cpi confederation of paper industries

REVIEW 2016/17

PRIDE IN PAPER

THE VOICE AND FACE OF THE UK'S PAPER-BASED INDUSTRIES

cpi confederation of paper industries

The Confederation of Paper Industries (CPI) aims to unify the UK's Paper-based Industries with a single purpose in promoting paper's intrinsic value as a renewable and sustainable fibre-based material, enhancing its competitiveness through seeking to reduce legislative and regulatory impacts and in spreading best practice.

CPI represents the supply chain for paper, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers and collectors of paper for recycling.

CPI is working to promote:

- a positive image for paper
- secure energy supplies at competitive prices
- resource efficiency within a coherent waste strategy
- the benefits of packaging
- a sustainable UK Paper Industry
- manufacturing as a vital part of a balanced economy
- a competitive, level playing field for the UK's Paper-based Industries

CPI represents an industry with an aggregate annual turnover of £6.5 billion, 25,000 direct and more than 100,000 indirect employees. Members range in size from large multi-national organisations with multiple sites in the UK, to single site SMEs.

£6.5bn
Industry annual turnover

25,000
Direct employees

100,000
Indirect employees

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PRESIDENT’S INTRODUCTION

2016 was a year of great political change. Brexit will have repercussions for many years, some of which are already apparent and others which will only emerge in time. The Trump Presidency could also have a profound impact on the global economy, depending on whether his rhetoric on climate change and trade translates into a new US policy stance. In the days immediately before going to press, the Prime Minister has called a general election for 8 June 2017 which further adds to the pace of change.

Last year, my introduction focused on the downside risks of Brexit to the UK’s Paper-based Industries. Frankly speaking, the result of the referendum was not what we wished, but we cannot change it, and instead our energies need to focus on ensuring that future Government policy maximises the opportunities for the UK paper sector to be successful both at home and abroad. Growth in manufacturing must be an integral part of ensuring that the economy works for all.

The establishment of the Department for Business, Energy and Industrial Strategy (BEIS) is a very welcome first step in this process. The UK needs policies that promote a rebalancing of the economy towards growth led by manufacturing investment, skills and exports. CPI is already working closely with BEIS officials and Ministers and this will only intensify in the coming months.

2016 also brought change for CPI. We said farewell to David Workman, after six years as Director General. David came to CPI from the Glass Industry, and brought with him both a profound knowledge of energy related issues and a network within Whitehall to help deliver results for the Paper-based Industries. The many millions of pounds that CPI Members have saved through energy related compensations and exemptions are testimony to this. We all wish David well for a long and fulfilled retirement.

In August 2016, Andrew Large assumed the role of Director General, after ten years leading associations in the industrial cleaning and food industries. He is, quite rightly, reviewing all aspects of CPI’s strategy and developing a long-term strategic plan to ensure that the Confederation can influence Government effectively in the new political landscape.

Andrew’s review has already established three fundamental values for CPI’s future work: optimism, visibility and community engagement.

We must be more optimistic about the future of the Paper-based Industries here in the UK. The key to unlocking support for our sector is to show how we are part of the solution to the challenges of building an economy that works for all. I fervently believe that we have a great story to tell and I am looking forward to telling it.

Our optimism needs to go hand in hand with greater visibility in Westminster, Whitehall and Brussels. We need to shout louder, more often and in the right ears if we are to successfully influence UK Industrial Strategy and secure any opportunities arising from Brexit.

CPI must also help its Members develop roots in their local communities. Our industry is often one of the larger employers in a town, and our “licence to practice” depends on good relations locally and a positive perception of the benefits our industry brings to the community.

In these turbulent times, CPI is fortunate to have a dedicated staff team, both based in Swindon and around the country. Our Confederation is financially sound and its policy team is well recognised as expert in its field. I would like to thank them publicly for their achievements on our behalf.

Patrick Willink, CPI President

DIRECTOR GENERAL'S OVERVIEW

2016 will go down as the year which lifted the curtain on great change for UK businesses. Whether the joint impacts of Brexit and a Trump Presidency turn out to be full of opportunities or threats for the UK Paper-based Industries only time will tell. Regardless, the upending of the UK's European and trade policy and the re-emergence of industrial policy from the shadows both put into sharp focus the demands on trade bodies to understand their Members' needs and represent them effectively to key stakeholders. I could not have picked a more exciting time to join CPI!

FUTURE STRATEGY

As Patrick mentioned in his President's Introduction, since I joined the organisation I have been reviewing CPI's strategic approach. My aim is to ensure that we really understand what is important to our Members, how we communicate that effectively to key stakeholders, and how we measure success in our work. This will be an ongoing piece of work, dependent as it is on an external political context over which we have little control. The first version was concluded in early 2017 and it will be updated six-monthly in future. The strategy will serve as a lodestar for CPI's work; not as a straightjacket, but rather to ensure that we are not buffeted away from our long-term course by short-term events.

Of the three overarching principles that Patrick highlighted, I consider the development of an optimistic mindset as being the most important. The Paper-based Industries in the UK have much to be proud about. They have cut carbon emissions by 63% relative to 1990 levels, they innovate in the development of new and exciting packaging and they lead the UK in recovery and recycling. I want to see that optimism feed into our communications with Government. Ministers are under extraordinary pressure to deliver positive results to the electorate, in terms of jobs and opportunities across the country. I want them to see that the Paper Industry is a key partner in that work.

ELECTION 2017

As we finalise this Annual Review, news broke of the UK general election on 8 June 2017. As an apolitical group, CPI will not support any party, but we will use the opportunity afforded by the election to promote the key policy asks of our Members.

BREXIT

For 2017, our number one policy priority is ensuring that the voice of the UK's Paper-based Industries is heard during the Brexit process. In December 2016, CPI published a Position Paper on Brexit, which sets out 15 key recommendations to the Government as it enters its negotiations with the remaining EU 27. This paper will be revised over time as the Government's objectives and the progress of the negotiations themselves become clearer.

We are pleased that the Government has moved to alleviate some of the uncertainty about the Brexit process itself and its key strategic objectives. However, very many issues remain to be clarified and the detail of what is agreed will be as, if not more, important than membership of particular institutions. The UK paper-based sector is heavily invested in pan-European supply chains. Any agreement that introduces friction into those relationships will be damaging to UK business.

Business deplores uncertainty, and if there is continued uncertainty about the UK's long-term trading relationship with the EU the end result will be a slowing of much needed investment in UK businesses, with eventual losses of both jobs and capacity.

Our second objective is that post-Brexit the UK's Paper-based Industries should be able to serve their customers across Europe without the hindrance of tariffs and non-tariff barriers. The European Paper Industry has integrated supply chains and any disruption to those chains will cost investment and jobs in the UK.

CPI's third objective concerns standards. It is imperative that there is no divergence in product standards between the UK and remaining EU countries. A divergent standards regime will add to business' costs for no real gain, act as a barrier to international trade, and further hamper investment and employment in the UK.

CPI's final Brexit objective concerns the movement of skilled manufacturing workers. The UK's Paper-based Industries are not large employers of non-UK labour, but they do use pan-European skilled technical teams as part of normal operations. These groups need to be able to travel freely at very short notice (sometimes hours) to provide technical support, advice and maintenance services on site. Any disruption to this, which implies that UK-specific technical service teams will be required, will greatly increase costs and lead to a re-evaluation of investment in the UK.

INDUSTRIAL STRATEGY

Hand in hand with Brexit is the development of the UK's Industrial Strategy. We welcome the establishment of the new Department for Business, Energy and Industrial Strategy (BEIS) and also the Green Paper on Industrial Strategy. CPI will continue to push for an Industrial Strategy that goes beyond horizontal enabling measures and sets targets and policies for growth in UK manufacturing. If the UK economy is to work for all, as the Prime Minister has stated, then it will need to offer more good manufacturing careers at all levels across the UK than it currently does.

A key aspect of the development of the Industrial Strategy will be the furtherance of a skilled workforce. CPI will need to build on the success of the Trailblazer Apprenticeship in papermaking and expand similar opportunities across the sector as a whole.

ENERGY

Energy pricing remains the key driver of competitiveness in the papermaking sector. CPI will continue to press for a policy mix that enables its Members to access internationally competitive sources of energy for their operations here in the UK. We wholeheartedly support the decarbonisation agenda as outlined in the sector's 2050 Roadmap, but we need Government to play its part in supporting energy efficiency initiatives to ensure that Energy Intensive Industries remain a core part of the UK economy into the future. It is wholly unacceptable to offshore emissions to other countries and import carbon intensive products.

In 2016, CPI continued to work hard to secure Government support for compensation and relief from the direct and indirect costs of meeting the climate change targets. The value to Members of this support in 2016 totalled £80.1 million.

£29.4 million
Renewables Obligation and Feed-in-Tariff

£26.7 million
Carbon Price Floor

£15.0 million
Climate Change Levy Relief

£9.0 million
CHP exemption from CCL

Total of
£80.1 million
support to Members in 2016

ISSUES AND CPI ACTIVITIES

This Review highlights the incredibly wide range of activities with which CPI is engaged on behalf of its Members. Individual issues are highlighted within the relevant sections of the Review, but I would like to pull out a few key points:

On the packaging side, CPI has been especially concerned to ensure that emerging food contact issues are properly managed to prevent problems with the supply of paper and board into food contact uses. CPI has also taken a leading role in the UK introduction of the FEFCO Common Footprint Quality Standard for corrugated trays.

Recycling issues remain important for the sector and CPI has advocated an improvement in the quality of paper for recycling present in the recycling chain. We support separate collections, and we have been encouraged in our discussions with local authorities that they see the benefits of such an approach.

