MPs Newsletter

cpi confederation of paper industries

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

Issue: February 2011

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.

## BUILDING A SUSTAINABLE AND PROFITABLE FUTURE FOR THE PAPER INDUSTRY

On 25 January 2011, the Department for Business, Innovation and Skills (BIS) held an Advanced Manufacturing Growth Summit at which the Deputy Prime Minister, Secretary of State Vince Cable MP, and a host of other Ministers attended.

In his opening remarks Mark Prisk MP, Minister of State for Business and Enterprise, pointed out that Manufacturing in the UK has a very poor image, which was a fair comment, and industry itself must take some responsibility for this state of affairs.

However, CPI ventures to suggest that Government is also partly to blame. It has failed to champion Manufacturing and this is especially true of the Energy Intensive Industries (EIIs) of which Paper is one. The continued use of the phrase “SME” in relation to innovation and hi-tech development, is an affront to industries such as Paper which, despite its decline, has continued to invest heavily in new technologies and innovative approaches to product design and development.

The TUC claims that over one million people in the UK still work directly or indirectly for the EIIs. These industries tend to be located in areas of high unemployment. They also provide the raw materials for downstream UK Manufacturing, so helping the balance of payments through negating the need to import. Many also export, and that is especially true of a number of Paper producers. They earn tax revenues for the Exchequer and contribute significantly to GDP. However, they also compete globally for markets, raw materials and investment capital.

These industries have reduced their environmental impact through significant investment. In the case of Paper, this has principally been achieved through the installation of carbon efficient combined heat and power (CHP) plants, and by driving up its recycling rate to 70% - the highest for any material.

However, the EII’s energy intensity has made them vulnerable to legislative, regulatory and tax regimes aimed at achieving Climate Change and other environmental goals. This has eroded their competitiveness and, in the case of Paper, we have seen the closure of more than 38 mills over the last decade.

This de-industrialisation may well have helped the UK to reduce its carbon emissions, but recent evidence suggests that over the same period, the carbon consumption rate in the UK has actually increased; and significantly. Not only have we exported wealth creation and the jobs that go with it, we have also exported our own carbon, which we then import embedded in goods produced in other parts of the world. Not very clever!!!

**So what would CPI like to see happen?**

- A senior level team should be created within BIS to champion the cause of the EIIs. Many of the issues that these industries face are the same or very similar.

- Public recognition at Ministerial level (or even better at Prime Ministerial level) that it is not just “hi-tech, innovative SMEs" that need encouragement and support to power growth, but also the more traditional sectors such as Paper as well.

- The development of an energy policy that will deliver secure and internationally price competitive sources of supply over the short, medium and long term.

- Cumulative impact assessments on all of the energy, climate change, environmental and tax measures currently before us. This would need to include the "pass through" costs from power companies of their European Union Emissions Trading Scheme (EUETS) carbon costs, and the hidden subsidies for renewables.

- Continued support for on site power generation from CHP plants now threatened by the Carbon Price Support Proposals.

- The development of sustainability criteria for biomass power/heat generation. A subsidy for energy from waste, for instance, would jeopardise supplies of the UK Paper industry's most important raw material – waste paper and board.

- A shift in waste strategy away from weight based targets, designed to avoid landfill, and towards a resource agenda designed to ensure that the quality of materials to emerge from the recovery and recycling streams, meet the demands of the Paper mills.

- Support for apprenticeship schemes that are designed by the Paper industry itself, and are not the product of a third party publically financed body.

The Energy Intensive Users Group, together with the TUC, is currently engaged in the process of setting up an All Party Parliamentary Group. Once this is in place CPI will be writing to you again to enlist your support.

In the meantime, the onus is on the Paper industry itself to work towards a sustainable and profitable future and to improve its image, but it will need additional support from government.

For further information please contact David Workman, Director General, on 07974 980845 or email dworkman@paper.org.uk.

