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CEPI expectations from the Raw Materials Initiative

The new business climate demands that future development reflects society's insistence on responsible energy and resource management with a clear demonstration of sustainability. Based on sustainably managed renewable resources, the paper industry is an important player in contributing to the EU2020 vision.

The EU Raw Materials Initiative must include all raw materials and not be limited to the preliminary list of critical materials. Measures must avoid unfair competition and promote equal access to wood for both pulp and paper and bio-energy producers so that our industry can maintain its current high contribution to EU's renewable energy targets, while the high levels of collected recovered paper in Europe are an indispensable contribution to the recycling society.

CEPI has welcomed the Raw Materials Initiative as European Industry needs to secure sustainable raw material availability to stay competitive at the global level.

The Raw Materials Initiative consists of three pillars:

- Access to raw materials on world markets at undistorted conditions
- The right framework to foster sustainable supply of raw materials from EU sources
- Increase resource efficiency and promoting recycling in the EU

In CEPI's opinion the three pillars are equally important and we regret the fact that the EU is focusing on access to raw materials in 3rd countries and on a limited number of materials (essentially metals and minerals).

As a user of renewable - but not infinite - raw materials, wood and recovered paper, CEPI stresses that the quantity of raw material is not a sufficient criterion to determine whether a raw material is critical or not.

Even though wood is renewable, it is a critical resource for the European Paper Industry, since it is increasingly used as a source for renewable energy, and subsidies for renewable energy distort level-playing field in the raw material market. A study carried out by McKinsey in 2007 has shown that by 2020, the consumption of wood for bio-energy cannot be supplied from European forests within the limits of sustainability.

The situation is similar on recovered paper: superior purchasing power of energy generators through public support schemes may make recovered paper unavailable for paper production. An additional pressure comes from increased imports of recovered paper by third countries, notably China where the industry is working at non-market conditions by benefiting from government policies such as subsidies and tax rebates and exemptions. Even though the European paper industry has undertaken enormous efforts to increase recycling and collection, availability of recovered paper has become critical for the European Paper Industry. In addition, exporting recyclates such as recovered paper to third countries also means a leak in the European energy balance.



It is indeed important to note that a EU level program to collect mainly packaging, including paper and board packaging, is financed by all EU citizens, and that importing countries such as China are largely benefiting from that effort, at the expense of the EU industry.

CEPI therefore expects from the Raw Materials Initiative and the forthcoming Commission Communication on Raw Materials the following:

- 1. The definition of criticality has to be reconsidered.**
 - It must not only be defined by absolute existence of a raw material, but on the availability in the supply-demand balance set by the market actors and policies, which have an impact on the availability of a raw material to European Industry.
 - Each individual industry sector has its own list of critical raw materials. To be effective, the concrete measures need to be built on a thorough understanding of the different value chains.
 - Monitoring market developments – in this case wood and recovered paper for the pulp and paper industry – demonstrate raw materials criticality.

- 2. Renewable raw materials have to get a special focus.**
 - They face the competition from the non-material use sector (renewable energy). Particularly, the impacts of subsidies for renewable energy on the availability of feedstocks such as wood and recovered paper for material use need to be thoroughly assessed.
 - Energy efficiency and raw material efficiency must become key criteria in raw material impacting policies.
 - Environmentally harmful subsidies must be phased out.
 - Giving preference to recycling within Europe through the principle of proximity upheld in the Waste Framework Directive is part of the solution.

- 3. The third pillar - efficient use of resources – has to be further strengthened.**
 - The waste hierarchy, whereby recycling should be promoted over energy recovery must be applied in a consistent way, integrating the different EU policies and goals, eg. efficient use of natural resources, waste directive, etc.
 - The cascading use of wood for material first and for renewable energy second must be promoted to maximise the added value and optimize the full carbon cycle of forests and forest products.
 - The EU has to move towards measuring its resource use to have a better understanding of the needs and the availability in a global economy.
 - Promotion of recycling in the EU has to be taken by the word in line with EU waste policy and legislation.
 - Collection and sorting are preconditions for recycling in an industrial process. The enabling conditions have to be put in place to ensure that this industrial process takes place in the EU rather than in sub-standard recycling facilities of other world regions.
 - A ban on landfilling and incineration of recyclable materials would boost this development.

- 4. Discipline is urgently needed to ensure free and fair trade.**
 - The EU should launch a debate at WTO level on raw material export restrictions aiming at clarifying the existing rules and proposing adjustments where necessary to establish discipline.
 - The EU should advocate strengthening of WTO rules on hidden subsidies such as access to finance at “non-market” conditions.
 - Raw material access should be considered as sine-qua-non conditions in all EU bilateral and regional agreements with third countries.



- Incorporating the supply and availability of raw materials into the EU economic external policy could be enforced in the context of the EU2020.
- The positive environmental performance of the European industry is penalized and EU law infringed, in this case by shipments of recyclates into third countries where environmental standards are not of the same level. This should be stopped.

5. The mobilisation of EU resources has to be boosted

- To address the mobilisation of EU resources, administrative and legal obstacles to efficient forest management must be eliminated.
- The sharing of best practices on wood mobilisation should be promoted.

To achieve these targets the raw materials initiative should ensure integration of policies on waste and recycling, on natural resources and on raw materials, as well as EU trade policies.

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