



AmericanCoatings
ASSOCIATIONSM



ANNUAL REPORT 2017



A Message from the President



Dear Members,

As we usher in a new year, I'd like to take this opportunity to reflect on the association's 2017 activities and programs in our Annual Report.

The report focuses on six areas in which ACA engaged on behalf of the industry. They are categorized as follows:

- Federal Priorities
- Sustainability
- International Affairs
- Science & Technology
- Events & Education
- PaintCare®

These focal points underscore and align with the association's mission to advocate for and represent our industry's interests. The Annual Report also includes a listing of ACA's 2017 Accomplishments, showcasing the breadth and achievements of ACA's efforts and engagement.

Looking ahead to 2018, we are eager to build on our success to ensure the welfare and advancement of industry. Undoubtedly, 2018 will bring additional challenges and opportunities; with your support, ACA remains ready to meet them.



Andy Doyle

President and CEO

American Coatings Association





TOP 6 HIGHLIGHTS

This year ACA continued its advocacy efforts, promoting industry's interests both domestically and internationally. Read more about what we've undertaken and achieved in 2017.

View our 2017 Accomplishments on page 18.

2017 In Review

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ACA federal advocacy efforts this year included engaging on behalf of industry with Congress, the White House and various regulatory agencies ... [Continued on page 6](#)

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ACA, guided by its Sustainability Committee, is developing principles for the coatings industry to address today's sustainability issues and challenges ... [Continued on page 9](#)

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Over the last year, ACA's leadership role through the International Paint and Printing Ink Council (IPPIC) has led to considerable progress in fostering global consensus on industry interests ... [Continued on page 11](#)

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In 2017, ACA pursued initiatives to effectively address the current and future needs of coatings industry scientists and technologists and support industry innovation ... [Continued on page 14](#)

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In 2017, ACA offered varied event opportunities for members, including a scientific forum, policy conference, and regulatory-focused webinars ... [Continued on page 15](#)

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ACA's PaintCare – the industry-led end-of-life management program for post-consumer paint – reached new milestones over the last year ... [Continued on page 16](#)





Federal Priorities

ACA federal advocacy efforts this year included engaging on behalf of industry with Congress, the White House and various regulatory agencies. Three of those efforts are highlighted in detail here.

TSCA RULEMAKINGS

The Frank L. Lautenberg Chemical Safety for the 21st Century Act was enacted in the summer of 2016. In 2017, ACA focused on working with U.S. Environmental Protection Agency (EPA) to create the risk-based chemicals management process mandated under the amended Toxic Substances Control Act (TSCA). Specifically, ACA participated in the rulemaking efforts for three major pillars of the revised TSCA:

1

the chemical
prioritization
process

2

the risk
evaluation
process

3

a new rule to
reset the TSCA
inventory

ACA participated in the regulatory development of these cornerstone rules, helping to shape EPA's final Prioritization and Risk Evaluation Rules, particularly.

Because of ACA's advocacy efforts, EPA included in the final risk evaluation rule an option for an early determination that a "condition of use" does not pose an unreasonable risk. As such, the final rule promotes regulatory certainty for uses that are not potentially harmful, and allows EPA to focus resources toward evaluating conditions of use with greater potential for harm.

ACA also obtained a more palatable final Inventory Reset Rule. During the rulemaking process, ACA submitted multiple sets of comments to EPA, in which ACA explained that some reportable information is difficult for its members to obtain and/or irrelevant for designating "active" chemicals on the TSCA Inventory. As a result, EPA modified the final rule and removed reporting of unnecessary information, including first and last date of manufacture or processing. At ACA's urging, EPA also provided additional explanation about the level of due diligence companies must exercise for reportable chemical identities.

To ensure regulatory certainty for industry and maintain the final rules as promulgated by EPA, in September ACA joined a multi-organizational coalition filing a Motion to Intervene in a lawsuit against EPA brought by several non-governmental organizations (NGOs). The NGOs, are seeking judicial review of EPA's Prioritization and Risk Evaluation Rules. The NGO petitions contend that EPA's final rules reflect an abuse of agency discretion, or were otherwise beyond EPA's authoritative scope. Additionally, while the NGO petitions aren't detailed, it is likely that they will contest EPA's process for evaluating "conditions of use" of a chemical, and more generally, EPA's information gathering procedures.

ACA joined the Motion to Intervene out of concern that the significant progress EPA has made toward enhanced chemical reviews might be undone by unnecessarily prolonged risk evaluations and EPA making a final determination about fewer chemicals, should the NGOs suit succeed. This would lead to greater regulatory uncertainty, with improvements to risk assessment procedures being questionable at best. By joining as an intervenor, ACA continues to support industry involvement in helping EPA develop processes for accurate and efficient evaluation of chemicals under the amended TSCA.

Separate from those TSCA rulemakings, in 2017, ACA was also successful in arresting EPA's work on a new chemical use regulation. ACA had submitted comments to the agency, arguing that its proposed rule lacked protections for keeping business information confidential from competitors. The rule EPA proposed sought to align the hazard communication aspects of its significant new use rules, or SNURs, with the Occupational Safety and Health Administration's (OSHA) Hazard Communication Standard. That rulemaking also would have revised reporting requirements for requests that chemical manufacturers submit to EPA, called pre-manufacture notices (PMNs), when they want to make or import a new chemical. However, ACA's advocacy efforts succeeded in halting the rulemaking altogether.

