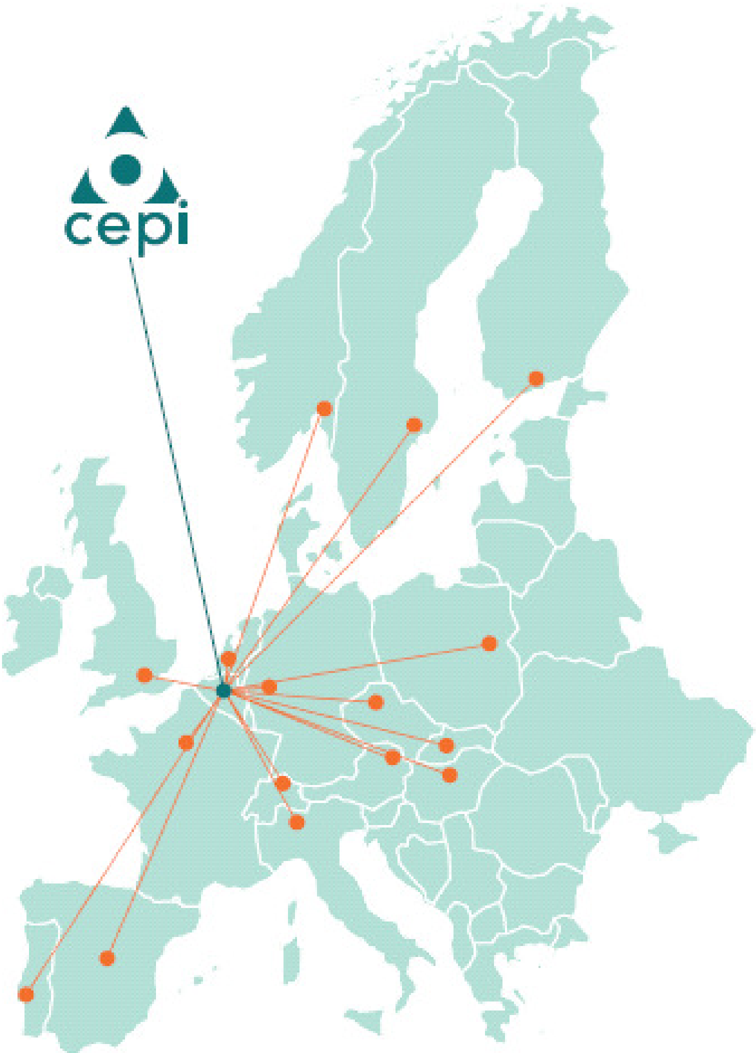
Slovene Paper Industry Day –
21 November 2012

The Raw Materials of the European Paper Industry and policies impacting on them

Ulrich Leberle – CEPI Raw Materials Manager



Confederation of European Paper Industries

- **Represents:**
  - 19 National Associations
  - 700 companies
  - 1000 mills

- **Focuses on:**
  - Raw materials availability/ quality
  - Management of energy and carbon
  - Product policy
  - Sustainability

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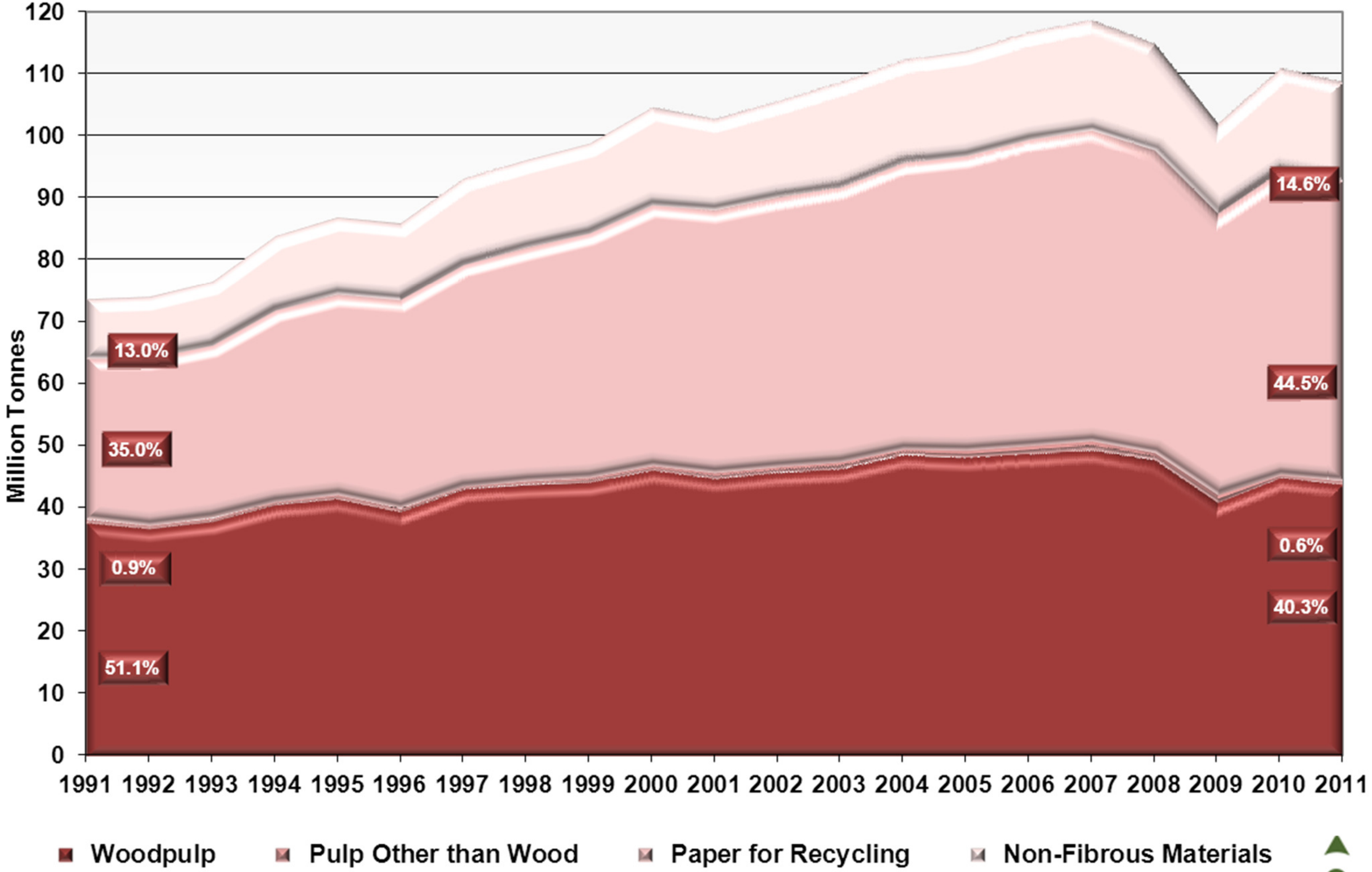
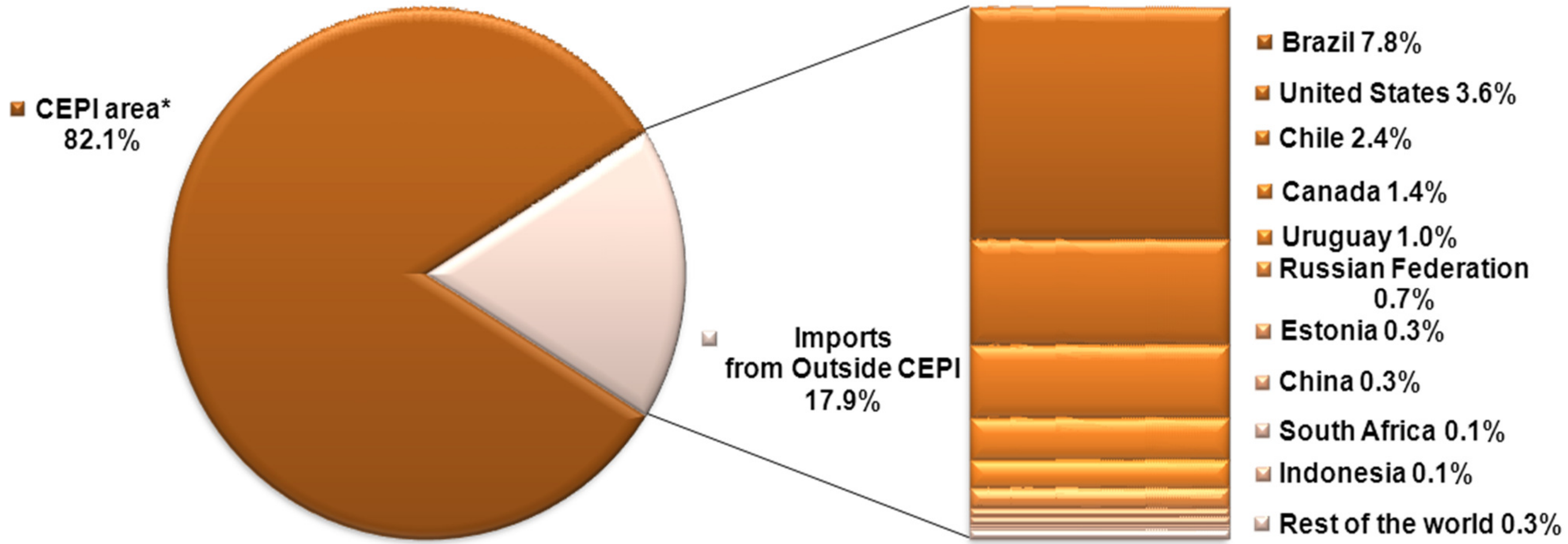
Contents