Under the new PABIAC strategy 'Health and Safety – It's more than just a paper exercise', and the umbrella of CPI and strategic direction of PABIAC, the industry continues to show a continuous improvement in injury rates and is now on a par with the Health and Safety Executive (HSE) manufacturing injury rate. This has been achieved by the efforts of the whole industry, but in particular the corrugated sector which in Q4 of 2016 reported its second lowest quarterly injury rate on record, while the recovered paper sector continues to buck the national waste and recycling injury trend.

Environment issues remain high profile and CPI has worked tirelessly with the Environment Agency and our Members to ensure that the BREFs, operating permits and water abstraction issues are resolved. We continue to advocate a sensible approach to fire prevention in storage facilities of paper for recycling.

CPI promotes its views widely to Parliament and other stakeholders. We are building our social media profile and, through press releases, briefing documents and our engagement with schools, we are building a network of supportive organisations to underpin our positions.

PRIORITIES IN 2017

In 2017, CPI will continue to press these priorities.
Our strategy for 2017 will focus on the following issues:

- Driving our skills and expertise on legislative and regulatory matters – as well as public affairs and communications
- Promoting CPI's position on new policy areas such as Brexit and Industrial Strategy, skills and standards
- Growing CPI membership and the financial sustainability of the organisation

June 2017 will see CPI hold its latest Biennial Health and Safety Conference which this year expands over two days to cover the latest developments in industry policy as well as the key health and safety messages. This is rapidly becoming a "must see" event for our industry and I look forward to seeing you all there.

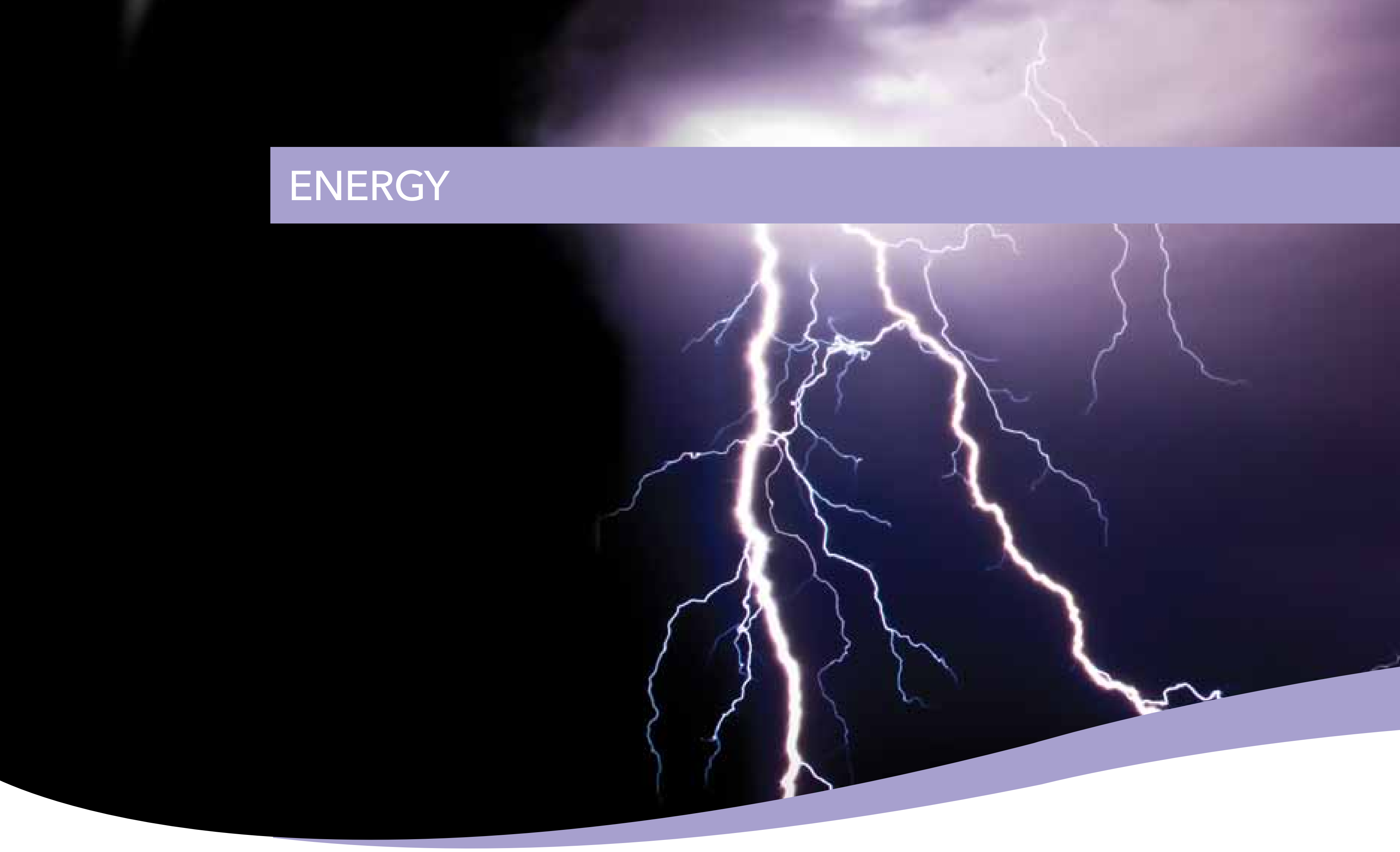
THANK YOU

I have two important groups of people to thank in this my first CPI overview.

I would firstly like to thank both the staff of CPI for their kind welcome, and especially my predecessor, David Workman, for his support and advice as I joined. We have a lot of work to do in the coming months and years but I know I have a great team working with me.

I would also like to recognise and thank Members for their continued support of the CPI over the last year. It is thanks to you that this association continues to have both the financial strength and the broad-based representation that it needs to be effective on your behalf. These are challenging times for business in the UK and the contribution of Members to the development of our policy positions is vital if we are to do the best job we can in representing the Paper-based Industries. I very much look forward to working with you all in the coming months and years.

Andrew Large, CPI Director General



ENERGY

Making paper is intrinsically energy intensive, and energy efficiency has always been a key issue for papermakers. Since 1990, the energy used to make a tonne of paper in the UK has been almost halved, and through the sector's voluntary Climate Change Agreement, papermakers are committed to deliver yet more savings. Even with this progress, energy (effectively electricity to drive machines and heat to dry the paper) remains a key cost for paper mills. Competitively priced and secure supplies of energy are critical if the UK is to become a more attractive place to make paper and the sector is to help deliver a more balanced economy.

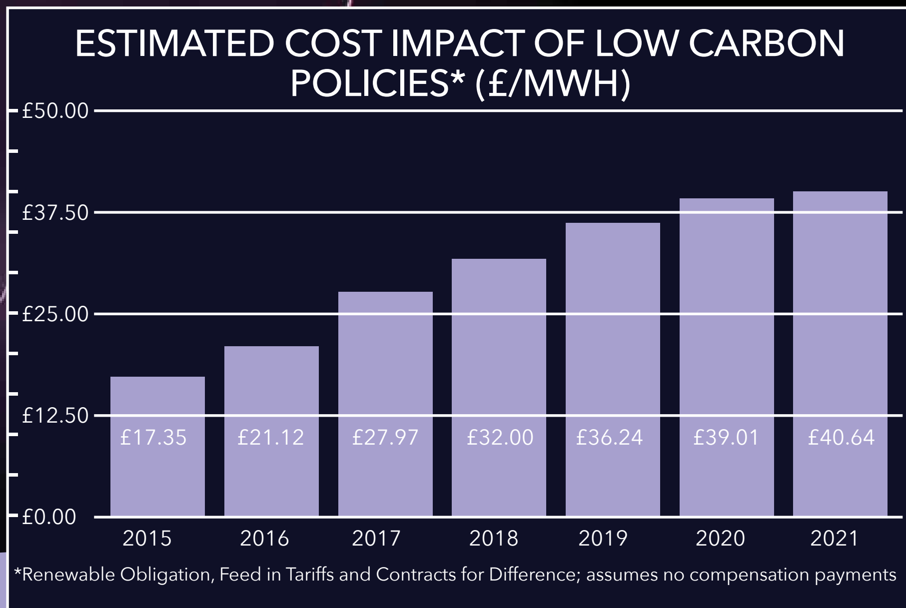
POLICIES AND MARKETS

While the long term implications of the Brexit vote are yet to become clear, one welcome side effect of the changed Government, post the June 2016 referendum, is the bringing together of DECC (responsible for energy and climate change policies) with BIS (responsible for industrial policy) into a single new Department of Business, Energy & Industrial Strategy (BEIS). While it is still early days, there are high hopes that BEIS will better understand and consider the needs of Energy Intensive Industries when setting policies. A clear priority for 2017 will be to ensure the views of the paper sector are understood by BEIS as it develops the new Industrial Strategy and energy policies.

Of course, Brexit will have a huge impact on the structure and operation of the energy market as so many of the underlying rules originate from Europe. Both gas and electricity markets in the UK and continental Europe are linked both through physical interconnectors and by common policies. Future policy remains unclear – will the markets continue to converge or will the UK seek to disentangle and develop separated energy systems?

Gas prices are strongly linked to international market prices, and assuming the Government does not see a major opportunity for taxation, then costs should remain relatively internationally competitive. UK supplies come from a mixture of domestic production, Norwegian pipeline imports and LNG cargos delivered by sea, with additional interconnectors to Europe linking into continental storage systems to augment domestic facilities. With new supplies of gas continuing to reach the market, there seems no reason for prices to substantially increase, and gas looks likely to remain an important source of energy, at least in the medium term as a bridge towards even lower carbon sources of energy.

