MPs Newsletter

confederation of paper industries

CPI Briefing to MPs on the UK's Paper-Based Industries

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This newsletter informs MPs about the range of issues currently affecting the competitiveness of CPI Members. For further details about CPI or its activities, please visit http://www.paper.org.uk.

As the voice and face of the UK's Paper-Based industries, CPI represents the supply chain for paper comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers and makers of soft tissue papers.

The Confederation of European Paper Industries (CEPI) held its annual conference in Brussels during November at which it launched a 2050 Roadmap to a low carbon bio-economy.

The report is titled "*Unfold the Future*" and can be downloaded in full from www.unfoldthefuture.eu. The Paper Industry is the first sector to produce such a document.

The report was published in response to the Commission's proposals for an 80% reduction in carbon emissions by 2050 based on 1990 levels. It should be of particular interest to MPs and officials here, given the UK's propensity of making such targets mandatory and legally enforceable.

The report's main conclusion is that the Paper Industry is capable of reducing its carbon emissions by between 50% and 60% through investing in existing and emerging technologies over the next two investment cycles (which will take us to 2050). However, it also concludes that to go any further will require the development and installation of technologies which have yet to be invented and that such technologies will need to be accessible at an economic cost by 2030.

Does this mean – to use a well worn phrase – that we are going "too far, too fast" in our carbon reduction planning? As targets tighten and penalties for failing to meet those targets become more onerous, are we in danger of encouraging Energy Intensive Industries (EIIs) such as Paper to invest in parts of the world which do not impose such draconian targets on their industries?

Indeed, the UK's competitive position has been significantly worsened by the government's unilateral introduction of a Carbon Floor Price mechanism.

To give credit where it is due, the Chancellor has recognised the danger and in his Autumn Statement he announced a package of measures to assist the EIIs. Coming on top of earlier announcements concerning the funding arrangements for the development of Carbon Capture and Storage, and for the Renewable Heat Incentive (RHI), this is good news - or so it would seem. We are grateful to the Chancellor for his specific mention of the plight of "Papermakers"

However, the value of the Chancellor's package only amounted to £250m and this needs to be compared to the £bns received by German industry in tax refunds and rebates. This is surely an issue worth further parliamentary scrutiny.

The package was also aimed at giving specific help to those sectors which are most electro-intensive. Paper is gas intensive and the industry's costs have risen sharply over recent years.

David Workman, CPI Director General

In addition, the Paper Industry has recently been hit hard by two other decisions taken by government. Firstly, the reductions in the Climate Change Levy discount and the intended abolition of the Levy Exemption Certificate on electricity generated from Good Quality Combined Heat and Power plants (GQCHP). Input fuels will also be subject to the Carbon Floor Price mechanism. Secondly, the decision to reduce the RHI support for industrial biomass generated heat from 2.7p per kWh to 1.0p per kWh.

The Paper Industry – if it has any hope of achieving energy and carbon targets - needs to invest heavily in GQCHP and

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in biomass plants. These two actions by government make such huge investments far less likely in the future. It is largely on the back of such investments that the Paper Industry in the UK has managed to reduce the amount of energy required to make a tonne of paper by 40% since 1990, alongside a 42% reduction in carbon emissions – a phenomenal achievement.

Additionally, we are concerned about the effects of the allocation process for the third phase of the European Union's Emissions Trading Scheme (EU ETS) which comes into effect next year. The UK's Paper Industry will be short of 700,000 allowances, likely to be far more pro-rata than any other Member State. To compound the issue we also will have to bear the costs associated with the Carbon Floor Price.

The Renewable Obligation targets are also having unforeseen consequences for our industry with the random and large scale development of biomass and Energy from Waste (EfW) plants across Europe. These developments are a very real threat to our raw material sources – wood from managed plantations and good quality end of life waste materials. We are already seeing raw material prices rise because of the demand for wood from large scale subsidised co-generation plants. The investment currently taking place in EfW plants is a potential threat to the collection and reprocessing of recyclable fibres used to make new paper products. Paper recycling rates are the highest for any material at about 70% and the average recycled content of corrugated packaging and newsprint is 76%. It is essential that these levels are at least maintained if we are to continue to reduce energy consumption and carbon emissions.

Whilst on the subject of recycling, we would ask MPs to support the notion of the separate collection of materials from the household waste stream wherever this is feasible. The co-mingling of waste materials at the collection stage makes processing less effective and all too often, results in poor quality output which the re-processors (in our case the paper mills) cannot use effectively as a raw material.

Against the background outlined above we would ask that MPs maintain a watching brief with regard to the exploitation of shale gas reserves around the world. We have already witnessed a mini revolution in the energy market in the USA, which is now a net exporter of gas. Prices in the States have tumbled to the equivalent of 20p per therm against the current UK price of c60p per therm. If this becomes a global phenomenon we will very quickly find that our industries become uncompetitive as we struggle to meet the £200bn cost of switching to renewable sources of energy.

The Confederation of Paper Industries (CPI) has been actively involved with MPs, officials and other industries in the Dods UK Manufacturing Dialogue which has resulted in the production of a report titled "*Manufacturing a Greater Britain*". Amongst its recommendations was one which calls on government to be "Taking stock of energy policy and allowing UK companies room to breathe". It adds that "as a part of this process each unilaterally applied carbon policy in the UK should account for the likely leakage effect from its implementation that will result in investment being relocated abroad"

CPI would also like to thank those MPs who attended the CPI Corrugated Sector Parliamentary Reception in October. Many did, and they would have been asked to continue to support the vital role that such packaging plays in ensuring that products are protected and food waste is kept to a minimum. We believe that this sector is misrepresented both in the press and by uneducated comments from some politicians.

In light of impending legislation on water, we would like to remind MPs that whilst the papermaking process uses a great deal of water, it is in the main only borrowed. 94% of the water that we use is returned to water catchment areas such as rivers, often in a much cleaner state than when it was extracted. There needs to be a clear distinction between extraction and use in any forthcoming legislation.

We would seek support from MPs to:-

- **Divert receipts from energy and carbon taxes to support the research into and piloting of the new technologies which will take us to the 2050 80% carbon reduction target.**
- **Follow the example of Germany and ensure that through a system of tax rebates the EIIs do not suffer the double whammy of direct carbon and indirect carbon costs from the energy companies.**
- **Review the wisdom of the UK's decision to unilaterally impose a Carbon Floor Price.**
- **Restore incentives for energy generation from GQCHP and the RHI tariff for industrial biomass.**
- **Work towards universal sustainability criteria for large scale biomass development especially in co-generation.**
- **Ensure that the development of EfW plants does not divert recyclable fibres from the closed loop recycling stream.**
- **Continue to promote the role of paper-based packaging (produced from sustainable, renewable resources) as a means of minimising food wastage and protecting products from damage.**

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