CEPI Raw Materials Consumption 1991 - 2011

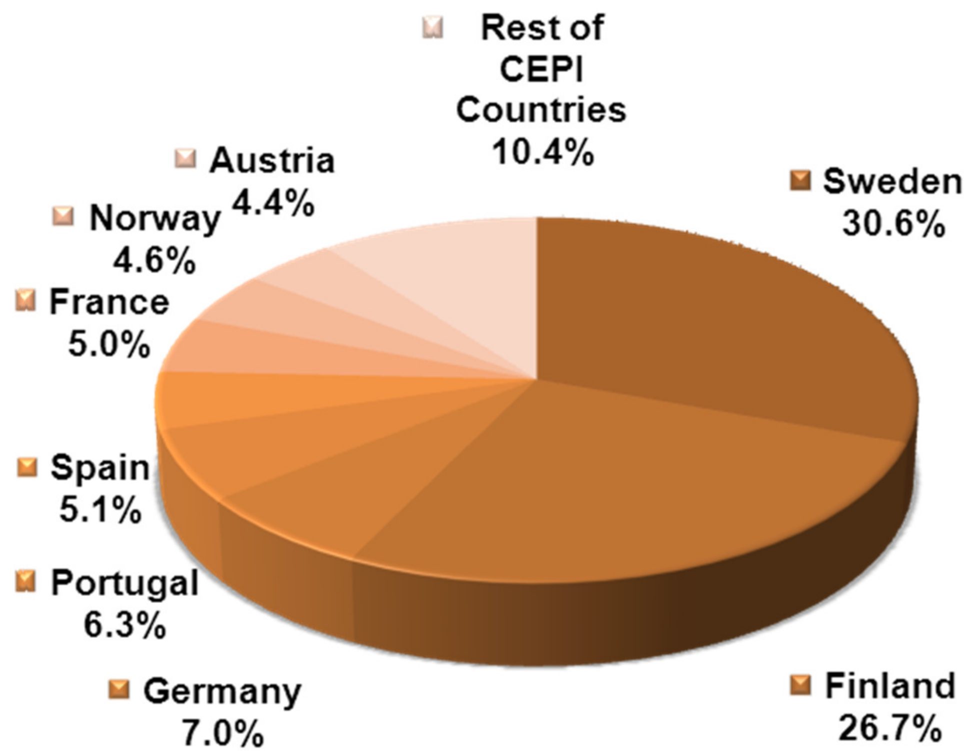


CEPI Pulp Consumption Origin in 2011



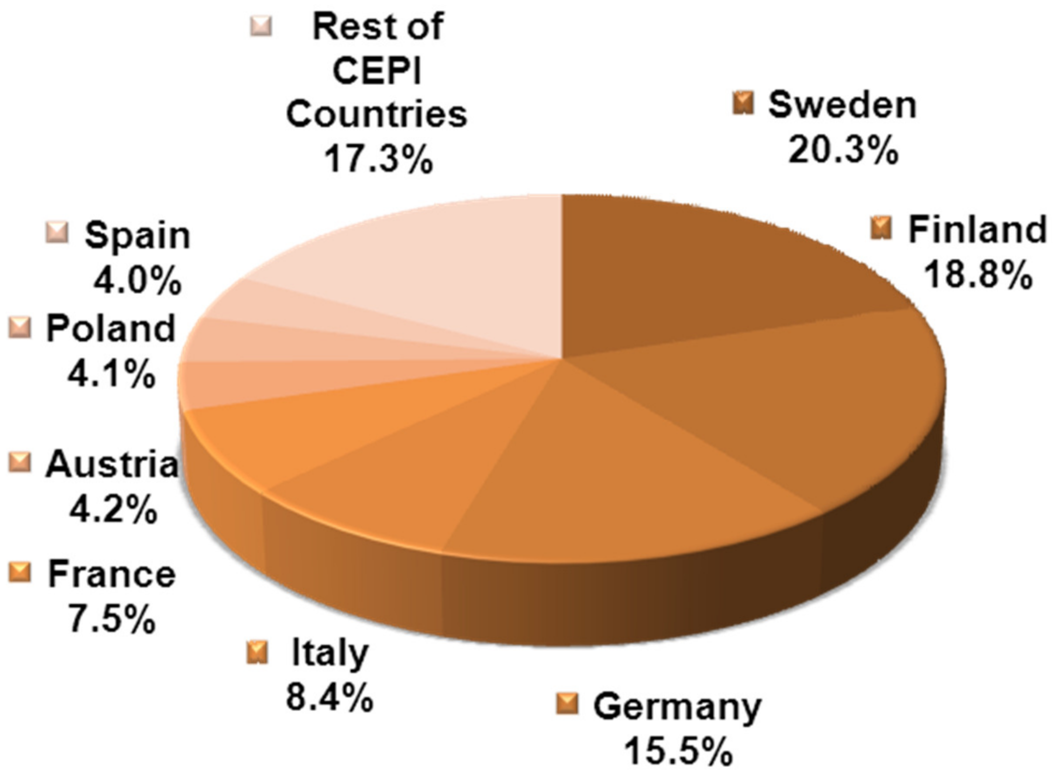
Total CEPI Pulp Consumption: 44.5 Million Tonnes

CEPI Pulp Production by Country in 2011



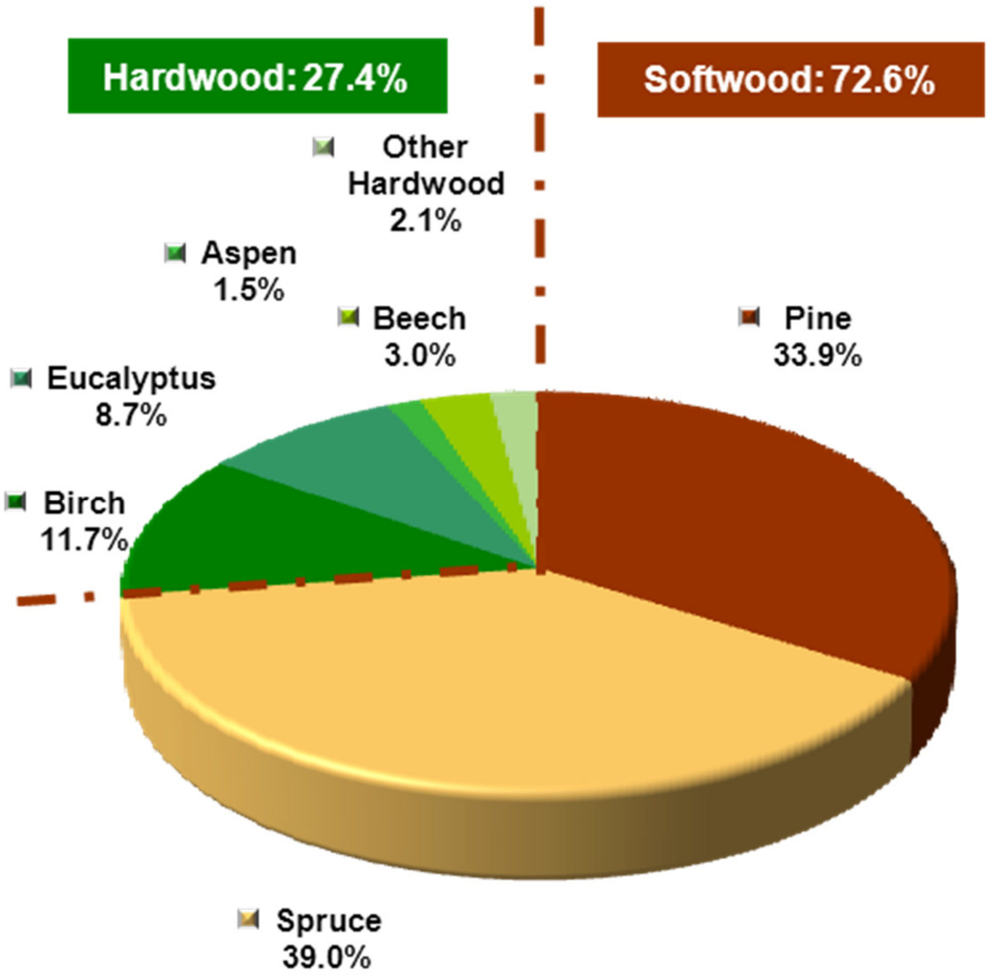
Total Pulp Production: 38.8 Million Tonnes