For electricity, UK generation is in the process of major structural change, with coal generation quickly being closed and a Government commitment to remove coal as a source of UK generated electricity completely by 2025. Serious concerns have been raised over energy security as older generation equipment has closed and investment in replacement equipment has not kept pace. New equipment is focussed on renewables (largely wind, solar and to a lesser extent biomass), together with increased use of interconnectors to draw on continental networks. Major developments such as new nuclear and tidal lagoons may provide reliable baseload generation, but the challenge is for it to be provided quickly enough

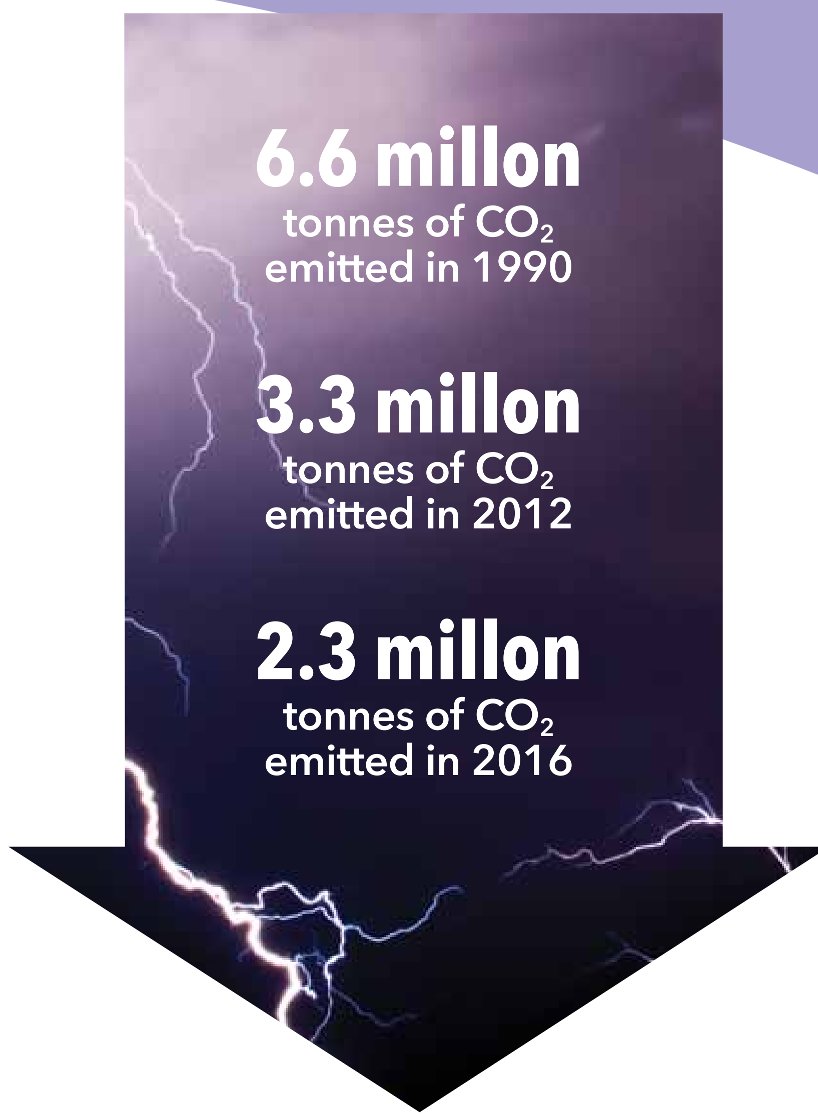


and at a competitive price. Indeed, the current increasing renewables component of the supply network means less predictability in generation levels and a requirement for additional, and expensive, back-up capacity together with the management of demand. Energy efficiency remains relatively neglected by policy makers but hopefully will be given a higher priority in future. Expectations of an Industrial Energy Efficiency Fund were not realised during 2016 but will hopefully be delivered during 2017.

2050 ROADMAP TO DECARBONISATION

During 2016, CPI, the Paper Industry Technical Association (PITA) and experts from Member companies continued to work closely with BEIS officials to better understand the potential for the production of paper to be decarbonised. With a long-term target that UK emissions of fossil carbon should be reduced by at least 80% compared to 1990 levels, maximum reductions from industry need to be delivered.

During the year, a number of well attended technical meetings explored opportunities and new technologies that offer the potential to reduce carbon emissions arising from papermaking, and identifying barriers to their deployment throughout the UK industry. The challenge for Government is to establish policies within which these opportunities can be delivered. During 2017, the intention is to sign a sector agreement between Government and the Paper Industry charting how the sector's 2050 Roadmap can be delivered.



As well as securing the future of existing sites, the UK needs to win its share of investment linked to the bio-economy, deriving increasing value from sustainable and recyclable forest fibres. From a climate change perspective, it makes no sense to reduce UK emissions by closing domestic industry and then replacing production with imported production leading to increased emissions elsewhere in the world.

TAKING CONTROL OF ENERGY

The sector already directly produces much of the energy used in papermaking, with most paper made in the UK made on sites with high efficiency Combined Heat & Power (CHP) plants. Several of these CHP plants are reaching the end of their operating lives, and a number of companies are actively progressing investment projects to install replacement or new equipment. Elsewhere, other companies are looking at a different set of energy related investments, including new biomass boilers, the installation of wind and solar on and around sites, and an increasing involvement in the capacity market to help balance the grid. The commitment of paper companies to help lead the move to renewable and flexible energy technologies is clear.

COMPETITIVELY PRICED ENERGY

For Energy Intensive Industries, competitively priced energy is hugely important and the current support programmes to reduce the cost impact of renewable energy policies are warmly welcomed; though the scope of the programmes is narrow and needs to be widened to support more installations.

Of course, concerns remain over the uncompetitive cost of energy in the UK, especially grid supplied electricity, and Government has continued to deliver a number of compensation schemes to offset some of these higher costs for some installations. However, whilst the paper sector qualifies for these compensation schemes at the highest level, the Government has set arbitrary economic tests at the working level which have resulted in some installations being compensated whilst others are not. This is inequitable and more action by Government is urgently required to deepen and broaden the support package if the paper sector is to play its full part in rebalancing the economy and growing the importance of manufacturing.

Real concerns are being raised by industry about forecast cost increases for grid supplied electricity as the non-energy parts of bills continue to increase. Action is required from Government to ensure that Energy Intensive Industries based in the UK can be internationally competitive.

Steve Freeman, CPI Director of Environmental and Energy Affairs

....ENERGY

ENVIRONMENT

In our review of 2015, and looking at the challenges ahead for 2016, we referenced the possibility of an exit from the European Union (EU) but certainly did not predict it! With over 80% of environmental regulation having its roots in European law, this will certainly prove to be a key challenge. Whilst we did not predict it, we must now address the challenges and take the potential opportunities it presents for 2017 and beyond.

But what does this mean on a practical level for current environmental concerns?

MILL ENVIRONMENTAL PERMITS

Notwithstanding the political events of 2016, significant progress was made during the year as permits for UK paper mills were successfully revised to reflect the requirement to work to Best Available Techniques (BAT) as defined by the BAT Conclusions in the latest (2014) Pulp & Paper BREF (BAT Reference Document). All permits have been issued for mills in England and Wales, with those for Scottish mills to follow in 2017. The permits now contain the BAT Associated Emission Levels (BAT AELs) mills are required to meet by September 2018. The focus for the coming months is to work towards and ensure compliance. Many permits carry agreed improvement conditions to aid such focus.

The requirement for mills to have permits stems from the Environmental Permitting Regulations (EPR), and Scottish equivalent, which in turn implement the European Industrial Emissions Directive (IED). It is the IED that requires sector BREFs to be the reference for permits and the BAT AELs to be legally binding requirements in the permit. So, returning to the question "What does Brexit mean on a practical level?".

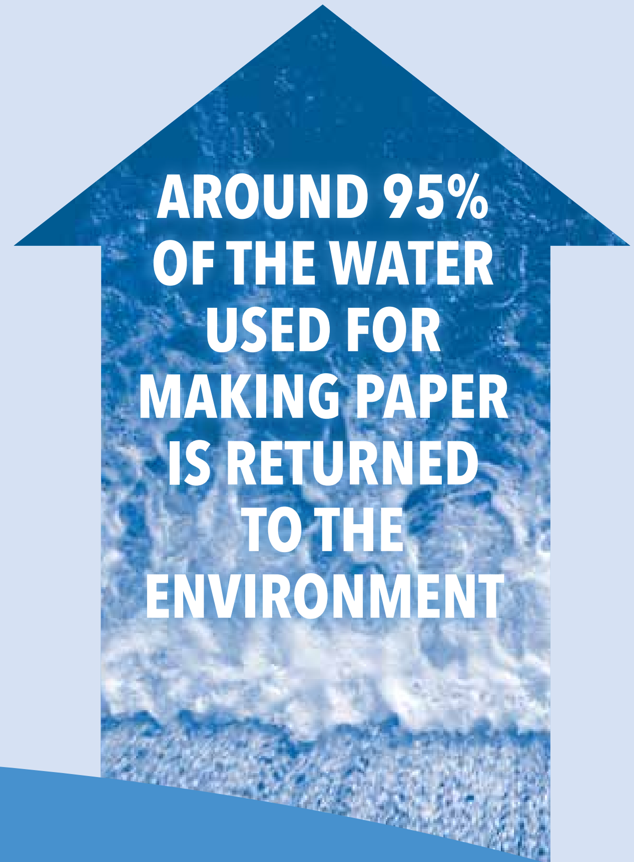
In the short term, "Business as Usual". The compliance deadline of September 2018 remains as we will still be in the EU beyond that date. The regulations are domestic regulations so will continue beyond Brexit through "The Great Repeal Act" when it comes to fruition. The unknown in the longer term is what happens when the sector BREF is revised again, currently scheduled for 2022. Assuming we are no longer members of the EU, at this point there will be no direct UK input into the BREF revision. Do we stick with a reference document we cannot influence? Do we create a UK alternative? The main ethos behind the IED is to create a level playing field across Europe. Whilst remaining a little bumpy, with variable Member State interpretation and implementation, it is making progress towards a level objective. So, a challenge or an opportunity? Do we go our own way and reinvent UK permitting? Could we simplify the process with the potential for more stringent requirements being imposed, or do we find a way to influence any BREF revision and argue for maintaining close ties with the IED and the level playing field? Food for thought for 2017…

WATER RESILIENCE

Turning closer to home, issues around water scarcity and indeed water abundance abound.

