Cepi

RENEWABLE
RECYCLED
RESPONSIBLE
EUROPEAN PAPER

Cepi press briefing, 17 July 2020

Agenda

1. Introduction, Jori Ringman
2. 2019 key statistics, Bernard Lombard
3. 2019 recycling performance, Ulrich Leberle
4. Covid-19 impact on pulp & paper industry in 2020, Bernard Lombard
5. Q&A

Introduction

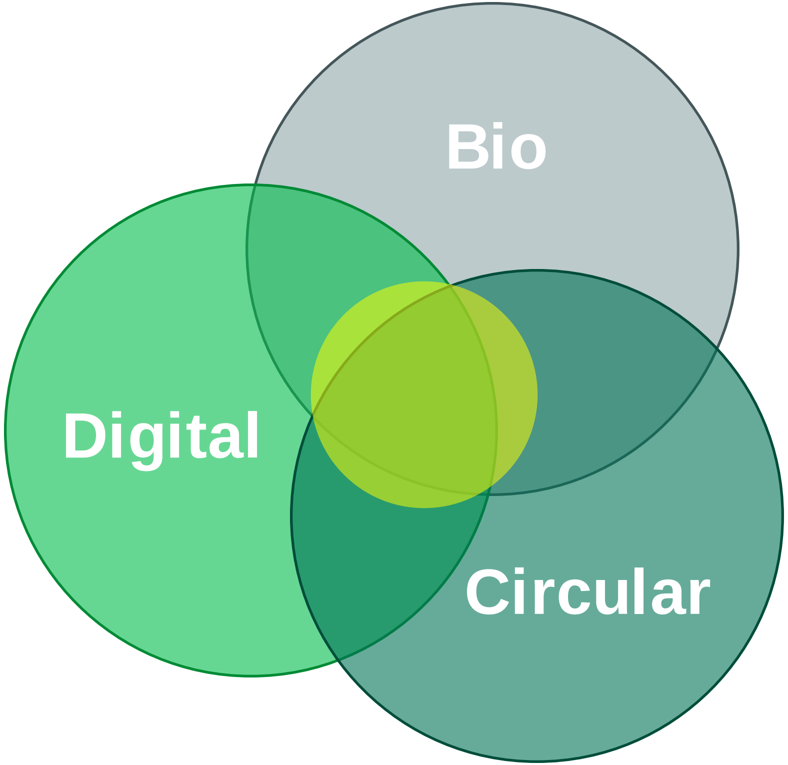
Jori Ringman, Director General

About Cepi

In the focal point of Bio - Circular - Digital

Represents in Brussels
495 pulp, paper & board producing companies
891 mills across Europe
182,000 people employed directly
22% of global production

Working across the value chain –
from forest owners to converters and further



Cepi statistics: ”raison d’être”

- Cepi communication is fact-based and science-based
- Good policymaking and regulation requires accurate and updated data
- Stakeholders ask for robust and reliable data on all sustainability aspects, including media
- Market developments and trade cases require close monitoring and analysis
- Companies need data and business intelligence to support their strategy, investments and decision-making

The European paper industry delivers on its competitiveness and sustainability agenda

74%
WOOD BOUGHT CERTIFIED

2X
HIGHER INVESTMENTS THAN AVERAGE MANUFACTURING

€90
BILLION TURNOVER

22%
GLOBAL PAPER PRODUCTION

€20
BILLION ADDED TO THE EUROPEAN GDP EVERY YEAR

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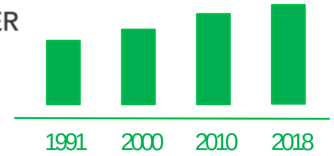
22%
OF PAPER PRODUCTION IS EXPORTED

CO_2
-48%
CO_2 PER TONNE OF PRODUCT SINCE 1990 (-24% SINCE 2005)

60%
OF OUR ENERGY PRODUCTION AND USE IS BIO-BASED



72.0%
WORLD RECYCLING CHAMPION

EUROPEAN PAPER RECYCLING RATE

Key findings

The European forests and the forest-based sector provide integrated solutions to the global climate challenge on a very large scale.

The overall climate effect is calculated as a sum of:

Net sink

-447 Mt CO_2e/yr

Fossil emissions

+51 Mt CO_2e/yr

Substitution

-410 Mt CO_2e/yr

Total

-806 Mt CO_2e/yr
20 % of all fossil emissions in the European Union

Interpretation of key findings

-447 Mt CO_2e/yr

Forest sink & carbon storage in products remove CO_2

CO2 is removed from the atmosphere and stored in growing forests. The carbon eventually circulates back into the atmosphere. Part of this carbon is stored, for a longer or shorter period, in a variety of forest products.

-410 Mt CO_2e/yr

Material substitution prevents CO_2 emissions

Forest products have a very low climate footprint and moreover they reduce demand for products and energy that are based on fossil fuels. This prevention of fossil emissions is called substitution effect.