CEPI Pulp Consumption by Country in 2011



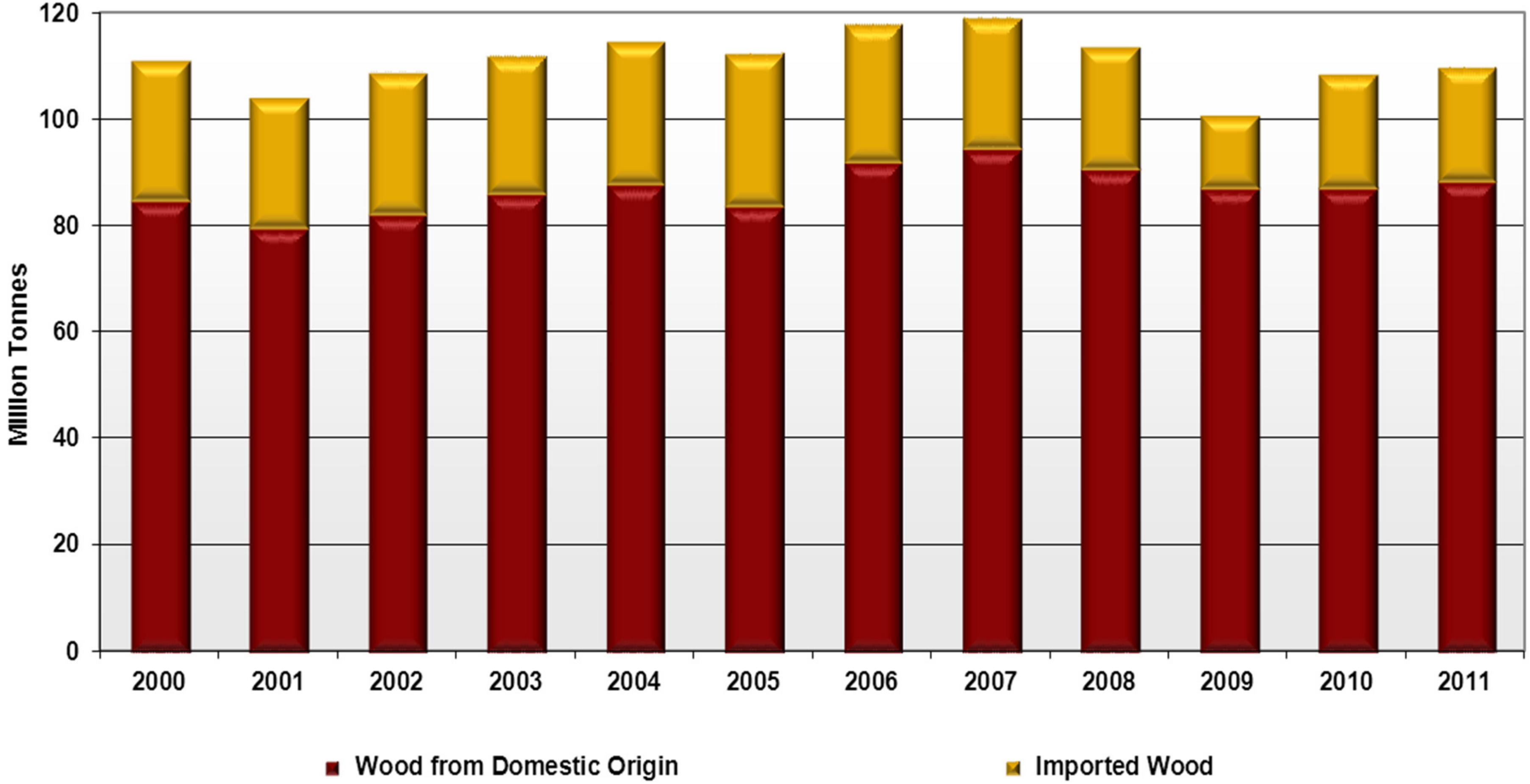
Total Pulp Consumption: 44.5 Million Tonnes

Share in CEPI Wood Consumption by species* in 2011



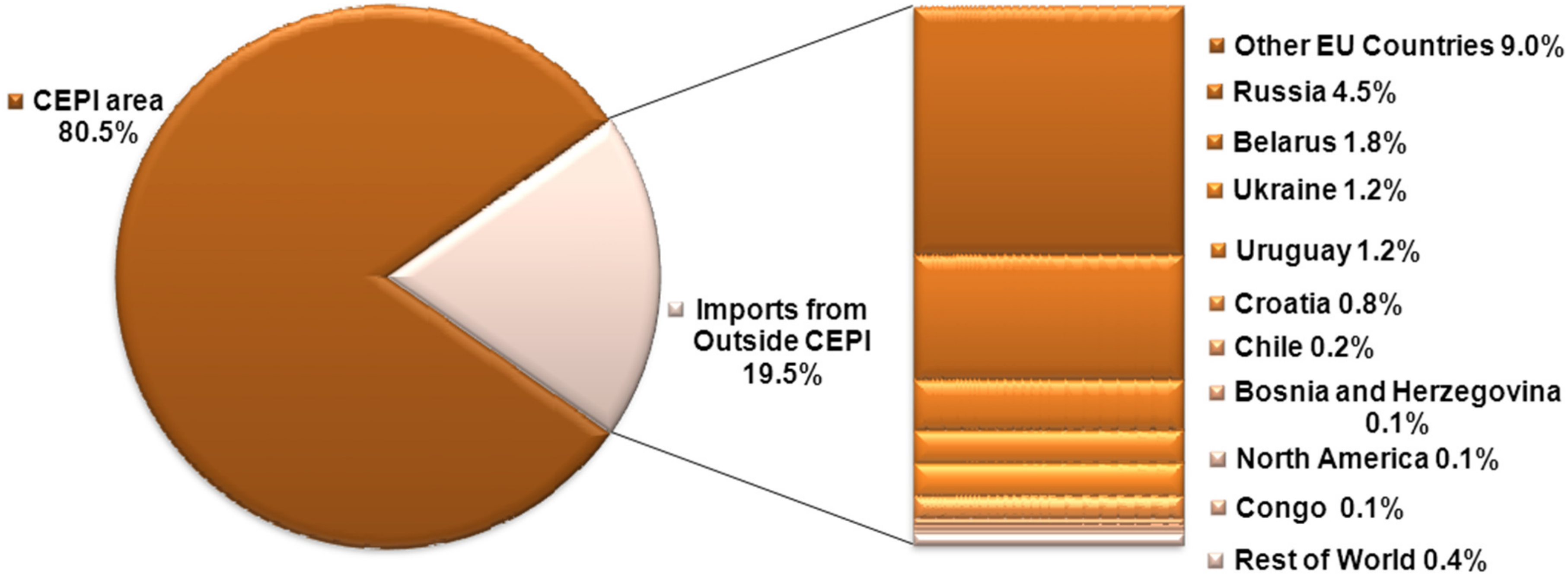
* Based on a sample representing 95% of total CEPI consumption