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## 2010: UK PAPER AND BOARD USE AND RECOVERY STABILISES

2010 is likely to see over 50% of used paper and board collected in the UK, sent overseas for recycling, with 76% of exports sent to the Far East; 60% to China alone; a reduction on the 2009 numbers, which saw 85% of exports go to the Far East, 62% to China.

Dependence on export markets will continue to be a key feature of the industry, as growth in the UK domestic reprocessing capacity will be very slow.

**Going forward**

The critical element in future legislation will be to ensure that all new material driven out of the UK waste stream is of a quality to remain competitive in the global recovered paper markets, and that increased recovery does not negatively impact on the quality of material currently extracted.

To continue its success in exports, particularly in Far East markets, the UK must ensure it remains competitive on the key buying criteria of quality and price. This can only be achieved by reducing the complexity of UK waste polices for collection, sorting and exporting, whilst maintaining a need to ensure the integrity of the material for effective and efficient recycling.

**CPI urges MPs to ensure that the current review of England's Waste Policies has quality at its heart so that the paper recycling industry can maximise the economic, social and environmental benefits to the UK.**

Through the current EU "end of waste" project being undertaken by the European Commission, 2012 may be the year when recovered paper and board is finally accepted as a product, rather than a waste. CPI will continue to engage in this process to ensure proposed criteria for waste declassification, is in line with industry practice, and achievable for the majority of high quality material.

**MPs must however also ensure that waste policies do not favour energy extraction from recyclable wastes, which is clearly a poorer economic, social and environmental option for the UK.**

**Note:** This article is based on 2010 data from January to October, annualised to give an estimate for the full year. This may mean there is a variance to final 2010 data released by CPI in 2011.

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## DIALOGUE TO SUPPORT UK MANUFACTURING

Throughout 2011, the corrugated packaging industry, represented by the Confederation of Paper Industries (CPI), will be taking part in a concerted programme to influence government policy on the future of UK manufacturing.

Co-ordinated by Dods, the UK's leading public affairs and policy communication specialist, the programme will use extensive research on a national and regional basis, to pinpoint the policies that UK manufacturing wants to see implemented to secure its future competitiveness in the global arena.

Amongst many other activities, in-depth interviews will be held with government ministers, and fringe meetings specifically focused on UK manufacturing, will take place at all three main party conferences in 2011. The final report and recommendations will be presented to the Secretary of State for Business, Innovation and Skills and then distributed to all Ministers, MPs, Lords, senior civil servants and other key stakeholders.

**CPI is calling on MPs to put the health of UK manufacturing at the heart of all government policy.**

For further information please contact Andrew Barnetson, Corrugated Sector Manager, on 01793 889602 or email abarnetson@paper.org.uk

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## ALL PARTY PARLIAMENTARY GROUP FOR THE PACKAGING INDUSTRY

Packaging continues to have a high profile, but while it all too often gets a bad press, the reality is that it actually saves food waste and reduces the carbon footprint of our society.

CPI is working alongside our colleagues in the Packaging Federation to address the misconceptions that exist in relation to packaging. This work includes the co-ordination of an All Party Parliamentary Group (APPG) for the Packaging Manufacturing Industry.

The APPG seeks greater recognition of the pivotal role of packaging in protecting products, and providing safe and secure food, drink and other product supply chains. It also recognises the industry's valuable contribution to the UK economy.

**CPI is calling on MPs to recognise the pivotal and positive role that packaging plays in the supply chain, by actively supporting this APPG.**

For further information please contact Andrew Barnetson, Corrugated Sector Manager, on 01793 889602 or email abarnetson@paper.org.uk

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## E.U. 4M TRAILER HEIGHT RESTRICTION PROPOSAL

A proposal from the EU, to restrict new-build semi-trailer heights to 4m, will have very serious consequences for industry. The paper industry operates trailers well in excess of this potential 4m restriction, often in excess of 4.7m, 18% above the proposed limit.