Reform of the Abstraction Regime continues into 2017 with Defra and the Regulators in England and Wales struggling with the complexities of building a system to link abstraction limits to water availability while taking into account the very varied needs of multiple sector abstractors.

Opposite to scarcity, climate change also raises the scenario of excess water, with some mills experiencing previously unexpected flooding. The Environment Agency, together with the sector, produced a Climate Change Adaptation Guide which is available on CPI's website and provides guidance to mills on preparing for all eventualities associated with climate change including both a dearth and abundance of water. Lessons learned from recent floods will go to updating the guidance in 2017.



OTHER 2017 CHALLENGES

- **Single Market for Green Products.** A single methodology has been developed to calculate the **Product Environmental Footprint (PEF)** for products sold within the European Single Market. Use of the footprint will be voluntary, but if a footprint is used it must, ultimately, be this one. A pilot programme for developing and testing such methodology is underway for intermediate paper products including graphics, tissue and packaging. Clearly the impact depends upon continued access to the Single Market.
- **EU Ecolabel.** A voluntary scheme used by several CPI Members. The ecological criteria for paper products (currently includes graphics, tissue and newsprint but not packaging) that must be met to gain an Ecolabel are being revised. Similar Brexit impact potential to the PEF.
- **Fire Prevention Plan (FPP) Guidance.** Mill permits now carry a condition to the effect that a Fire Prevention Plan (FPP) must be produced if requested by the Regulator. Currently, permitted paper mills will only be required to produce an FPP when the risk is deemed to have increased – through a new or major variation to a permit application or following a waste fire related issue. However, if required to do so, producing an FPP in line with the Environment Agency Guidance is both impractical and cost-prohibitive. CPI and other sectors successfully lobbied for the guidance to allow alternative proposals in an FPP. Discussions continue to arrive at acceptable alternatives to the Guidance prescriptions.
- **Standards.** There are a large number of both European (CEN) and International Standards (ISO) that govern the production of paper, paper-based products, and the classification of paper for recycling grades. The UK, through the British Standards Institute (BSI), expects to remain an active partner in developing CEN Standards post Brexit. The UK is also a full member of ISO, again through the BSI. Whatever the eventual relationship between the UK and the Single Market, the Brexit settlement must not establish a situation where such Standards become a barrier to trade within Europe.
- **Self-regulation: An Opportunity.** At the time of compiling this Review, the Environmental Regulators in England and Wales are undergoing a strategic review of charges with an emphasis on cost recovery looking to apportion the greatest cost burden on those who cause the greatest cost to the regulator. On a similar theme, a recent Cabinet Office report looking at regulatory efficiency recommends increased use of self-assurance and earned recognitions. The challenge for the paper sector will be to present itself as a sector ideal for self-regulation, reducing the resource burden for the regulator and the cost burden to the sector; a clear opportunity for 2017.

CPI continues to work closely with Government, the regulators and other alliances and associations, representing the sector's views in addressing challenges and seeking opportunities.

Debbie Stringer, CPI Environment Manager

FORESTRY

Recycling has always been part of the paper cycle, with most UK produced paper made from recycled fibre. Fibres can be recycled a number of times before they become damaged and shortened and so lost to the process; such fibres normally being used for energy recovery or as agricultural soil improvers.

To replace lost fibres, and of course any paper not recycled, some virgin fibre needs to be added to the paper loop. Two mills (Iggesund Paperboard in Cumbria and UPM Caledonian in Ayrshire) process UK harvested low-grade timber to make mechanically produced pulp used in their own papermaking process. Other UK mills that use virgin fibre import pulp, predominantly conifer pulps from Scandinavia and North America, or eucalyptus pulp from plantations in South America.

EU TIMBER REGULATION

Companies handling timber and timber derived products, including woodpulp, made or processed within the EU must prove it has been legally harvested. This is an initiative strongly supported by CPI Members and CPI continues to call for the scope of the Regulation to be widened.

The focus of the EU Timber Regulation (EUTR) is on legality, but most pulp used in the UK goes further than the legal minimum and is also certified to ensure that environmental concerns are properly addressed. Consumers can support this initiative by buying product marked as independently certified – the Forest Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification (PEFC) are the most widely used schemes.

THE BIO-ECONOMY

Of course, the Paper Industry and other users of forest fibre have long been part of a bio-economy, with income from commercial use of forests providing a powerful incentive to support existing forests and see new ones planted. Indeed, the coverage of European forests has expanded over recent years.

Growing attention to sustainability, and a move away from non-renewable resources, has resulted in a much greater focus on bio-resources (where carbon removed from the forest is reabsorbed by new growth) and their scope to support a modern economy.

Forests provide the key resource with a quickly increasing demand for commercial use. Of course, the key attraction is the sustainability credentials of biomass, with an increasingly complex set of rules being deployed to ensure materials are genuinely renewable.

Central to this debate are forest management practices, as well managed forests can provide multiple benefits including carbon capture, wildlife conservation and recreation. They also provide an economic benefit in supporting rural communities and a renewable resource to drive the bio-economy.

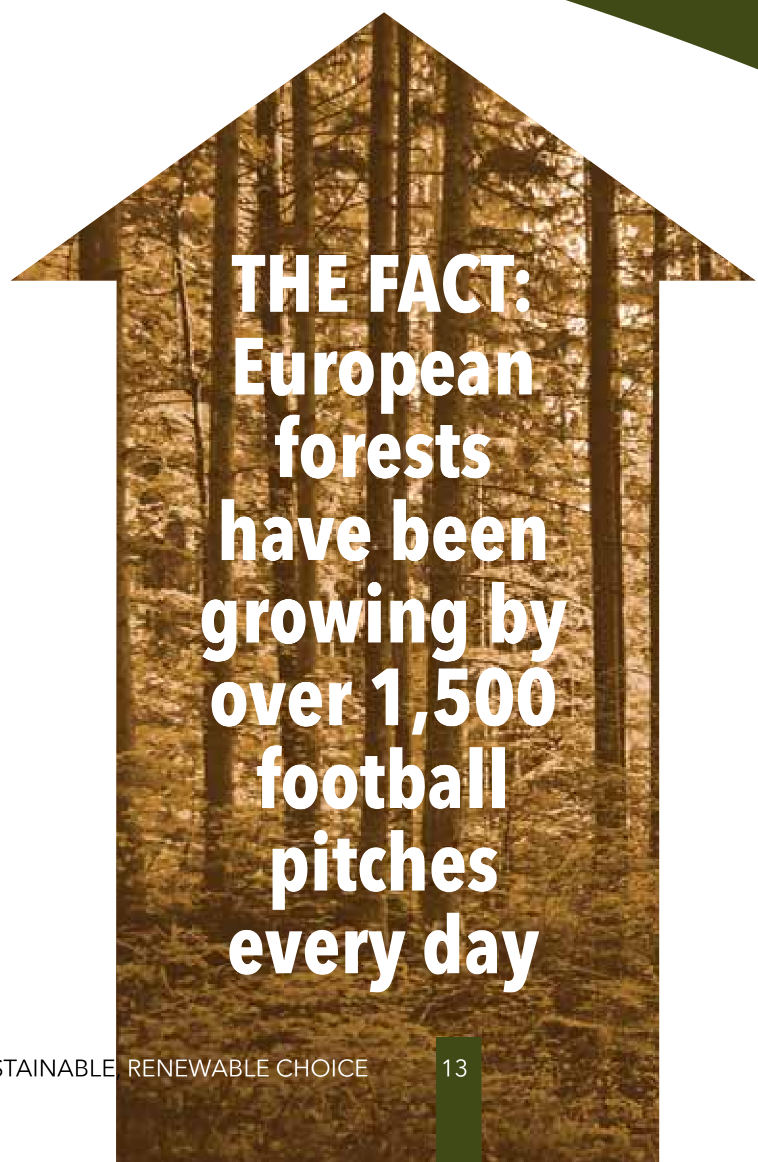
Voluntary independent certification can address management within individual forest areas, but to properly consider carbon balances, mandatory accounting is needed over much larger areas. Accounting for forest carbon is through the United Nations' Land Use, Land Use Change and Forestry (LULUCF) initiative, where man-made changes to environmental carbon storage is properly considered.

Complicating the discussion are the different types of biomass that are generally not differentiated in discussions. At one end of the spectrum is UK processed biofuels made from waste materials left after recycling has been maximised, and at the other, highly processed pellets made from North American timber shipped across the Atlantic. The former receives widespread support, the latter generates considerable concerns from environmental organisations.

For existing users of forest fibre, including papermakers, the increasing number of demands on the same resource is a real concern. Probably the greatest issue is the subsidised use of biomass for low efficiency electricity generation, where large quantities of wood pellets are being processed and shipped around the globe in a way that is simply not economic without public subsidy. Questions continue to be raised as to whether this is the best use of biomass.

CPI continues to argue that biomass use should be driven by a value hierarchy to maximise the use of this ultimately limited resource. Value adding manufacturing should be preferred to energy use, with energy being recovered only from lower quality and otherwise waste materials.