+51 Mt CO_2e/yr

Fossil emissions

Fossil emissions from direct or indirect use of fossil fuels in forest industry value chains, industrial processes, transportation of raw material and products are the sources of fossil emissions for the sector.

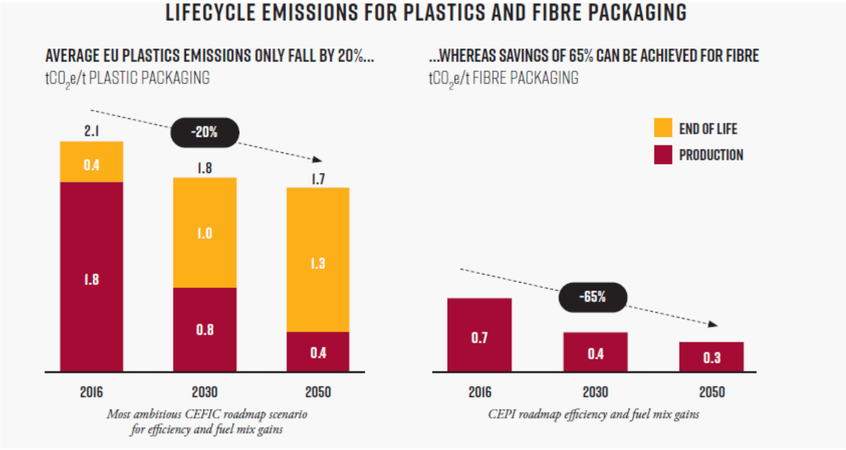
The contribution of Forest-based products is AS important AS the forest sink.

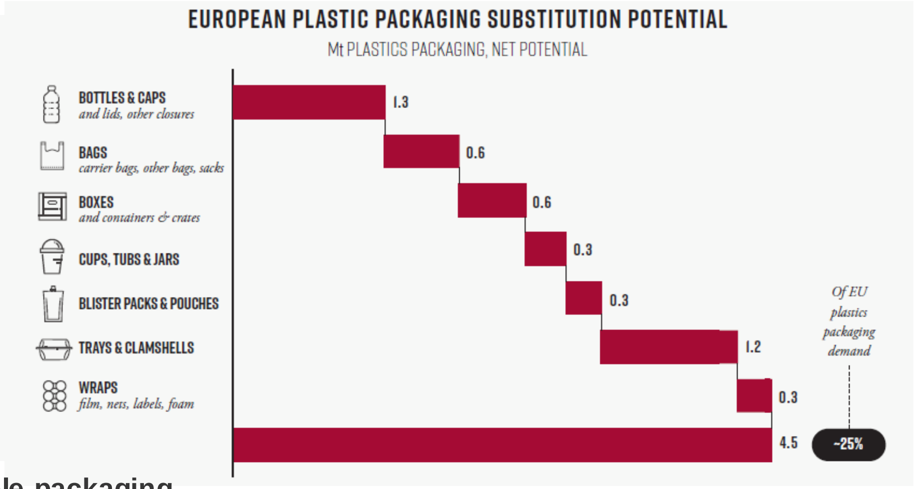
Unlike most other climate change mitigation options, increased substitution is immediately available thanks to consumer choices.

25% of plastics can easily be replaced by paper and board

Material Economics study* finds that replacing plastics with wood fibre has significant promise, for two main reasons:

- First, as a renewable material, fibre is much easier to render CO2-neutral.
- Second, 4.5 mt or 25% of current plastics use in packaging could be readily replaced, without significant compromise on functionality.



