European Pulp and Paper Industry

A MANIFESTO FOR COMPETITIVENESS AND EMPLOYMENT
The negative waves of the economic crisis are being felt across the European pulp and paper industry. The industry is struggling to hold employment steady at 260,000 and its €5 billion a year investment budget is under great pressure.

The European pulp and paper industry is eager to discuss its current difficulties and its structural problems with the European Commission and win its support for solutions that will maintain the industry’s global leadership.

The European pulp and paper industry commends itself in an increasingly environmentally conscious global economy. 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 the emerging European bio-economy. Supporting the industry’s ongoing transformation will benefit Europe’s economy, its societal needs, and will reflect its core commitment to environmental responsibility.
The pulp and paper industry is in many ways a business model of sustainability: it turns over €80 billion a year and €18 billion in value and wealth creation. Around 1.8 million jobs depend directly and indirectly on the industry, 63% of which are in rural areas.

Europe cannot afford to let the pulp and paper industry and its related value chain slide into crisis. It would mean compromising the industry’s unique achievements in sustainable production and consumption. The value of paper, in its many forms, is at the core of society’s needs. Ensuring its future developments will allow it to realise its full potential.

Our industry is an example to others in its responses to current challenges, not least in mitigating climate change. We practice sustainable forest management, pursue security of energy supply through renewable energy, and optimise resources through the highest recycling rates. We are a significant provider of employment, and add economic value through the constant harnessing and updating of new technologies.

With its responsibility for setting a favourable environment within the Single Market, the European Union’s role in charting a path to recovery is crucial.

The transformation of the European pulp and paper industry is based on the opportunities created by the new sustainability-minded economy. We call for the support of policy makers and politicians to that transformation that will further align the industry with changing demands in society, new business environment, and new priorities for the economy.

WHAT NEEDS TO BE DONE: FROM DAMAGE LIMITATION TOWARDS RECOVERY

In the pulp and paper industry’s view, the EU 2020 strategy should include some fundamental priorities:

1. ensure a better balance in policymaking between advocates of environmental, competitiveness and employment interests;
2. create winners not victims in the EU Emissions Trading System and ensure Europe’s industry remains strong and respected;
3. boost availability of raw materials, market access and fair competition;
4. allow Europe to compete with lower energy cost competitors;
5. apply flexibility to competition rules to facilitate restructuring;
6. fight protectionism in competing countries;
7. turn innovation into a reality.
In the current unprecedented business situation, European industry must not be faced with additional operating burdens and drain investment that otherwise are needed to keep production within the European Union to maintain and create jobs.

It needs to be understood that it makes sense for companies to pursue sustainable production and consumption objectives if there are rewards for sound environmental performance. It makes no sense to create disincentives through the continual imposition of new and sometimes confusing product criteria that are of only marginal benefit to consumers and society. The impacts of such policy contradictions are made worse by allowing imports into the EU that do not comply with the same criteria.

**Our industry’s future would benefit from EU actions which:**

- explore the possibility of legislation to prevent eco and social dumping into the European market;
- develop Environment legislation that is kept simple, reduce the volume of new legislation, and avoid duplication and contradictory regulations and reporting requirements;
- harmonise the application of public procurement rules on green products that currently fragment the internal market;
- before launching NOx and SOx emissions trading scheme, clearly identify the benefits of it;
- allow paper to compete on its own merits by avoiding to convey inaccurate facts and perceptions about paper products.
The ETS’s goals can still be achieved without imposing unjustified burdens on pulp and paper. The industry competes in global markets and its competitive position should be strengthened, not weakened, by public policies.

**The European Union must:**

- recognise the role the pulp and paper industry plays in emissions trading and support a clear strategy for the treatment of carbon stored in forest and wood products;
- only agree to a future climate agreement that delivers fair and equal burden sharing between the EU and competitor pulp and paper-producing countries;
- adopt a combination of auctioning and allocation that achieves targets without the overshooting that will drain the industry of its investment resources;
- ensure an equal burden between industry sectors in Europe, with allocation and eventual benchmarking rules being fair and conferring neither advantages nor disadvantages on any of the EU’s industrial sectors;
- manage the carbon price and its indirect impacts in energy prices, to limit extremes.
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 indispensible contribution to the recycling society.