CEPI Wood Consumption by Origin 2000 - 2011



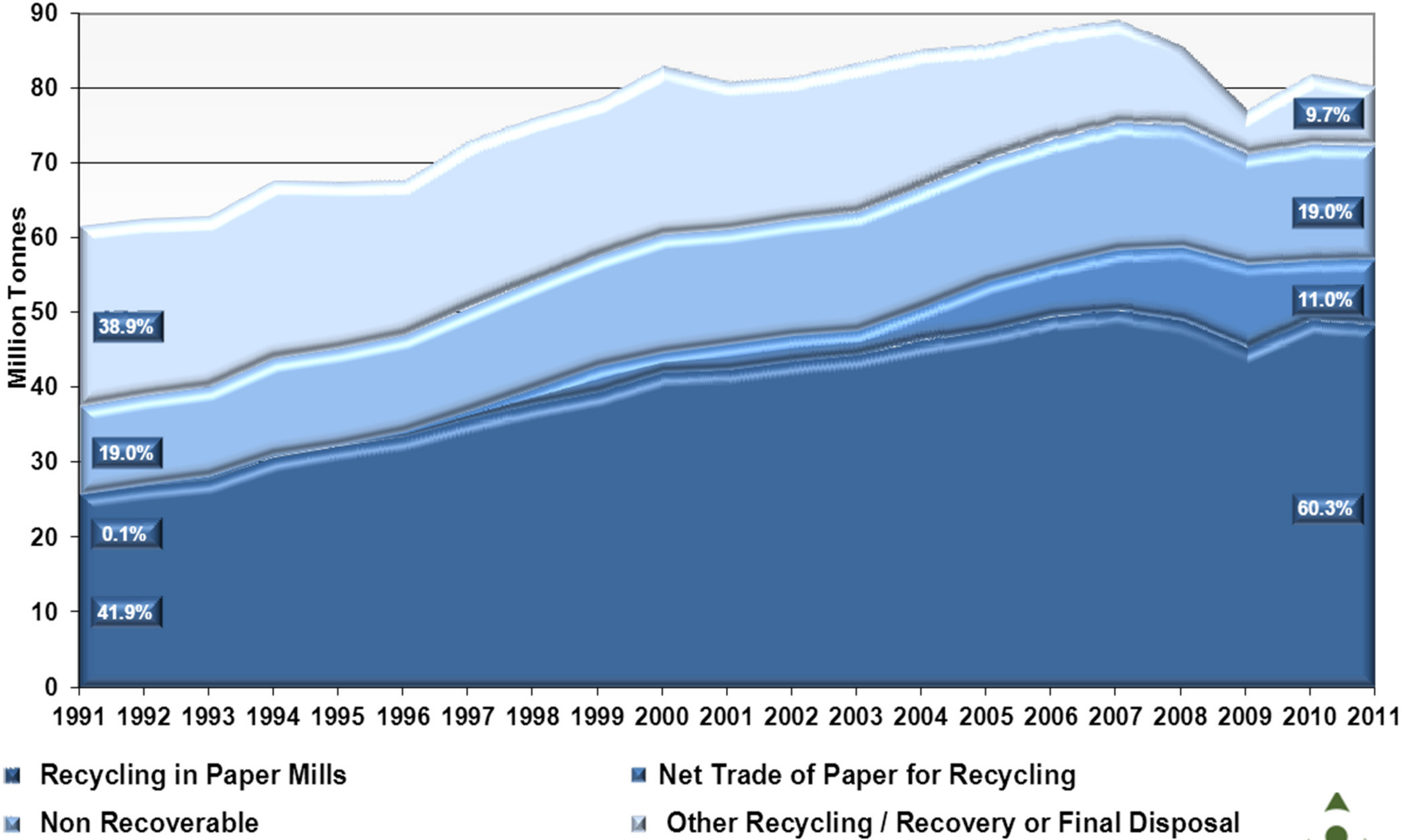
Source: Eurostat

CEPI Wood Consumption by Origin in 2011

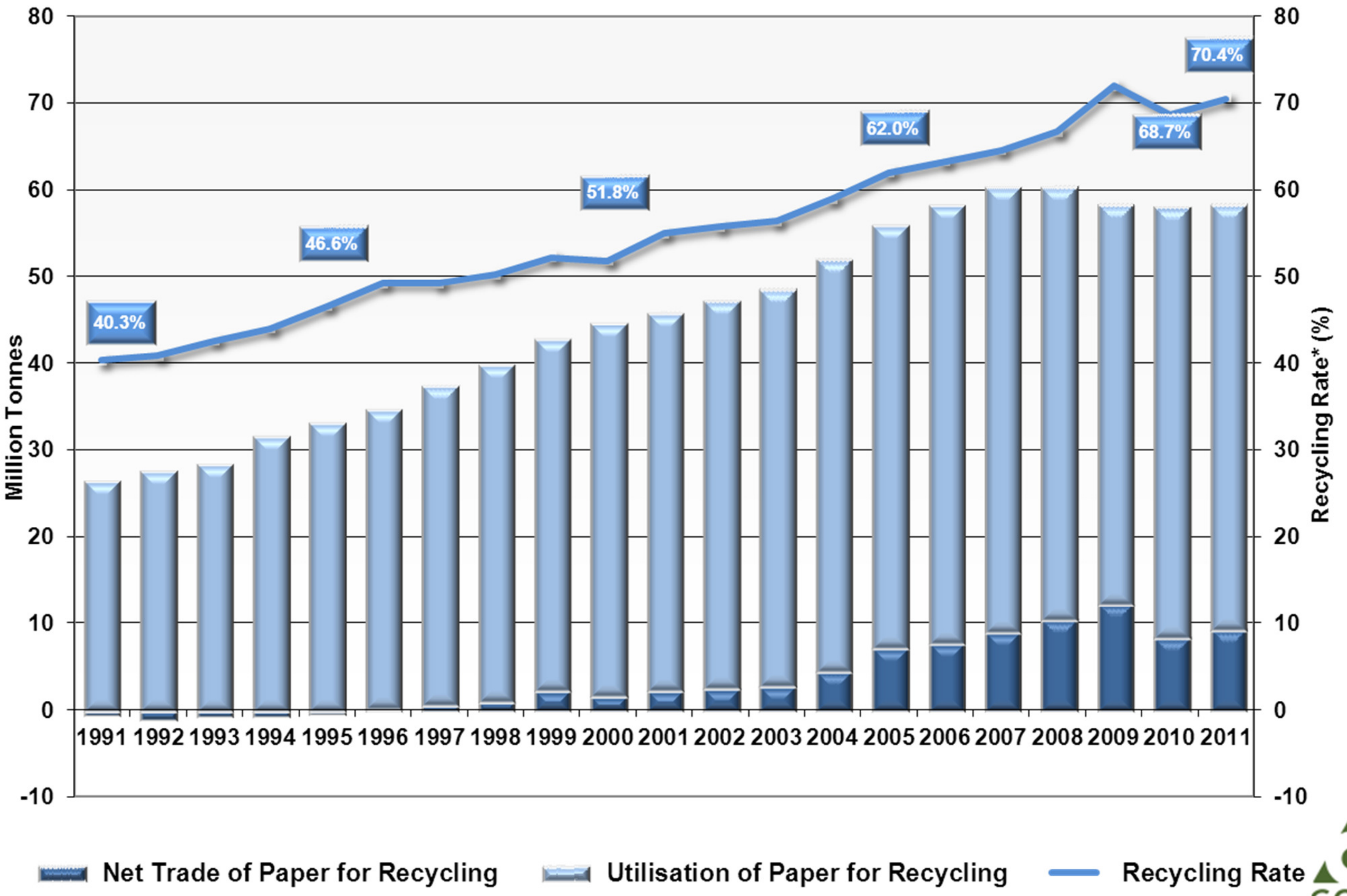


Source: Eurostat

CEPI Paper & Board Consumption and Recovery 1991 - 2011

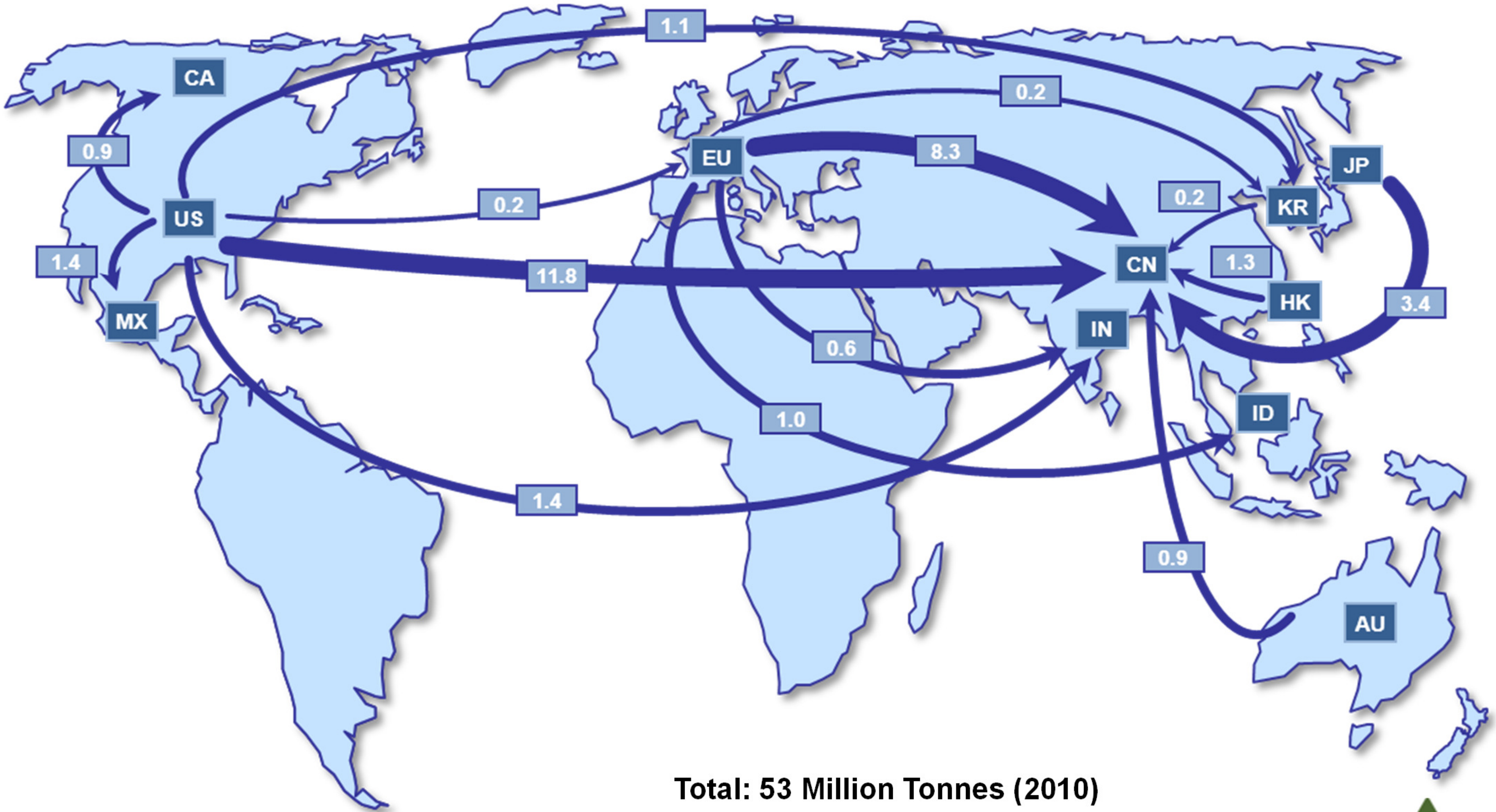


Utilisation, Net Trade and Recycling Rate of Paper for Recycling in Europe 1991 - 2011



