

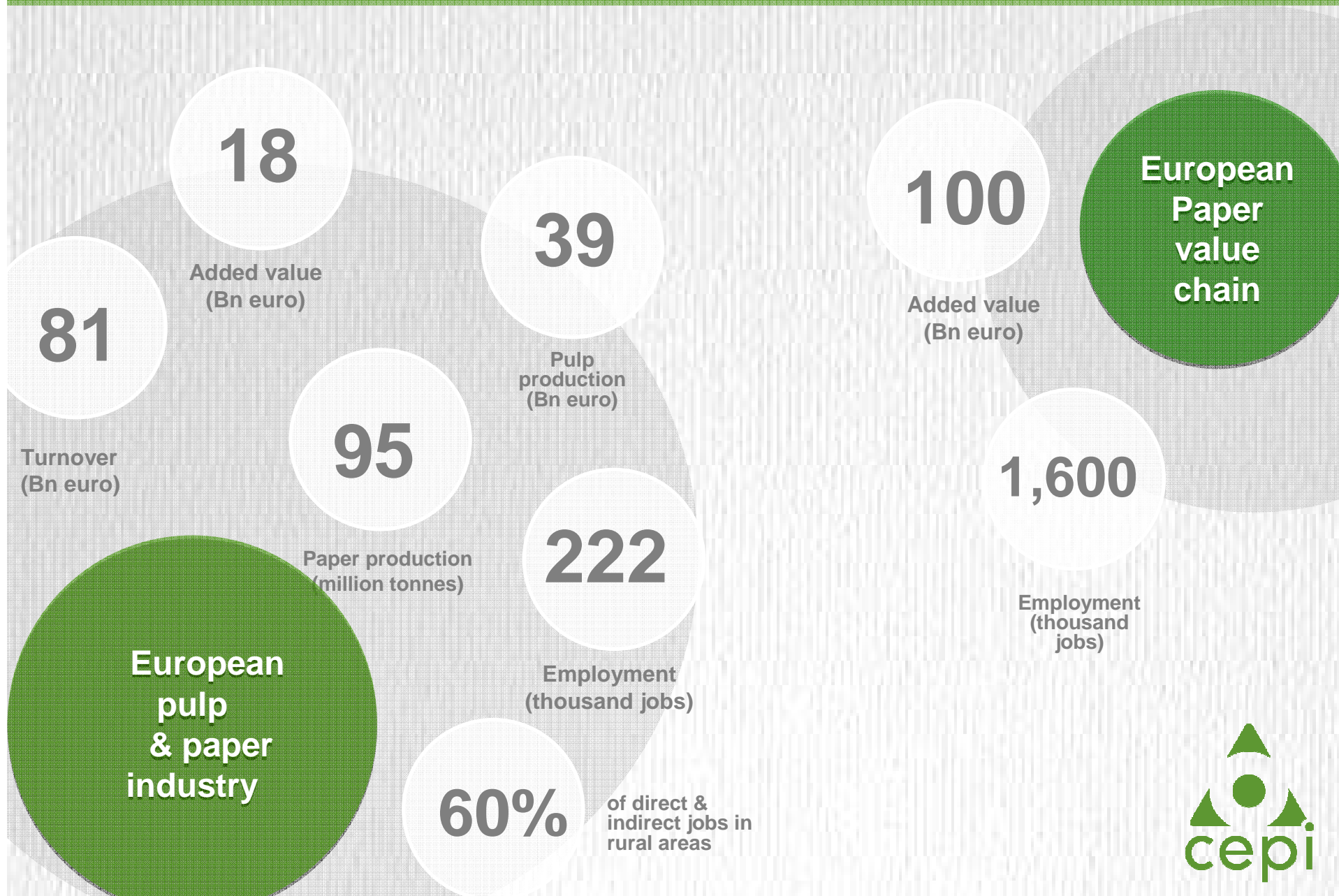
Paper industry issue management in times of global changes

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Deputy Director General
CEPI Confederation of European Paper
Industries

Bled, November 20th 2013



European industry in figures (CEPI members)



Made in Europe

Raw material
base in
Europe

Production
equipment
from
European
companies

4% of turnover
reinvested in
Europe

Exporting 20%
of production



CEPI's agenda in 2013

EU Industrial Policy

Energy and climate change

- Emission Trading System
- Carbon neutrality of biomass
- Energy we cannot afford

Recycling and waste

- Revision of Waste Policy
- Recovered paper availability

Forestry/wood/biomass

- EU Timber Regulation
- ILUC – Indirect Land Use Change Directive
- Wood availability (bioenergy targets)

Environment

- BREFs
- Resource efficiency

Product policy

- Single market for green products

Trade

- Brazil
- ▪ Russia
- EU-US Transatlantic Trade & Investment Partnership

Transport

- Implementation of Sulphur Directive
- ▪ Nox limits

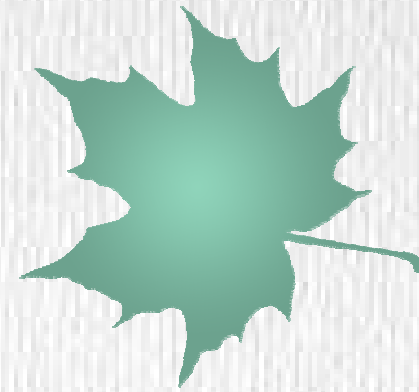
Food contact

- Mineral oils
- Endocrine disruptors



Global Paper & Board industry

- **US:** low energy prices
- **China:** subsidised production
- **Brazil:** competitive wood costs
- **India:** growing market
- **Europe:** highest regulatory compliance costs



