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 3 October 2009

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.

CORRUGATED PARLIAMENTARY RECEPTION 2009

Hosted by Jo Swinson MP, the 2009 Corrugated Industry Parliamentary Reception will take place on 4th November in Dining Room A, between 12.30pm and 3.30pm.

Corrugated is the nation's favourite packaging material and, with a recycling rate of over 80%, it has a key role to play in England's drive to become a 'recycling society'.

During the Reception, there will be an opportunity to meet representatives from the industry, some of whom may be substantial employers within your Constituency. We would welcome this opportunity to brief you on issues affecting our industry and update you with some facts on why we believe we have an unsurpassed environmental record and are significant contributors to the UK economy.

Bob McLellan (CPI President), Jo Swinson MP and Graeme Sutherland (Sheet Plant Association President) at the 2008 Corrugated Parliamentary Reception

For further information please contact Andrew Barnetson, Corrugated Sector Manager, on 07775 771662 or email abarnetson@paper.org.uk.

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QUALITY IS KEY

The recyclate-market "crash" of 2008 may seem a distant memory, but CPI is concerned that a repeat could be 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 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 then the wear and tear on papermaking machinery increases and makes 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 secure UK based domestic reprocessing infrastructure and jobs while 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 cfritical role in building 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.

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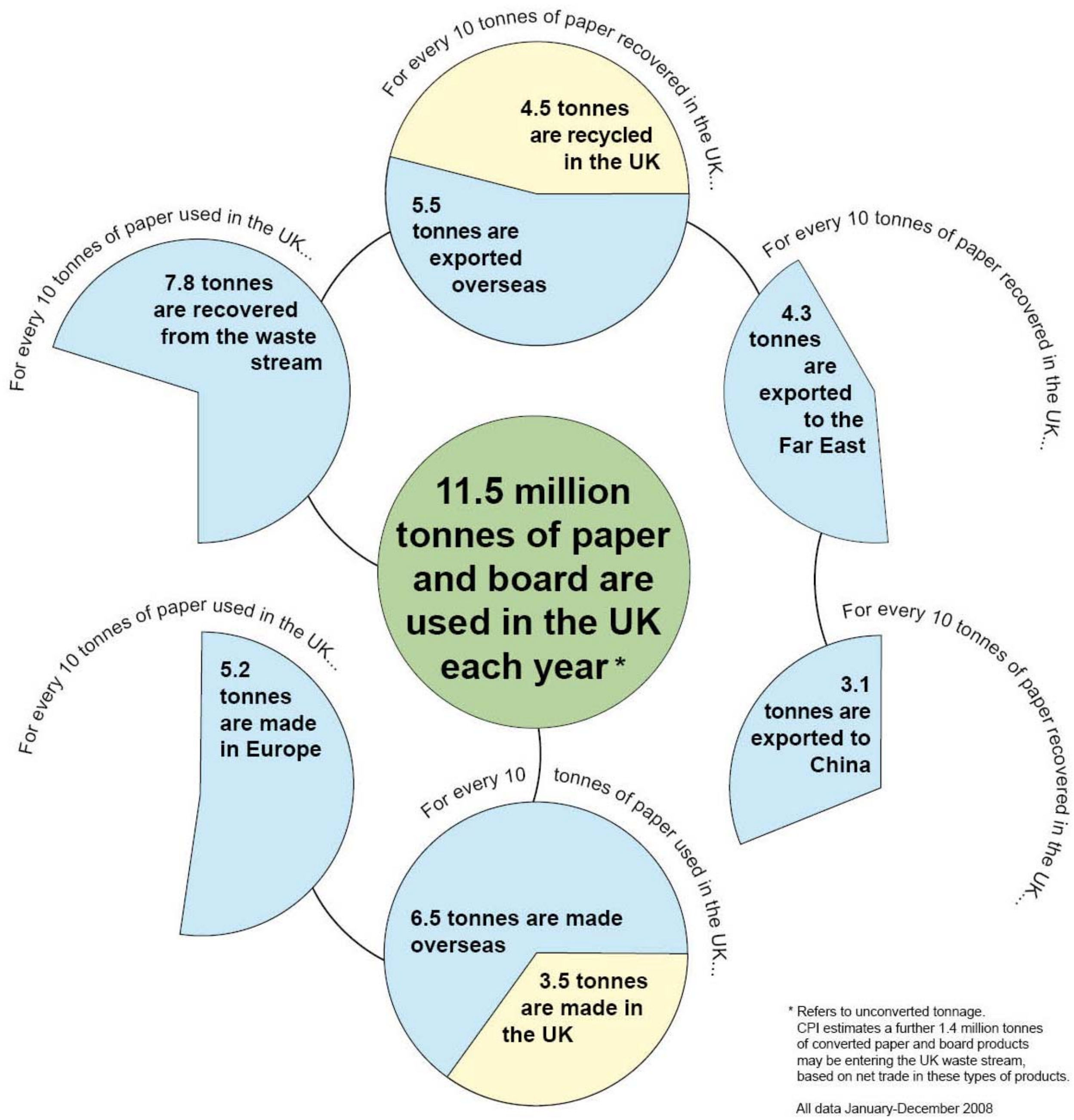

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UK ECONOMIC DOWNTURN IMPACTS PAPER RECOVERY

The economic downturn has seen a 9.8% drop in the overall volume of waste paper and board collected for recycling so far in 2009. However, recovery rates remain steady, with around 70% of waste paper and board available for recovery collected for reprocessing and 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 520,000 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: 55% of ecovered paper and board was exported between January and July 2009, with just 45% 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.

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PULP AND PAPER SECTOR QUALIFIES FOR EU ETS CARBON LEAKAGE STATUS

The EU Pulp & Paper sector has qualified for so-called “carbon leakage” status within the EU

Emissions Trading Scheme (EU ETS) in the first stage of an assessment made by the European Commission.

This status means that the sector is accepted as being at risk of carbon leakage – that is, if it had to buy all the ETS allowances it needed in the period 2013-2014, there would be a real danger that the industry would close, and production of paper would be transferred outside the EU. This would mean that the same, or a larger amount of, CO2 would be emitted, but there would be no control over these emissions and jobs and economic benefits would be lost to the EU. The practical upshot of qualifying is that for two years the industry will receive a partial free allocation of its emissions allowances.

The European Parliament is now studying the Commission's decision and may request changes in due course; a final list of sectors must be published by the Commission in December.

CPI is lobbying to ensure that the carbon leakage status applies throughout Phase III of EU ETS (2013-20), not just to the first two years as currently proposed. It is vital that industry knows where it stands with regard to partial free allocation in order to attract investment – two years' certainty is not enough.

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