Welcome
CEPI 2006 Annual Meeting

THE POLICY JIGSAW
Where does the European paper industry fit?

Frits Beurskens, CEPI Chairman
"Topical Challenges for the European Paper Industry"

Ms. Paula Lehtomäki, Minister for Foreign Trade and Development, Finland.

The importance of looking at the big picture

Teresa Presas, Managing Director, CEPI
2006 New heights

- Energy Committee
- Recycling Declaration
- WWF/CEPI joint statement on bioenergy
- High Level Group for Competitiveness, Energy and Environment
- Leadership Statement by International Council of Forest and Paper Associations
- International Energy Conference
- Communication on Forest-based industries
- Forest based sector Technology Platform

Many issues remain...

- Energy prices and a half-hearted liberalised market
- Biomass and its impact on raw material prices
- Emissions Trading Scheme and its distorting level playing field
- REACH and its uncertainties
- Ecolabels and their unfairness
- NGOs Vision on the European Paper Industry
2006
the year of
communication
The European pulp and paper industry is a leading example of how competitiveness and sustainability go hand in hand.
The European Paper Industry

has grown by an average of 2.5% per year,

without increasing its environmental impacts

The forest-based sector is the only sector

that can be neutral to climate change

and

provide a positive contribution to its mitigation
The European Paper Industry

is a technological leader

And yet ...

- Emissions Trading Scheme penalising our sector in Europe
- Biomass crave distorting the level playing field for our sector
- Green Public Procurement more demanding on our renewable raw material than on its competitors
- Environmental legislation uncoherent in effect
We ask the Commission to put EU strategy into practice

The importance of the big picture

- The Single Market ➔ Make it whole
- Europe’s playing field ➔ Making it level
- The Technology Imperative ➔ Making it happen
- Better Regulation ➔ Making sure it is
Panel Discussion

Tom Wright, Hawkins Wright
Saskia Ozinga, FERN
Lars G Josefsson, CEO, Vattenfall
Pedro Ortun, Director DG Enterprise, EU Commission

Moderator, Roman Hohol

Competitiveness in a challenging environment: the European Perspective

Bernard Lombard, CEPI Trade & Competitiveness Director
Striving for competitiveness in a challenging environment

Remaining leaders in a globalised world:

- 28% of the world production, +3% in 2006
- Exports: 15% of the production, +75% over the last 10 years
- Value added: 25 Bn euros per year
- Investments: 5 Bn euros per year
- Productivity: world leader with Japan
- Among the youngest and quickest machines in the world!

Competing with emerging countries on quality, innovation and services to customers…

…but costs and prices remain the most critical factors!
Striving for competitiveness in a challenging environment

Competitiveness is about legislation:

• Emissions Trading Scheme
• Biomass Action Plan
• REACH
• Road charging

and about keeping costs under control:

• Energy: + 40-60%
• Wood: + 20-60%
• Chemicals: + 5-10%
• Road transport: + 10-30%

Local legislation and costs but global challenges and competition!

EU institutions’ initiatives to lower the burden on companies and support competitiveness:

• Lisbon Agenda
• Growth & Jobs partnership
• Better regulation and impact assessment
• New industrial policy
• High-Level Group on Competitiveness, Energy and Environment
Striving for competitiveness in a challenging environment

Regulation has to support competitiveness

Paper industry is a partner

"Our trade policies have a vital role in stimulating growth and creating jobs in Europe."

"Ensuring Europe’s competitiveness in the global economy by removing barriers to trade will require new priorities and new approaches in trade policy, together with high-quality EU rules, and stronger links between the two. It will need to be an integral part of the wider Lisbon strategy."

Peter Mandelson
Is the Forestry Action Plan of value to the paper industry?

Bernard De Galembert, CEPI Forest Director

European activities on forests

Forest Action Plan
- 4 main action areas: economic, environmental, social, coordination
- 18 key actions
- Roadmap for implementation in progress

Forthcoming Communication on:
“Innovative and sustainable forest-based industries in the EU”
European activities on forests

There is a policy momentum.

But how concrete, measurable, prioritised in absence of a EU-wide legal basis?

