential: the essence of ChL is its ability to ensure the chemical producer and customer share the same objective of maximizing the efficiency of the cleaning process and reducing solvent expenditures.

The “main chemical applications coming into question for a ChL business model are cleaning, greasing/degreasing, cooling/heating and paint operations,” According to the ChL Web site. This isn’t to say the business model isn’t suited to other applications. These are the applications, however, where chemical leasing today enjoys the greatest application.

Benefits of ChL

The primary advantage of ChL is that materials are used more efficiently, resulting in reduced risks of chemicals and providing greater protection to human health and the environment, says the ChL Web site. Process optimization typically results in lower energy consumption and savings in raw material costs. To the extent the materials are optimized, less waste is generated, resulting in other costs savings.

There are other, less quantitative benefits. The nature of the relationship between the manufacturer and the user nurtures their long-term business relationship. The regularly monitored contract yields benefits too — because the contract spells out the rights, duties and obligations of the parties, compliance with applicable environmental regulations can be expected to be maximized, resulting in greater compliance and enhanced product stewardship. Additionally, given the regular exchange of product and process know-how, the end result of the arrangement — the manufacturing operation — can be expected to be of a high quality.

According to some, small- and medium-sized enterprises (SME) might be uniquely well-suited for chemical leasing systems. This is thought to be the case because SMEs can't typically afford on-staff specialists to optimize the types of processes amenable to the ChL approach, such as cleaning processes.

Something for Everyone

ChL may not be for everyone. As a business model, however, it offers advantages that any size company may wish to consider utilizing. For more information, see www.chemicalleasing.com, where you can find ChL-related news and updates, pilot projects, downloads, frequently asked questions, international events and links..

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