

As the voice of the industry, the Confederation of Paper Industries (CPI) represents papermakers, tissue manufacturers, corrugated packaging producers, and recovered paper merchants.

This newsletter informs MPs about the range of issues currently affecting the competitiveness of CPI Members. For further details about CPI or its activities, please visit <http://www.paper.org.uk>.

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## EU Emissions Trading Scheme

There are 50 UK paper mills participating in the EU Emissions Trading Scheme (EU ETS) and CPI is heavily involved with lobbying Government and European Institutions over the shape of Phase III of the scheme which will run from 2013 to 2020.

CPI's biggest concern is the proposal to end the free allocation of emission allowances to energy-intensive manufacturing industries, due to be phased in over five years from 2013.

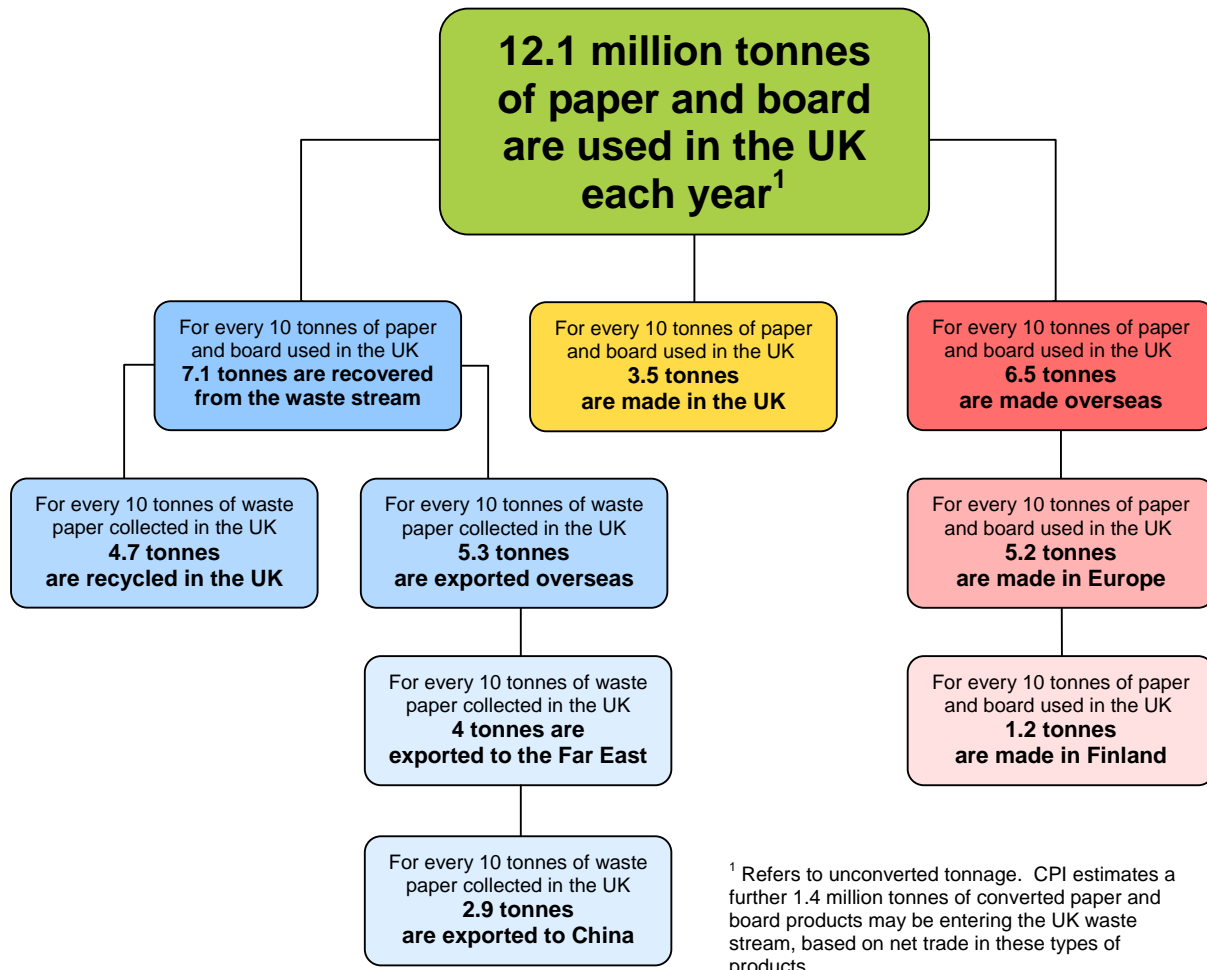
UK paper manufacturers compete in world markets, and the imposition of having to buy all required allowances would cost our sector €100M annually at today's allowance prices. It would be impossible to pass this on to customers through increased prices without significantly losing market share, thereby transferring paper production (and the associated CO2 emissions) out of the UK and EU into less carbon-constrained economies.

