

Mike Gambrell Keynote Remarks China Sustainability Conference April 24-25

It is an honor to open this International Conference on China Chlor-Alkali Industry Sustainability. On behalf of the World Chlorine Council, and as Chair of its Governing Council, I would like to welcome you.

I want to express our appreciation to the China Petrochemical Industry Association (CPCIA) and the China Chlor-Alkali Industry Association (CCAIA) for co-hosting this historic event.

Thank you for your commitment to improving the sustainability of the Chlor-Alkali industry in China and around the world.

Our work here is *vital and essential* ... because the role that chlorine plays in the world is *vital and essential*.

- Consider the life-saving role of chlorine in controlling bacteria and viruses in drinking water that can cause devastating illness.
- Consider that about 85 percent of all pharmaceuticals contain or are manufactured using chlorine.
- Consider also that chlorine chemistry is involved in the production of over 95 percent of crop protection chemicals.
- The chlorine molecule is present in Dow Biocides that are used to prevent the spread of Bird Flu.

- And chlorine is involved in over 50 percent of ALL commercial chemistry, even if it is not present in the final molecule.

Chlorine chemistry meets many of society's critical needs and provides numerous benefits. Yet, our industry does face challenges, related to our products and some past practices.

We must continue to improve our environmental performance – as our respective governments and society as a whole continue to expect more from us.

The global chlorine industry is committed to addressing these challenges, to working with stakeholders and to following a sustainable development model.

That is why we are here today, working in partnership with the China Petroleum and Chemical Industry Association and the China Chlor-Alkali Industry Association. Thank you for joining us for this historic event.

To be a sustainable industry, the chlorine industry must act from both a local **and** a global perspective. We must cooperate and collaborate. And we must share best practices on how to manage our operations at a higher level of performance, no matter where we are located.

I know we are united in our commitment to sustainability. It is a critical theme for the China government, particularly as highlighted in last month's sessions of the People's Congress. It is a critical theme for the World Chlorine Council also. As we prepare for our sessions today, I'd like to highlight two imperatives of sustainability for the chlorine industry:

- 1. the industry's financial and economic sustainability, and...**
- 2. its environmental and societal sustainability.**

The global chlor-alkali industry is an important economic contributor to the global economy. Direct production of these chemicals provides jobs for tens of thousands of people worldwide. It's estimated that the production of chlorine and caustic soda alone generated worldwide sales revenues of \$16 billion U.S. dollars, or RMB 144 billion.

Globally in 2004, production increased 6%... while in China, production grew more than 12%. Globally in 2005, the Chlor-Alkali industry met a demand of more than 49 million tons of chlorine, with China representing 22 percent of that global demand.

The industry is operating at approximately 88 percent of capacity, but that will increase in the coming years as new demand is expected to exceed new capacity. In the Asia/India region alone, the demand growth from 2005 to 2010 is expected to exceed 4.5 million metric tons, driven primarily by growth in demand for polyvinyl chloride, or PVC.

But if we are to meet that demand, the chlor-alkali industry must be economically sustainable – and I believe that our industry does not provide the returns that it could or should.

A key challenge to the economic sustainability of the industry is our **cyclical nature**. All of us in the petrochemical industry are familiar with these cycles of overbuilding, oversupply and falling margins. Now with rising energy costs, our industry is more vulnerable than ever to the pain of any future industry downturn.

Many consultants have suggested that if the industry can learn from the past and show restraint in adding capacity during the upturn, then the industry could be stronger economically during the next downturn. Likewise companies could consider forming more partnerships and joint ventures to share the risk and capital costs, while still providing the required capacity. Time will tell if our industry is able to improve its economic sustainability through the industry cycles.

Another challenge to our industry's economic sustainability is **scale**. There are many assets that are below scale, across the world and here in China. These sub-scale assets produce returns that are not competitive. They are not using the most modern processes and technology. By integrating with upstream feedstocks in order to better control input costs, and building world-scale assets with best available technology, the industry can become more economically competitive and sustainable worldwide.

That brings me to the second area of sustainability – environmental and social sustainability.

The issue of scale of the plants plays an important role here too. Those plants that are older and sub-scale tend to have more emissions and more safety incidents. These plants do not benefit from an investment in the latest technology – and in some cases they may create more environmental “cost” than economic benefit.

Safety and environmental incidents and emissions not only erode public trust and confidence, they also harm our bottom line. If we are to maximize our returns on our assets, we must operate safely and in an environmentally sound manner.

As an industry, we have made progress in this area, but there is more work to do.

We still read the headlines about spills, gas releases, transportation incidents, and safety problems. As an industry, our performance today is not good enough. Our employees, our customers, our neighbors and our governments expect better. We need to have a mindset that no incident is acceptable. We need a “**vision of zero**” – zero spills, zero releases, zero transportation incidents, zero customer safety incidents.

The chlor-alkali industry will always draw attention from government and the public because of the inherent hazards of our products. We must lead the way on cleaner production, worker safety, secure transportation and product stewardship. Today's conference is an important part of this process.

As you know, the World Chlorine Council is a supporter of Responsible Care® – a set of activities that members implement voluntarily to help safeguard employees, the environment and neighboring communities. It promotes the safe management of chemical products through their life cycle – from planning new products through to disposal.

We view Responsible Care as central to improving our performance and moving toward sustainability. Responsible Care has not only improved the performance of our companies... it also has brought us stronger relationships with our communities, governments and the general public.

Governments have a legitimate role in regulating industry, but there is also a role for voluntary industry initiatives such as Responsible Care. Voluntary initiatives show that we can manage our businesses and ensure the safe production, transportation and use of our products. Responsible Care and other voluntary initiatives show our commitment to go beyond the minimum requirements, and deliver continuous improvement.

Another important area of focus for the World Chlorine Council is the growing pressure from international organizations and treaties that will create global standards impacting our industry.

For example, the Stockholm Convention has a strong focus on chlorinated products. And even in the area of climate change – a new global framework to follow Kyoto will begin taking shape soon, and will be of interest to China and other industrial nations.

Most recently, SAICM – the Strategic Approach to Integrated Chemicals Management – has been developed by the United Nations to provide developing countries with a recommended framework for creating laws and regulations for chemicals management.

The World Chlorine Council is actively engaged in helping shape these international policies and ensures that industry's voice is represented. We all benefit by shaping global policy, to ensure outcomes that benefit society without threatening the future of our industry.

In summary... we are a global industry that clearly is focused on continuous improvement and sustainability. Our products address global needs – clean water, affordable and durable housing, health and medicine, and more. But we know that producing useful products is not enough.

Our behavior – how we operate – is just as important. Stewardship seminars like this one provide a forum for sharing best practices and learning from each other.

I want to thank our Chinese hosts for agreeing to co-sponsor this conference. **We break new ground today** -- forging new relationships and the opportunity to work together with Chinese authorities and companies.

I know you share our commitment to improving sustainability. We look forward to working together to achieve our shared vision of sustainability.

Thank you.