Promote the use of forest biomass for energy generation

Forests in Europe

Net Annual increment > 663 million m³
Annual harvest > 421 million m³

EU subsidy-based biomass needs by 2010

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<tr>
<td>Green</td>
<td>110 Mm³</td>
<td>303 Mm³</td>
<td>+193 Mm³</td>
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<td>Electricity</td>
<td>264 Mm³</td>
<td>413 Mm³</td>
<td>+149 Mm³</td>
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<td>Heating &amp; Cooling</td>
<td>5 Mm³</td>
<td>10 Mm³</td>
<td>+5 Mm³</td>
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<td>Transport</td>
<td>380 Mm³</td>
<td>820 Mm³</td>
<td>+440 Mm³</td>
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If all wood

663 - 421 - 440 =
Promote the use of forest biomass for energy generation

663 - 421 - 440

= local wood shortages
sharp raw material price increases
forests sustainability at risk

Harmonised information on forests is needed

Multiple – sometimes inconsistent – sets of data coming from multiple sources
Lack of data on forest economics

Lack of sound basis for decision
Lack of a shared and understood common language
Encourage the use of wood from sustainably managed forests

- EU products policies
- Sustainable use of resources
- Integrated Product Policy
- Green Public Procurement
- Ecolabel

- Unequal treatment between products
- Material discrimination
- Renewability ignored
- Uneven sustainability requirements

Do we share the vision?

EU vision
“Forests for society: long-term multifunctional forestry fulfilling present and future societal needs and supporting forest-related livelihoods.”

OUR vision
Lift the obstacles
Economic values of forests need to be acknowledged to fulfil other environmental and social functions
Coffee Break

10.45 – 11.15

Energy is tipping the balance

Marco Mensink, CEPI Energy & Environment Director
Balance snapshots

1. Energy prices go out of range
2. Energy costs have climbed to nr. 2
3. ETS changed EU level playing field
4. Even product fundamentals change

The climate balance is changing

Projected Impacts of Climate Change

- Higher food prices due to reduced yields and increased demand
- Increase in global temperatures
- Increase in water shortages
- Increase in extreme weather events
- Increase in sea levels
- Increase in air pollution
- Increase in forest fires
- Increase in natural disasters
- Increase in coastal erosion
- Increase in crop failures
- Increase in ocean acidification
- Increase in sea ice melting
- Increase in glacier melting
- Increase in arctic warming
- Increase in permafrost thawing
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Is the balance tipping over?

Can we change the situation?

Should energy be part of core business again?

The political balance should change soon

In January 2007, the Strategic Energy Review will summarise all existing policy developments.

The strategic energy review will cover:

- The Energy Sector inquiry
- The Energy Green Paper
- The reports of the High Level Group
- The green paper and action plan on Energy Efficiency
- The bio-energy roadmap and biorenewable policies
- The review of the EU ETS
And there are signs

“Speaking very personally, I see only one way forward if we are to restore credibility and faith in the market. Europe has had enough of “Chinese walls” and quasi independence”.

“There has to be a structural solution that once and for all separates infrastructure from supply and generation. In other words: ownership unbundling. Then we will finally see an end to discrimination, and we will also have laid the ground for a system of proper investment incentives”.

Commissioner Kroes on energy markets in Lisbon

Can EU policies sustain competitive paper recycling?

Jori Ringman, Recycling Director, CEPI
EU revision of waste and recycling

Will duality of paper recycling change?

For paper industry: used paper is a resource

For policy makers: used paper is a waste management problem

If cannot be reconciled, what best serves sustainability and competitiveness?
EU will set the Hierarchy for all waste

- **Reuse**
- **Recycle**
- **Incinerate**
- **Dispose**

But profit hierarchy of waste companies is exact inverse.

Can EU reverse that to ensure good quality fibres for paper recycling?

Facing the competition for fibres

- Paper may be incinerated as biomass with renewable energy subsidies. Once incinerated paper disappears for good.
- Recycling subject to cost from burdensome red tape with no environmental benefit.
- Yet, each loop of recycling creates more value and more employment than just incineration.
Facing the competition for fibres

“Now is the time to modernise our approach and to promote more and better recycling”

Commissioner Stavros Dimas

EU waste policy revision

Towards Recycling Economy:
Making Paper Industry Success Story known?
  • Paper recycling is an example that this target is achievable

However:
  • Collection systems are key to how efficient recycling processes can be
  • If legislation allows, even more can be done
Impact to environment and public health?

- Discarding, collection
- Sorting, conformity with EN 643
- Storing, Transport, Trading
- Recycling at paper mills

Will be covered by IPPC?
Will be covered by REACH
Covered by IPPC
Will be covered by implementation measure
Low Risk
No Risk
Is covered by Waste Directive

“... reducing the overall environmental impacts, related to the use of resources, of the generation and management of waste...”

Waste Directive Proposal Article 1

Can EU sustain competitive paper recycling?

“EU waste law must create the right regulatory environment for recycling activities to develop”

Commissioner Stavros Dimas
Panel Discussion

Tom Wright, Hawkins Wright
Saskia Ozinga, FERN
? Lars G Josefsson, CEO, Vattenfall
Pedro Ortun, Director DG Enterprise, EU Commission

Moderator, Roman Hohol

Thank you