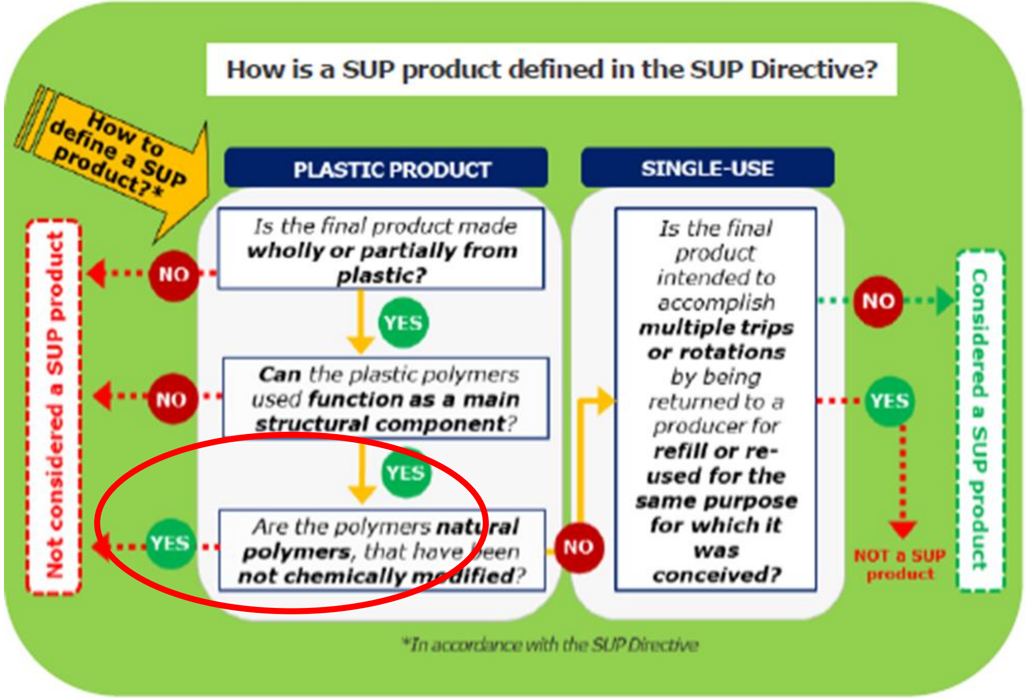


* https://materialeconomics.com/publications/sustainable-packaging

Single Use Plastics Directive – draft implementation guidance

SUPD would also apply to all paper and board products **as they contain minor amounts of polymers.**

These are used to provide both functionality and consumer and food safety (like all packaging materials do).



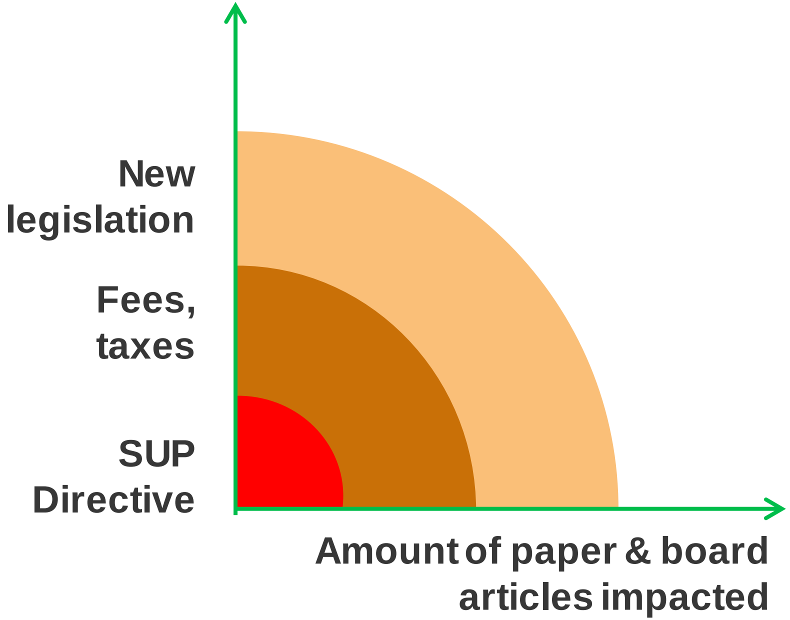
Products at risk: from coffee cups to corrugated boxes

Immediate consequence:

- The opportunities for paper & board to substitute plastic articles would be limited

Additional consequences:

- Producer responsibility fees and plastic tax applying SUP Directive definitions, capturing wide categories of products
- Paradoxically, paper and board would be burdened more than light and cheap plastics
- Same definitions used for future EU legislation in the European Green Deal and review of SUP Directive (in 2026)



2019 key statistics

Bernard Lombard,
Trade & Industrial Policy Director

Cepi statistics: our activities

We prepare:

- Monthly production reports
- Quarterly production reports
- One annual statistics report
- Preliminary statistics report
- Key statistics report
- Trade statistics report
- Historic statistics report
- Origin of fibres reports

To subscribe:

http://www.cepi.org/topics/subscribe-to-statistics

About data reliability and quality

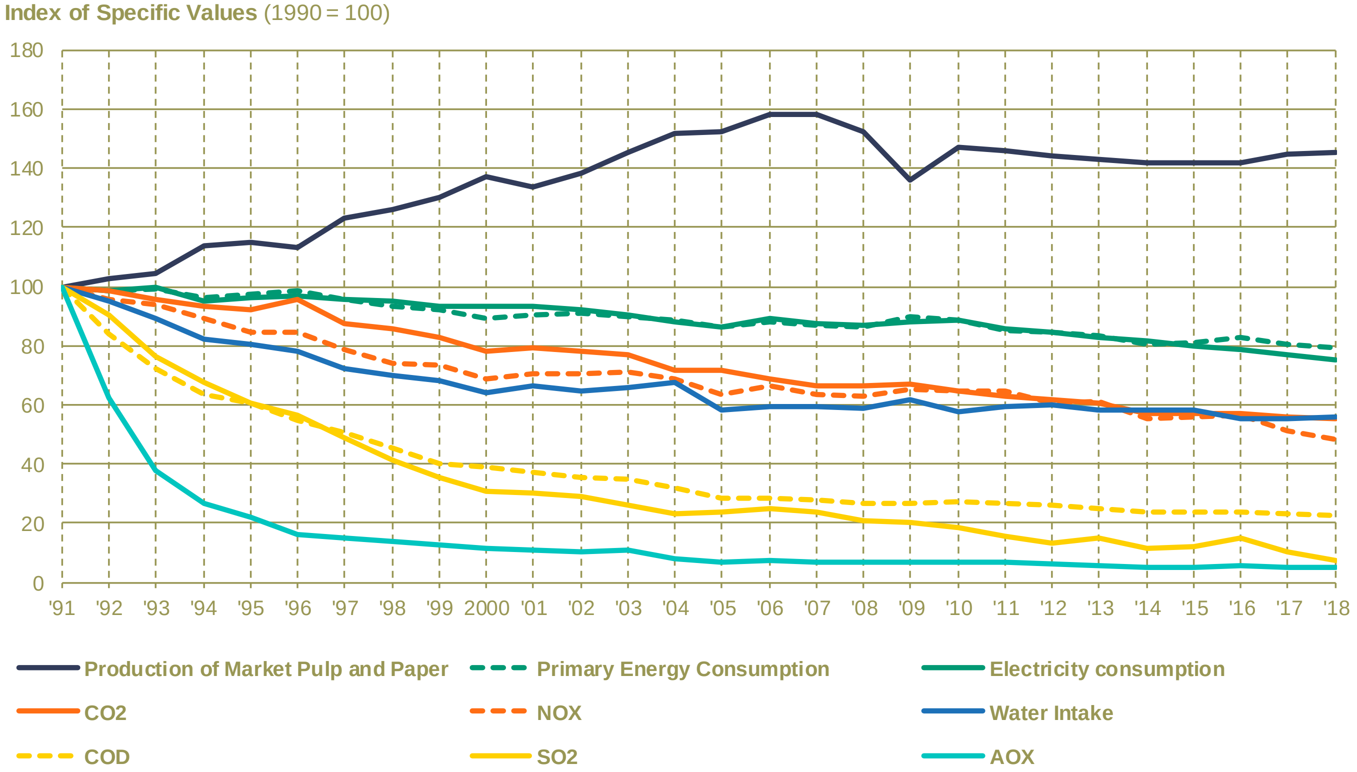
- Data collected from companies through national associations, complemented by external sources when necessary
- Cepi 3-year statistics strategy (2018-2020)
- Auditing body annually checks process and quality
- Compliance with EU competition rules periodically assessed

Paper & board impacted by economic slowdown in 2019, while market pulp experienced robust growth