1. Painting the economic picture



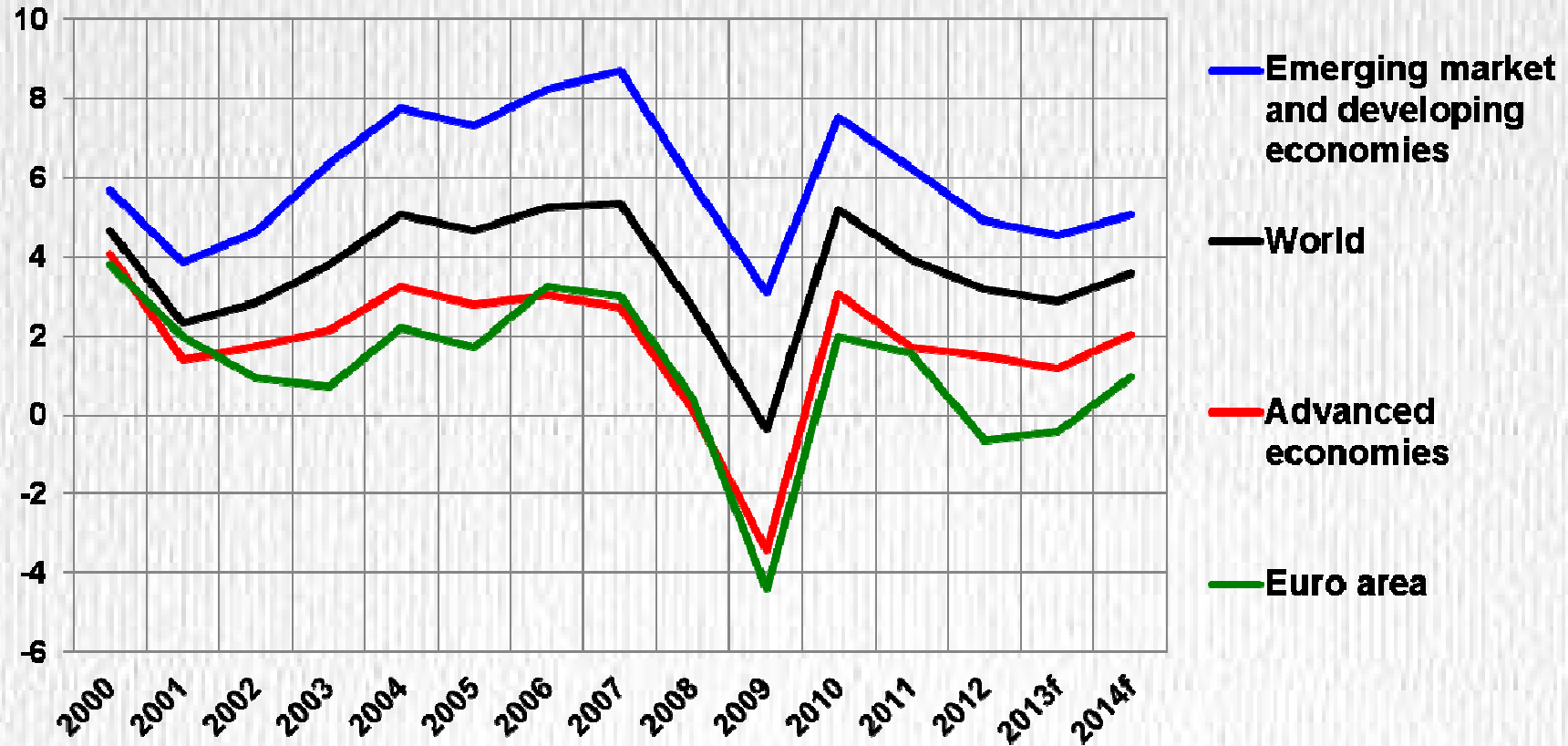
The economy

- **Global growth remains in low gear, averaging only 2½ percent during the first half of 2013, which is about the same pace as in the second half of 2012. Advanced economies are gradually strengthening. At the same time, growth in emerging market economies has slowed down.**
- **The EU has returned to growth in the second quarter of 2013. Recent high-frequency indicators suggest that activity is beginning to stabilise and even recover in some countries. However, unemployment remains high, and labour markets remain depressed.**
- **In September, manufacturing production in the EU declined by 2.1 % on a year-on-year basis. September confidence and economic sentiment indicators signal however an improvement in EU business conditions.**

GDP recovers - stabilises

GDP growth development

GDP growth (percent, year over year)



