MPs Newsletter
cpi confederation of paper industries

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

Issue 1 January 2010

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.

GOVERNMENT CUTS CCL RELIEF FOR INDUSTRIES WITH CLIMATE CHANGE AGREEMENTS

This move is clearly at odds with the changes introduced in the PBR by the Chancellor to support business and growth, and with the stated intention of the new European Commission to encourage manufacturing industry. The UK papermaking sector has reduced its CO2 emissions since 1990 by a massive 37%; this decision will cost industry an additional £3 million annually at a time when it can least afford it.

The Chancellor announced in the pre-budget report (PBR) that, with effect from 1 April 2011, the rate of relief from the Climate Change Levy (CCL) for business with Climate Change Agreements (CCAs) will be reduced from 80% to 65%. The government sought to justify this measure by claiming it will avoid the submission of full State Aids notifications and will save a one-off compliance cost for business and government of around £6.5million. It also claimed that it will contribute additional savings of up to 200,000 tonnes of carbon dioxide over the next five years.

CPI believes that CCAs have been proven to work well in improving energy-intensive industries' energy efficiency and in reducing carbon emissions. Reducing the incentive associated with CCAs, particularly in the light of the current economic downturn, makes no sense whatsoever. Whilst it is true that the rate of CCL levy reliefs on gas and solid fuels would have had to reduce in 2011 to avoid a State Aids notification, the rate of levy relief for electricity would not, and indeed could have been increased to compensate.

CPI proposed to government that it should make a revenue neutral adjustment of CCL reliefs and supplied data to support this argument. Regrettably, however, government appears to have found the lure of raising extra revenue by taxing manufacturing industry irresistible. It is also unclear where the claimed additional savings of up to 200,000 tCO2 will come from.

For further information please contact David Morgan, Head of Regulatory Affairs, on 07900 828669 or email dmorgan@paper.org.uk.

*Back to top^*

CRC ENERGY EFFICIENCY SCHEME

Fundamental concerns continue to be raised over the design of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, and the impact on cash flow.

CRC participants must purchase sufficient allowances to cover their estimated carbon emissions in the forthcoming year, with an amount more or less than that paid into the scheme being rebated depending on the relative change in emissions compared with other scheme participants. This extra administrative burden and complexity of gathering and reporting data in the correct format can be appreciated, and when this is added to the fact that the final scheme details have still not been published, the auspices for the operation of the scheme are not good!

With the business environment still especially challenging, an artificial scheme such as this with a UK only impact is particularly unwelcome. Even at this late stage CPI calls for the scheme to be amended to simplify the administrative burden and remove the advance purchase requirement.

For further information please contact Steve Freeman, Energy and Environment Manager, on 01793 889625 or email sfreeman@paper.org.uk.

Back to top ^

PACKAGING REGULATION DEVELOPMENTS

CPI calls on MPs to ask Defra to ensure that the impact of increased packaging waste recycling targets on non-packaging waste recycling is taken into consideration within any regulatory impact assessment associated with the upcoming consultation.

CPI is aware that Defra is currently looking at changes to the *UK Packaging Regulations* to bring legislation in line with the recently revised *UK Packaging Strategy*. The new strategy sets out goals to deliver higher carbon benefits by increasing packaging waste recycling levels, and this is likely to be reflected within new targets in the revised regulations. While CPI supports these developments, it has concerns that Defra is looking at packaging waste in isolation of non-packaging waste, at the expense of the full carbon picture.

Setting increased targets for packaging waste recycling, which will predominantly be met through increased domestic collections, is likely to have a negative impact on the quality of non-packaging waste recovered from the same waste stream for recycling; newsprint, direct mail and textiles are clear examples. If the quality of these streams declines, there will be a negative carbon impact that will offset gains through increased packaging waste recycling.

For further information please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email pseggie@paper.org.uk.

Back to top ^

QUALITY IS KEY

The recyclate-market “crash” of 2008 may seem a distant memory, but is a repeat just over the horizon?

Less than a year ago, Far East buyers pulled out of the global recyclate market, leaving the UK with large amounts of recyclable material looking for a home. Although the market has since seen a return to more normal levels of activity, exports of UK material continue to outstrip domestic demand, demonstrating the huge reliance the UK continues to have on a tumultuous global market. Should another downturn in global demand arise, the UK will once again be left with a surplus of material. This could be particularly problematic given that the UK is so reliant on export markets to meet all European and UK recycling targets, including the crucial Landfill and Packaging Waste Directives.

