

Confederation of Paper Industries Publishes its Annual Review 2015-16



The Confederation of Paper Industries (CPI) is pleased to announce the publication of its Annual Review 2015-16, *Onwards and Upwards*.

The Review reflects on the challenges faced by Members across all aspects of the UK Paper Industry throughout 2015, along with insights into what 2016 holds.

In his overview, David Workman, CPI Director General, states that 2015 was the year the plight of Energy Intensive Industries (EII) hit the headlines and all for the wrong reasons. On a positive note, lobbying by CPI, along with other EII, saw the Paper Industry maintain its Climate Change Levy relief under the Climate Change Agreement (CCA) and ensured that those Members in our CCA are exempt from the Carbon Reduction Commitment (CRC). These two measures alone were worth £30m to the industry in 2015.

It is also worth noting that further progress has been made on this issue already in 2016. CPI has been heavily involved with officials from the Treasury, resulting in the Chancellor's recent announcement that the CRC will be cancelled.

Energy was once again a priority in 2015 with rising costs proving detrimental to the industry. Environmental issues tackled by CPI are also covered in detail, along with a look at the circular economy package. It was also another busy year on health and safety issues following the launch of the new PABIAC strategy at the CPI's Biennial Health & Safety Conference.

A detailed summary of Packaging Affairs activities includes updates on regulatory matters, information on the recently introduced carrier bag charge, progress on the corrugated promotional programme and updates on the latest FEFCO marketing campaign.

A comprehensive review of industry data for 2015 with graphs is available, covering Consumption, Production, Recovered Paper Collection, Tissue Parent Reel Production and Shipments of Corrugated Boxes, amongst others.

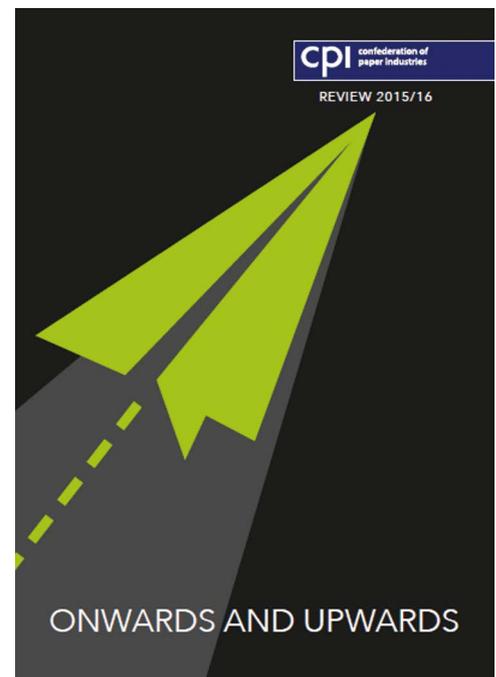
CPI's Annual Review 2015-16 is available in hard copy on request. Please contact Emma PUNCHARD, Director of Communications, on 01793 889609 or email epunchard@paper.org.uk.

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NOTES TO EDITORS

- The Confederation of Paper Industries (CPI) is the leading trade association representing the UK's Paper-



based Industries, comprising recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers, and makers of soft tissue papers.

- CPI represents an industry with an aggregate annual turnover of £6.5 billion, 25,000 direct and more than 100,000 indirect employees.
- For facts on the UK's Paper-based Industries please visit: www.paper.org.uk.

CIRCULAR ECONOMY

A Zero Waste Programme for Europe
Now the dust has settled on end of year activities, it is time to reflect on the political impact of the EC Circular Economy package published just before the end of 2015. Originally launched in June 2015, it was withdrawn in early 2016 with the promise that a more ambitious proposal would be forthcoming before year end. Accordingly, on 2 December 2015, the much talked for Circular Economy Package, Sustainable Growth Strategy: A Zero Waste Programme for Europe, was formally released to the public.

The proposals are founded on the waste hierarchy and articulated on the belief that significant economic, environmental and social benefits can come from closing the materials loop and extracting maximum value from resources in a "circular" European economy. To protect this challenge has been addressed in two parts. Firstly, by tightening waste legislation rules and increasing recycling targets both for general municipal waste and packaging waste, with a priority on Europe and Sub-seal products, Plastics, Food and Domestic waste and Other Non materials. Secondly, it declared a number of aspirational objectives for the design, usability and reparability of products.

Game changes?
The package was much anticipated as a potential "game changer" for the social and industrial fabric of Europe. In truth, it has proved to be nothing of the sort, with a strong sense of dog-in-the-manger, it really has been a re-statement of the obvious. It is encouraging to see that the industry has not been complacent and has set itself targets to address the challenges.

Definitions
There are a number of "definitions" contained in the EC document which, although much needed, will also be the cause of much confusion. Not least, the Commission has defined the "best recycling practice" as beginning "when no further mechanical sorting operation is needed and waste materials enter a production process and are effectively reprocessed into products, materials or substances." This should place the paper mills in a strong position to argue that they are the legal point of recycling, which has significance for end of waste and the current UK Packaging Waste legislation. However, there is little doubt that the waste management industry will continue to pressure legislators that they are the true recyclers and seek to gain these rights for themselves.