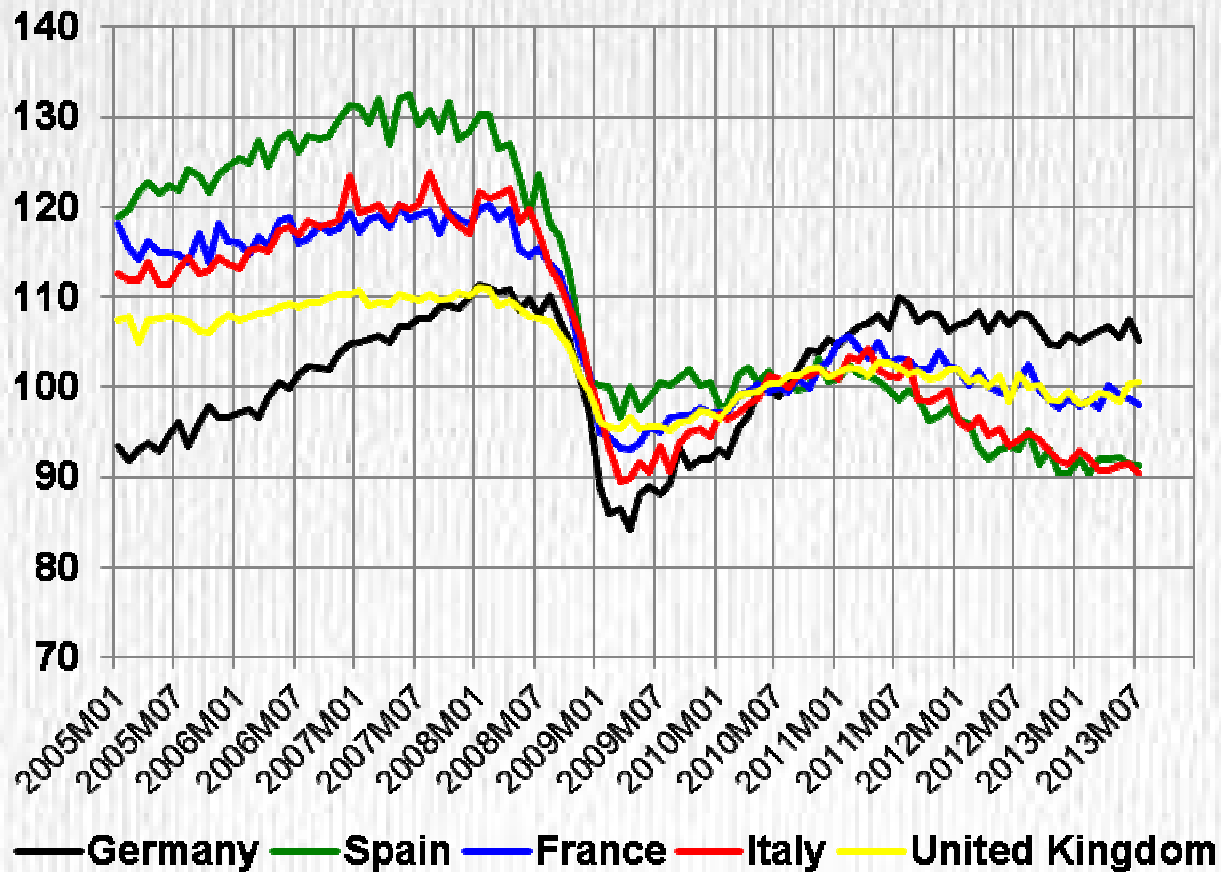
Source: IMF, October 2013



The business environment

EU - manufacturing activity in European countries

Index monthly production data 2010 = 100



Source: Eurostat, Sept 2013

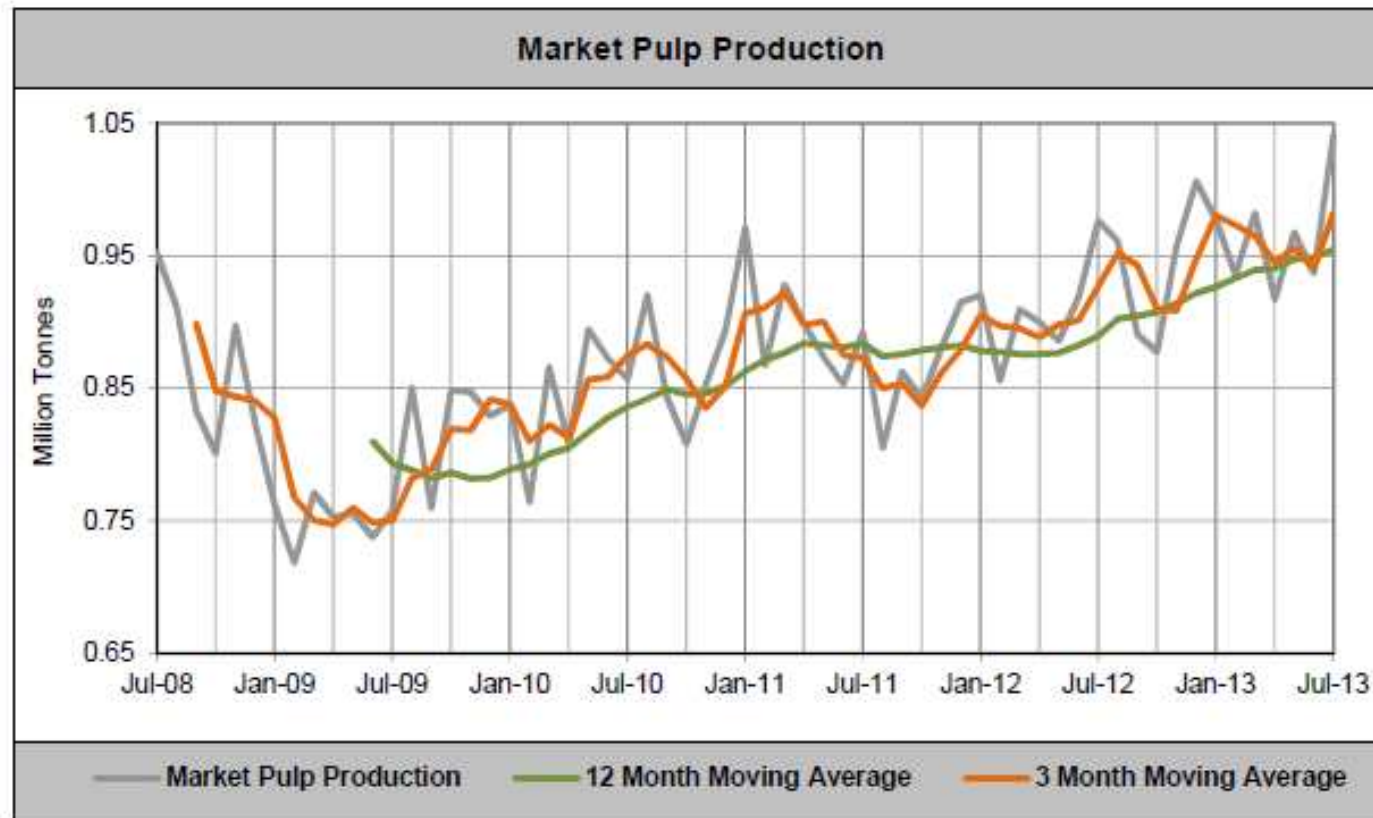
Our economy

- **In Europe, paper production was down by 1.4% over January-July 2013, compared to the same period of 2012. Packaging paper & board and hygiene papers are up by 2.3% and 0.5% respectively. Graphic paper production are down by 5.1% with -3.7% for newsprint. Mechanical papers are seriously hit.**
- **Market pulp production saw a 6.2% increase over the first 7 months, while all (integrated plus market) pulp production decreased by 0.3%.**
- **According to Eurostat data, paper prices have remained under pressure, with the packaging sector continuing to do better than the graphic papers.**
- **The prices of articles of paper and board seem more stable according to Eurostat data.**