REGULATORY REFORM

ACA actively participated in the formal process for regulatory reform propelled by President Trump's Executive Orders (EO) and Memorandums. President Trump's EO on "Enforcing the Regulatory Agenda," mandates Executive departments or agencies implement regulatory reform initiatives and policies, and piggybacked on his EO 13771, "Reducing Regulation and Controlling Regulatory Costs,"

known as the '2 for 1.' That order directed Executive departments or agencies, when proposing a new regulation, to identify two existing regulations for repeal. The goal, per the White House, is to offset the number and cost of new regulations.

ACA participated in various forums hosted by EPA, in which the association provided detailed industry input on burdensome and counterintuitive environmental regulations it believes deserved reconsideration. ACA's on-the-record comments highlighted more than 10 regulations it contended were ineffective, outdated and inconsistent with other more relevant requirements, and urged agency scrutiny of regulations and requirements that do not further the mission of environmental protection. ACA supported its arguments with cost data, and rational justification for recommending repeal, replacement or modification of the following EPA regulations:

- The 8-Hour Ozone Standard;
- "Once-in, Always-in" Policy Under National Emissions Standards for Hazardous Air Pollutants for Source Categories;
- National Volatile Organic Compound (VOC) Emission Standards for Aerosol Coatings;
- Nanomaterials Reporting Rule under the Toxic Substances Control Act (TSCA); and
- Multiple requirements under the Federal Insecticide, Fungicide, and Rodenticide Act.

ACA also made the case for regulatory reform with the U.S. Department of Commerce (DOC). ACA submitted comprehensive feedback to DOC's request for information stemming from President Trump's Memorandum, "Streamlining Permitting and Reducing Regulatory Burdens for Domestic Manufacturing."

ACA highlighted the EPA regulations, as well as OSHA's rule for Improved Tracking of Workplace Injuries and Illnesses, and Title V permitting requirements under the Clean Air Act, as real regulatory impediments for industry. Notably, in October, DOC released a report summarizing many of the salient recommendations raised by ACA and industry as "Priority Regulatory and Permitting Issues," and presented the department's recommendations for streamlining the federal permitting processes and reducing the regulatory burdens that affect domestic manufacturing.



ACA also took its regulatory reform message to Congress, asking for legislative solutions that would increase Congressional oversight of regulatory costs and benefits; require regulatory flexibility analyses to include alternatives to the proposed rule that would maximize net economic benefits or minimize net economic costs; and ensure regulations based on sound science.

For the past few years, the Republican-controlled U.S. House of Representatives has passed regulatory reform measures that sought to make the regulatory process more transparent, agencies more accountable, and regulations more cost-effective; but these measures have always stalled in the Senate. ACA has actively supported these measures, and what's more, there have been signals that the Senate is willing to work on regulatory reform, with an iteration of the House's Regulatory Accountability Act making progress. And with a regulatory reform mandate, the White House will almost certainly enact any legislative package that makes sweeping changes.

ACA will remain at the fore, at both the agency-level and with Congress, pushing for reform and engaging in the process that will realize relief for industry.

ENFORCEMENT OF ENVIRONMENTAL MARKETING CLAIMS


Since 2013, the Federal Trade Commission (FTC) has published six (6) notices of consent agreements with paint manufacturers – the last four in July 2017 – negotiated in response to complaints of unsubstantiated health and environmental claims resulting in an alleged violation of Section 5 of the FTC Act. The alleged violations relate to advertising claims that paints are emissions-free, VOC-free or zero-VOC. Following issuance of the latter four consent agreements, FTC disseminated letters to several companies requesting additional information related to substantiation of marketing claims. In ACA's view, with the most recent consent agreements, FTC is adopting a *de facto* emissions-based substantiation requirement, which is a departure from the content-based substantiation required by the initial 2013 orders.

ACA believes that the consent agreements, when read together with the FTC "Green Guides," and the FTC's 2013 Enforcement Policy Regarding VOC Free Claims, create confusion and uncertainty for paint companies seeking to comply with FTC guidance and precedent. What's more, only those companies party to the negotiation of the applicable consent agreements fully understand the nuances of their application and requirements for compliance; as such, other companies may not have sufficient information to apply a consent agreement's principles to their own labeling and advertising. ACA was also troubled by FTC's vague definition of "emissions," requirements to measure "trace" amounts, and a requirement to maintain accurate substantiating information for the time when paint is applied and afterwards.

With approval to engage with FTC on this matter from ACA's Board of Directors, ACA submitted a letter to the commission, which was accepting comments on the August-published agreements. In its September 2017 letter, ACA contends that the consent agreements are ambiguous and do not provide a clear method of compliance for industry in general, even though non-parties (to the consent agreements) are required to comply with new approaches to substantiation of claims as outlined in the agreements.

ACA urged FTC to engage with industry more broadly through a transparent and inclusive rulemaking docket, rather than through a consent agreement and enforcement process with select paint companies.