It should be noted that €100M is more than the sector's typical annual profitability over recent years – and with the exceptionally high energy prices currently, the costs of having to buy allowances will be even harder to bear, especially when some pundits are predicting allowance prices will triple over the next few years!

The Directive allows the possibility of special treatment for such "carbon migration" sectors on an EU-wide basis, and decisions on this might be taken in 2010-11. However, because most of the EU paper industry is highly forestry-based (unlike that of the UK which is recycled paper-based) the carbon intensity of the sector, when taken as an EU average, may not be high enough to qualify for such special treatment.

Defra seems unconcerned and are pinning their hopes on an international agreement being made at Copenhagen in 2009 which would, in theory, mean that all countries would price carbon into their economies and therefore the UK and EU would not be at a competitive disadvantage compared with the rest of the world. CPI's worry is that it may be politically impossible not to make an "agreement" at Copenhagen, but that such an agreement may not be equitable across all countries and so we could still be disadvantaged with the loss of manufacturing industry and the migration of carbon emissions from the UK.

To discuss this issue further, please contact David Morgan, Head of Regulatory Affairs, on 07900 828669 or email [dmorgan@paper.org.uk](mailto:dmorgan@paper.org.uk).



All data January-December 2007

## Paper Packaging Waste, a continuing recycling success

**The paper packaging industry continues to outstrip the targets for recycling within the UK Packaging Waste Regulations.**

CPI has reported an overall recycling rate in excess of 78% in 2007, against a target of 60% within the EU Packaging Waste Directive. This shows the excellent environmental credentials of paper packaging and confirms its suitability as a future packaging medium within a “recycling society”, as envisaged by the European Union.

Indeed, due to this excellent performance, the packaging waste recovery note (the financial mechanism designed to stimulate investment within the recycling sector) is basically worthless for paper, and the current UK Regulations have become an administrative burden. It is with this in mind that CPI would encourage MPs to lobby Defra to consider removing paper packaging from the Regulations. Other, simpler, methods of determining paper packaging recycling rates are available without resorting to a Regulatory system that now has costs for both business and regulators, with no mechanism for further investment in recycling.

To discuss this matter in further detail, please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email [pseggie@paper.org.uk](mailto:pseggie@paper.org.uk).

## UK reliance on the Export market for paper recycling continues to expand

**CPI would like to bring to your attention the continued reliance that UK industry has on overseas markets for waste paper recycling.**

The UK has now caught up with the European average paper and cardboard recycling rate, and this is a major success. However, unlike the rest of Europe, we have a very low level of paper and cardboard production. This means that even though we are a European leader in using waste paper and cardboard as a raw material in our paper production, we can use only 43% of the material we collect with the rest needing to be exported in order to be recycled.

CPI supports the use of global markets for paper recycling and, given the huge decline in UK paper reprocessing over the last few years, is glad that such a market exists. For the first 4 months of 2008, the UK exported over 57% of the recovered paper it collected for reprocessing, a volume of 1.8 million tonnes. This may appear an export success story but unlike other commodities, where production can be cut back for lack of demand, recovered paper extraction from the waste stream will continue to rise in order to meet EU and UK regulatory targets. If there are any problems in the export market, where the UK will see increasing price pressures from other global suppliers as they try to decrease the environmental impact of landfill and incineration, then the UK may quickly become swamped with material with no home.