Pulp developments

CEPI production of Market Pulp

Jan - July 2013 / 2012: +6.2%

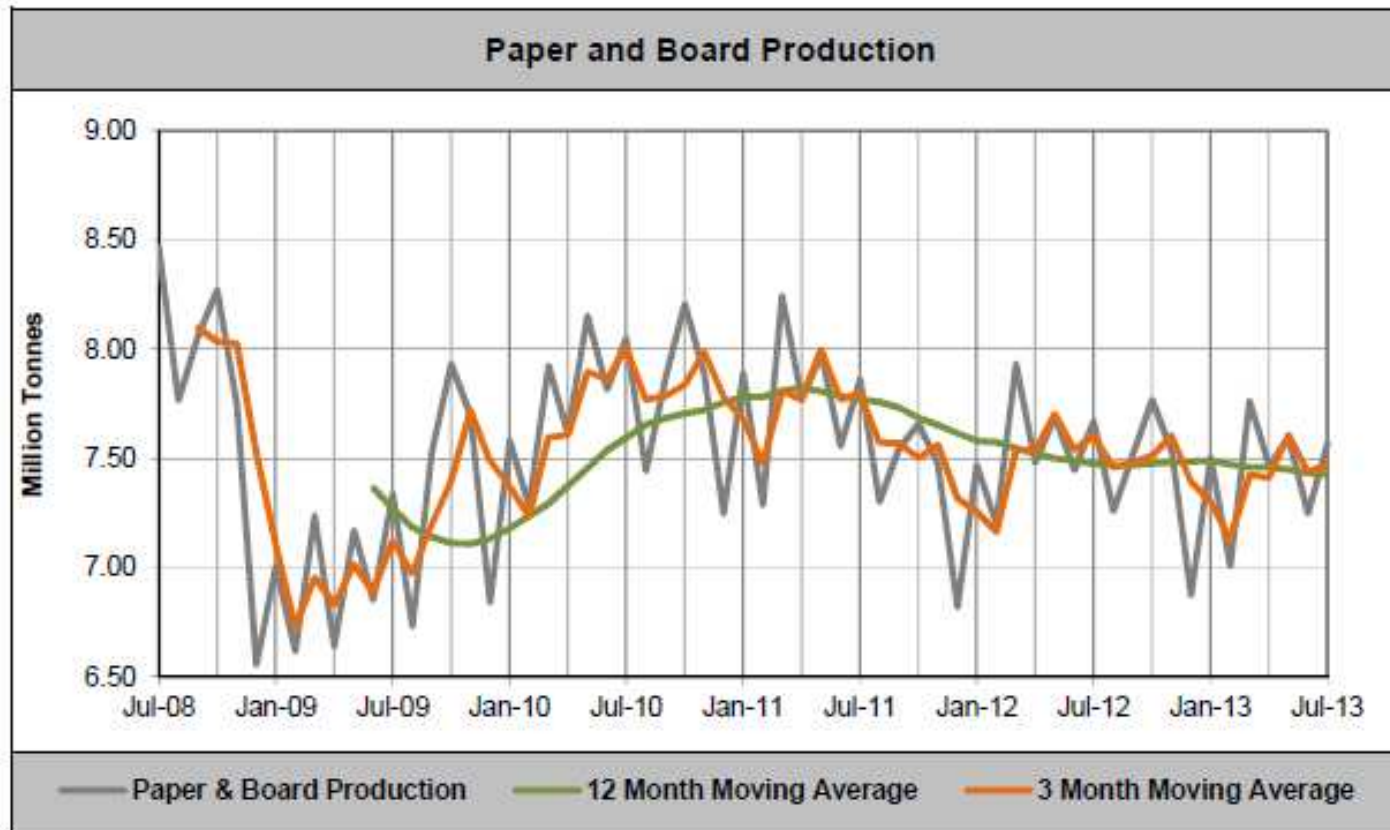


Source: CEPI, Sept 2013



Paper developments

CEPI production of Paper & Board
Jan. - July 2013 / 2012: -1.4%

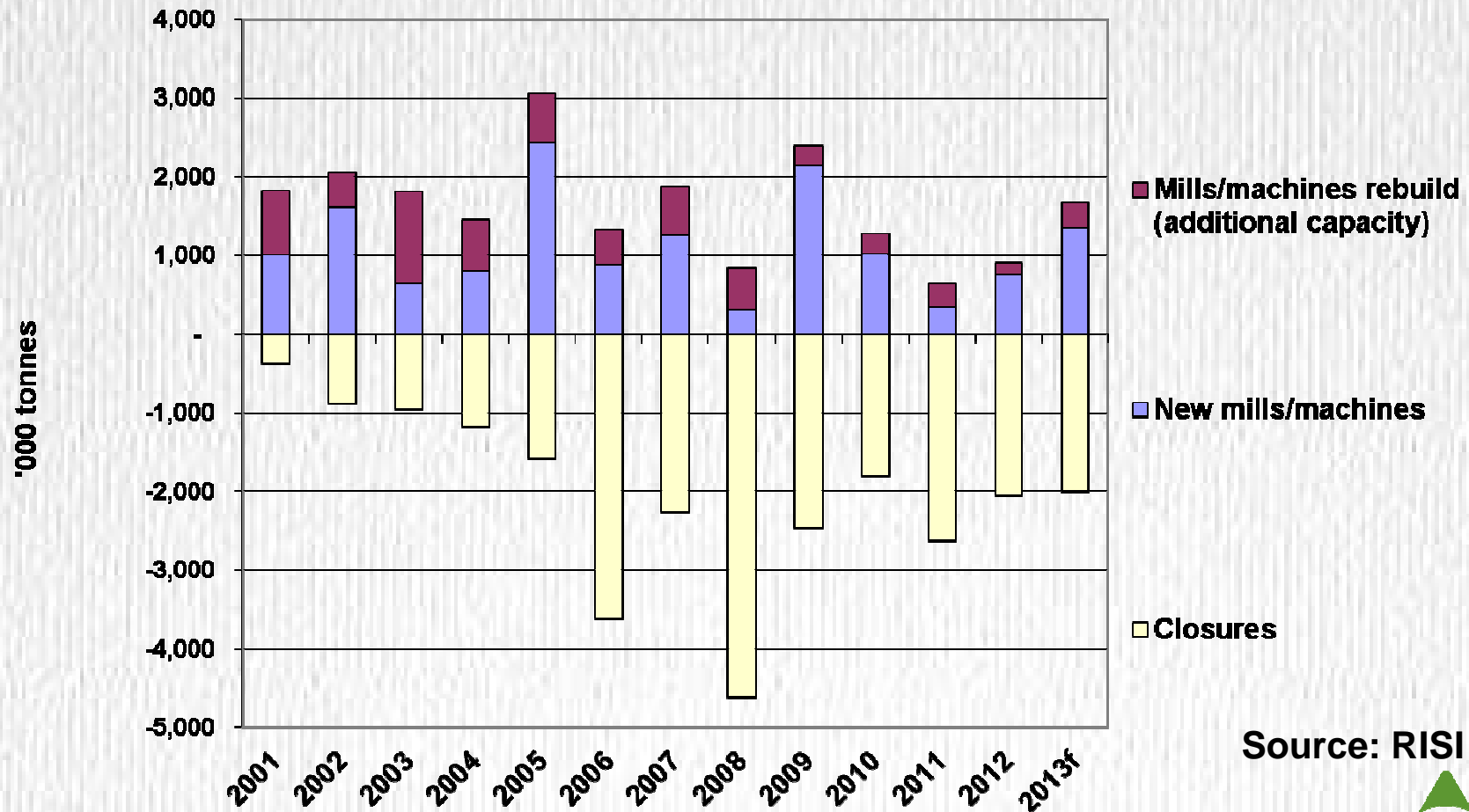


Source: CEPI, Sept 2013



European paper mills and machines capacities

As of 7 October 2013



Source: RISI



F = forecasts:

- New and Rebuild: only investments where work has started or machine has been ordered
- Closures: completed and announced

Our inputs

- **Roundwood prices have remained relatively stable in most European countries since the beginning of the year, according to WRI data.**
- **Paper for recycling prices have been also relatively stable since the beginning of the year. Utilisation over the first 9 months has been stable compared to the same period of last year (+0.1%). EU exports have decreased by 13.4% over the 1st semester. Chinese imports from Europe have been 12.2% lower over the first 8 months of the year.**
- **After a peak during the first quarter of the year, gas price has been down but remains at a relatively high level. The CO2 price is driven by politics.**
- **Road transport prices have moved up at the end of the second quarter.**



2. Painting the political picture



Elections

- The Brussels agenda is set by two Elections:



European elections
in May 2014

German coalition
forming



Why is this important?

- The Commission's time is running out.
- Any legal proposal published today cannot be finished in this term anymore.
- The European Parliament grinds to a halt in February, although many MEP's are already in full election mode in the member states.
- Controversial proposals are stopped.
- While member states wait for a new German government to make progress in the Council.