ACA is awaiting a response from FTC on this matter, but will work to effect greater certainty for industry in this arena.



"ACA urged FTC to engage with industry more broadly through a transparent and inclusive rulemaking docket ..."

Sustainability

ACA, guided by its Sustainability Committee, is developing principles for the coatings industry to address today's sustainability issues and challenges, including green building standards and codes that contain environmental, health, indoor air quality, and chemical requirements for building materials that affect the architectural coatings, adhesives, and sealants market.

Over the past year ACA engaged in the following Sustainability-focused efforts.

ANTIMICROBIAL WORKING GROUP

Microbial attack (i.e., mold and mildew) on painted surfaces is a universal concern that has resulted in a global, coordinated strategy to combat it. The participants in this effort include the companies that make biocides: paint manufacturers that add biocides to their products; users of paints containing biocides that have come to expect the efficacy of these products to protect the painted surface and maintain desired conditions; and the government agencies charged with protecting public health and the environment that provide oversight and continued scrutiny of the safety and effectiveness of biocidal product use in paints and coatings. The expanding use of biocides in construction products, however, has resulted in increased scrutiny.



Industry has a long history of effective collaboration with government to protect public health and the environment, and ensure effective policies for biocide use that support continued availability under total control in hazardous materials after risk assessment. In 2017, ACA formed an Antimicrobial Working Group to demonstrate the safe use and effectiveness of antimicrobial substances in treated articles and fully registered products under the Federal Insecticide, Fungicide, and Rodenticide Act. As biocides continue to be maligned and scrutinized, this group is now working on a preservative life-cycle project to demonstrate what the world would look like without preservatives (see more on *Biocides under International Affairs*).



GREEN BUILDING STANDARDS

In 2017, ACA represented industry in various green building development efforts to ensure the adoption of reasonable and inclusive specifications and standards for industry products. As such, ACA engaged with the Sustainable Purchasing Leadership Council (SPLC), an organization founded by institutional purchasers, suppliers and other interested stakeholders with the goal of creating a framework for sustainable institutional purchasing, (i.e., a rating system like LEED) for institutional purchasers such as hospitals, schools, and government. ACA serves on the SPLC's Technical Advisory Group for Paints and Coatings and is working with other stakeholders to develop a rating system for institutional purchasing of paint, coatings, adhesives, and sealants.

ACA also served on the committee for the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) 189.1 Standard. This standard provides sustainability guidance for designing, building, and operating high-performance green buildings. Through its participation, ACA stopped ASHRAE from adopting problematic chemical restrictions and limited the extent of required coating emission testing.

Finally, ACA engaged in EPA's development of Recommendations of Specifications, Standards, and Ecolabels for Federal Purchasing to create a consistent approach to selecting environmental performance standards and ecolabels for federal sustainable acquisition mandates. In March 2017, EPA released the standards for latex paint product categories that reflect the outcome of new assessments. ACA is working to ensure the guidelines provide manufacturers flexibility to accommodate the variety of approaches to and types of standards and ecolabels that exist in the marketplace.

PRODUCT CATEGORY RULE & SUSTAINABILITY ASSESSMENT

In October 2017, ACA received Board of Directors approval to develop a Product Category Rule (PCR) for Resinous Floor Coatings. A PCR provides a framework for measuring the environmental impacts of a product based on a defined set of criteria, which allows manufacturers to conduct life cycle assessments (LCA) of their products in a standardized way, and publish this information in an Environmental Product Declaration (EPD), if they so choose. More and more, sustainability guidelines and green certification programs are giving preferential treatment to products with verified EPDs. ACA has already published a PCR for Architectural Coatings, developed for industry by NSF International, a third-party developer of public health standards and certification programs. ACA will once again work with NSF to develop the PCR for Resinous Floor Coatings.

Separately, ACA is pursuing an Industry Sustainability Assessment that would use a life-cycle approach to evaluate and communicate the environmental impact of architectural coatings. The assessment would provide a framework and consistent set of performance objectives for manufacturers and the supply chain in the design and manufacture of coatings. Ultimately, the goal would be for the creation of a set of performance metrics that assist with the identification of environmentally preferable products by purchasers.

International Affairs

Over the last year, ACA's leadership role through the International Paint and Printing Ink Council (IPPIC) has led to considerable progress in fostering global consensus on industry interests to advance effective policy in Europe, Asia, and the Americas. ACA continues to cooperate with other IPPIC members to ensure that policy changes in one part of the world are developed in a manner consistent with practices established elsewhere. Notably, IPPIC has official consultative status with the United Nations and its aligned organizations: the International Maritime Organization (IMO), World Health Organization (WHO), and Industrial Development Organization (UNIDO).

ACA's and IPPIC's efforts on myriad global issues are highlighted here.

TITANIUM DIOXIDE CLASSIFICATION IN EUROPE

In late September 2017, the Risk Assessment Committee (RAC) of the European Chemicals Agency (ECHA) finalized its recommendation to classify titanium dioxide (TiO₂) as a Category 2 Carcinogen, or a substance suspected of causing cancer by inhalation. Notably, the recommendation will face additional scrutiny and potential clarifications as it moves through the formal consideration process, culminating in a final decision by European Commission (EC) officials in the first quarter of 2018. If finalized, the classification would trigger labeling requirements under the Classification, Labelling and Packaging (CLP) Regulation for both industrial and consumer products containing TiO₂, used in Europe.