The worst case scenario is that the UK landfills the material and the public starts to reject recycling as an option, other recyclable material collections drop as paper is the base material for all other collection economics, and the invested infrastructure in the UK becomes abandoned as there is no financial viability in the industry.

Second worst case scenario if the collected paper has no home: incineration. However, as the recent WRAP life cycle analysis report "Environmental Benefits of Recycling" clearly shows, this is a poorer option in terms of carbon savings than recycling. How can the UK hold its head up with the rest of Europe if we are burning or landfilling a valuable resource that has an established carbon saving value while trying to persuade others of the seriousness of the UK's commitment to reduce climate change?

The global market system is working in the short term to support recycling, but may be building up significant problems for the longer term. CPI would ask MPs to raise this issue with the Government and form a committee to look at the potential impacts of a global market crash on the UK economics of waste management and determine a plan of action should such problems arise.

For further information please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email [pseggie@paper.org.uk](mailto:pseggie@paper.org.uk).

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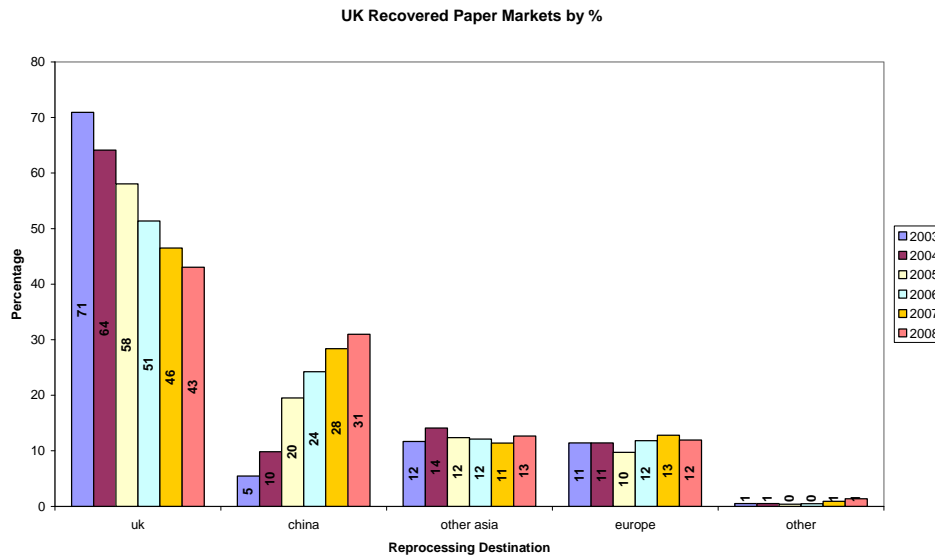
## Recovered paper exports continue upward trend as collection increases

**The UK's progress in increasing the collection of recovered paper from the UK waste stream has again made good progress through the first four months of 2008.**

Base data showed that collection increased by 10.8% in comparison to the same period in 2007. In real terms this represents an increase in collection of over 300,000 tonnes over the four month period.

Although the above figures look impressive, they mask what CPI believes to be a serious sustainability issue for the future of municipal UK paper recycling. The development of single stream (co-mingled) collections by Local Authorities has accelerated through 2008, and this will have serious implications for the sustainability of UK markets for recovered paper as domestic and export recovered paper quality standards tighten. Recent work by the Waste and Resources Action Programme (WRAP) has shown that quality recovered paper can be produced through this type of system, but suggests that currently this is an exception rather than a norm and requires significant investment in new technology. In conjunction with a further WRAP report, which suggests that source segregation at the kerbside is in fact cheaper than co-mingling and leads to similar yields, it is hard to understand Local Authority thinking in this area at present.

Exports of collected material have continued to increase in 2008 with the expectation that around 5 million tonnes will leave the UK in 2008, an increase of 700,000 tonnes on 2007. Domestic consumption will be just over 4.0 million tonnes, around the same as in 2007. This means that the UK will use far less recovered paper domestically in 2008 than is exported (see graph below).