All eyes on the European Council

- The Heads of State are paying attention:
 - The last European Councils were dedicated to Innovation and Energy costs for Europe.
 - The February council looks at competitiveness.
 - The March council looks at the future of climate and energy policy (2030 package).
- But at best this will give guidelines for the next years, not direct measures.

Europe needs a new project

- The next policy cycle must focus on bringing jobs, saving pensions, creating growth, preventing further social unrest and keeping Europe together.
- Europe moved forward when it had a big project: single market, the euro, enlargement, etc.
- To save Europe it needs a new single project:
[A competitive EU economy.](#)
- Which can then deliver climate change solutions.

Back on track

- **No more cost increasing legislation for next 2 years**
- **Fitness check for forest-based sector**
- **Impact assessment**
- **CEPI «manifesto» for competitiveness**
- **Industry's own version of an EU Industrial/Energy Policy**



3. Our key issues



Our key issues for the EU agenda

- **Energy costs** - Energy prices for Europe are unsustainably uncompetitive compared to the US.
- **Competition policy** - EU has become so good in protecting the internal market from abuse, that it forgot the competitor was outside Europe.
- **Innovation funding** - EU innovation funding is decided upon right now. We need access to funds for breakthrough technology, bio economy and demo!
- **Trade** - We need a super active EU to expand our coverage of global markets in fair competition.
- **(Youth unemployment** - Not a sectoral issue, but a threat to the future of the EU).

Back to our agenda

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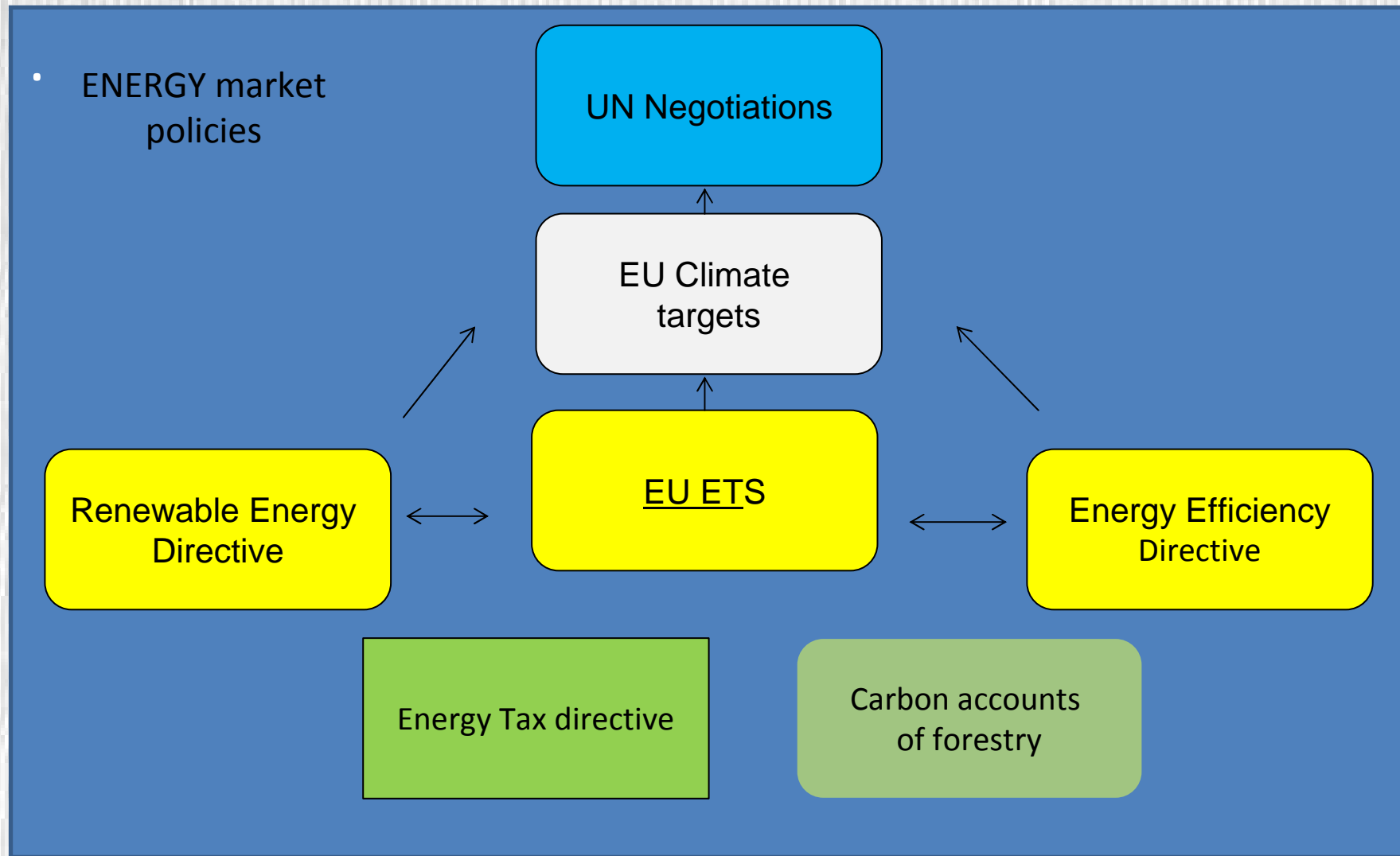