Major Global Trade Flows of Paper for Recycling in 2011

Million Tonnes



Total: 53 Million Tonnes (2010)
Source: GTIS

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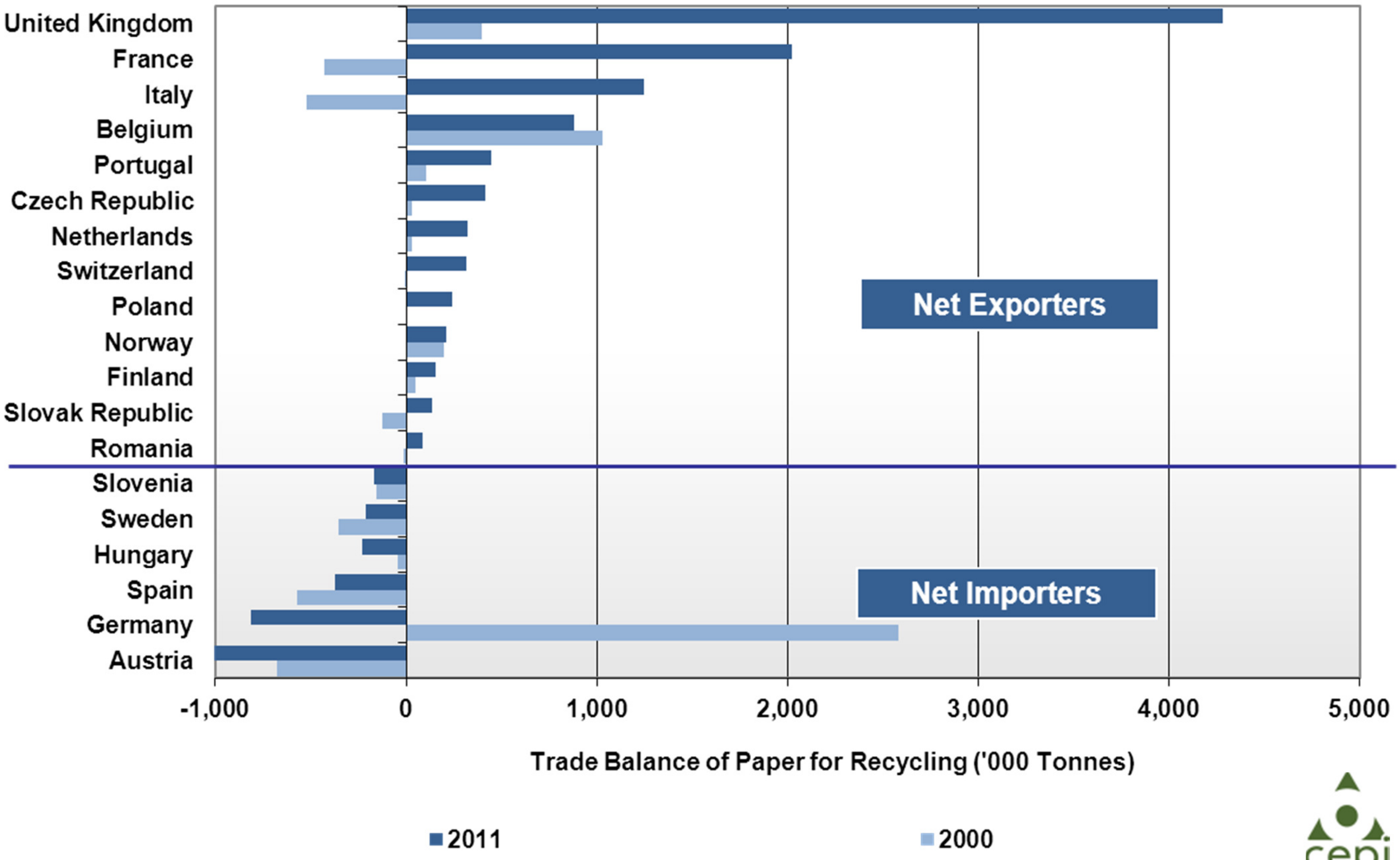
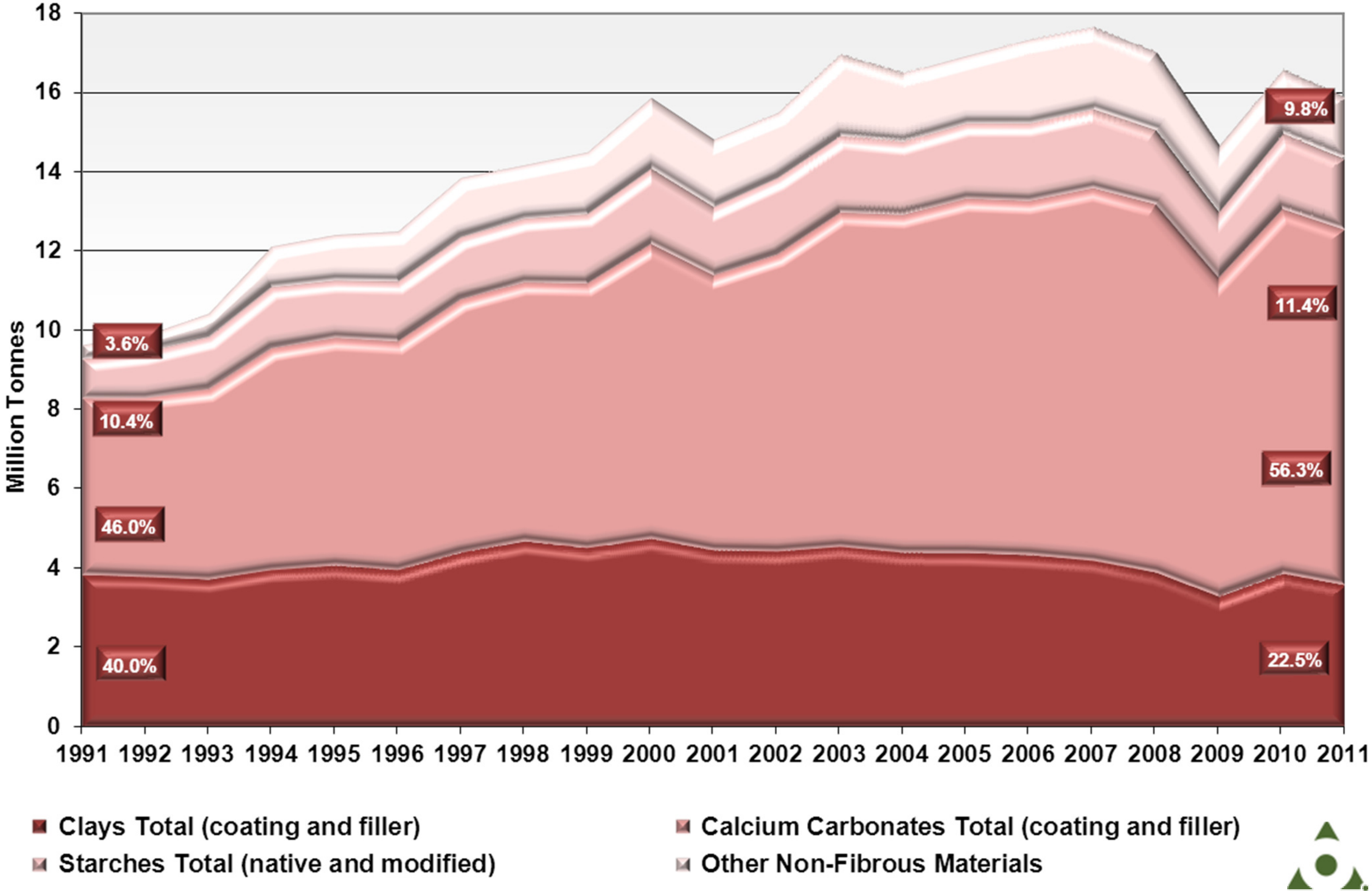
CEPI Net Trade of Paper for Recycling by Country in 2000 and 2011



