

SWEDEN

by
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Emerging issues facing the industry: Climate change, wood raw material and energy

There is an increased demand of wood from the bio energy sector, which puts pressure on the supply of wood to the forest industries. The Swedish Forest Industries Federation has investigated the possibilities to increase energy production from the forests without hampering the industry raw material. Today 8 TWh of branches and tops are taken from the forests to be used for energy production. This could be increased to 15 TWh. There is a future potential to take out new selections for energy production: stumps, longer tops etc., which could amount to 12 TWh. In total, the possible energy selections in the forest today, at retained production and harvest, could be 19 TWh. If the forest production could be increased (see below), another 4-9 TWh can be added. Note that figures here refer to TWh wood fuel– not electricity or heat.

The EU energy policy risks increase the industry's electricity costs by 350 – 550 million euro at an allowance price of 30 – 50 euro/ton, when also indirect effects on electricity prices are considered. As the emission trading system also favours the use of renewable sources, the competition for biomass has increased, leading to higher wood costs.

The Green certificate system has given incentives to increase the production of industrial back-pressure power. Today this production amounts to 5,5 TWh and the future plans include an increase by 1,5 TWh by 2015.

Production processes will continue to be developed to further reduce CO₂-emissions. More and more biofuels are used in the lime kilns. The research has focused on gasification of bark and most recently on producing lignin from the black liquor.

Russian export taxes on wood will alter wood trade flows in the Baltic, risk close down of mills and increase wood costs for remaining mills.

SFIF has recently issued its second sustainability report with some clear goals. A climate campaign has been launched.

Most important business developments: economic situation, legal developments, investments

In 2007, GDP growth amounted to 2,7 percent, with especially strong growth in investments (8 percent) and exports (5,6 percent). Employment continues to increase. The inflation rate has increased and was 3,4 percent April 2008 over April 2007, where increased interest rates on housing, and increased food prices contribute most. GDP growth is projected to slow down from 2,7 percent in 2007 to 2,2 percent in 2008.

In 2007, paper production fell by close to 2 percent to 11,9 million tonnes. One percentage point was due to mills being closed down. Exports fell marginally and amounted to 11,4 million tonnes. Market pulp production remained unchanged at 4,1 million tonnes.

Paper production increased 1st quarter 2008 by 1,3 percent. If mill closures during 2007 are accounted for, production would have increased by 2,5 percent. Exports increased by 1,2 percent, with particularly strong export growth to Europe outside the EU. Pulp production increased by 3 percent the 1st quarter.

Companies continue efficiency and cost reduction programs. During 2008, several announcements of personnel reductions have been made, affecting over 800 jobs (of 25 000 in the pulp and paper industry). Stora Enso will close its Norrsundet pulp mill (300 000 tonnes bleached sulphate) by the end of the year; Holmen will shut down one paper machine at the Hallsta mill (110 000 tonnes mechanical printing paper) in November. Increased raw material and energy costs are major reasons.

Investments in the pulp and paper industry are projected to 725 million euro in 2008, slightly above the level in 2007. Investment plans mainly concern energy efficiency programs or energy generation.

A government bill on forestry has been presented, to be implemented by Jan 1, 2009. Forest policy has two equally important objectives: production and environment. Different measures to increase forest growth are proposed. Forest production can increase by 25 – 50 percent in 10 – 60 years.

A review of the Swedish climate policy proposes climate policy targets in the short, medium and long term, an action plan for achieving 2020 emission targets and Swedish actions in international climate negotiations. The review will result in a government bill during autumn.

The CO₂-tax will be reduced in two steps for those participating in ETS to reach the EU minimum tax level in 2010.

Implementation of the water framework directive might imply stricter measures than we interpret is needed by the directive.

“Green public procurement” for paper products: also social aspects will be developed in connection with forestry criteria.

Socio-economic contribution of the forest industry

Please refer to the presentation at the ACPWP session in June 2006: Contribution of the paper and forest products industry to employment and income generation – the Swedish perspective.

Corporate Social – Environmental Responsibility (CS-ER) policies

ER policies are common, and CS policies are growing.