Prior to its issuance, throughout the ECHA effort, ACA, IPPIC, and allied industry groups expressed significant procedural, scientific, and trade concerns arising from the ECHA effort – concerns which should be evaluated and considered pending final decision by the EC. ACA and IPPIC have repeatedly argued that the scientific basis for the opinion is flawed and does not inform on risk to humans; and also stressed the importance of considering that the risks profiled are not attributable formulated products, like paint, where TiO_2 dust is embedded in the mixture. As such, the RAC-recommended hazard classification for TiO_2 , or any other similar form of chemical substance found in particulate (dust) form, is not appropriate for downstream mixtures in which the materials are stably embedded into a polymer matrix.

ACA and IPPIC have urged ECHA to consider the very real consequences associated with the current proposal, citing the many other national chemicals management schemes that acknowledge the lack of exposure and pursuant health risk for substances embedded in polymers. ACA has filed a brief with the World Trade Organization (WTO) stating that classification as a carcinogen is not warranted and could unnecessarily constrain or even eliminate certain products from international trade. ACA coordinated its filing with the WTO through the U.S. Trade Representative, filing in conjunction with other trade associations. Additionally, ACA is in discussion with the U.S. Department of Commerce's International Trade Administration on the potential trade impact of a potential RAC-recommended EC classification on the U.S. industry. To that end, ACA submitted additional comments to DOC prior to a crucial November meeting of the Competent Authorities for REACH and CLP (CARACAL).

At its Nov. 15 meeting, CARACAL deferred action on the RAC opinion, delaying a regulatory decision to take additional stakeholder comment on the RAC opinion, as well as the applicability of the CLP Directive for inert, non-toxic, poorly soluble dusts such as TiO_2 . CARACAL will next consider the issue during its meeting in March 2018. ACA will remain engaged, coordinating with its European counterparts, CEPE, to press CARACAL to base any decision on sound science that follows established risk assessment practice. ACA will also continue to enlist the ITA's involvement and support.

USE OF BIOCIDES

Biocide use in construction products is raising safety questions and facing increased regulatory activity in Europe (see also *Antimicrobial Working Group p. 9*). As such, ACA worked with IPPIC to craft an industry position on the safe use of biocides in paint and coating products. The statement stresses the importance of biocide use for in-can preservation and microbial attacks; without these biocides, waterborne paints would fail in storage, first losing their viscosity, then progressing to malodor, before ultimately a complete product breakdown (in extreme cases, the microbial decomposition can generate gases that rupture the container). The statement also underscores the serious regulatory scrutiny the biocides themselves undergo to make it to market: the rigor and thoroughness of these regulatory processes has resulted in a limited number of approved biocides being deemed safe, and therefore available for use by industry.

ACA and other IPPIC members have been consistent in anticipating and coordinating their position on biocides, noting that over the past 75 years, market growth and public acceptance of waterborne paints and coatings has only been possible with the use of biocides. What's more, ACA and IPPIC have highlighted how manufacturer efforts to protect waterborne paints from microbial growth have enhanced plant hygiene and developed work practice controls that ensure product integrity throughout the supply chain. These efforts are part of a holistic approach to microbial control that ensures protection, but also optimizes the use of biocides to a level that is necessary to do the job.

NATURAL MICA - RESPONSIBLE MICA INITIATIVE

A recent NGO report has affirmed that surface mining operations in certain provinces in India are using child labor to collect natural mica, to produce “effect pigments” that are used in cosmetics and paints. That same NGO report, however, advocates that industrial users of these materials not abandon these producers, due to likely economic hardships but instead work to advance alternative social constructs that stem the need for child labor and offer alternative activities to advance welfare. This NGO challenge has been taken up by the Responsible Mica Initiative (RMI).

Owing to global paint industry interest in this issue, IPPIC officially joined RMI as a full member and has established a work group to engage in specific RMI activities that hold opportunities to advance effective policy, including development of:

- Specifications, to “increase traceability and implement fair, responsible, sustainable practices throughout supply chain;”
- A Legal Framework, to ensure RMI activities conform to other UN labor practices; and
- Communications to establish consistent messaging.

IPPIC is coordinating its efforts with paint manufacturers that have also become members of RMI to establish a “Paint Industry Platform.” This could direct RMI efforts in line with the values embraced by the entire supply chain, extending to end-users of paints and coatings.

BIOFOULING MANAGEMENT PLAN TEMPLATE

IPPIC, in conjunction with a major maritime NGO, IMarEST, this year made its biofouling management plan available as a downloadable template. The IMO-approved template helps IMO member states and classification societies, along with ship owners and operators, comply with their obligations under the IMO’s “Guidelines for the Control and Management of Ships’ Biofouling to Minimize the Transfer of Invasive Aquatic Species.”