CEPI Consumption of Non-Fibrous Materials 1991 - 2011



Contents

EU policies impacting on Raw Materials

- Timber legality
- Climate Change/Renewable Energy /Bio-energy
- Waste Policy
- Raw Materials Initiative
- Resource Efficiency Roadmap
- Bio-economy Communication

Legality policy in the EU: from soft to hard

2002: FLEGT Action Plan

- Support to timber producing countries
- Trade in timber (multilateral, bilateral agreements, legislative options)
- Public procurement
- Private sector initiatives (e.g. CEPI Code of conduct)
- Financing and investment
- Use of existing instruments (CITES, money laundering)
- Conflict timber

2005: VPAs (Cameroon, Ghana, Republic of Congo, Central African Republic, Liberia)

2010: EU Timber Regulation

- Main Regulation 995/2012
- Secondary legislation
  - Delegated Acts (Recognised Monitoring Organisations)
  - Implementing Acts (Due diligence)
- Guidance document


Members commit to conduct logging operations in full compliance with any law that is applicable to their activity and location.
Members will have and implement
Legal Logging
Code of Conduct for the Paper Industry
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Members undertake to make their staff aware of the preceding principles and to train staff adequately in this respect.
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Code of Conduct for the Paper Industry
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Certification in Europe

- Two systems: FSC (1983) – PEFC (1999)

- Certified surfaces
  - PEFC total: 245 124 000 ha
    - PEFC (CEPI-19): 69 290 000 ha
  - FSC total: 149 850 000 ha
    - FSC (CEPI-19): 24 099 500 ha

- Number of CoC certificates
  - PEFC total: 8797
    - PEFC (CEPI-19): 7178
  - FSC total: 22466
    - FSC (CEPI-19): 10061

Certification in the European paper industries

- **99.9% of company owned/leased forests are certified**
- **92.2% of forests managed by European pulp and paper companies are certified**
- **61.6% of roundwood, chips and sawdust deliverd at mills are certified**
- **71% of purchased market pulp are certified**
- **96.3% of market pulp capacities are certified**
  - 70.6% of market pulp sales are certified
- **69.5% of paper capacities are certified**
  - 55.3% of paper, tissue and board sales are certified
- **41.5% of paper capacities based on 100% recycled fibre are certified**
- **25.6% of paper, tissue and board is sold with CoC enabling labelling**

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How to know when I qualify as an operator?

- Am I based in the EU?
  - No → I am an exporter → I am an operator if I still own the timber/timber product after custom clearance
  - Yes
    - I am an importer → I am an operator if the contract transfers the ownership of the timber/timber products before or at EU customs.
    - I am a forest owner → I am an operator if I fell the trees myself and sell them at roadside.
    - I am a wood buyer → I am an operator if I buy standing trees and fell them myself.

In all cases, intermediaries like shipping agents, forest contractors, etc. aren't operators since they have a mandate but no ownership.

Climate change and Renewable Energy Policy

Political context

Climate change considerations

Higher relevance of security of energy supply

Policy implications

CO_2 abatement: 20% reduction of CO_2 emissions by 2020

Energy efficiency: 20% less energy consumed in 2020 than "business-as-usual"

Renewable energy: 20% of consumed energy in 2020 from renewable sources

Biofuels: 10% of all transportation fuels from bio-sources by 2020 (part of renewables)

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CEPI Activities

- Analysis of National Renewable Energy Action Plans
- Development of a CEPI wood monitoring tool
- Position paper on co-firing of Biomass in Coal-based electricity plants
- CEPI position on sustainability criteria for solid biomass
- Comparison of value added and jobs creation in the pulp and paper industry and in the bio-energy sector (Pöyry)
- Study on the European Wood flows (Hamburg University)
- Study on the potential impacts of RES-policies on paper for recycling

“Recovered paper streams at risk” **(Pöyry, 2011)**

Three scenarios looked at with conservative assumptions:

Paper is not preferred fuel in normal situations. However,...

Mandatory use of biomass in European coal-fired power plants

Waste incineration plant overcapacity building

Co-mingled waste collection expanding in Europe

These scenarios are independent and can cumulate.

At risk: 20 | **5** | **5**

(Million tonnes)

Commission Proposal on ILUC

- **Commission proposal for a directive on ILUC of 17 October**
- **Objective: limit the risk of offsetting potential climate benefits of biofuels with their indirect land use change.**
- **Adressing the food versus fuel debate**
- **Adressing also carbon neutrality**
- **Key elements:**
  - higher efficiency threshold (60% after July 2014)
  - Establishment of default land use change values (forests = zero)
  - ceiling for „agro-fuels“ at 5% of all transport fuels (remaining 5% have to be covered with non-food biofuels)
  - Other biofuels get a multiplier factor

Commission Proposal on ILUC

Main issue for CEPI:

The pressure on forest resources is further increasing

(sawdust gets a multiplier factor of 4, pulpwood a multiplier factor of 2)

Further process:

- **Co-Decision (Com, EP, Council)**
- **Proposal has been forwarded to the EP**
- **Responsible Committees: Envi, ITRE**

Waste Policy

- Waste Directive revised in 2010
- Waste Shipments Regulation from 2006
- End-of-Waste currently debated
- 2014: Commission might propose new recycling targets

Who does what?