Steve Freeman, CPI Director of Environmental and Energy Affairs



CIRCULAR ECONOMY PACKAGE

Finally launched in December 2015, the European Commission's (EC) Circular Economy Package (CEP), published under the title ***"Towards Circular Economy: A Zero Waste Programme for Europe"***, laid out a framework to progress Europe towards a sustainable society by 2050. The package addresses the issue of the Circular Economy in two parts; firstly, declaring a number of aspirational objectives for the design, reusability and recyclability of products, and secondly by tightening waste legislation, increasing recycling targets and incentivising the delivery of "greener" products to the market.

Since it's launch, the package has been under negotiation within the European Council, the European Parliament and the EC, with all parties keen to make progress. On 8 June 2016, the Environment Committee of the European Parliament published a lengthy report under the guidance of rapporteur Simone Bonafè proposing a wide range of potentially significant changes to the package, generally encouraging the Commission to be more ambitious. These included increasing proposed recycling rates, the removal of a clause allowing Member States to offer commingled instead of separate collections and a demand for a single methodology for calculating recycling performance across Member States. This committee was scheduled to ratify its proposals in January 2017 for presentation and agreement by the European Parliament.

The Council of Ministers hadn't agreed a common position amongst Member States by the end of 2016, and Malta, which held the Presidency, did not anticipate closure on the CEP before the end of its term in June 2017. This implies no agreement will be reached before then, since the package cannot be finalised until all the parties have consented. In short, it is difficult to anticipate a time frame for this legislation and much depends upon the UK Government's implementation of Article 50 as to whether it will need to be fully transposed into UK law.

EXTENDED PRODUCER RESPONSIBILITY

One of the more challenging aspects of the debate for the packaging supply chain is the future of Extended Producer Responsibility (EPR). A proposed amendment (dated 2nd December 2015) to the Waste Framework Directive 2008/98/EC demands that financial contributions made by a producer of packaging waste should ***"cover the entire cost of waste management for the products it puts on the Union market, including the costs of separate collection, sorting and treatment operations required to meet the… targets"***. This brings into question whether the current PRN system is legally compliant, because whilst it provides a very low cost of compliance for producers, it is a market based system unlike any other in Europe that does not require the producers of packaging waste to contribute directly to its recovery. There has already been a great deal of discussion about the structure of the existing and any new EPR system, with further proposals suggesting that it should cover other products, including graphic papers. The CPI position remains that the existing system has delivered ambitious paper packaging recovery targets to date, so the case for significant change has yet to be made.

BREXIT

Whatever the outcome of post-Brexit negotiations, it is likely that the CEP will influence the direction of travel of future UK policy. With up to 80% of UK environmental law founded in EU legislation, the "hollowing out" of Defra in the last five years, an undoubtedly full programme for parliament in the foreseeable future, and the need to keep UK policy aligned with the EU for trade purposes, it is likely that the CEP will be adopted, at least in part, if only because there is little capacity within Government to develop an alternative. It will impact the packaging supply chain in coming years, by placing focus on product design and waste minimisation, and offering opportunities to exploit the inherently sustainable and bio-based nature of our products, as society looks to exploit renewable, environmentally friendly and inherently recyclable resources.

Simon Weston, CPI Director of Raw Materials

Exciting free resource from the UK Paper Industry

PaperWorks

Interactive Multimedia Resource for Schools

Paper is all around us and provides fantastic teaching and learning opportunities for both single lessons and thematic approaches. Providing an exciting introduction to the modern Paper Industry, our award winning PaperWorks resource is designed to engage pupils in real-world case studies to support them in investigating business activities and applying core theory.

Awarded a TES five-star rating, PaperWorks is ready to use and includes teaching notes and projects to support lesson planning, whiteboard presentations, interviews, video clips and interactive activities.

www.paperworks.school

PACKAGING AFFAIRS

Packaging is essential to modern society and helps us all to live more sustainably. It only exists because consumers choose to buy a wide range of food and other consumables, many of which travel long distances to reach their final destination. Packaging makes this possible and protects against loss and product damage; it is a good investment, protecting 10 times more resources than it uses. As a result of efficient packaging, product damage in transit remains below 5% in the developed world. In the developing world, damage can be as high as 30%.

PRODUCT SAFETY

Paper packaging has a long and successful history of safe use in food applications, and the industry has a very good record of cooperation with national and pan-European Governments, and other Regulators, to ensure the necessary levels of consumer protection. An Industry Guideline on Paper and Board for food contact applications has been adopted across Europe and is publicly available on the CPI website.

To retain these high levels of consumer protection, CPI follows a wide range of issues in the field of food contact. Matters can be raised by consumer groups or academics and we monitor and respond to many different issues. Throughout 2016, this range of issues has been particularly broad and several specific matters have risen considerably in significance.

Printing Inks

We have been following the German draft Ordinance on Printing Inks and, over the summer of 2016, the German authorities' intention to proceed with national legislation. Legal process allows time for Member States to submit opinions on the proposed legislation and a meeting with the Food Standards Agency (FSA) took place in September to discuss this matter. We explained our concerns, relating to the increased costs on industry without any improvement in safety, and that it would significantly impact the Single Market. We were pleased to learn that the UK subsequently submitted a 'detailed opinion'. Action across Europe was widespread, with a total of eight detailed opinions submitted, two further Member States submitted comments.

As a direct result, towards the end of 2016, the Commission announced its intention to proceed with pan-European action on Printed Food Contact Materials, with an ambitious timescale to draft the proposed legislation during 2017. It is unclear to what degree this will include work on paper and board as a food contact material and are already engaged with the food packaging supply chain to discuss this with the FSA and seek appropriate representations to the Commission. It will remain a key area of activity in 2017.

Mineral Oils

This matter has been under discussion for some years and we have been following a separate German draft Ordinance in this area. On 16 January 2017, Commission Recommendation (EU) 2017/84 on the monitoring of mineral oil hydrocarbons in food and in materials and articles intended to come into contact with food, was published in the EU Official Journal.

In a separate CPI arranged meeting with the FSA to

discuss the matter, we explained that, at this point, the test methodology is neither well established nor sufficiently reliable. There was also recognition that there are other sources of hydrocarbons, including the food itself; a programme of 'supply chain mapping' was agreed to be valuable.

We welcome the steps to identify levels of hydrocarbons in recycled packaging. We will continue to follow developments as it is implemented.

Harmonised Measure
In the area of food contact, the Paper and Board Industry, along with all other materials, is governed by the 'Framework' Regulation (1935/2004), but there is no specific legislation for paper and board at pan-European level. The industry is seeking such a 'Specific' or 'Harmonised Measure' for the regulation of paper and board in food contact and representations to the Commission will continue in this area. We wait to see whether the action on Printing Inks, detailed above, will impact on paper and board as a packaging material.

Engaging with the BRC Hygiene Standard for Packaging
The British Retail Consortium's (BRC) Global Standard for Packaging and Packaging Materials (formerly (BRC/IoP) is designed for companies that manufacture packaging or packaging materials for food and non-food applications.

Early in 2016, some concerns were raised by Members in relation to the implementation of the Standard, over the specification of particular Certification Bodies by customers, conflicting with Members' right to decide. In a productive meeting in January 2016, we were satisfied that participating Member companies have the freedom to act as they see fit in the appointment of a Certification Body.

Discussions continued later in 2016, when Members raised further questions relating to a Declaration of Compliance (DoC) on the presence of post-consumer recycled fibre. BRC has now recognised that this recycled content is well regulated. Thus, in all cases, industry should be trusted to find an appropriate course of action and provide the DoC as required.

Consultation documents on paper and board in food contact applications
Late in 2016, CPI received for review two consultation documents on the suitability of paper and board in food contact. BRC and the Food & Drink Federation (FDF) have developed Guidelines to provide those in the food supply chain with a reference for good practice around migration. FSA issued a separate questionnaire to inform its statutory review of the Material and Articles in Contact with Food (England) Regulations 2012. This enforces the Framework Regulation (1935/2004) and requirements for GMP (2023/2006). Both are likely to be influential for the future of paper packaging in food contact applications.

CFQ STANDARD
Throughout the latter half of 2016, Members of the Corrugated industry took steps to introduce the 'common footprint with quality' (CFQ) standard for fruit & vegetable trays. The move will further improve the

efficiency of the fresh produce supply chain by allowing trays from different suppliers to be stacked safely and quickly, maximising space in both storage and shipping.

We announced the development of the CFQ Standard at the London Produce Show in June 2016, sharing the platform with the European Federation of Corrugated Board Manufacturers (FEFCO). We are pleased to confirm that the Standard is now available for use.

Watchdog Report on Plastic Trays for Home Delivery & Novel research on hygiene

In early November 2016, consumer TV show Watchdog carried a report on the plastic trays that major retailers use for home delivery, and in which a whistle-blower raised concerns on tray cleanliness. Watchdog commissioned its own laboratory analysis and out of ten samples just one was rated 'satisfactory', while one was 'very dirty', and two 'extremely dirty'.

The cleanliness of plastic crates has long been a concern for the Corrugated Industry and FEFCO has recently commissioned research into the consequent impact on the shelf life of fresh produce. The research by the University of Bologna found that corrugated trays ensured better quality packed fruits and a longer shelf life, reducing fruit microbial cross contamination. This decreases the risk of foodborne illnesses and increases fruit shelf life, contributing to the fruit's freshness, scent, appearance and taste.

PROMOTIONAL CAMPAIGN

CPI has continued with its PR and marketing programme to raise awareness of the benefits of corrugated packaging, with a core of regular press releases and in-depth feature articles. From 2016, we have adopted specific quarterly themes, which are then drawn together with an e-Newsletter that is issued to an audience comprising retail and logistics professionals. YouGov surveys have also been commissioned to identify consumer opinion and develop further content for the programme.

The campaign also involves social media activities, with Corrugated specific activity on Twitter and YouTube, with five videos filmed, edited and uploaded to YouTube and the CPI website. The corrugated sector participates in a CPI-wide Facebook page.

We are pleased to be able to work alongside the Sheet Plant Association in the development of this programme and are grateful for their support and contributions to the campaign.