The IMO Guidelines provide that the biofouling management measures that must be undertaken on a ship should be outlined in a biofouling management plan, and provide an example of a biofouling management plan. The IPPIC template addresses the issues that need to be considered and discussed in the process of:

- Choosing the antifouling system (AFS) for the external hull by using a check list system for the discussions between the paint suppliers and the customers;
- Choosing the best available paint technology specifically for niche areas where hydrodynamic conditions differ from those found on the external hull; and
- Any planned management actions to be completed between planned dry-dockings to minimize the biofouling on the hull.

Notably, several jurisdictions, including New Zealand and California have adopted and/or recommended the IPPIC template for use by ship owners and operators.

COATINGS SUMMIT

IPPIC’s Coatings Summit was a huge success, bringing together nearly 150 senior coatings executives from around the world in Shanghai, China, to share their perspectives on corporate and economic issues, business strategy, emerging and existing markets, and new technology. The summit – the sixth in the biennial series, with the largest attendance to date – also had organizational support from the China National Coatings Industry Association (CNCIA), whose members celebrated the first Coatings Summit in China.





Science & Technology

In 2017, ACA pursued initiatives to effectively address the current and future needs of coatings industry scientists and technologists and support industry innovation. The following highlights two of those projects.

STEM EDUCATION RESOURCES

ACA, in support of the coatings industry securing its share of Science, Technology, Engineering and Mathematics (STEM) education students, is developing a new program aimed at middle school students. Working with universities and companies that have existing outreach programs, ACA engaged a contractor, Young Minds Inspired, to develop fun and interesting curriculum content for middle school science teachers to use in teaching concepts that provide a window to the industry's technical values and role in supporting society. The program will consist of two components: 1) a poster guide with information for teachers and three reproducible student activity sheets printed on the reverse of a classroom poster; and 2) a presentation kit with presenter tips, the three activities from the poster, two additional activities, and a career guide.

ACA's STEM effort is being shepherded by its Science & Technology Committee. In 2017, the committee's STEM Education Subcommittee reviewed initial creative concepts and a first draft of the two components, including the following activities:

- An introductory activity to various coatings encountered quodidiantly;
- A secret message activity using properties of light and color;
- A cool roofs activity investigating solar radiation's interaction with coatings;
- An activity examining rust and redox reactions; and
- A polymer activity exploring this type of molecule using borax and glue as well as linseed oil and pigment.

Based on the initial distribution of the STEM career outreach program in the first half of 2018, ACA will pursue National Science Foundation funding for any ongoing outreach program.

"BIG DATA" MATERIALS OF CONCERN PROJECT

ACA also progressed its "Big Data" Materials of Concern Project with the North Carolina State University and its Center for Innovation Management Studies. The project goal is to provide data-driven, early indications for "chemicals of concern" used by the paint and coatings industry. Since industry efforts to innovate can be impacted by new health, safety and environmental assessments of critical raw materials – and often such information is improperly interpreted and given far more credence than warranted – this "Big Data" effort can allow for the development of more and better information to advance product stewardship.

While several critical features have already been established under the project, the grant with NC State includes integration of critical advanced research components for the following:

- Social Media Sources;
- Toxicology Data Interpretation; and
- Visualization of Findings

Over the next year and beyond, the project will move into the initial commercial product launch phase, including required hardware and software components.

Ultimately, using sophisticated data-mining programs and interactive software, the project will create a tool for both R&D and product stewardship professionals in the industry to better assess formulation and product-use practices.



Events & Education

In 2017, ACA offered varied event opportunities for members, including a scientific forum, policy conference, and regulatory-focused webinars.

COATINGSTECH CONFERENCE

ACA hosted a record-setting 2017 CoatingsTech Conference with some 300 attendees, 42 technical presentations, and 17 student posters. The redesigned technical conference highlighted industry innovations, and offered short-course training that dovetailed into the multi-track technical sessions.

An additional third day of the conference brought in speakers focused on product regulation, which helped bridge the information gap between R&D professionals and those responsible for product stewardship and compliance.

Notably, ACA's Science & Technology Committee secured funding for all attending students that presented their research at an outstanding poster session.

ACA will continue to advance innovative approaches for future events in planning the 2018 American Coatings Conference (ACC), to be held April 9-11, 2018 in Indianapolis, Ind.

COATINGS INDUSTRY POLICY SUMMIT

In October 2017 ACA held a successful Coatings Industry Policy Summit in Washington, D.C., bringing together members of industry, Congress, and the Administration to discuss policy matters and issues important to the paint and coatings industry. The summit gave ACA members a chance to visit Capitol Hill and meet with members of Congress to educate them on the practical experience of manufacturing coatings products, and the real value it brings to the American and global economies.

During the 24-hour summit, ACA members accomplished the following:

- Talked directly with two members of Congress: Rep. John Shimkus (R-IL) and Rep. Mike Doyle (D-PA);
- Met with 21 congressional offices from Ohio, Illinois, Wisconsin, Oregon, California, Pennsylvania, Iowa, Minnesota, Michigan, Connecticut, and North Carolina; and
- Hosted a lunch presentation for 20 Congressional staffers, highlighting innovative technologies in coatings research.