During this downturn period, high-quality recovered paper continued to sell globally, with lower-quality paper bearing the brunt of the market problems; quality recovered paper will always find a market due, in part, to its economic benefits and carbon efficiency. Low-quality recovered paper will continue to bear significant risk because:

- paper mills have to pay for the disposal of contaminants through the papermaking process, and this has an impact on their profitability;

- contaminants have been carried from the front door of the producer of the used paper, all the way through the collection and sorting process to the paper mill, and this has a monetary as well as an environmental cost;
- if the contaminants were recyclable through other processes, such as for metal, plastic or glass, this is a lost opportunity for recycling;
- if glass is carried through to the papermaking process, the wear and tear on papermaking machinery increases, making the paper mill less competitive;
- if the new paper does not meet the quality specification of the customer, it will have to be made again with a huge financial and environmental cost.

It is good to see that the benefits of high quality recyclate have been fully recognised by WRAP in its new report, *"Choosing the Right Recycling Collection System"*, and that it is now starting to recommend ways of improving quality within the household as well as business sectors.

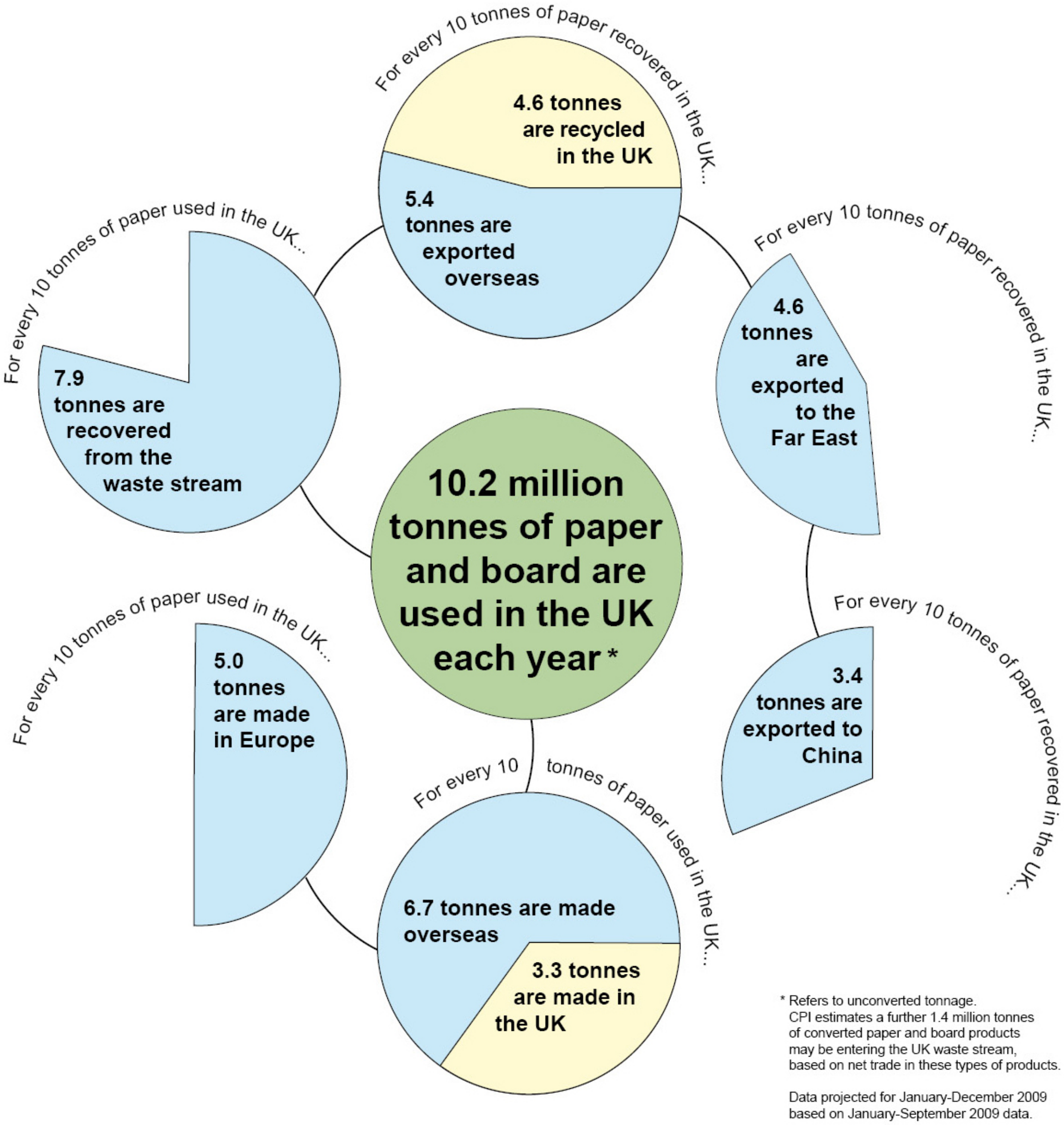
The UK government, however, has been presented with a critical opportunity to cement high quality in UK-collected recyclates, through the transposition of the revised Waste Framework Directive (WFD) and **we would encourage MPs to ensure this Directive is transposed in a forward-thinking, long-term way to make the UK a leading "recycling society" for the future**.