3. Our key issues - Energy



EU Climate Change and Energy Policies

- ENERGY market policies



Politics have built a box

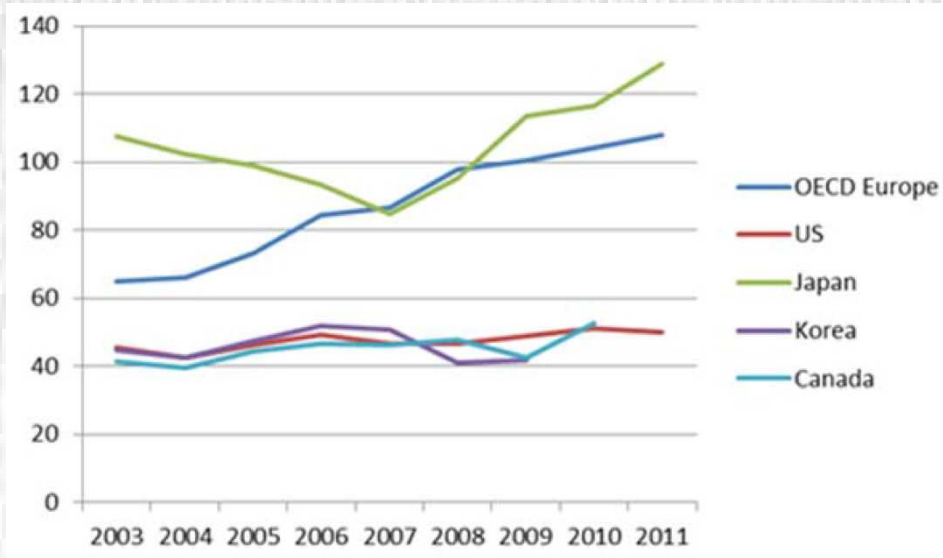
But where is the way out?

- New CO2 targets? 2030 targets? Renewables targets? Energiewende?
- Biomass for all? Cheap US coal?
- More exemptions for even more policies?
- Innovation funding?
- Higher carbon prices?

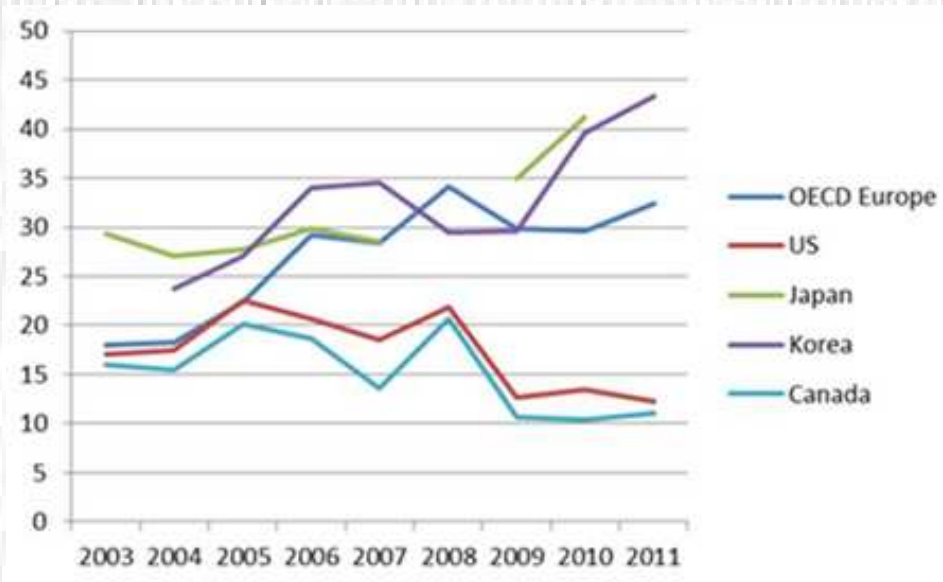


Uncompetitive Energy

Electricity
(EUR/MWh)



Natural Gas
(EUR/MW)