In their meeting with Congressional offices, ACA members advocated for R&D tax credits and a lower corporate tax rate; urged continued support of NAFTA; encouraged Infrastructure investment, including corrosion protection; sought potential federal labeling standards and pre-emption; and supported passage of regulatory reform bills.

MEMBER WEBINAR SERIES

In 2017, ACA introduced a new series of complimentary webinars for members that address topical regulatory issues. The webinar series has covered topics, from the GHS in Mexico and Latin America, to TSCA Nanotechnology Reporting Rule requirements, to the Regulation of Biocides, and drawn more than 500 registrants. 2017's 10 webinar recordings have been archived and made available to members for download. The webinar series will be extended into 2018, addressing myriad new topics.



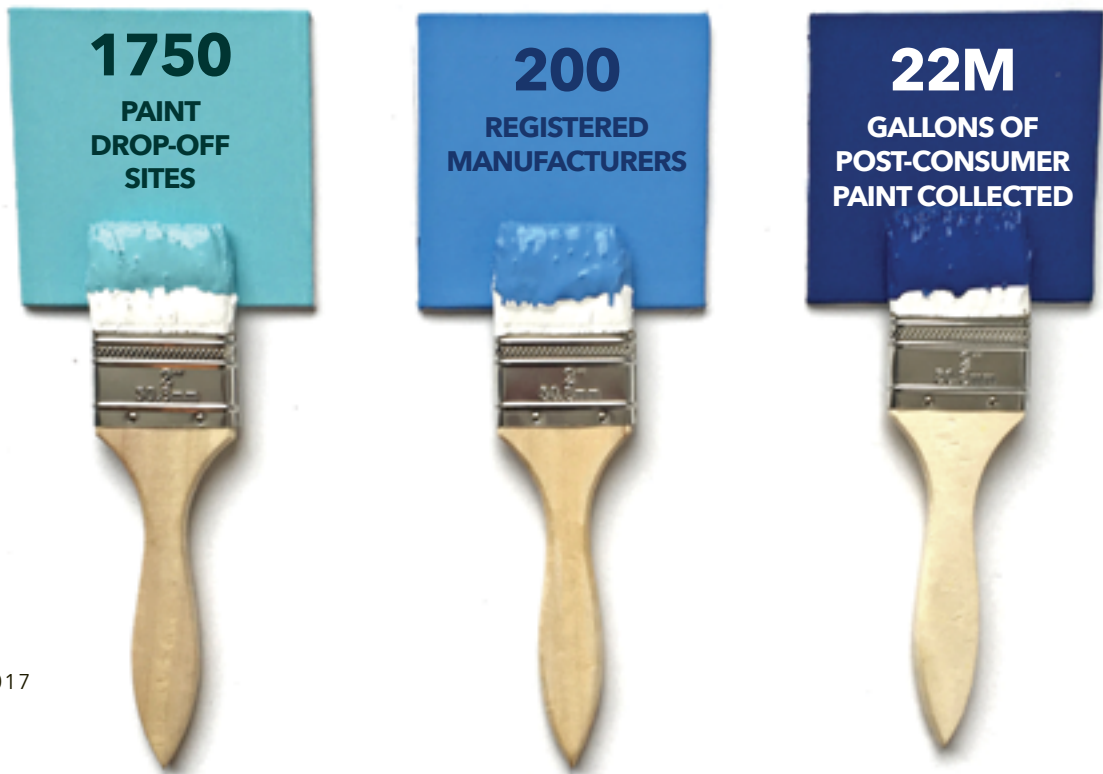


ACA's PaintCare – the industry-led end-of-life management program for post-consumer paint – reached new milestones over the last year. PaintCare runs programs in eight states and the District of Columbia with successful operations. Its first program began operations in Oregon in July 2010, and eight new programs were added soon thereafter, with California launching in 2012; Connecticut in 2013; Minnesota, Rhode Island, and Vermont in 2014; Colorado and Maine in 2015; and the District of Columbia in 2016. This year, PaintCare surpassed 20 million gallons of paint collected, an impressive figure reached in just a few years and a few states.

PaintCare undertakes responsibility for ensuring an environmentally sound and cost-effective program by developing and implementing strategies to reduce the generation of postconsumer architectural paint; promoting the reuse of leftover architectural paint; and providing for the collection, transportation, and processing of post-consumer architectural paint using the hierarchy of “reduce, reuse, recycle,” and proper disposal. In addition to working with local government programs to collect paint, PaintCare establishes retail drop-off locations throughout the states with paint stewardship laws, increasing convenience for consumers and relieving local governments of the financial burden of managing leftover paint.

PROGRAM GROWTH

PaintCare is a true environmental success story for the paint industry: the program now has some 200 manufacturers registered and participating in the program. Across nine programs in the eight active states and District of Columbia, it has over 1,750 year-round paint drop-off sites, the large majority of which are paint retailers. These sites provide access for post-consumer paint drop-off within 15 miles of most residents in each program. Incredibly, the program has collected and recycled (or responsibly managed) more than 22 million gallons of post-consumer paint, of which approximately 75 percent is latex paint, and 25 percent is oil-based paint.





