

Spring Budget - CPI Submission to the Chancellor



The Confederation of Paper Industries (CPI) Director General, Andrew Large, has written to the Chancellor outlining the key issues facing the Paper Industry with recommendations for the forthcoming Spring Budget.

Mr Large thanked the Chancellor for the compensation being provided to most UK paper mills to offset some of the climate change costs embedded in energy bills, and reiterated the importance of energy costs in making the UK an internationally cost competitive location for manufacturing.

The letter stresses that this compensation needs to be offered to all papermakers and confirmed as a long-term policy to encourage new investment in the UK to ensure a strong sector post-Brexit.

The submission focused on three key policy asks:

Early repeal of the Carbon Price Floor (CPF)

The CPF was intended to hasten the removal of the most carbon intensive generation (largely coal) from the grid. This is now largely achieved and will be completed over the next few years. The end of coal fired electricity generation will result in reduced taxation revenue for Treasury, yet (assuming that marginal production remains dominated by fossil fuel) the impact on consumers will remain high with a continuing windfall for existing low carbon generation. Additionally, there is general agreement that new gas generation has a role to support the further deployment of renewables and CPF costs make this more difficult. Accordingly, the time is right for the CPF and Carbon Price Support taxation to be abolished and not just frozen. This would be a strong signal to industry that the Government accepts that competitively priced energy is a must for the UK.

The Establishment of a 2050 Roadmap Energy Efficiency Fund

The UK's Paper-based Industries, together with other energy intensive sectors, continue to work closely with the Department for Business, Energy and Industrial Strategy (BEIS) to develop a 2050 Roadmap for the decarbonisation of the paper sector. The Roadmap is currently in final draft form and will be agreed in the coming weeks. During the development of the Roadmap, it has become clear that there are a number of innovative projects that would improve the energy efficiency of the UK paper sector, but which are not being approved because their returns do not quite meet the required hurdle rate for the investment to secure approval.

CPI understands that BEIS is supportive of the establishment of an Energy Efficiency Fund linked to those sectors that are participating in the 2050 Roadmap process. That fund would play a key role in supporting the decarbonisation agenda of the UK's Paper-based Industries and would unlock significant investment in energy efficient technologies that is currently not being made. We wholeheartedly support the establishment of such a fund and believe that it would be a key plank of a new industrial strategy that supports both the growth of UK manufacturing and its decarbonisation at the same time.

Continuation of the Energy Intensive Industries Compensation Package

CPI remains grateful for the compensation scheme to offset the cost impact of the RO and FiT policies on a limited number of electro-intensive installations, and that the support is to be continued until State Aid can be secured



Andrew Large, CPI Director General

to move to a partial exemption of charges. CPI also believes the compensation package will need to be extended to cover escalating Capacity Mechanism costs to ensure a level playing field for UK papermaking in terms of international electricity supply costs.

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

NOTES TO EDITORS

- The Confederation of Paper Industries (CPI) is the leading trade association representing the UK's Paper-based Industries, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers, and collectors of paper for recycling.
- 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.