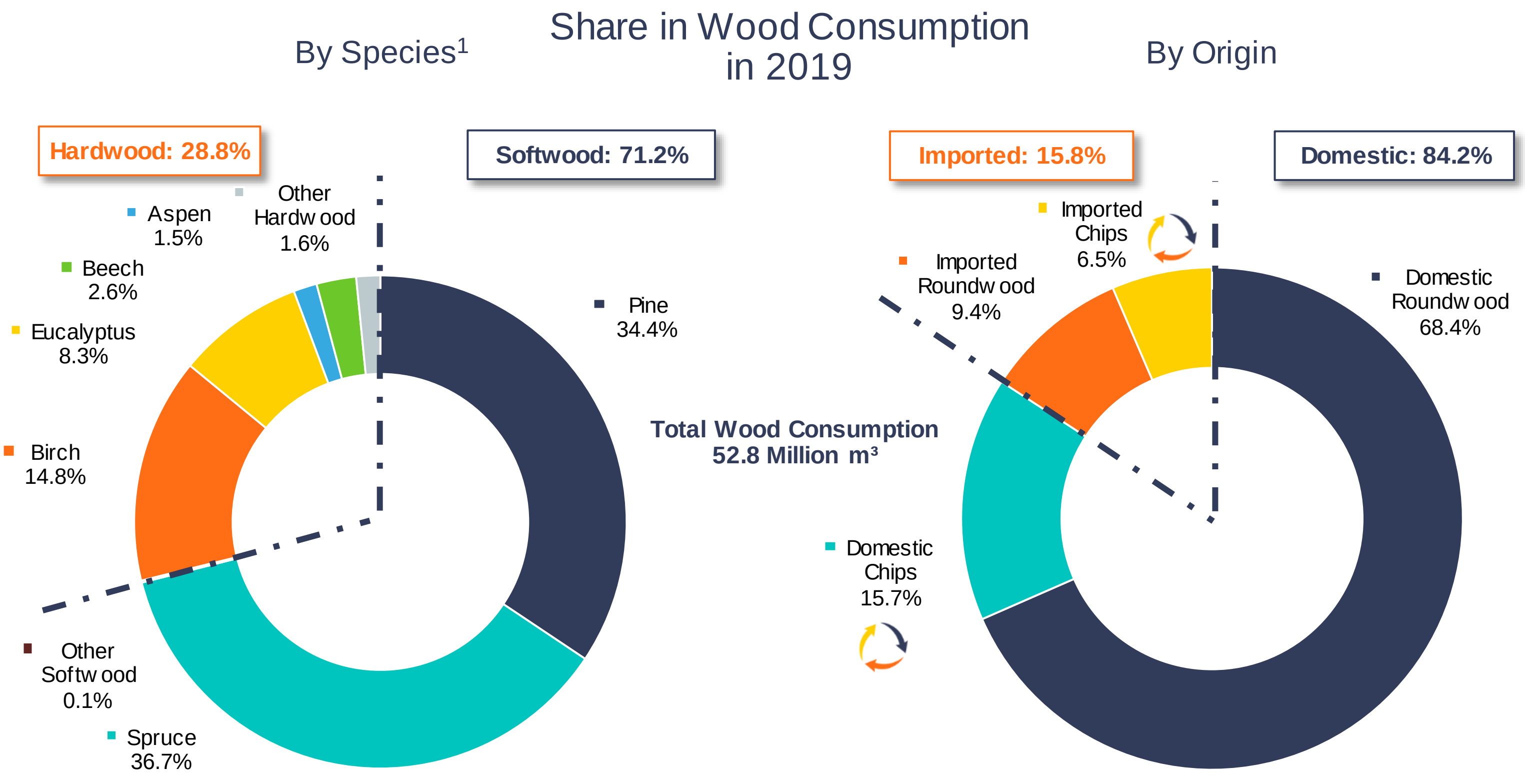
- The slowing down of the EU's economy - from 2.0% in 2018 to 1.5% in 2019, combined with global instability and trade tensions, impacted the European **paper and board** consumption (-3.4%) as well as the paper production (-3.1%). This downward trend was observed in many other parts of the world
- In contrast, **market pulp** production grew (+6.1%), as a result of recent and massive investments in new capacities and the growing export market demand. Market pulp exports grew by 48% in 2019
- Despite a difficult context, the European paper industry delivers on its **competitiveness and sustainability agenda**
- In 2020, paper and board markets will be impacted by the huge decline expected for the **European GDP***, both in the EU and the euro area by -8.3% and -8.7% respectively as a result of the Covid-19 crisis. In 2021, the EU economy is expected to grow by 5.8% and the euro area economy will grow by 6.1%

*source: EU Commission – Summer economic forecast 2020

CO2 direct emissions declined by 2.7% and the specific CO2 emissions (per tonne of product) further decreased in 2019 by 1.0%



Made in Europe: the share of domestic wood used by the pulp & paper industry went up to 84.2% in 2019



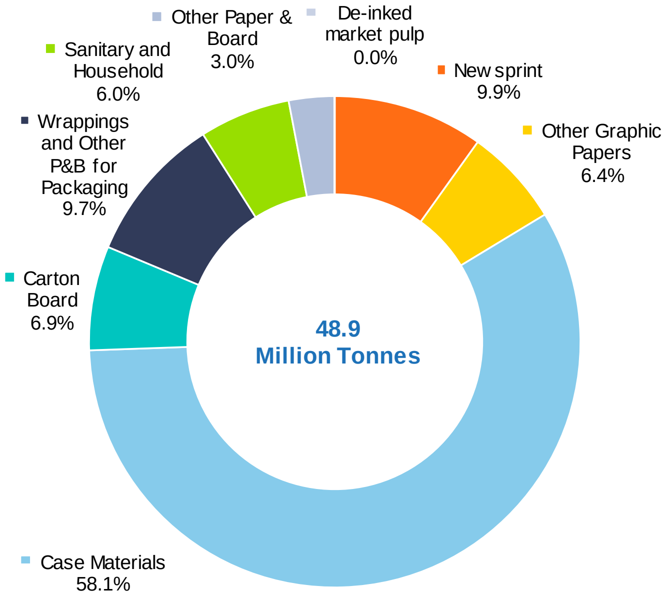
[1]Based on a sample representing 90% of total Cepi consumption