EXPANSION PLAN

ACA has made significant progress in expanding the PaintCare program to new states, taking the marathon approach, rather than a sprint in working with legislatures to advance PaintCare legislation. Bills to establish the paint product stewardship program were introduced in Maryland, Texas, Washington, New Jersey, New York and Massachusetts. While none of the bills have been adopted or enacted yet, the legislation in both New Jersey and Massachusetts is still alive. The Massachusetts legislature is in the middle of a two-year session and hearings on the bill will not occur until early 2018. In New Jersey, however, the bill has passed through the Environment Committees in both houses and is on track to pass both houses before the end of the year. However, Gov. Chris Christie is expected to veto the bill, as he has in years past. ACA expects newly elected Gov. Phil Murphy will likely enact the PaintCare program.

ACA also made progress in Texas and Maryland this year, however, the bills did not make it out of committee. Vigorous efforts were made in Washington and New York. In New York, discussions with the Governor's office were encouraging but the PaintCare legislation continued to stall in the Assembly after passing the Senate. And in Washington state, the bill passed the Assembly but remained stuck in the Senate.

While these efforts did not result in new programs, the advocacy efforts continue to educate decision-makers and lay the groundwork for successful efforts in 2018.



2017

Accomplishments

In addition to the detailed areas of focus for 2017, the association achieved success with other industry-related issues and endeavors.



2017 Accomplishments

Chemicals Management & Product Labeling

- ACA and its California Paint Council's advocacy efforts ensured that paints were specifically excluded from the definition of automotive products in a new California chemical disclosure law, the Cleaning Product Right to Know Act of 2017 (S.B. 258). The new law requires companies to identify on labels and online information about the chemical ingredients found in cleaning products; that is, household and institutional products, and automotive care products, but not industrial products or cosmetics.
- ACA comments on EPA's guidance for the agency's nanomaterials reporting rule led EPA to provide clarification on the concept of 'unique and novel' properties versus 'enhanced' properties, as well as the element of intent, and mixtures. In addition, ACA also published its own guidance document for members to help them navigate the intricacies of the nanomaterials rule that requires a one-time reporting and record keeping of existing exposure and health and safety information on nanoscale chemical substances in commerce.
- ACA published guidance on amendments to Article 6, "Clear and Reasonable Warnings," under California's Prop 65, to help ACA members understand and comply with the Prop 65 clear and reasonable warning obligations. Prop 65 requires anyone doing business in the state of California to provide a warning prior to exposure to a listed chemical(s).

Clean Air & Environment

- ACA convinced EPA to delay the effective date of the Risk Management Plan (RMP) Final Rule Amendments until Feb. 19, 2019. This delay will allow EPA to reconsider the RMP final rule amendments and determine whether it should take further regulatory action, which could include proposing and finalizing a rule to revise the RMP amendments altogether.
- ACA secured an extension of the compliance date for Connecticut and Maryland's consumer products regulations. The extensions will give industry more time to adjust formulations and supply-chain processes to ensure compliance with changes in VOC limits for paint thinners and multipurpose solvents, labeling, and reporting requirements under the new rules.
- ACA persuaded California's South Coast Air Quality Management District (SCAQMD) to make several revisions to its Proposed Amended Rule 1168, including reinstating the exemption for aerosol adhesives and primers; extending the compliance date for various adhesive and sealant categories that will have new, lower VOC limits; changing the reporting requirements to a less rigorous schedule with a sunset date; and adding a provision that requires SCAQMD staff to develop a guidance document that will clarify which product types are tested by methods specified under the rule.





Clean Air & Environment (continued)

- ACA, in coordination with its Ohio Paint Council and the Ohio Manufacturers' Association, persuaded Ohio EPA to make important revisions to its Universal Waste regulations, which will soon designate hazardous non-empty aerosol containers and hazardous paint and paint-related waste as universal waste. Among the revisions ACA secured: modifications to the definitions of "aerosol container" and "paint;" changes to the methods for puncturing, shredding, or crushing of containers; and the addition of other methods for the capture of VOCs from aerosol containers.
- ACA petitioned several states to exclude some VOC-exempt compounds from their rules, and convinced New Jersey to rescind its tertiary butyl acetate (TBAC) reporting rule. New Jersey released a proposal to this effect on July 3, 2017.
- ACA convinced SCAQMD to retain the existing limited exemption for TBAC in Rule 1151 for automotive refinish coatings operations.
- ACA secured important changes to proposed and amended AIM VOC regulations at the state and local level, including rulemakings in Connecticut and California's El Dorado County Air Quality Management and Ventura County Air Quality Management Districts. ACA successfully advocated for additional time for compliance, and more favorable rule language and provisions.
- ACA convinced SCAQMD to retain the Industrial Maintenance TBAC exemption until the California Office of Environmental Health Hazard Assessment completes its review. ACA also convinced SCAQMD to make several changes to its Air Quality Management Plan that will lessen burdens on the coatings industry.
- ACA convinced Utah not to change the applicability of its surface coating rules, which would have greatly increased the liability for coatings manufacturers and distributors' end-users of non-compliant products. While Utah did adopt changes to their rules lowering the applicability (facilities using more than 20 gallons per year for coatings and 55 gallons per year for cleaning solvent are now subject to the VOC standards), ACA succeeded in getting a one-year effective date for the rules.