In October 2016, CPI sponsored the 'Corrugated: Online Retail and Consumer Goods' category at the 2016 UK Packaging Awards. Our support for the category recognises the tremendous efforts put in by the Corrugated Industry to meet the demands of an everchanging retail landscape.

CPI was very pleased when our previous Director General, David Workman, won the 'Outstanding Contribution to the Industry' category at the Awards.

....PACKAGING AFFAIRS

WORKING WITH FEFCO

We have continued in our robust support for the European Federation of Corrugated Board Manufacturers (FEFCO). CPI has participated in the Regulatory Affairs Committee, the Association Directors' meeting, and in the General Assembly. In a new development for 2016, a Health & Safety Committee was also established; CPI has been pleased to actively assist in this area where we already have an established record of constructive change and reduction in accidents.

Following on from the success of previous FEFCO Summits, 300 key industry representatives from all over Europe attended the Biennial FEFCO Summit held in Berlin in May 2016. The Summit provided an opportunity for the European industry to be inspired by industry leaders, guests from the supply chain, and many talented speakers.

The Summit saw the appointment of a new President for FEFCO: Dr Jan Klingele, Managing Partner of Klingele Papierwerke, started his two year term as FEFCO President, succeeding Roberto Villaquiran of Smurfit Kappa. On his appointment, Dr Klingele commented that he wanted the industry "to continue to demonstrate and convey the messages that Corrugated Packaging is best in class concerning robustness, hygiene, and environmental benefits being a truly circular product."

Andy Barnetson, CPI Director of Packaging Affairs

PAPER FOR RECYCLING

2016 was a year of relative calm in paper for recycling markets, with the demand for most grades increasing gradually through the year. Exports of recovered fibre remained strong, supporting the UK's recovery infrastructure, which is now heavily dependent upon offshore demand. Outside of the market itself, several significant events affected the market and will continue to do so in the future, none more so than the decision to leave the EU. CPI was active and can claim notable successes in helping to shape the Government's approach to policy affecting paper recycling.

COLLECTIONS & CONSUMPTION

Collections of recovered paper in 2016 started very strongly, with the first quarter promising a record year, but volumes fell away as the year progressed and, at the time of writing, CPI estimates that the 2016 total will finish at just below 8 million tonnes, much as it has been since 2009. Consumption at domestic mills fell just under 10% year on year to close the year at a little over 3 million tonnes. Estimated exports of paper for recycling in 2016 were marginally up on the previous year at an estimated 4.9 million tonnes, with summer demand being bolstered by the devaluation of the pound sterling following the Brexit vote in June. Chinese papermakers are expected to consume a little over 3.6 million tonnes, or 45% of the total material collected in the UK. The bankruptcy of Hanjin Shipping in August began to impact the market towards year-end, as container shortages allowed the remaining carriers to increase prices.

IMPRESSIVE RECYCLING RATES

CPI calculated the total recycling rate for all paper and board to be 69% in 2015, like that in 2014, and with potential for it to be higher in 2016. With an estimated 20% of paper and board being unrecoverable, the overall recycling performance of the industry continues to be impressive and implies we may be nearing the limit of what is achievable. In late 2016, the Government published its regular update of national recycling performance (UK Statistics on Waste – December 2016 Update). Whilst household recycling fell for the first time since 2010, the recovery of paper and board continued to improve. The calculated recycling rate for all paper and board packaging in 2014 was 73.1%, and will likely be around 81% in 2015 and higher in 2016.

The weight of paper and board being recovered from households has fallen by about 6% in the past five years as changing lifestyles and social habits have altered the sorts of paper and board passing into households. The amount of newsprint being consumed has fallen by nearly 30% since 2010 as digital media has taken hold, but this has been partially replaced by increased material from online shopping, food packaging and the like. During 2016, CPI initiated a collaborative industry sampling exercise between Members of CPI, the Recycling Association and the Resource Association to determine the composition of mixed papers; this revealed they now averagely comprise nearly 35% packaging.

RECYCLING TARGETS

During the year, WRAP was commissioned to update the Government estimate of paper and board packaging placed on the market, in preparation for the revision of national recycling targets. Following the publication of its 'Paper and Card Flow 2020' report in mid-year, to which CPI contributed, the amount of paper-based packaging estimated to be on the UK market (in 2014) was increased by 860,000 tonnes to 4.75 million tonnes (an increase of 22% on previous estimates). The impact of this was to reset baseline assumptions and to significantly reduce apparent historical recycling performance.

This study was undertaken in parallel with an exercise being completed by the Environment Agency to look at ways of updating and simplifying the processes and protocols for accreditation as reprocessors in the packaging waste regulations. After consultation with CPI, it was decided to increase the amount of packaging that can be claimed in mixed papers from 12.5% in 2015 to 34.5% in 2017. A transitional allowance of 23% was agreed for 2016. Consequently, the number of PRN/PERNs that can be raised by reprocessors is increased and so is the apparent future recycling rate for paper and board packaging, with the likelihood that it may reach 85% in 2017.

THE QUALITY IMPERATIVE

As we approach the limits of current waste management systems, the marginal recovery of paper could simply lead to further disamenity costs for reprocessors in dealing with contamination. It is time to prioritise quality over quantity with collection methods that satisfy a long-term quality imperative. Hitherto, the nation has paid lip service to the requirement for "high quality" recycling, so it was encouraging that CPI was invited to participate in several initiatives launched in 2016, aimed at improving raw material quality. WRAP's Consistency project is based on market analysis and makes a strong business case for the source separation of recyclate, arguing that all parts of the supply chain benefit from it. Its 'Recycling Guidelines' project for local authorities also focusses on consistency within collection systems by standardising what should go into recycling bins. Clarity and consistency are everything if we are to educate the public and improve quality.

Moreover, the UK collection infrastructure and the prices that support it are now very dependent upon third party markets, making it vital that we produce high quality secondary fibre that will be in demand no matter the prevailing economic conditions in other parts of the globe. This is the only way to future proof domestic reprocessors, and reduce the vulnerability of the collection infrastructure to market forces.

BREXIT

The nature of the UK's departure from the EU remains to be seen, but European legislation, and the EC Circular Economy Package in particular, will likely shape future UK recycling policy. How this will impact the operation of the market in 2017 will only emerge in time.

Simon Weston, CPI Director of Raw Materials

HEALTH AND SAFETY

'Unpredictable' – the Collins Dictionary describes someone or something as unpredictable 'if you cannot tell what they are going to do or how they are going to behave'. How many times have we heard 'unpredictable' in the news in 2016? Brexit, Donald Trump… the majority of commentators didn' expect people to vote in the way that they did, and, as with both results, the unknown consequences could potentially have significant impacts.

SENTENCING GUIDELINES

In a similar vein, when it comes to health and safety we can't predict what every employee working in the Paper Industry will do or how they will behave when faced with a decision, but with the introduction of the new sentencing guidelines for health and safety offences in February 2016, we can now predict the consequences.

Putting to one side post-Brexit, and how that may or may not affect UK Health and Safety legislation going forward, the introduction of these guidelines has had an immediate impact. The number of company directors and senior managers prosecuted for health and safety offences has increased and the level of fines is rising rapidly. Even for non-fatal accidents, fines above £1m are becoming more common.

For many years, the industry has invested significant amounts of time, money and effort into health and safety, and no one would argue with that fundamental responsibility. If there was ever a question on whether this was, and continues to be, a good investment then the level of fines being imposed would suggest… absolutely!

PABIAC STRATEGY 2015 - 2019

Under the current PABIAC strategy 'Health and Safety – It's more than just a paper exercise', and the guidance of CPI and strategic direction of PABIAC, the industry continues to show continuous improvement in injury rates and is now on a par with the Health and Safety Executive (HSE) manufacturing injury rate (2015 / 2016 figures). This has been achieved by the efforts of the whole industry but in particular the corrugated sector, which at the end of March 2016 (Quarter 4) reported their second lowest quarterly injury rate on record, while the recovered paper sector continued to outperform the national waste and recycling injury rate trend.

The introduction of Key Performance Indicators (KPIs) in June 2016, as part of the CPI Members' injury report returns, is beginning to build up some momentum after a slow start. It is clear from the feedback to date that 'health', and in particular work-related stress, is becoming prevalent and being discussed on a more regular basis.

HSE'S NEW STRATEGY

In March 2016, HSE launched its new strategy for Great Britain's occupational health and safety system for the next five years. 'Helping Great Britain work well', sets out six new priority themes that will help maintain Great Britain's world class health and safety record. It is always good to know that you are in sync with the governing body's thinking on the future direction of health and safety, and from an industry perspective it helps us to ensure that all stakeholders are working together towards a common goal.

2011:

Employees = 20,098
Over-3-day lost time injuries = 177
Injury rate = 881 per 100,000 employees

2016:

Employees = 19,185
Over-3-day lost time injuries = 90
Injury rate = 469 per 100,000 employees

a 47% improvement in five years

The tripartite vision of PABIAC, over several years and more recently in its latest strategy, shows the areas that HSE identifies for attention over the next five years were either in place, or areas to be targeted.

Acting together: Throughout 2016, CPI continued to represent all our Members by working closely with the key stakeholders: HSE, Trade Unions, Local Authorities and, where there are overlaps in regulations, the Environment Agency.

Tackling ill health: Of the three ill health priorities identified by HSE for future action, musculoskeletal disorders and work-related stress are already being targeted under the PABIAC strategy.

Managing risk well: The sector industry delivery committees have continued to produce industry specific guidance and offer advice. The introduction of KPIs as a proactive measurement has enabled businesses to look beyond 'having an accident' and reacting to a situation after the event.

Supporting small employers: Transparency and openness on the sharing of information on industry-specific hazards has enabled industry to challenge the accepted status quo and drive improvements, especially in difficult areas such as machinery safety.