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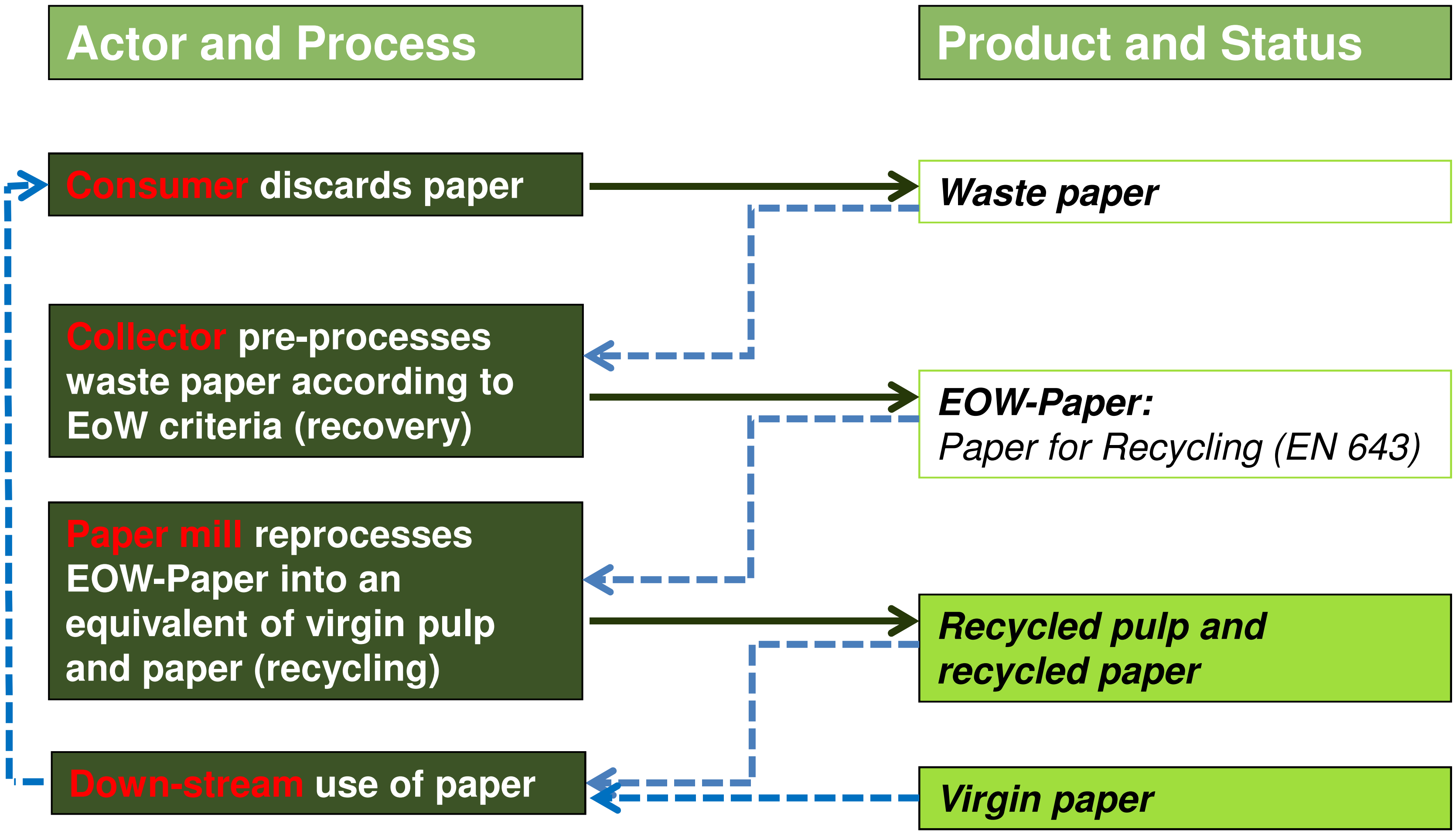

Legal Framework for paper recycling

CEPI positioning on End of Waste:

CEPI has supported the development of End-of-Waste Criteria (Waste directive, JRC Report)

- Removed administrative burden (e.g. in transport)
- Higher material quality (e.g. legally set impurity level)
- Image

However, the draft regulation fails:

- It does not clarify that recycling takes place at the paper mill
- Commission interpretation of the waste directive clarifies commission view that EoW takes place before the paper mill
- It unintentionally gives a role to waste management companies they cannot assume (hazardous properties in recovered paper and in particular inks and dyes (see next page)

→ CEPI asked the national associations to recommend their national authorities to vote against the Commission EoW proposal

Collection and Recycling in Europe in 2011

Raw Materials Initiative

- **Access to Raw Materials outside the EU**
- **Mobilisation of Raw Materials in the EU**
- **Resource efficiency and recycling**

- **Raw Materials initiative in 2008**
- **Raw Materials Communication in 2010**
- **European Innovation Partnership in 2012**

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Raw Materials Initiative: CEPI messages

- Wood and recovered paper are critical raw materials for the European Industry
- Renewable raw materials need a special focus since they face competition from the energy sector
- Focus on ressource efficiency (waste hierarchy, cascading use of wood)!
- Separate Collection means collecting paper, metals, glass and plastics separately from each other, not just separately from other waste!

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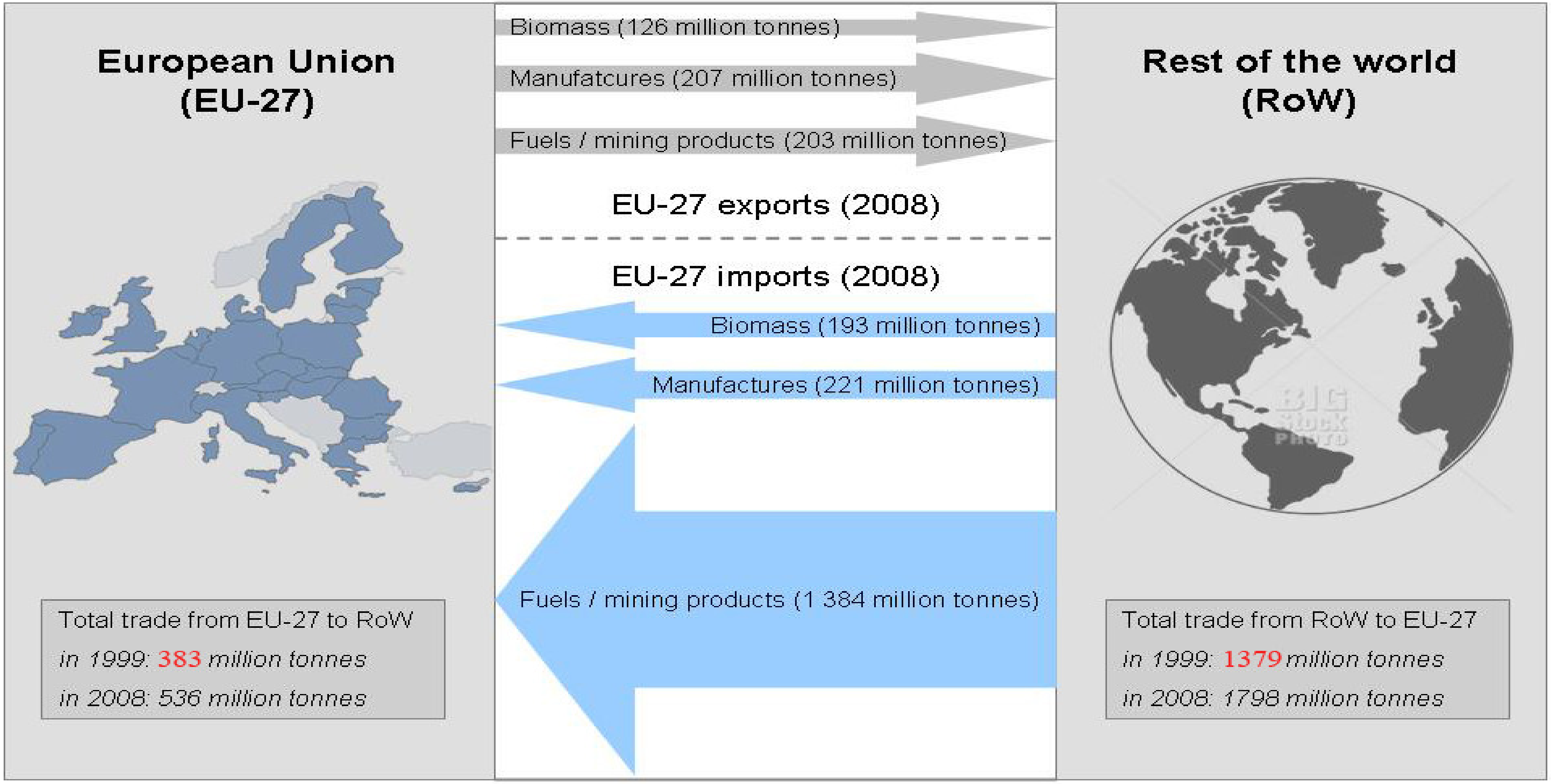
Europe‘s trade balance



