

Climate Change

Energy Committee/Environment Committee

The issue

Climate change is one of the biggest challenges mankind has ever faced. The European pulp and paper industry recognises this challenge, facing governments, industries and citizens around the world. Direct emissions from the pulp and paper industry represent about 40 million tonnes of CO₂ annually, roughly 1% of total greenhouse gas emissions in the EU. It is clear then that our industry has a role to play in the Climate Change challenge. Although its CO₂ efficiency has improved by 29% since 1990, the overall growth in production has still caused an absolute emission rise of 7.3%. The industry recognises and embraces that challenge and feels it has a positive contribution to make.

Climate change will affect us all and major changes in the economy will have to be made. The key issue is transition to the low carbon economy while keeping the effect on competitiveness manageable. The Kyoto Protocol states that emissions should be reduced at the lowest possible cost; this is only feasible when all emitters take action in the context of a clear and coherent global policy framework.

The Summit of the European Heads of State on 8 - 9 March 2007 in Brussels, was a milestone in EU policy making. Very ambitious EU mandatory targets for the new EU Energy & Climate Change policy for 2020 were set: at least a 20% reduction in CO₂ emissions compared to 1990. The heads of state called this "The new industrial revolution". Further targets for CO₂ reductions of 60% to 80% by 2050 compared to 1990 make this even clearer. This means all energy production needs to be carbon neutral by 2050. This is very ambitious, even optimistic and brings a huge responsibility to policy makers and business leaders. Business will have to supply the solutions, but to do so business needs to remain in good shape. Policy should focus on the integration of energy, climate and competitiveness policies, merging the needs for security of supply, climate change mitigation and economic growth and jobs. This is also the only way to achieve the industry's vision to improve its competitiveness and combat climate change at the same time.

Impacts on the industry

In the short term, the industry meets the climate challenge four times over:

- Directly, being in the Emission Trading System.
- Via the sharp increase in electricity prices, due to the Emission Trading System.
- Via the sharp increase in wood costs because of renewable subsidies and fuel switch.
- Via its position as forest owner and investor in plantations around the world and the opportunities this brings.

CEPI's position

The industry's vision is to contribute to the mitigation of climate change, while maintaining and improving the competitiveness of the pulp and paper industry in Europe. The European pulp and paper industry will take active steps to further improve its performance in terms of greenhouse gas emissions, taking into account its unique characteristics. In parallel, it will also actively contribute to EU policymaking on climate change. The EU pulp and paper industry has the potential to bring a true contribution to climate change mitigation; yes it is energy intensive, but it is already biomass based for more than 50% of its total primary energy needs in Europe. There are challenges though; the industry competes on a global market - where prices are set globally. Its main competitors are Canada, the US, China (Asia), Brazil, Chile, and Argentina but a level playing field does not exist. Companies moving out of Europe (Carbon leakage) should be avoided, but is a real concern. Improvements are dependent on the long(er) investment cycles, with the main changes potentially possible at rebuilds or Greenfield machines. Investments by the European paper industry in this area are large.

Additional information

- More information can be found in the brochure 'A contribution to climate change policy' www.cepi.org/publications
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