2019 recycling performance

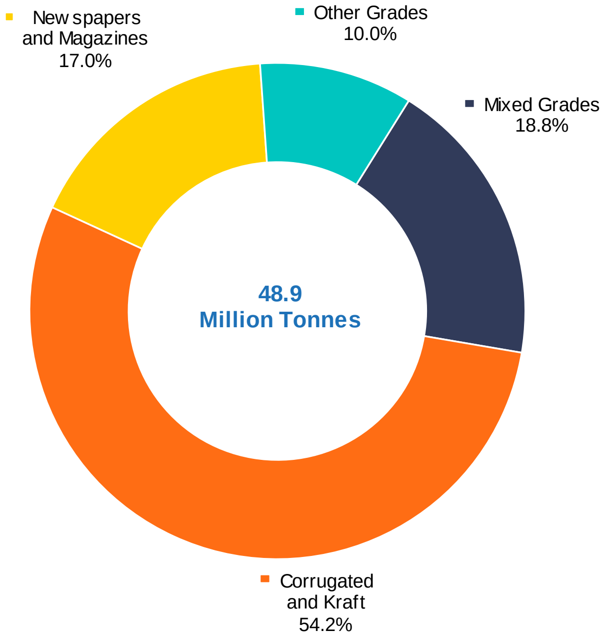
Ulrich Leberle,
Raw Material Director
Secretary of the European Paper Recycling Council (EPRC)

Made in Europe: the utilisation rate of Paper for Recycling reached 54.6% in 2019

Utilisation by Sector

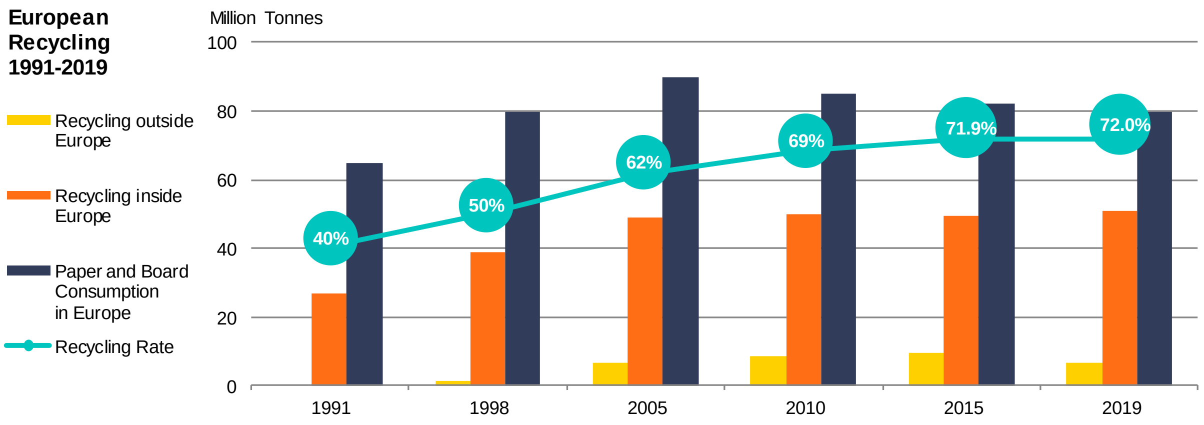


Utilisation by Grade



European Paper Recycling Rate increased to 72.0% in 2019

- 72% = share of entire paper & board consumption collected and recycled in paper mills
- Every paper has annually 3.6 recycling loops on average
- More paper is recycled by European paper mills
- Chinese paper mills are no longer the main export market
- Overall net exports decreased too
- Full EPRC monitoring report in September



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Covid-19 impact on pulp & paper industry in 2020

Bernard Lombard,
Trade & Industrial Policy Director

Pulp and paper industry as an essential sector

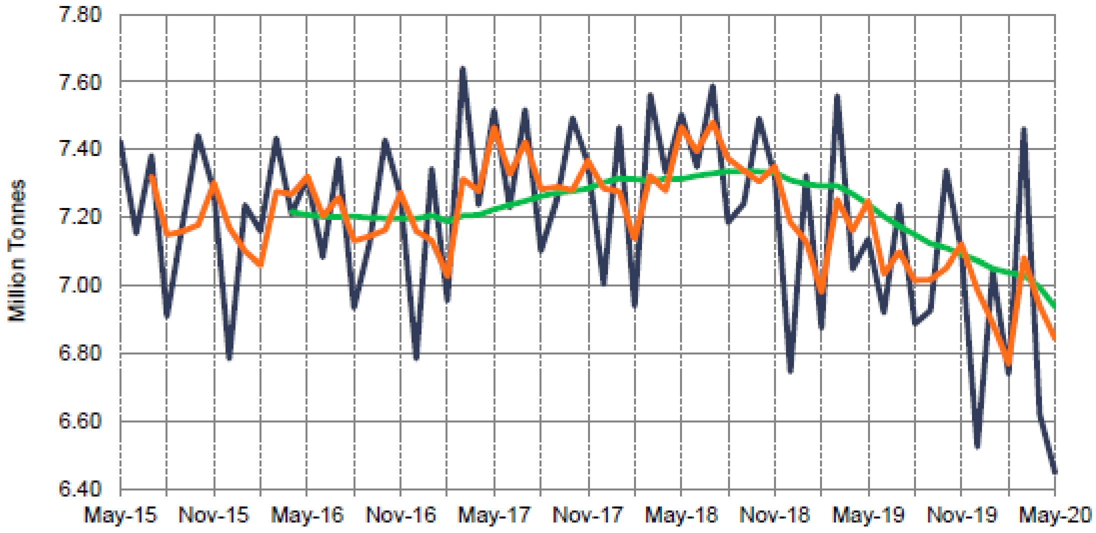
- The main priority had been to ensure that EU citizens can access the products they desperately **need for hygiene, health and food purposes** throughout the crisis
- Working with other industries in the value-chain to operate as much in a “business as usual” mode as possible and **guarantee security of supply**
- **Tissue and hygiene products** are of vital importance to citizens, particularly to implement the recommendations issued by national governments and the World Health Organization (WHO). Tissue offers the safest option
- **Fibre-based packaging** is also essential to transport and deliver all types of food and pharmaceutical supplies such as medicines in protective packaging
- In several EU countries, the pulp and paper sector has been considered as an **essential sector,** but not in all countries

