

ANNEX 3 - REGIONAL REPORT

CEPI¹³

Markets

In 2007, the paper production in CEPI-17 reached 102.4 million tonnes (+0.2 percent compared to 2006). Pulp production reached 42.4 percent in 2007 (-1.7 percent compared to 2006). Overall the paper consumption is estimated to have increased by 1 percent. Mills closures recorded over the last year are mainly due to the increasing costs of raw materials and energy.

With respect to raw materials, the price of both wood and recovered paper has increased over 2007. Chinese demand for recovered paper has been increasing and Germany became last year a net exporter of recovered paper. At the same time collection and utilisation have gone up, even if in some countries collection is reaching its limits.

At the same time, the Russian taxes on wood exports have started impacting on the amount of wood imported in Europe. This tax is supposed to further increase in January 2009.

CEPI estimates the direct employment in the paper industry to be 259 100 jobs and indirectly 1.8 million jobs. 63 percent of the jobs are located in rural areas.

Policy

2007 has been in Europe the year of climate and energy. In January 2007, the European Commission released a proposal setting several ambitious and binding targets in the field of climate and energy:

- 20 percent minimum reduction of GHG emissions by 2020
- 20 percent energy efficiency gains by 2020
- 20 percent share of renewable energies by 2020, including a 10 percent biofuels target

These targets have been confirmed by Council of Ministers of 8-9 March 2007.

This has led CEPI to look for the support of well-established consultants (McKinsey-Pöyry) to evaluate the possible impacts of such targets on the industry with special emphasis on:

- the competition for raw materials (both virgin and recycled fibre)
- the possible contribution of the industry to achieving the targets
- the needed conditions to successfully achieve the targets whilst preserving the forest sector competitiveness.

In its position, CEPI has put the emphasis on some basic principles that should be respected when implementing the policy targets. These principles are:

- Resource efficiency and hierarchy
- Sustainability
- Proportionality (in particular in support mechanisms)
- Feedstocks mobilisation and activation

The proposal for a Directive implementing the renewable energy targets has been released early in 2008 and further activities from CEPI will be carried out before its approval and entry into force in 2010.

¹³ (ON BEHALF OF AUSTRIA, BELGIUM, CZECH REPUBLIC, FRANCE, FINLAND, GERMANY, HUNGARY, ITALY, THE NETHERLANDS, NORWAY, POLAND, PORTUGAL, SLOVAK REPUBLIC, SPAIN, SWEDEN, SWITZERLAND, UNITED KINGDOM)

In that context the Commission has initiated a reflection on wood mobilisation under the auspices of the Standing Forest Committee.

The Ministerial Conference on Protection of Forests in Europe went to a successful end in Warsaw in November. One of the Resolutions on Forests, wood and energy reflects the concerns of the industry with respect to the availability of raw materials.

In parallel, the EU has been revising its Emissions' Trading Scheme. In the next phase of the ETS it provides for the auctioning of the allowances up to 100 percent in 2020. In the absence of a global agreement in 2009, some sectors and/or subsectors that are energy intensive and exposed to global competition could receive free allowances. CEPI has deployed intense advocacy to qualify for that special treatment. For the moment the political line is that no decision will be taken before Copenhagen.

At the same time, customers are increasingly asking for information related to the carbon footprint of the products they buy. Wal-Mart, Tesco, Champion and several other retailers have committed to label their products with carbon footprint related information. CEPI has therefore developed a "ten toes" framework approach for the European paper industry. Under this framework, different product groups, and down to companies, will develop their own carbon footprint using the same methodology.

The Thematic Strategy on waste prevention and recycling is defining the policies, which could be used to promote paper recycling and contribute to the target of making the EU a Recycling Society. In its latest version, the waste Directive offers the possibility for a future classification of recovered paper as secondary raw material, and not as waste.

EU is finalising its new Product Policy under the Action Plan its Sustainable Consumption and Production Package, due for May this year. It has also been working actively on public procurement and eco labels. The ecolabel for office paper has been developed by ICLEI (Local Communities for Sustainability). The Commission is also working on a tool-kit for carbon footprint.

CEPI activities

Of course, CEPI, and its National Associations, have been actively advocating with the Institutions, and the national authorities about the challenges to the industry created by the climate and energy package of the Commission, in particular the revision of the Emissions Trading System and the Renewable Energy Directive. In that context, CEPI co-operated closely with UNECE to further develop knowledge and facts about the availability of wood biomass in Europe. A joint Seminar organised by CEPI, FAO, UNECE and MCPFE was dedicated to wood mobilisation in January 2007 in Geneva. CEPI also developed a set of joint position papers on RES, with WWF, with AEBIOM (the European Biomass Association) and with EMCEF (trade unions).

On the Emissions Trading System, CEPI works with other industrial sectors, in particular the energy intensive industries.

CEPI has released its third Sustainability Report, which was certified by GRI standards. It includes some new indicators and reflect overall positive progress with respect to the existing ones. The European industry is notably well on track to achieve its commitment to increase the recycling rate up to 66 percent by 2010. It also increased the share of biomass-based energy in its overall primary energy consumption up to 54.4 percent in 2007, well on track also to achieve its commitment to reach 56 percent by 2010. The report also shows a real decoupling in its specific emissions and increase in the use of CHP, and further reductions in CO₂ emissions versus tons of product.

Further work has been done on the quality of recovered paper through quality standards and quality management of recovered paper. Related to that, the traceability of recovered paper has been improved, through the launching of the recovered paper identification system.

The dialogue with the network of ENGOs that have promoted the “Visions to transform the European Paper Industry” was followed-up with a meeting with its steering group, on the occasion of a major NGO conference, with a view to exchange factual information about the industry, and achieving better understanding.

CEPI has also provided guidance to its members with respect to the implementation of the newly adopted REACH Regulation, through guidance documents and information seminars.