Keeping pace with change: In a global market, where machines are getting faster and more complex, it is vital that, from the outset, CPI and representatives from the industry continue to be present and actively involved in representing the interests of the 'end user' on ISO standards.

Sharing our success: "You can't produce paper products if you guard machines and equipment". Yes you can, and in 2016 we shared how it can be done with other countries including Australia, New Zealand, US, and in Europe.

2016 was another year of steady progress. The leverage that CPI has in the industry, by virtue of our levels of membership, capacity to lead, and ability to act as an effective conduit with other stakeholders, has helped the industry to achieve further reductions in injury rates and improve health and safety management performance.

For 2017, the main focus is to push the work-related ill health agenda and continue to assist the industry in working towards achieving the objectives set out in the PABIAC strategy: past successes must not lead to complacency.

Andrew Braund, CPI Director of Health and Safety

Helping Great Britain work well

EMPLOYMENT AFFAIRS

INFORMATION AND EXPERT GUIDANCE

CPI's Employment Affairs provides Member companies with information and expert guidance on working arrangements, dispute resolution, annual hours, employment law, organisational change and general HR topics.

Employment Affairs provides advice and guidance on the interpretation and application of the National Agreements in the Corrugated and Papermaking sectors. On behalf of the industry and for the CPI Members that conform to the agreements, Employment Affairs leads the annual negotiations between the industry and unions on pay and conditions.

As with previous years, the dispute resolution procedures within the National Agreements continue to provide significant benefit for the conforming sites in securing resolution to impasses.

As well as keeping up to date on general economic data and data on pay settlements, Employment Affairs continues to maintain good working relationships with the unions' national and local representatives. Working in partnership with Members and the unions, and within the framework of the National Agreements, Employment Affairs plays an important role in resolving Members' industrial relations issues, so helping to maintain the industry's good industrial relations record.

Paul Storey, CPI Head of Employment Affairs

DID YOU KNOW...

Over 70% of the fibres used to make paper in the UK come from paper collected for recycling, and over 80% of all corrugated packaging is recycled.

Around 95% of the water used for making paper is returned to the environment.

Paper is made from a natural, renewable and sustainable resource and boasts the highest recycling rate of any material in the UK.

For further information on these and other facts, or to order your free copy of our Myths & Facts booklet, visit:

www.paper.org.uk/mythsandfacts

COMMUNICATIONS

In supporting and promoting the interests of the UK's Paper-based Industries, whether it is responding to media coverage, informing politicians, or simply stating the facts, CPI has continued to communicate a common and unequivocal message.

GETTING NOTICED

As we look back at some of the more notable news stories of 2016, CPI has a good story to tell.

In the media we had good coverage in our trade press and political titles, and were successful in having a letter on energy costs published in The Times.

We had a voice on an Absolute Radio programme hosted by Geoff Lloyd and Annabel Port, and dedicated to Paper.

REACHING ACROSS THE WORLD

CPI staff regularly speak at various industry events in the UK – the LARAC 2016 Conference, the London Produce Show, and the Royal Society of Chemistry to name but a few. During 2016, staff also spoke at events in Europe and beyond.

After years of being vilified for its poor health and safety performance, the UK Paper Industry is now regarded as one of the best in Europe and recognised globally for its achievements in improving its safety performance through the 'Making Paper Safely' campaign. In October 2016, the Australian and New Zealand Pulp and Paper Industry Association, APPITA, held its Annual Conference in Rotorua, New Zealand. Andrew Braund, CPI Director of Health and Safety, presented the keynote plenary address, sharing an insight into the UK's 'Making Paper Safely'.

The British Government remains at the forefront of climate change policy making and is working in partnership with a number of countries as they develop their own policies. During 2016, CPI was pleased to support a British Embassy initiative in Russia with Steve Freeman, CPI Director of Environmental and Energy Affairs, representing CPI at a two-day seminar and conference in Moscow. Representatives from the UK paper and steel sectors shared their experiences of carbon pricing policies with the Russian Ministry of Economic Development and representatives of Russian industry at the event.

Andrew Large also delivered an address on Brexit for the Association of French Paper Industries, COPACEL, at its General Assembly in December 2016.

THE POLITICAL FIELD

CPI continues to build on its strong relationships with Government and its departments. Since his appointment, Andrew Large has been active in meeting with, and writing to, Ministers on a number of key issues where Government policy affects our industry.

In February 2017, a CPI delegation (led by CPI's President and Vice-President) was pleased to participate in a sector specific briefing meeting with Nick Hurd MP, the BEIS Minister in charge of policy and climate change related strategy. The agenda was set by CPI and focused on three key issues: Brexit, Industrial Strategy and Energy. The overall message from the CPI delegation was that the UK's Paper-based Industries are part of the answer

Angus MacSween showing local MP Callum McCaig around Arjo Wiggins, Stoneywood mill

to the question "how do we make the economy work for all?". We offer a cluster of suppliers and customers that are manufacturing a renewable and sustainable product in areas of the UK in need of growth and jobs.

CPI continues to respond to relevant government consultations and seeks the views and input of Members before submitting final responses.

We issue regular printed briefings to all MPs and UK MEPs to keep them informed of industry issues and to highlight CPI's key policy asks. As a result, a number of visits by MPs to Member sites have taken place.

ALLIANCES

Parliamentary Groups

CPI continues to play an active role in various parliamentary groups, including:

- The All-Party Parliamentary Environment Group
- The All-Party Parliamentary Group for Energy Intensive Industries
- The All-Party Parliamentary Group for Energy Studies
- The All-Party Parliamentary Group for the Packaging Manufacturing Industry
- The All-Party Parliamentary Manufacturing Group
- The All-Party Parliamentary Sustainable Resource Group

UK Industry Alliances

To help get CPI messages heard, CPI works closely with other organisations including:

- Advisory Committee on Packaging (ACP)
- Association for Decentralised Energy
- BPIF Cartons
- Combustion Engineering Association
- Defra Part A Forum
- Food Packaging Value Chain
- EEF Materials Security Working Group
- Emissions Trading Group (ETG)
- Energy Intensive Users Group (EIUG)
- Manufacturers Climate Change Group (MCCG)
- Packaging Recycling Group Scotland (PRGS)
- Paper Packaging Forum (PPF)
- Sheet Plant Association (SPA)
- The Packaging Federation (PackFed)
- The Industry Council for Research on Packaging and the Environment (INCPEN)
- Waste & Resources Action Programme (WRAP)

European Association

CPI continues to represent Members at a European level through its work with:

- Confederation of European Paper Industries (CEPI)
- European Federation of Corrugated Board Manufacturers (FEFCO)
- European Tissue Symposium (ETS)
- International Confederation of Paper and Board Converters in Europe (CITPA).

Campaigns

CPI offers its support to a number of initiatives and organisations within the industry including:

- 'Keep me Posted' Campaign
- 'Recycle Now' Campaign
- Two Sides

TWO SIDES
www.twosides.info

recycle
www.recyclenow.com

PaperWorks

PaperWorks winning entry

PAPERWORKS

CPI's award winning online schools education resource, PaperWorks, showed continued success throughout 2016 and continues into 2017.

Our annual Design and Technology competition, which we run as part of the Design and Technology module for Cardboard Packaging, is proving to be a great success. The winners for the 2015-16 academic year were a team of students from St Benedict's Catholic High School in Warwickshire with their 'Gorgeousness in a Pot' entry. The competition is running again for the 2016-17 academic year.

Over the course of 2017 we will be adding more curriculum-related content to help attract more schools to use PaperWorks and all its modules.

CPI will continue to promote PaperWorks through email, digital and postal campaigns direct to teachers. We will further the reach of PaperWorks by spreading the word using social media.

KEEPING MEMBERS AWARE

CPI strives to keep its Members updated on all issues and news items regarding the Paper Industry through a variety of means. These include a fortnightly newsletter (CPI News), the DG's Report, Member Circulars, Member Briefings, and Statistical reports.

....COMMUNICATIONS

CPI ON THE NET

The CPI website continues to be our primary communication tool, hosting a range of content for both Industry professionals and the general public. We have been regularly updating content to ensure that the site keeps up to date with the fast-paced nature of the online world.

Along with general information, we also offer guidance on certain key issues, press releases, fact sheets, and a handy 'who makes what' tool for anyone looking for a manufacturer of a specific paper product.

Behind the scenes, we are close to launching our new re-designed website, bringing a more user friendly site reflecting the modern, forward thinking approach of the Paper Industry.

SOCIAL MEDIA

CPI's following on its social media platforms continues to grow as we develop our social media strategy. We have combined both the CPI and Corrugated Twitter accounts under the CPI banner to further strengthen our Twitter presence. We are focussing our social media work on engaging more closely with key opinion formers, influencers, MPs, Government Departments and key stakeholders.

CPI will continue to communicate with Members and the outside world through the media, our website, and other communication channels. We will strive to become more visible in Whitehall and Westminster, through a more direct public affairs programme, to ensure that the distinctive attributes of the UK's Paper-based Industries are understood and reflected in Government policy.

This will ensure that CPI remains the voice and face of the UK's Paper-based Industries.

Emma Punchard, CPI Director of Communications

facebook.com/Confedofpaper

twitter.com/@ConfedofPaper

linkedin.com/company/confederation-of-paper-industries

CPI Website: www.paper.org.uk

PaperWorks Website: www.paperworks.school

MARKET DATA

Following on from a year that saw such significant capacity closures and job losses, 2016 proved more stable for the Papermaking and Tissue sectors, with no further permanent closures announced or implemented. However, the capacity that has been lost, together with temporary losses this year due to the installation of new machinery and other factors, contributed to a further significant decline in production, sales and raw material demand. CPI is aware of some further capacity changes in 2017 but, at the time of writing, predicts a small but welcome increase in paper and board output by the end of the year. The Corrugated sector meanwhile experienced another excellent year, with total output of corrugated boxes estimated to have increased for the fourth year in a row.