Covid-19 crisis: safety of the staff has been the top priority

- The companies have done their best to implement all necessary measures to guarantee the **safety of the employees**, the transport operators and customers
- Most of the pulp and paper mills have been running through this crisis but some experienced **temporary closures** because of the lack of workers (Covid-19 cases, quarantine, health fragility or children at home)
- A lot of **information** was provided to workers. In some regions, workers didn’t know whether they were allowed to go to work and under which conditions
- **Dialogue with trade unions** to adopt strict safety measures and short-term work regulations / rules
- Difficulties to manage the **end of the lockdown** gradually, as some countries or regions were not getting out at the same speed
- Some concerns about the coming months as the **economic slowdown** starts to hit most of the paper and board grades and demand is declining

Paper & board: significant impact since April 2020 but the situation started to deteriorate in Q2 2019, because of EU economic slowdown

May 2020



2019 / 2018:
-3.1%

May 2020 / May 2019:
-9.7%

5 months 2020 / 5 months 2019:
-4.5%

Source: Cepi

Packaging and sanitary & household have been better off

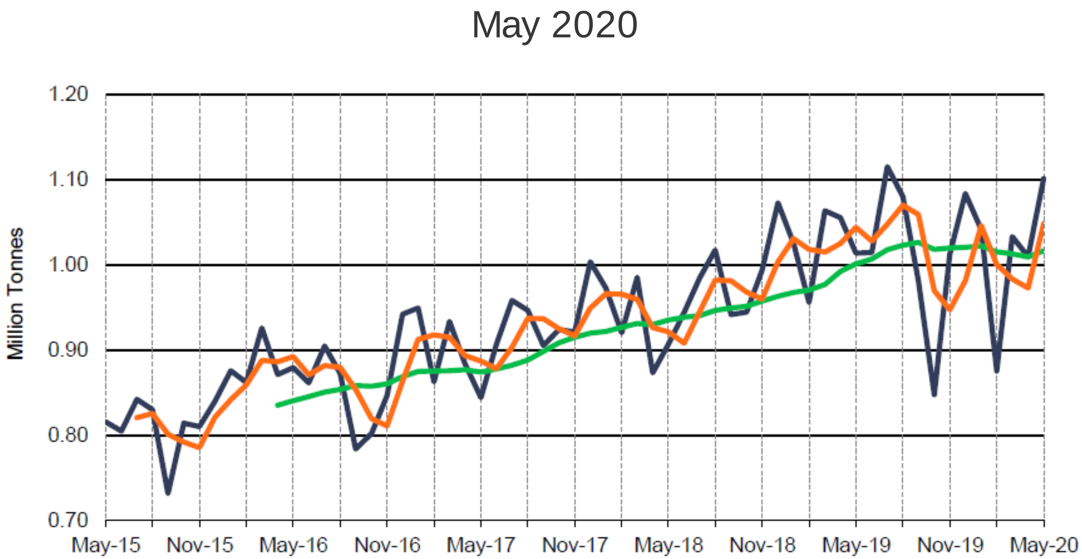
May 2020

Paper and Board Production	% Change over Previous Month	% Change Same Month Previous Year	Cumulative % Change Over Previous Year
Newsprint	0.2	-26.2	-17.2
Uncoated Papers	-9.5	-28.5	-12.1
Uncoated Mechanical	-5.7	-33.0	-16.6
Uncoated Woodfree	-12.0	-25.0	-8.5
Coated Papers	-23.5	-45.0	-20.6
Coated Mechanical	-21.4	-41.0	-21.5
Coated woodfree	-25.6	-48.8	-19.6
Total Graphic	**-13.0**	**-34.7**	**-16.5**
Sanitary & Household	**2.4**	**7.2**	**4.2**
Case Materials	2.3	4.8	2.3
Carton Board	-2.2	7.4	2.8
Wrappings	-1.1	1.6	-4.0
Total Packaging	**0.9**	**3.8**	**1.4**
Other Papers	**0.3**	**-21.3**	**-8.4**
Total Paper & Board	**-2.6**	**-9.7**	**-4.5**