CPI has written to the Department for Transport to outline the impact, which includes a very significant additional cost, running to millions of pounds at a time when the UK paper industry, like many other manufacturing industries, has suffered from the global recession. These restrictions would also lead to a very significant environmental impact, with more lorries on the roads.

In response to a written question on 10 January 2011, DfT has indicated that the Government's policy is to resist the proposal, recognising the significant impact on industry.

**CPI is calling on MPs to continue to oppose the EU height restriction proposal, and to retain Article 7 of 97/27/EC which allows the approval of vehicles exceeding 4m in height, not just for the paper industry, but for the whole of UK plc.**

For further information please contact Andrew Braund, Head of Health and Safety, on 01793 889608 or email abraund@paper.org.uk.

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## CARBON PRICE FLOOR: SUPPORT AND CERTAINTY FOR LOW-CARBON INVESTMENT

HM Treasury is consulting on proposals to provide income certainty to investors developing new electricity generation projects in the UK using low carbon sources – effectively new nuclear and offshore wind. Treasury proposes to achieve this by a new, carbon content based, tax on fuels used for electricity generation.

The impact will be to increase the cost of electricity generated from these fuels, and so make renewable energy (not subject to the new tax) relatively more competitive. The higher wholesale prices for electricity will give investors a more certain return.

These artificially increased costs will be passed through to consumers in the shape of higher electricity bills.

CPI supports the objective of decarbonising the UK electricity supply, but too many different policies are being proposed without proper consideration of the impact on energy prices to customers. Criticism has already been made of the overlapping climate change policies left by Labour, yet these new measures, together with electricity market reforms, add further complexity.

Already, energy prices in the EU are high compared to other manufacturing locations, and UK specific policies will only make this worse – energy intensive industries such as papermaking need competitive energy prices to be competitive in their global marketplaces. Simply losing manufacturing jobs, and relocating production outside the UK, does nothing to reduce global carbon emissions – they are simply imported to the UK embedded in manufactured goods. Policies to increase the cost of carbon must be made on the basis of a genuine global agreement.

**CPI members are raising concerns in two key areas;**

- This new tax is on top of a series of other measures and it is the cumulative impact that is key. Already CPI members are facing a near doubling of the CCL levy in April, costs arising from the EU ETS allowances in Phase III, higher tariffs arising from polices such as poor value Feed in Tariffs, as well as increases in underlying fuel costs, capital and other raw materials. These additional costs are simply unaffordable, and relief should be offered to sectors where they make UK manufacturing uncompetitive.

- Many Paper Mills have invested in their own electricity-generating equipment, helping decentralise the supply industry.  Technology used is frequently based on Combined Heat & Power (CHP) – a policy encouraged by Government to secure the environmental benefits arising from such generation. However, the new tax offers no support for CHP and even worse, makes no allowance for the portion of fuel used to generate heat.  The impact of these omissions is so serious that the future viability of CHP plants is being questioned.

The government intention to rebalance the economy is welcome.  However, when policies designed to increase manufacturing costs are proposed, it is hard not to dismiss promised support for manufacturing as rhetoric.

**CPI urges MPs to address the cumulative impact and high costs of the raft of Climate Change related policies on energy intensive industries.**

CPI has produced detailed briefing information for members and can provide additional briefing information.

For further information please contact Steve Freeman, Head of Energy & Environmental Affairs, on 01793 889625 or email sfreeman@paper.org.uk

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## INDUSTRIAL ENERGY EFFICIENCY ACCELERATOR PROGRAMME

CPI has been working with the Carbon Trust (alongside other energy intensive sectors), to identify areas of papermaking where there is the potential for new investment to save carbon emissions.  Once these areas have been identified, Industrial Energy Efficiency Accelerator (IEEA) funding is used to remove the market risk associated with installing new technology.

**CPI understands that the Department of Energy and Climate Change (DECC) is currently considering cutting funding for this programme, and so we urge MPs to encourage DECC to continue to support the IEEA programme.**

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*Paper – the sustainable choice*