APPARENT CONSUMPTION

Consumption of paper and board dipped just below 9 million tonnes for the first time in many years, as demand declined by 3.6% compared to 2015. The Graphics sector once more experienced heavy losses, with Newsprint declining by a further 7% to 1.17 million tonnes, the Coated and Uncoated Mechanical sectors by -10% and -19% respectively and Coated Woodfree by -10%. The Uncoated Woodfree sector, on the other hand, grew by a modest 0.6%. Overall, the Graphics sector fell by just over 300,000 tonnes (-7.4%) to 3.84 million tonnes. The Tissue sector experienced a healthy 1.5% increase in demand for parent reels to 1.09 million tonnes, largely due to increased imports as one or two UK mills faced temporary capacity closure. There was also a marked difference in demand between reels for Toilet Tissue (-2.0%) and reels for other tissue products (+8.1%). The Packaging sector saw an overall decline in consumption of 1.4% to 3.64 million tonnes and, of this, growth in Corrugated Case Materials consumption appears to have come to a halt despite the increased output in boxes noted above, which CPI attributes to continued lightweighting by the Corrugated sector. In summary, apparent consumption totalled 8.86 million tonnes compared to 9.19 million tonnes in 2015.

PRODUCTION AND DELIVERIES

Production of paper and board fell by a further 294,000 tonnes (-7.4%) to 3.68 million tonnes during 2016 compared to 2015. This represents a 44% decline since peak output by the UK papermaking industry of 6.6 million tonnes at the millennium. Graphics production fell below 900,000 tonnes, affected by the previous year's closures and the fire at Palm Paper towards the end of 2016, a fall of 14.8%. The Corrugated Case Materials sector, however, increased marginally to 1.47 million tonnes (+0.9%), with the new machine at Smurfit Kappa Townsend Hook offsetting the losses due to the closure of DS Smith's Wansbrough Paper Mill in December 2015. The latter also contributed to heavy losses in the Packaging Board sector, production falling by almost a quarter to about 335,000 tonnes. The Tissue sector likewise fell to a recent low of 728,000 tonnes of parent reels, output affected by capacity losses most of which are temporary.

170,000 tonnes of lost domestic sales and a further 45,000 tonnes of export sales characterise deliveries for 2016. Homes sales fell by 8.4% to 2.92 million tonnes, the majority of which was lost in the Graphics and Packaging Board sectors, but a better year for domestic Corrugated

Case Materials sales saw an increase of 2.1% to 1.27 million tonnes. Overall, there was a marked upswing in export sales from August onwards but it is difficult to assess whether or not this is attributable to Brexit-related currency volatility. In total, export sales fell by about 6% to 760,000 tonnes despite those increases, most again in the Packaging Board sector.

PAPERMAKING RAW MATERIALS

Recovered paper usage at domestic mills fell to just over 3 million tonnes and, with recovered paper collections again hovering around the 8 million tonne mark, domestic recycling of UK collections fell to about 37%, the remaining 63% being recycled abroad - principally in China. There were declines in all classes of recovered paper used by UK paper and board mills, with Mixed Papers and Mechanical grades falling by 14% (-187,000 tonnes) to 1.15 million tonnes, whilst Corrugated and Kraft grades fell by 10% (-103,000 tonnes) to 1.38 million tonnes. Tissue grades fell to a lesser degree losing 20,000 tonnes and ending the year at 491,000 tonnes. In total, recovered paper usage declined from 3.34 million tonnes to 3.02 million tonnes, a fall of 9.5%. Recovered paper exports increased modestly by 1.0% to 4.91 million tonnes, the increased volumes equally split between Mixed and Mechanical grades on the one hand and Tissue grades on the other. With imports returning to normal levels after a significant increase during the first part of 2015, collection declined marginally to 7.82 million tonnes, down 1.1% or 87,000 tonnes. Exports to China totalled 3.69 million tonnes, an increase of 56,000 tonnes (+1.5%) on 2015 and well in excess of domestic usage. Chinese demand now accounts for 47% of recovered paper collected in the UK.

There was a further slight decline in mill usage of woodpulps including domestic production but remaining just above 1 million tonnes, mainly linked to the fall in tissue production noted above. Usage of Non-fibrous raw materials likewise declined, by 16,000 tonnes compared to 2015 to 196,000, a decrease of 7.7%.

CORRUGATED BOARD

2016 saw corrugated board production rise for the fourth year in a row amongst CPI's major Corrugated sector Members, to 3,873 million square metres at an average weekly production of 77,463 ksm. This accounts for almost 80% of the total UK corrugated board output of 4,854 million square metres. Allowing for losses in conversion and the small net trade in corrugated boxes, CPI estimates that some 4,657,700 ksm of corrugated boxes were placed on the UK market last year, an increase of 3% over the previous year. For the Sheet-feeding sector, CPI Members, also representing about 80% of the sector, manufactured 1,146,000 ksm of corrugated board, an increase of 2.3% on the previous year, at an average weekly production of just below 23,000 ksm.

Nick Langdon, CPI Statistics Manager

CPI MEMBERS

ASSOCIATE MEMBERS

Avanti Conveyors Ltd
Bollegraaf UK Ltd
Cargill Plc
Dicom Ltd
European Packaging Distributors Ltd
Hyster-Yale UK Ltd
Jointine Products (Lincoln) Ltd
Materials Recycling & Consultancy Ltd
Materials Recycling World
Pilz Automation Technology Ltd
Ralegh Integrated Solutions
Packaging Systems Europe (PSE) UK and Ireland Ltd
Sun Automation
The Environment Exchange Ltd

AFFILIATE MEMBERS

Combustion Engineering Association
Paper and Board Association
Paper Industry Technical Association

Information on CPI membership is available on our website at www.paper.org.uk or from Neil Fishburne, CPI Finance Director and Company Secretary

FULL MEMBERS

Ahlstrom Chirnside Ltd
Arjo Wiggins Fine Papers Ltd
Arjowiggins Chartham Ltd
Berridge Waste Paper Ltd
BillerudKorsnäs Beetham Ltd
Board24 Ltd
Caledonian Packaging Ltd
Chas Storer Ltd
De La Rue plc - Currency
De La Rue plc - Security Products
Devon Valley Ltd
DS Smith Packaging Ltd
DS Smith Paper Ltd
DS Smith Recycling UK Ltd
Durham Box Company Ltd
Faspak (Containers) Ltd
Fourstones Paper Mill Company Ltd
Glatfelter Lydney Ltd
Gordano Support Group Ltd
Heath Recycling
Higher Kings Mill Ltd
Hollingsworth & Vose Company Ltd
Iggesund Paperboard (Workington) Ltd
Intertissue Ltd
James Cropper PLC
James Cropper Speciality Papers Ltd
John Roberts Holdings Ltd
Kimberly-Clark Ltd
Marshall Langston Ltd
McLaren Packaging Ltd
Northern Packaging Ltd
Northwood & Wepa Ltd
Northwood Hygiene Products Ltd
Northwood Tissue (Disley) Ltd
Northwood Tissue (Lancaster) Ltd
Packaging Products Ltd
Palm Paper Ltd
Palm Recycling Ltd
Pearce Recycling Company Ltd
Preston Board & Packaging Ltd
RICOH UK Products Ltd
Rigid Containers Ltd
Roydon Packaging Ltd
SAICA Natur UK Ltd
SAICA Pack UK Ltd
SAICA Paper UK Ltd
SCA Hygiene Products Manchester Ltd
SCA Hygiene Products Tissue Ltd
SCA Hygiene Products UK Ltd
SUEZ Recycling and Recovery UK Ltd
Slater Harrison & Co. Ltd
Smurfit Kappa Recycling UK
Smurfit Kappa UK Ltd - Corrugated Division
Smurfit Kappa UK Ltd - Papermaking Division
Sofidel UK Ltd
Sonoco Cores and Paper Ltd
Sonoco Recycling - UK
Sundeala Ltd
Swanline Print Ltd
Union Papertech Ltd
UPM-Kymmene (UK) Ltd
Vernacare Ltd
W E Roberts (Corrugated) Ltd
Weedon Group
Weidmann Whiteley Ltd

CPI COUNCIL

cpi confederation of paper industries

CPI COUNCIL MEMBERS

Jelte Bouma	Chief Executive	Smurfit Kappa Recycled Paper West
Clive Bowers	Chief Executive	Smurfit Kappa UK - Corrugated Division
Andrés Calle	UK Manufacturing Director	Kimberly-Clark Ltd
David Chalmers (CPI Honorary Treasurer)	Financial Director	UPM-Kymmene (UK) Ltd
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Derek Harman	Managing Director, Business & Administration	Palm Paper Ltd
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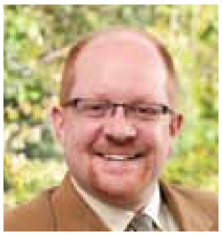
Bob McLellan (CPI Past President)	Non-Executive Chairman	Logson Group
Giuseppe Munari	UK Operations Manager	Sofidel UK Ltd
Simon Walker	Head of RCP Sourcing UK & Sales	UPM-Kymmene (UK) Ltd
Patrick Willink (CPI President)	Chief Technology Officer	James Cropper PLC

CPI TEAM



Andy Barnetson
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Neil Fishburne
Finance Director and Company Secretary

Steve Freeman
Director of Environmental and Energy Affairs

Nick Langdon
Statistics Manager

Andrew Large
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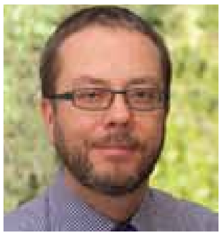

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