Source: Cepi

- Domestic demand for **hygiene papers** (tissue, toilet paper, etc.) has remained relatively high, despite the difficulties observed in the ‘away-from-home’ markets
- **Packaging** has been benefiting from e-commerce growth but the slowing down of the economy start to affect manufacturing packaging significantly in many countries
- Demand for **graphic paper** (newsprint and printing & writing papers) is very negatively impacted, its decline is accelerating
- Heterogeneous developments can be observed for **speciality papers** depending on the end-markets
- This crisis is accelerating **consumption patterns** change (teleworking, digitalisation…) and will have long-lasting impacts

Market pulp: relatively lower impact so far as exports (mainly to Asia) have remained quite dynamic



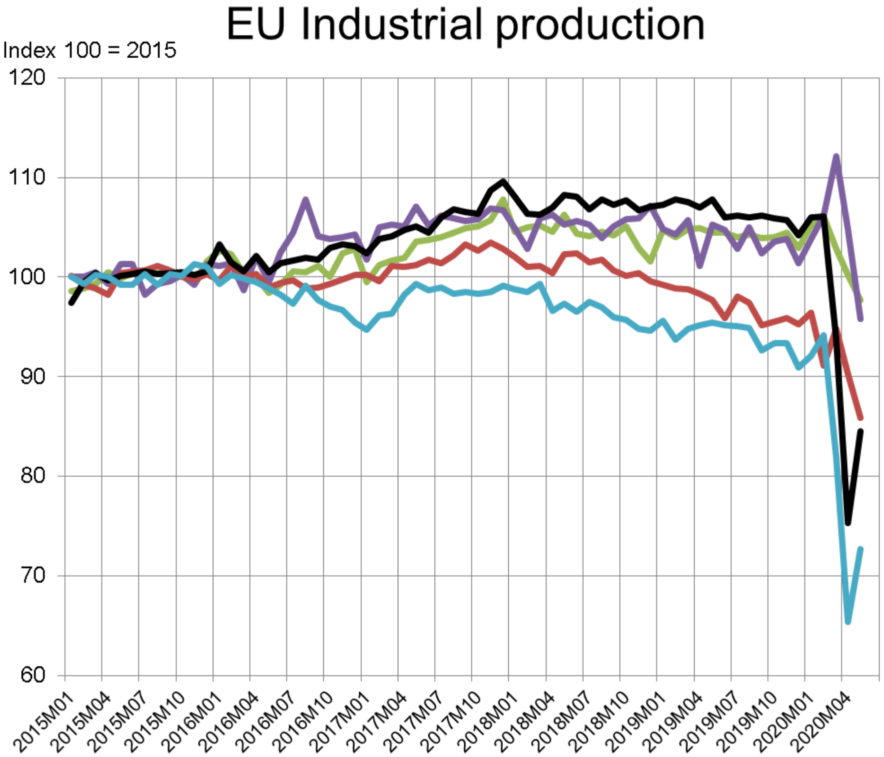
2019 / 2018: +6.7%

May 2020 / May 2019: +10.3%

5 months 2020 / 5 months 2019: -1.0%

Source: Cepi

Covid-19 impact on pulp & paper industry is less pronounced than in the manufacturing industry as a whole



	May 2020 / February 2020
Manufacture of corrugated paper and paperboard and of containers of paper and paperboard	-7.9%
Manufacture of household and sanitary goods and of toilet requisites	-9.8%
Manufacture of pulp, paper and paperboard	-5.7%
Manufacturing	-20.4%
Printing and service activities related to printing	-22.8%

Source: Eurostat

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Tensions along the supply chain

- **Paper for recycling availability** has been at risk or even decreasing in many European countries due to lower collection activity (absence of workforce, sanitary measures,…) in March/early April
- Since then the limited availability is a result of **lower generation of paper for recycling**, especially from pre-consumer sources due to lower economic activity. The gradual re-opening of hotels, restaurants and shops will have an impact on the paper for recycling availability
- **Wood availability** was disturbed in some countries, as some saw mills had stopped. The pulp and paper industry is heavily depending on saw mill residues (chips) for the production of pulp and paper
- **Transport and logistics** have been heavily impacted at the beginning of the crisis because of cross border trips limitation, lack of drivers or containers, but the situation gradually came back to normal

Q&A

Thank you!

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Cepi aisbl
Confederation of European Paper Industries
Avenue Louise 250, box 80
B-1050 Bruxelles
+32 2 627 49 11
cepi.org @CEPI_paper Cepi