Issue**Sheet**

February 2008

Bio-Energy

Forest Committee/Energy Committee

The issue

Since the EU made a commitment to reduce greenhouse gas emissions (GHG) by 8%, changing to low emission energy sources has become a priority for industry. In a White Paper published in 1997, the EU committed to double the amount of renewable energy by 2010. In September 2001, the EU then tried to ensure that 22% of the electricity consumed in the region came from renewable energy sources (RES) by 2010. In January 2008, the European Commission released an energy and climate change package that includes a draft Directive on Renewable Energy Sources. The Directive aims to achieve a 20% mandatory share of renewable energy (including a 10% biofuels for transport target) in the total final energy consumption by 2020. It also provides for national targets, imposes the establishment of national energy plans, national reporting, and trajectories towards the national target and organises a system of cross-border certificate trading to fulfil the targets.

The pulp and paper industry is already the biggest industrial producer and consumer of renewable energy, representing one quarter of the total biomass-based energy production in the EU and is committed to generating even more renewable energy in the future. However, companies in the sector are worried about unfair competition in the raw material market for both virgin and recycled fibres that could arise as a result of competition distorting support mechanisms, e.g. subsidies that are demanded by the European policy.

Impacts on the industry

In the short term:

- Prices for wood are increasing.
- Energy prices are increasing.
- The competitiveness of the European pulp and paper industry is decreasing compared to other regions of the world.
- Wood shortages are becoming apparent.

In the long term:

- Risk of mill closures.
- Risk of wide-ranging relocations.
- Risk of job losses as companies bid to rescue productivity levels.

CEPI's position

The European pulp and paper industry is strongly in favour of renewable energy and wants to position itself as part of the solution. After all, our industry is an industrial leader in producing and consuming renewable energy. Indeed, the CEPI Declaration of Intent on RES committed the industry already in 2001 to increase the share of biomass-based energy in its total primary energy consumption from 49% in 2001 to 56% in 2010 (in 2006 the share was 54.5%).

Nevertheless, the industry is concerned about the detrimental effects of unfair support mechanisms on the wood market. Price increases range from 25% to 600% and local wood shortages highlight the real threat these mechanisms pose to the competitiveness of our industry.

A biomass study carried out by McKinsey and Pöyry for CEPI, shows that EU policy might lead to a wood shortage of 200 to 260 million m^3. CEPI promotes the pulp and paper industry as part of the solution to the renewable energy and climate challenge, provided policies are designed in an adequate and proportionate manner. Policies should notably provide for the most efficient use of resources and energy and for fair and equal sustainability criteria for biofuels and biomass. They should also promote the resource and waste hierarchy principles that recognise the value and job creation through the industrial use of raw material and resources. Additionally, they need to focus on efficient use of land, on improved mobilisation of biomass and the promotion of new sources of feedstocks for the industry and the renewable energy sector.

Additional information

- McKinsey-Pöyry study executive summary on www.cepi.org
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