

## UK Paper Mills in EU ETS – 2015 Emissions Figures

Figures released through the European Union Emissions Trading System (EU ETS) confirm a continued fall in carbon emissions from UK paper mills.

Official 2015 emissions data have now been released, and the downward trend in emissions from the sector has continued – 2015 emissions being 8% lower than those in 2014 and 46% lower than in 2008. While some of this reduction can be attributed to investment in new power generation and a continued focus on energy efficiency, **much of the reduction is caused by the closure of UK paper manufacturing.**

UK industry remains burdened by high energy costs and increasing imports. While the headline focus remains on their impact on UK steel manufacturing, the situation is equally serious for all UK based energy intensive industries, including the paper sector.

Part of the reason for high energy costs is the impact of EU ETS. The 2015 figures show that 22 out of 29 UK paper mills (in the main scheme) were short of free allocations of carbon allowances. In total, 10% of sector emissions were not covered.

EU ETS recognises that energy intensive EU industrial operations cannot remain competitive if competitors outside the area don't face the same carbon costs. Accordingly, EU ETS provides that, to avoid carbon leakage, mills should be granted free allocations at a level set by the most efficient sites. However, the agreed number of allowances available for free allocation has been slashed to ensure Member States can continue to sell a large number of allowances to raise revenue. In the UK, the effect of this reduction (or cross sector reduction factor) has resulted in mills receiving around 100,000 fewer allowances than it was agreed they need, with the shortfall increasing each year. Some progress has been made with the delivery by the UK Government of the EU ETS compensation scheme. This scheme compensates for a proportion of the increased cost of electricity resulting from EU ETS, but this only offsets some of the additional cost due to the limited number of installations eligible for the scheme and State Aid rules limiting the amount of compensation.

### EU ETS Post 2020

EU ETS will be changed substantially in Phase IV if the European Commission's proposals to further reduce the amount of free allocation to industry are implemented. Furthermore, some Member States are proposing to support some industrial sectors at the expense of others that are also exposed to carbon leakage.

CPI continues to argue that this is wrong. If Europe is serious about supporting industry, and the UK Government is serious about rebalancing the economy, then politicians need to ensure that sufficient free allocations are provided to industry and that installations are given the support they need to move to a low carbon economy.

CPI Director General, David Workman, commented: "The continued decline in UK papermaking means that two-thirds of paper used in the UK is made elsewhere, with associated carbon not being counted in headline figures concerning UK emissions. If the 2050 targets are not to be met by de-industrialisation, then the Government needs to take every opportunity to support industry. The first thing it should do is ensure energy-intensive and trade-exposed industry receives, and continues to receive each year, a full allocation of free allowances set at the level of



CPI Director General, David Workman

the best performers in each sector.”

A summary of UK sector emissions can be found at: [www.paper.org.uk/news/news.html](http://www.paper.org.uk/news/news.html).

## ENDS

For additional information, please contact Emma Punchard, Director of Communications, tel: 01793 889609, email [epunchard@paper.org.uk](mailto:epunchard@paper.org.uk).

## NOTES TO EDITORS

- Relevant Position Papers can be found on the CPI website regarding [EU ETS](#) and [EU ETS IV](#).
- 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](http://www.paper.org.uk).