Serious threat for the industry
The most serious threat to the Paper Industry lies in proposals for Extended Producer Responsibility (EPR) arrangements and the current Packaging Recovery Note (PRN) system, which could limit resources to recovery and lead to a loss of the whole packaging supply chain. The Circular Economy proposal calls for the steady state of existing arrangements with a stated requirement that producers should "over the entire life of the waste management operations... required to manage the waste management system... be transparent".

The UK, market-based PRN system is unique and it

PAPER FOR RECYCLING

A year of considerable upheaval and change
On the face of it, 2015 was a year of relative stability in Paper for Recycling (PR) markets, with all the major trading with a narrow price range and finishing the year close to the levels of the month earlier. However, this disguise what was a year of considerable upheaval and change for UK-based recycling and for Members of the raw material supply base. UK collections remained steady at around eight million tonnes but domestic paper and board production declined sharply in 2015 with a significant loss of UK capacity for PR in the calendar year, so that for the first time Chinese paper mills consumed more UK recovered fibre than home based processors.

Recovered fibre markets began 2015 quietly but were rocked early in the year by the announcement of the closure of the Alford Newsprint mill. This, combined with the previously announced shutting of a paper machine at LFM Duxton at the end of the first quarter, resulted in a sudden reduction in demand of over half a million tonnes of deinking material largely derived from domestic collections. The temporary closure of Saurit Kappas Townsend Hook mill for rebuild further exacerbated demand side problems for the recovery industry and a crisis was anticipated. One warning was issued about the future of the UK collection infrastructure and markets dropped sharply, but in fact prices for all grades of recovered fibre dipped only briefly before returning to pre-closure levels by early summer. Further closure at Tullis Bassett's mill near PA, OS South Paper's Wakeborough mill and the machine at JCA hygiene Subsite resulted in an announced reduction in total UK mill capacity of nearly 20% in the calendar year, but prices for all major grades held steady to year end.

It was foreign demand that stepped up to support UK collections with, for the first time in 2015, China consuming more UK recovered paper than domestic users and accounting for 45% of all material collected in total, collections were down slightly at 7.98 million tonnes, but exports showed a notable increase, up 10% year on year to 4.5 million tonnes of which China took 3.5 million tonnes. UK domestic use fell to 3.36 million tonnes in 2015, but with some production capacity coming back on stream, this is projected to rise to 3.86 million tonnes in 2016. The UK's adjusted new and brand recycling rate, allowing for secondary paper and board products placed on the market, was stable at 65% during 2015.

Profitable business very challenging
PR prices, like many other commodities, remained relatively low, hovering close to the cost of recovery and making profitable business within the supply chain very challenging. As a consequence, as the year progressed, there was growing demand from service providers that the financial risks of collection provision should be moved onto local authorities, and they in turn recognise that the financial responsibility should be with the producer. This is somewhat ironic since the Waste Management industry has and needs to local authorities as a means of saving money, reducing risks and achieving recycling targets. The issue of Extended Producer Responsibility (EPR) re-emerged in the EC Circular Economy package published in December 2015, and will remain an area for continued activity by the CPI in coming months.

High Quality Recycling?
The quality of domestic PR was a recurrent theme for domestic processors through the year. Since October 2014, Materials Recovery Facilities (MRF) have been required to separate and output material to specified frequency and weights in order to demonstrate that the UK is engaged in "High Quality Recycling", as required by the EC Waste Framework Directive. Outside the shortcomings of the legislation, it provides some benchmark to the quality of PR from unsorted post-domestic collections.

The first set of quarterly data was delayed until mid-year and showed that only about half of qualifying MRFs had submitted eligible data. Moreover, the data showed significant levels of contamination in output material. Subsequent data sets have not demonstrated much improvement, either in participation or in quality, and it remains to be seen whether the Environment Agency (EA) has the resources or the will to enforce the law. As significant perhaps, Defra will adjust current Local Authority (LA) recycling site downward to account for the new poorer contamination levels.

CPI has continued to involve itself in a range of activities to promote paper recycling and quality throughout the year. It has been heavily involved in the WMP "Recycle Now" campaign, encouraging paper recycling over the Christmas period by supporting the development of a range of promotional materials to support LAs in developing local campaigns.

Advisory Committee on Packaging
CPI has played an active role in the Advisory Committee on Packaging (ACP), a Defra sponsored committee formed to consult with industry on recycling matters. One notable success was the national change to the producer responsibility system which clarified the registration process for processors. This is the start of work which it is hoped will also update the current protocol for mixed paper, bringing the currently outdated packaging content of 12.2% mainly into line with reality, and increasing the number of PRs that can be used on mixed paper. To this end, members of the CPI Recovered Paper Committee and the Recycling Association have agreed to collaborate regarding in the first quarter of 2016 to inform discussion about current levels of packaging in PR.

As an adjunct to this work, CPI has also been involved in the Defra "Thermostat" project to better understand packaging paper and board flows through the supply chain, and to help predict material flows to 2025. The study was undertaken by Wipac supported by CPI, which provided aggregated domestic production data for use in the project. This, by principally with estimates of imported packaging and is estimating the volume of material handled by de minimis those not required to declare their packaging use and recovery operators. The results of the study were due in November but are yet to be made public. Any significant deviation from existing estimates may impact packaging and overall paper recovery rates.

CONFEDERATION OF PAPER INDUSTRIES

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