The graph demonstrates clearly that the UK is reliant on export markets to meet all European and UK recycling targets, including the crucial Landfill and Packaging Waste Directives. Of particular significance is the UK's reliance on China, as through 2008 it is likely to account for over 30% of recycling for UK recovered paper. This represents a staggering 3.0 million tonnes; around 250,000 tonnes per month.

CPI is concerned that current UK waste management practices will lead to longer term problems in maintaining its EU commitments and public confidence in recycling:

- current global demand for recovered will continue in the short to medium term, but this will level off as the Far East economies mature. Currently, these markets account for 57% of UK collections;
- overseas markets will introduce their own environmental legislation and increase domestic collection levels. This is already being seen in the Chinese market;
- all European Member states, except those with very high current collection rates, will increase domestic collection in line with EU Directives and will become competitors to the UK on the global market;
- the USA is likely to introduce environmental legislation to increase collection activity which will again increase supply to the global market. It is well placed to supply Far East demand;
- excess demand is currently driving global buyers to focus on volumes but this will change to quality as excess supply is generated. CPI has concerns that UK quality will be below other Global standards as we continue to invest in single stream (co-mingled) collections from domestic sources. This may also impact on the development of new papermaking capacity in the UK;
- legislation on food contact material, particularly packaging, will force European Mills to stop taking recovered paper from single stream (co-mingled) sources;
- legislation on the Transshipment of Waste will make it more difficult for exporters to ship lower quality contaminated recovered paper from single stream (co-mingled) collections. The new Regulations came into force in July 2007, however there is still a degree of confusion over the Regulation;
- 2008 has seen significant pressure on back shipping costs for waste materials to the Far East. If these costs cannot be absorbed by the collectors, shipping companies or Far East buyers, then the economics of these markets may no longer add up, leaving the UK in a very difficult situation.

For further information please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email [pseggie@paper.org.uk](mailto:pseggie@paper.org.uk).

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## **‘Making a Difference’ – PABIAC’s Strategic Direction Statement 2008- 2011**

**The Paper and Board Industry Advisory Committee (PABIAC) has launched a new strategy to secure further improvements in health and safety performance in the papermaking, corrugated packaging and recovered paper sectors over the next three years.**

The new strategy, ‘Making a Difference’, was prepared by the Health and Safety Executive (HSE), the CBI and TUC, which together form the PABIAC partnership.

The strategy summarises the extent to which the paper industry has developed in recent years, and its overall achievements in reducing injury, absence from work caused by injury, and work-related ill health over the period 2005-2008, and sets out PABIAC’s targets for 2008-2011.

In supporting the HSC’s strategy for health and safety to 2010 and beyond, and building on the industry’s previous strategy and safety action planning, ‘Making a difference’ sets ambitious targets for reducing annual injury incidence rates from the current figure of around 1,175 per 100,000 employees to less than 850 per 100,000 employees by 2011.

Other targets require employers in the industry to demonstrate a continuously improving health and safety management performance through benchmarking, and to be able to demonstrate a continuously improving safety climate with senior management commitment and governance. Objectives relating to occupational health and securing loads on road vehicles are also outlined in the strategy.

To further demonstrate the industry’s commitment to improving its health and safety performance and in support of the targets within the strategy. PABIAC is inviting CEOs to commit their companies by way of ‘signing up’ to a pledge.

The strategy is available for download from the CPI website, at: <http://www.paper.org.uk/hands/pabiac/pabiac.htm>

For further information please contact Andy Braund, Head of Health & Safety, on 07974 980842 or email [abraund@paper.org.uk](mailto:abraund@paper.org.uk).

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### **Further information**

For additional information on the UK paper industry, in the first instance please contact Catherine Watson, External Affairs Coordinator, on 01793 889612 or email [cwatson@paper.org.uk](mailto:cwatson@paper.org.uk).

Alternatively, please visit: <http://www.paper.org.uk>.

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