Chemical Security

- ACA co-sponsored the annual DHS Chemical Security Summit, a national event that brings together government officials, security experts, and industry compliance staff to understand DHS policy, best practices in the chemical security arena, and threat information. ACA also engaged with DHS, EPA, TSA, DOT, and OSHA in the aftermath of Hurricane Harvey to synchronize Chemical Sector stakeholders and the government agencies preparing the response. ACA and other stakeholders collaborated to identify key issues to facilitate restoration efforts.



2017 Accomplishments

“GRC convinced the Arizona State Legislature to adopt its ‘Responsible Retailing’ approach ...”

Graffiti Resource Council (GRC)

- GRC conducted numerous meetings with the City of Chicago’s aldermen to educate them on the International Municipal Lawyers Association’s comprehensive Model Anti-Graffiti Ordinance. GRC’s advocacy resulted in the introduction of a proposal to ban sales of spray paint to minors and impose reasonable sale and display standards for adult customers as an alternate to Chicago’s absolute ban on the sale of spray paint within city limits, which has been in place since 1994.
- GRC convinced the Arizona State Legislature to adopt its “Responsible Retailing” approach – proper signage, line-of-sight surveillance, and a prohibition on the sale of spray paint to minors – as opposed to the state’s proposal to place sale restrictions on spray paint. After extensive advocacy efforts, S.B. 1408 passed the Arizona Legislature and was signed by Gov. Doug Ducey. This law officially puts the stamp of approval on GRC’s “Responsible Retailing” approach.
- GRC continued to build relationships with state and city officials through two important organizations: the U.S. Conference of Mayors and the National Conference of State Legislators. These two conferences gave GRC a platform to promote its programs and services with state and city leaders from all over the United States, and further its mission of providing creative solutions to communities that promote positive, innovative, and educational methods to combat graffiti vandalism.

Transport

- ACA’s comments and input in support of the American Trucking Associations’ petition for a pre-emption determination regarding inconsistencies between New York City’s Fire Code and the federal Hazardous Materials Regulations, resulted in DOT’s Pipeline and Hazardous Materials Safety Administration deciding in favor of the petition four years after its submission. While the permit requirements for Class 3 flammable and combustible materials under New York’s Fire Code contained two exemptions for paint products, there were reports of issues locating “local couriers” willing to accept flammable and combustible products.
- ACA provided extensive input to the new Administration, stressing the importance of reliable and uninterrupted regulatory development, to not hold up final promulgation of HM-215N, which was caught in the Administration’s “Regulatory Freeze.” The regulation amends the Hazardous Materials Regulations to maintain consistency with international regulations and standards by incorporating various amendments, including changes to proper shipping names, hazard classes, packing groups, special provisions, packaging authorizations, air transport quantity limitations, and vessel stowage requirements. Because of ACA’s advocacy, the final rule was issued in March.





Transport (continued)

- ACA worked with CEPE, the European paint and coatings association, to develop a paper advocating an increase in the volume threshold for viscous flammable liquids for the relevant UN International Maritime Organization (IMO) committee.

Tax Reform

- ACA engaged with the Administration and Congress on corporate tax reform, working directly with Congress and in conjunction with other major trade groups to promote the industry's views on tax reform, including transitioning the U.S. tax system into a territorial tax regime, as well as reforming and reducing the statutory rate of taxation on corporate, including on pass-through entities. ACA urged a transition to a territorial system to include a two-rate approach in taxing foreign earnings that distinguishes between short-term cash reserves and income reinvested in other assets.

Trade Policy

- ACA actively participated in the ongoing renegotiation of NAFTA by the United States Trade Representative (USTR), analyzing and promoting the benefits of trade within the NAFTA trading area and actively engaging with members of Congress to convey the industry's position on the negotiations and the positive benefits of NAFTA to the coatings industry and the U.S. economy. ACA has repeatedly argued to both the Office of the USTR and members of Congress that renegotiation of NAFTA follow a "do no harm" approach, given the immense benefits the trade agreement has borne the U.S. coatings industry over the past two decades.

Business Intelligence & Communications

- ACA published revised and authoritative figures for value and volume for each major coating segment through 2016, along with forecasts for 2017-2020 in a newly updated Executive Summary and other key portions of the *ACA Industry Market Analysis*. This timely resource can help members plan their strategy for 2018.
- In 2017, ACA launched "CoatingsTech Direct" e-newsletter. The e-newsletter, distributed twice monthly, expands the coverage of *CoatingsTech* magazine to spotlight global initiatives of industry companies, recently released "hot" coatings-related products, and *CoatingsTech* features.
- ACA published updated industry statistics on employment, payroll, wages, exports, and establishments, made available on the ACA website, and featured prominently in an *Issue Backgrounder* sent to members of Congress. The statistics and *Issue Backgrounder* tell the story of the paint and coatings industry's major contributions to the U.S. economy and workforce.
- ACA, as IPPIC Secretariat, published the fifth edition of the *Global Paint and Coatings Industry Market Analysis*. The invaluable report includes more chapters on specific sectors and expanding geographic regions.

Access the digital version of this report at acaannualreport.org.