European Commission initiatives in support of the pulp and paper industry are needed that:

- ensure a level playing field for access and reprocessing of raw materials;
- aim at more sustainable production of biomass through better mobilisation of existing forest resources and a more rapid use of policies to encourage the forestation of idle land;
- avoid excessive subsidies, tax breaks and supply guarantees that incentivise the use of wood biomass solely for incineration and focus instead on energy efficiency criteria and value creation with adequate sustainability criteria;
- deliver early implementation of the Waste Directive provisions (separate collection by 2015, and 50% recycling target for municipal waste by 2020) that generate good quality recovered paper to meet increasing demand by the European and Asian paper industries;
- introduce a legal ban on landfilling or incineration of recyclable materials in the EU;
- closely monitor the rapid development in the EU recyclates flow to anticipate problems and take actions guided by article 3 (3) of the Lisbon treaty;
- see for better coordination of various EU policies;
- progressively abandon the EU’s import duties on starch (up to € 224 per tonne) to allow access to world markets.
Energy costs are one of our main competitive factors. Our industry is operating within an energy market where competition is virtually impossible.

**To mitigate this situation, the European Commission should:**

- recognises the pulp and paper industry as “energy intensive” and ensure it is treated as such throughout the EU so that it benefits from special measures in the Energy Tax directive;
- put substantially more efforts into removing barriers to competition in electricity and gas markets as the current liberalisation packages have not delivered;
- organises a proper support system for combined heat and power (CHP);
- avoid the introduction of any legislation that supports unilateral EU measures that lead to higher energy prices in Europe such as those resulting from the Emissions Trading Scheme, energy taxes or fees on Renewables.
Sectoral industrial competitiveness can be supported by:

- ensuring a level playing field across the EU within our sector, and combating protectionist measures both inside and outside the EU;
- allowing companies to explore different responses to current economic conditions, even including restructuring and consolidation;
- stopping unsustainable overcapacity in the pulp and paper industry through national incentives not justified at EU level.
The EU’s market is open while a number of other pulp and paper producing countries are protecting theirs, limiting and putting at risk the EU’s exports. The Commission must deploy all possible diplomatic initiatives and trade policy instruments against current protectionist policies and unfair trade behaviours. It must not shy away from enforcing trade-related aspects of environmental legislation.

**Recent protectionism examples include:**

- **dumping from Chinese fine paper companies exporting to EU and subsidies from the Chinese government to these companies;**

- **Israel’s anti-dumping investigations against recycled containerboard – some provisional antidumping duties have even been imposed for these grades - and fine papers coming from Europe;**

- **India’s, Philippines’ and Gulf Cooperation Countries’ safeguard investigation against paper coming from Europe;**

- **Algeria’s additional information requirements on each import delivery in the form of origin and quality control certificates for goods;**

- **regarding raw material, Russia’s remaining wood export duties and EU imports duties on starch.**
To guarantee the EU’s future, the European Commission should step up efforts to make the EU more competitive in developing and applying new technologies. Research and innovation programmes need to be given an even higher priority in the EU’s allocation of resources to translate its high quality research and development into commercially exploitable applications.

The European pulp and paper industry is a global leader. Key projects inside the sector need major support to deliver and supply solutions that contribute to keep that leadership and bring solutions to Europe’s grand challenges.

The R&D and innovation strategy for Europe must include:

• Support for global leading sectors, not only new industries;
• focus on Education policies and programmes;
• pilot and demonstration projects under Public Private Partnership that support resource efficiency such as pulp bio-refineries, recycling based bio-refineries and wood-based biofuels;
• bio-based paper products in the Lead Market Initiatives;
• new technology applications inside the pulp and paper industry.