

FRANCE

by
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EMERGING ISSUES FACING THE PULP AND PAPER INDUSTRY IN FRANCE

Some issues are derived from EU policies. The prominent ones are:

- The on-going discussions on the different proposals unveiled by the Commission in connexion with energy and climate (RES Directive, ETS Directive);
- The implementation phase of REACH.

These issues, already widely discussed in different fora, are not specific to France. Hence, although of paramount importance, they will not be addressed here.

Issues more specifically connected to the French political agenda are:

- Extensive discussions on environment (Grenelle de l'environnement). These multi-stakeholders discussions, now over, will deliver several pieces of regulation during the year. Some provisions of these regulations, if adopted by the Parliament, might have a direct impact on the pulp and paper industry: increased targets for the use of biomass (higher competition with the fibre resource used by the industry), risk of taxation of some papers (those considered as generating too many wastes), kilometric tax on truck, etc.
- On going discussions the framework decree pertaining to the permitting of the mills.
- Regarding the organisation of the energy market, the p&p industry is still waiting for the agreement by the European Commission of the consortium (Exeltium) set up by a pool of electricity purchasers with EDF. The Commission scrutinises this consortium, as it will very likely be used as a model for comparable systems in other member states.
- Regarding fibrous raw materials procurement, the p&p industry regrets the low development of certified forests.
- Concerning the perception of paper and boards, it can be deplored that the trend of dematerialization of data transfer leads some companies or public bodies (eg: banks sending monthly documents by e-mail to their customers, etc.) to promote this change not by advocating that it is more convenient for the bank, but by stating it will “save paper and preserve the environment”.

MOST IMPORTANT BUSINESS DEVELOPMENT

In 2007, French GDP annual growth, with respect to 2006, amounted to 1.9 percent, which is lower than the 2006 figure (2.2 percent). Household consumptions remained nonetheless at a relatively good level (2.1 percent increase), and the unemployment rate, as calculated by the International Labour Organization, decreased from 8.8 percent (2006) to 8.0 percent (2007). The sub-prime crisis affected some banks (but at a lower level than in other countries). The disorders caused by the financial crisis will affect the French “real economy” in 2008, but with a magnitude partly unknown. Although still at a low level on the year (1.5 percent), consumer prices started to increase at the end of 2007, as a consequence of the global phenomenon of surging prices for foodstuffs and energy.

On the political arena, Mr Sarkozy has been elected as new President of the Republic in May 2007. Regarding the business profile of the pulp and paper industry in 2007, noticeable features are:

- Increased consumption of paper and board (+ 2 percent) up to 11.13 million tons.

- Decreased production (- 1.4 percent) as a consequence of 4 Paper Machines having shut down. The closure of these PMs represents a capacity of 135 000 t p.a.
- Better balance between supply and demand, as well as the consequence of increased cost factors, has led to an increase of the index mirroring the price of the different grades. This index (100 = average for 2000) has reached the value of 101.3 at the end of 2007.
- Increased share of imports in domestic consumption (shift from 58.7 percent in 2006 to 59 percent in 2009).
- Decreased exports with respect to the production.
- Negative consequence of the US\$/Euro glide on overseas exports.

The recovery of the price (after a long period, between 2000 and mid 2005 of downward trend), as well as a better consumption of paper and board made the outlooks for 2008 relatively optimistic, although major uncertainties, linked to the US slump and the financial disorders might have more detrimental effects than expected.

SOCIO-ECONOMIC CONTRIBUTION THE PULP AND PAPER INDUSTRY

It is obvious that the pulp and paper industry, as any other industry, generates many indirect jobs. Its specificity is certainly that both these direct and indirect jobs are to a large extent in rural or remote areas. No comprehensive or pulp and paper specific study on this issue exist in France.

Corporate Social Responsibility policies are more and more frequent, especially in international companies implementing in each mill a policy decided at corporate level.