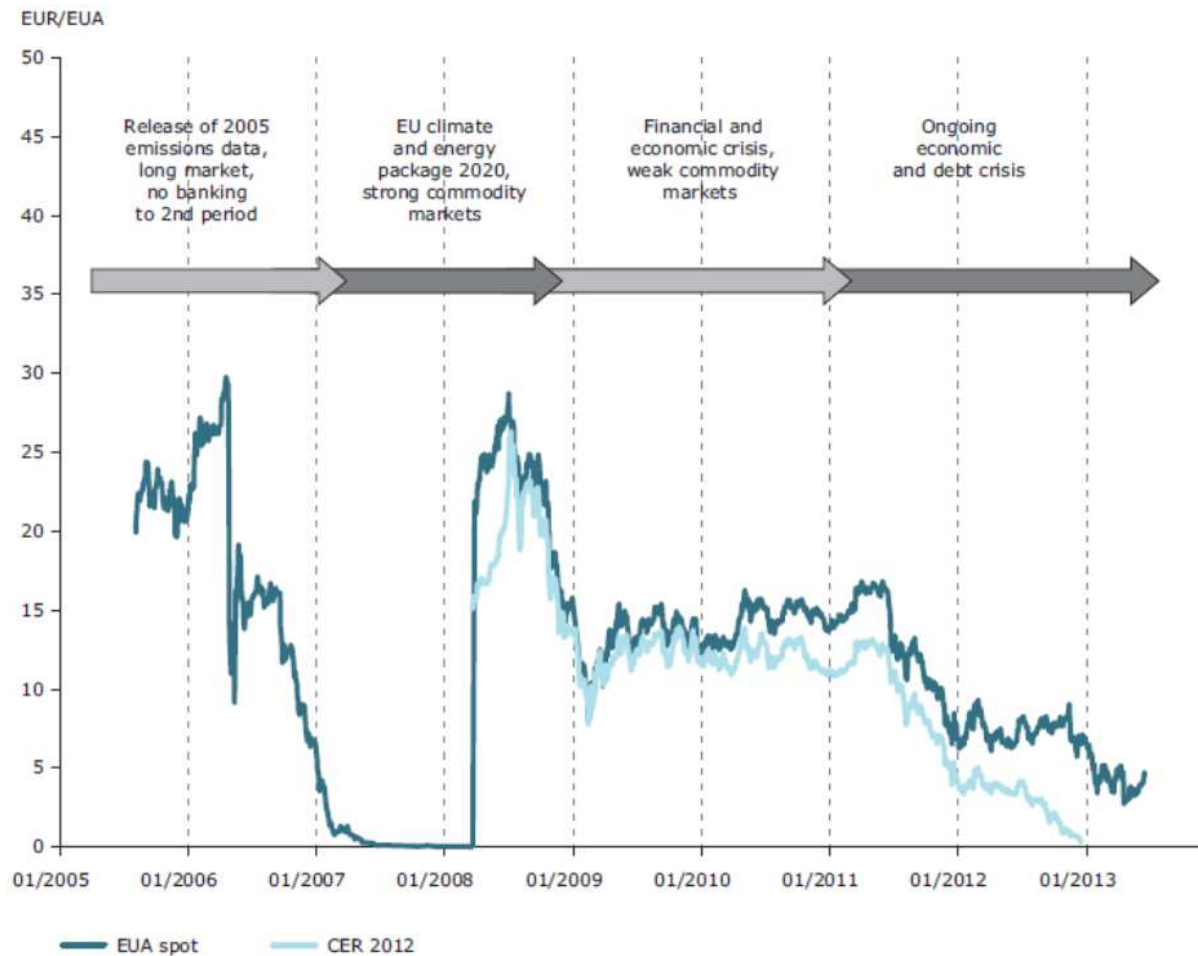


EU Energy
Commissioner :

“According to International Energy Agency, natural gas prices for industry in the first quarter of 2012 were on average 241 % higher in EU OECD than in US”

The carbon price?

Figure 2.14 Price trends for EUAs and CERs, 2005–2012



Source: EEX, 2013; EEA, 2013b; ICE, 2013; calculations by Öko-Institut.

(*) See Schumacher et al., 2012, for a discussion of the different drivers behind EUA prices.

Is there a political momentum?

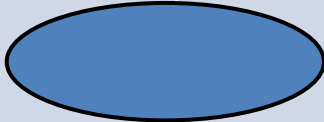

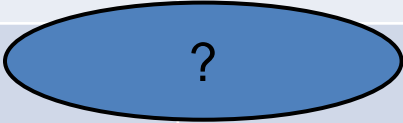
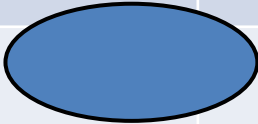

- DGCLIMA aims to present measures on ETS as part of the 2030 package presented **Mid January**.
- The package will be a real package:
 - 2030 Climate and Energy targets (incl statements on biomass)
 - Industrial policy communication
 - Shale gas legal proposals
 - ETS structural reform
 - Carbon leakage list and discussion
- Most likely are a permanent set aside of credits before 2020 and/or a Supply-Demand adjustment system.
- An alternative for free allocation – Carbon Trade Barriers?

The fundamentals are not the same

The package cannot simply translate 20/20/20 by 2020 in a identical package to 2030, by just changing numbers.

2007	2013
Economic growth	Long term economic standstill ?
A global agreement	No global agreement soon ?
Climate Change key EU issue	Solving the economic crisis key issue ?
Shortage of oil and gas; high prices	Abundance of shale gas
Liberalised Energy markets	Regulated Energy markets ?
MS funding of RES and efficiency?	Unaffordable ?
CCS?	No CCS ?
Nuclear	Post Fukushima – no nuclear ?
ETS	ETS, EED, RED, IED A different merit order of abatement ?

Key decision-making moments

	Sept	Oct	Nov	Dec
Backloading				
2030 communication + eventual ETS review proposal (set-aside?)				
Carbon Market Report				
2013 allocation (and C-factor)				
Carbon leakage review				

