

For the attention of :
Mrs Ursula Van der Leyen
President, European Commission

Copy to :
Executive Vice Presidents
Frans Timmermans and Margrethe Vestager
Commissioners
Kadri Simson, Thierry Breton and Paolo Gentiloni

Brussels, March 23rd 2022

Dear President,

Re: Devastating impact of unbearably high energy prices on operations of the European pulp and paper industry

We are writing to you on behalf of Cepi, the Confederation of European Paper Industries, to express our grave concern about the devastating and long lasting impact of unprecedentedly high energy prices on our industry's ability to continue operations in Europe, and to stay competitive in a global market. We are urgently requesting the European Commission to effectively protect the industry against severe energy shortages. In the context of a dramatically changing situation, the European Commission should also re-examine its proposals for an enabling policy framework for affordable energy and bearable carbon costs.

The European pulp and paper industry's priority in 2020 was to ensure that EU citizens can access the products they need for hygiene, health and food purposes. We relentlessly worked with other industries along the value chain to guarantee security of supply to citizens. Despite the slowing down of the European economy and the sanitary restrictions, most of the mills ran without disruptions in 2020, even if some operated at reduced speed because of lower levels of demand.

Today our mills must take difficult decisions to temporarily stop production across Europe due to the extreme energy prices following the Russian invasion of Ukraine. Reducing activity in our sector is a real-world threat to our competitiveness in the global market. Our industry has been experiencing high energy costs since summer 2021. Over the months, we have seen energy prices increasing even up to 8 times. The forecasts show that the situation is not likely to improve in the months to come. The lasting impact of the currently ongoing crisis and recent breakdown of the energy system is deeply concerning. It endangers our industry's existence in Europe, puts at risk the jobs of over 4 million people who are employed in the European forest-based value chain, not to mention the capacity to invest in further industrial transformation before 2030 to achieve the climate targets.

We urge the European Commission to immediately address the record-high energy prices to save an industry that offers essential products. We welcome the commitment to investigate the functioning and to optimise the design of the gas and electricity markets. But we need to also insist on taking swift action against speculation on the European carbon market.

The European energy-intensive industries have been calling on the Member States and the European Parliament to consider reforming the Emissions Trading System Directive. The current revision allows for improving measures to ensure effective carbon leakage protection. The revision of the Market Stability Reserve is key to keeping the price of European Union Allowances manageable and to preventing any sudden price increases, which also have a negative impact on energy costs.

For years, the European pulp and paper industry has been fully supporting the EU objective to reach climate neutrality by 2050. Our industry is up to the climate challenge. We provide an ever-increasing range of solutions for today's and tomorrow's needs of our customers, other industries, and society at large. Our renewable and recyclable wood-based fibre solutions are made from predominantly European sustainably growing forests and are recycled in Europe, with European technology. Building on our position as world champions in recycling, we are set to increase recycling even further to boost the circular economy.

In reality, Europe needs to address its dependence not only on energy imports, but also on fossil-based materials. The European economy can further minimise its fossil fuel needs by tapping into the potential of bio-based value chains to substitute carbon-intensive materials. To further build the resilience of the European economy, the enabling policy framework should create a market for renewable, bio-based products.

The wood-based industries, which represent 20% of manufacturing enterprises across the European Union, offer readily available solutions. The upcoming Bioeconomy Strategy will be essential to make this homegrown sector of the European economy thrive. The Forest Strategy, adopted last July, should be updated to make bio-based industries an indispensable part of the EU's geopolitical strategy. In this context, the currently discussed proposals for the revision of the Land use, land use change and forestry (LULUCF) Regulation and the Renewable Energy Directive are crucial to secure access to a sustainable, renewable and local source of energy and materials. Europe should finally tap into the full potential of forests, forest-based products and sustainable forest management practices to reduce its dependence on fossil fuels.

Concluding, we want to actively engage to immediately improve the devastating situation of our fundamental sector, which is a direct result of unbearably high energy and raw materials prices in Europe. We will continue contributing in a constructive manner to the development of "Fit for 55" policies, which are essential to build a more resilient and sustainable European Union.

We hope to discuss our suggestions in a meeting with you.

Yours sincerely,

Cepi Board members

(signatories listed on the following page)

ANNEX: Public Statement "As a provider of solutions to the EU's strategic dependencies, the pulp & paper sector must be allowed to 'keep the lights on'"

Ilkka Härmälä
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