The WFD provides the potential to make vast improvements to the practice of waste management in the UK and to truly drive home the importance of its role in a future UK "recycling society". Imbuing the WFD transposition process with a quality ethos from the very start will help achieve the maximum economic and environmental benefits from recycling. It will also go a long way to securing UK based domestic reprocessing infrastructure and jobs whilst minimising the chances of illegal shipments of waste that could undermine public and business confidence and participation in recycling.

CPI is happy to discuss the issue of the transposition of the WFD into UK legislation and its critical role in transforming the UK into a truly "recycling society".

For further information please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email pseggie@paper.org.uk.

Back to top ^



Back to top^

UK ECONOMIC DOWNTURN IMPACTS PAPER RECOVERY

The economic downturn has seen a 7.6% drop in the overall volume of waste paper and board collected for recycling in 2009. However, recovery rates remain steady, with around 79% of waste paper and board available for recovery collected for reprocessing and thereby diverted from landfill. The recovery rate has remained steady as the consumption of paper and board products in the UK, thus the level available for collection has fallen due to the global recession and ongoing economic difficulties..

In real terms, this is a decrease in collection volumes of around 564,000 tonnes, putting an end to the steady increase in tonnage seen over recent years. However, the fact that collection rates have remained steady suggests that, despite economic worries and reduced purchase-power, business and the public continued to be committed to its recycling efforts.

Despite a drop in the available material for recycling, the dominance of the export market for recyclables over UK-based reprocessing persists: 54% of recovered paper and board was exported in 2009, with just 46% being reprocessed domestically. New UK paper and board recycling capacity has come on line over the last 12 months; however, this has been offset by further closures, leaving the UK exposed to the export market to meet many of its recycling targets.

CPI is concerned that current UK waste management practices will continue to create longer-term problems in maintaining its EU commitments and provide public confidence in recycling. **We would ask MPs to take a keen interest in this subject and keep them in mind when discussing waste issues.**

Our concerns include:

- current global demand for recovered paper should continue in the medium to long-term. However, in 2008 we clearly saw the impact that occurs from any disruption to the export market. China continues to be the second most important UK market for recovered paper and board after the domestic one and, year-to-date, the UK Chinese market share has been falling. This is a worrying development;
- overseas markets have and will introduce their own environmental legislation and increase domestic collection levels to displace imports of lower quality recovered paper. 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. For example, France and Italy have a long way to go to match the European average collection rates and have significant volumes of waste paper available for recovery;
- 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 had been driving global buyers to focus on quantity-issues, however this focus has changed to quality as excess supply has become available. CPI has concerns that UK quality will be below other global suppliers as we continue to invest in higher risk collection methods from domestic sources to reduce perceived costs for Local Authorities. This may also impact on the development of new papermaking capacity in the UK;
- legislation on food-contact material, particularly packaging, may force European mills to stop taking recovered paper from higher-risk single-stream co-mingled collections;
- greater enforcement of the Transfrontier-shipment of Waste Regulations due to recently detected illegal movements may make it more difficult for exporters to ship lower-quality contaminated recovered paper. This has already been reported in the media with calls for Local Authorities to ensure they meet their duty of care requirements by ensuring illegal shipments and overseas dumping of waste are not occurring;
- 2009 has seen significant pressure on back-shipping costs for waste materials to the Far East and this is likely to continue. If these costs cannot be absorbed by the collectors, shipping companies or Far East buyers, the economics of these markets may no longer add up, leaving the UK in a very exposed position.

For further information please contact Peter Seggie, Recovered Paper Sector Manager, on 07887 641481 or email pseggie@paper.org.uk.

Back to top^

CPI AND UNITE "SAY NO, SAY YES" CAMPAIGN

"Say No, Say Yes" is about saying no to unsafe tasks, and saying yes to making work safe.

“Saying No” means not taking risks, doing dangerous work or cutting corners, or putting production before safety. “Saying Yes” means working together on risk assessments and safe systems of work, acting on health and safety complaints and queries, reporting near-misses, conducting joint accident and incident investigation, combined management and employee training, and recognising that good health and safety is good for business.

The campaign was launched at CPI’s Biennial Health and Safety Conference in November, with the aim of encouraging greater engagement in the management of health and safety throughout the paper industry. It is supported by PABIAC (the Paper and Board Industry Advisory Committee) and compliments the Health and Safety Executive’s new strategy in helping companies recognize the need to promote, the fundamental right of worker involvement across all workplaces, no matter what the size and scope of the organisation, whether unionised or not.

To promote the campaign, PDF copies of the poster’s and literature are freely available to download from the CPI website, at: http://www.paper.org.uk/services/health_safety/events_biennial.html

Back to top ^

Paper – the sustainable choice

cpi

1 Rivenhall Road,
Swindon, Wiltshire SN5 7BD

Email: cpi@paper.org.uk
Website: www.paper.org.uk