3. Our key issues - Innovation



Innovation is key

Two Team Project
Two Team Project



Focus on innovation funding



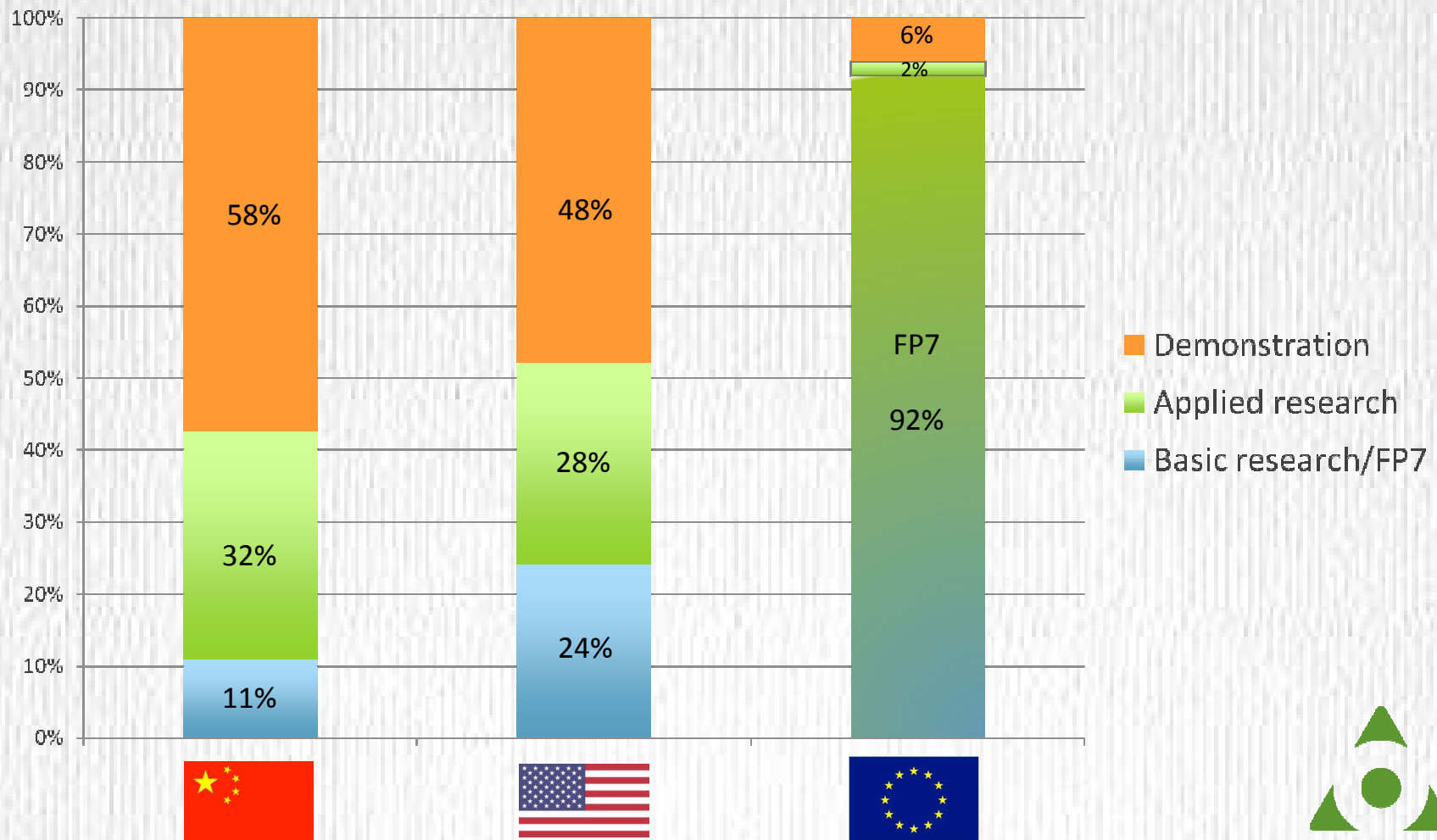
2050 Roadmap

Climate and Energy advocacy

Competitiveness

The EU focus shall be changed

International benchmark on the share of basic, applied and development activities



34 Source: Key Science and Engineering Indicators, National Scientific Board, 2010 Digest, NSF, <http://cordis.europa.eu/erawatch>, OECD "Research & Development Statistics"

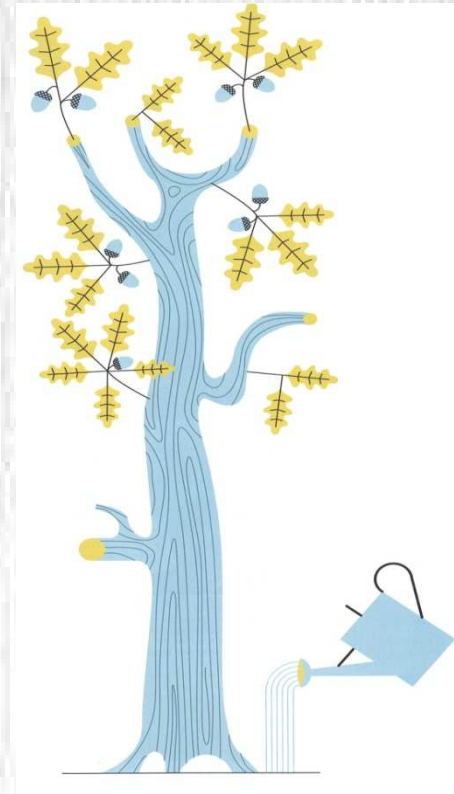


European Innovation Partnership on raw materials

- Strategic approach to innovation
- Addressing societal challenges
- Enhancing European's competitiveness

by

- Common vision and resource mobilisation to achieve breakthroughs
- Reduce time to market of breakthroughs
- Overcoming fragmentation and reducing complexity





Bio-based Industries Consortium

- **2.8 billion industry funding meets 1 billion EU support 2014-2020.**
- 59 Full members
 - 35 Large industries
 - 13 SMEs
 - 11 Clusters
- 79 Associated members
 - 20 Universities
 - 44 RTOs
 - 8 European trade organisations
 - 4 Associations
 - 3 European Technology Platforms (ETPs)





storaenso



UPM



Fertiberia



BILLERUDKORSNÄS

ABENGOA BIOENERGIA



ALGAENERGY



GFI



Cargill



novozymes



the dutch biorefinery cluster



Bio Rights



ISOIN



IAR



SÖDRA



ROQUETTE



sappi



CEPSA



METGEN



Metsä



REPSOL



Novamont



Unilever



bionet



avantium



Smurfit Kappa Group



CLEA Technologies



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Bio Base Europe Pilot Plant



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FIBIC



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IBB



Corbion



CLIB



CLARIANT



mondi



BPF



BE-Basic



plaxica



SOLVAY



kemira



Norske Skog



HOLMEN



KLM



TOTAL



Nordzucker



DONG energy



DSM



FERTINAGRO



PoliMaT



ISPT



inKemia



biochemtex



Borregaard

Institute for Sustainable Process Technology

European Paper Week



SAVE

THE DATE

26-28 November 2013

ROADMAP

REINVENTED

EUROPEAN PAPER WEEK

26-28 NOVEMBER 2013 • EU THON HOTEL BRUSSELS

Wednesday 27 November

14:30-17.30 CEPI Annual Meeting

19:00-22:30 CEPI Annual Cocktail & Dinner

Thursday 28 November

10:30-12:30 Seminar - Two Team Project - Roadmap Sequel



Thank you!

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