Source: Eurostat Comext Statistics, EEA 2010, The European Environment, State and Outlook 2010 : Thematic Assessment – Material Resources and Waste

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Resource efficiency Roadmap

- Objective: decoupling economic growth from resource use
- Resources not only raw materials, but also land, water, air, soil...
- Presented in September 2011
- One of the 7 Commission Flagship Initiatives
- Adresses six economic areas (e.g. Turning waste into a resource)
- adresses three key sectors (housing, food, transport)
- Intends setting resource efficiency criteria, evtl. even targets

Recycling for a resource efficient Europe

- Cross-industries position paper for policymakers
- Paper, plastics, metals, man-made fibres recyclers
- Explain the recycling value chains
- Explain the challenges we face with our raw material
- Proposes policy recommendations to support recycling in Europe

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EUROMETAUX EUROPEAN ASSOCIATION OF METALS

EuPR European Plastics Recyclers

CIRFS

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Main CEPI messages

- Papermaking is an industry „made in Europe“ unlike any other raw material intensive industry. Local supply chains must be kept.
- European paper industry at the core of the bio-economy
- There should be a distinction between the use of renewable and non-renewable resources
- Specific sectoral indicators should be set by sectors themselves
- Specific resource efficiency targets should not be set: different aspects are already covered by targets, e.g. Carbon

Value added and job creation

… for energy creation only

Policy supports wood-based energy production
The Renewable Energy Directive sets binding targets for EU Member States. To reach these binding renewable energy targets, Member States have put in place financial incentives (e.g. green certificates, feed-in tariffs or mandatory measures such as co-firing of biomass in coal-plants). Biomass is expected to provide 57% of renewable energy consumption by 2020 of which two thirds will be based on solid biomass from the forest. The support for the direct burning of wood to create renewable energy increases the pressure on the wood markets.

Burning of wood
This is one way of using our resources, it creates simple value and jobs, but…

Is this resource efficient?

There is a more clever way to use wood! Please turn the page to find out how …

What is the value chain?

The pulp and paper industry works closely together with a several other industries to achieve efficiencies. In this leaflet the value chain includes the pulp, paper and paperboard industry, upstream activities (e.g. sawmill) and downstream (e.g. printing). For the energy alternative it includes the wood based energy conversion, upstream suppliers and downstream clients of wood based energy. Geographically, the analysis covers EU 27 for both studies and also Norway and Switzerland for the calculation of the value added and jobs creation.

For more information, go to www.cepi.org or contact:
Bernard Lombard, CEPI Competitiveness and Trade Director
Bernard de Galembert, CEPI Forest and Research Director
Ulrich Leberle, CEPI Raw Materials Manager

References: Udo Mantau study, Poyry study

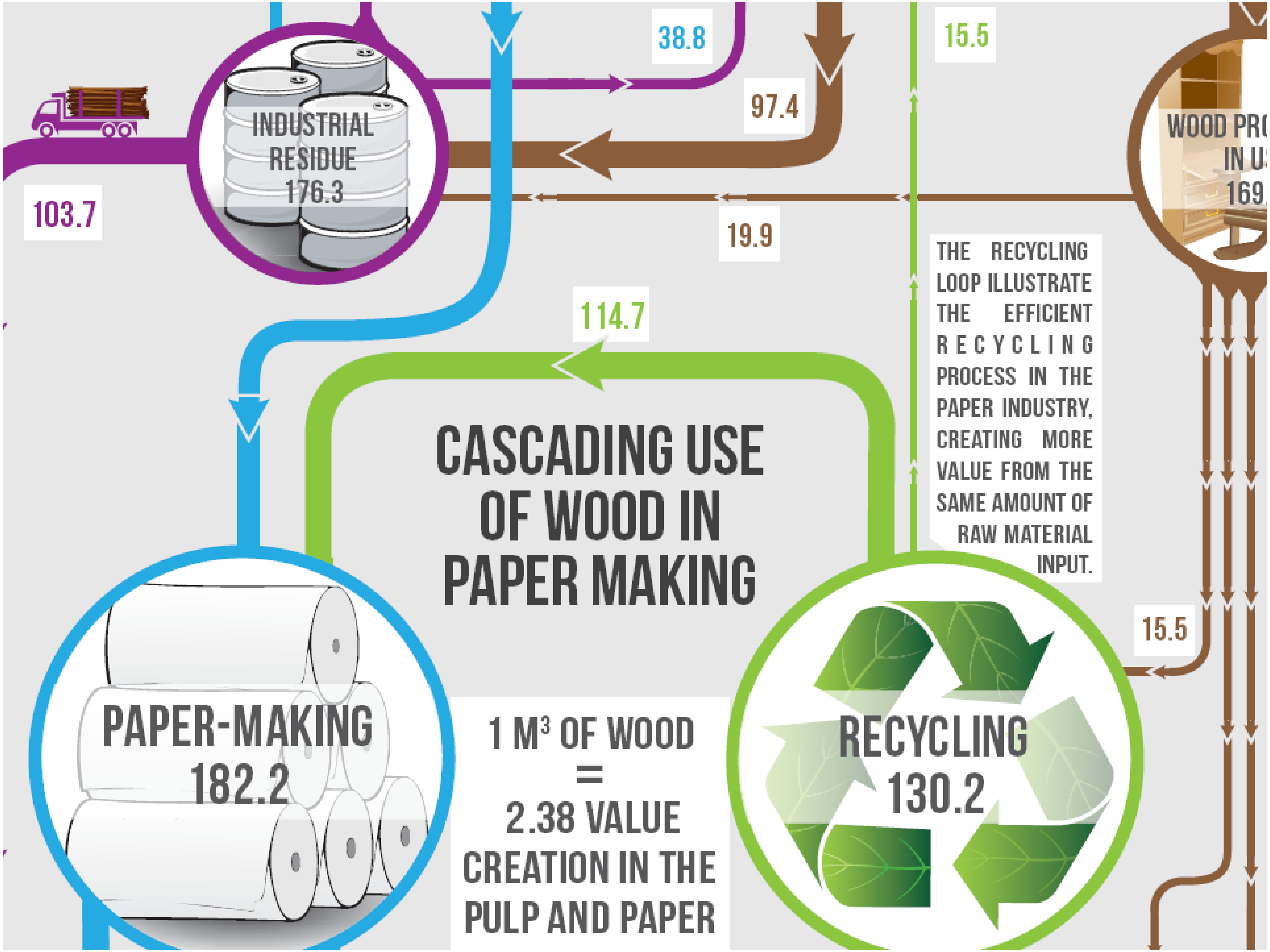
CEPI aisbl
Avenue Louise 250, Box 80
B-1050 Brussels
Tel: +32 2 627 49 19
Fax: +32 2 646 81 37
mail@cepi.org
www.cepi.org

October 2012

RESOURCE EFFICIENCY = cascading use of raw material

WOOD FLOWS IN EUROPE

Prof. Dr. Udo MANTAU


38.8
15.5
97.4
INDUSTRIAL RESIDUE 176.3
WOOD PR
IN U
169.
103.7
19.9
114.7
THE RECYCLING LOOP ILLUSTRATE THE EFFICIENT RECYCLING PROCESS IN THE PAPER INDUSTRY, CREATING MORE VALUE FROM THE SAME AMOUNT OF RAW MATERIAL INPUT.
CASCADING USE OF WOOD IN PAPER MAKING
15.5
PAPER-MAKING 182.2
1 M³ OF WOOD = 2.38 VALUE CREATION IN THE PULP AND PAPER
RECYCLING 130.2

Conclusions

- **The raw materials of the paper industry are bio, local, renewable , recyclable, recycled, critical, efficiently used. These characteristics are both a blessing and a curse for the European Paper Industry:**
  - they make our products more attractive.
  - but our raw materials become more attractive to others, too.
- **We have to continue using them sustainably and efficiently...**
- **... and get acknowledged for that by the policymakers.**

Thank you!

CEPI aisbl / Confederation of European paper Industries
250 Avenue Louise, Box 80, B-1050 Brussels
Tel: +32 2 627 49 11 / Fax: +32 2 624 81 37
mail@cepi.org

www.cepi.org / www.paperonline.org / www.paperforrecycling.eu

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