Confederation of Paper Industries Ltd, 1 Rivenhall Road, Swindon, Wiltshire SN5 7BD
Tel: +44(0)1793 889600
Fax: +44(0)1793 878700
Email: cpi@paper.org.uk
Web: www.paper.org.uk
Twitter: @Confedofpaper

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Paper - the sustainable, renewable choice

REVIEW 2014 -15

WORKING TOGETHER

FOR A COMPETITIVE FUTURE

The voice and face of the UK's Paper-based 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 recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers and makers of soft tissue papers.

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 70 Member companies from 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.

Contents

President's Introduction

A warm welcome to the Members who have joined CPI in the last 12 months – Kimberly-Clark, Sofidel Group, Northwood & WEPA, Union Papertech and Swanline Print. It is testament to the efforts of CPI over the past years that these organisations recognise the value provided by our Association.

This value is represented in the Director General's Report to Members published three times a year. It is worth highlighting the CPI's recent success in securing government compensation, worth £23.5m in 2014, to address our industry's competitiveness issues around the EU Emissions Trading System and the UK's Carbon Price Support taxation. In addition, CPI continues to manage our access to the Climate Change Levy discount which alone is worth £17m a year.

Maybe not for individual Members, but for CPI the Scottish referendum could have presented us with some interesting challenges over how a single trade association with Members in two countries would lobby two separate governments. As it happens, we do not have to worry about that now, but certainly the May 2015 general election and the prospect of a referendum on future membership of the European Union are both events that could have a big impact on our industry. Never before has the outcome of a general election been so difficult to predict, with the most likely outcome being either a minority government or a strained coalition – both of which would be a great recipe for ongoing business uncertainty! The challenge for CPI during this period is huge as we seek to understand likely policies and influence potential policy formers.

Working closely with the European Federation of Corrugated Board Manufacturers (FEFCO) and through its own Corrugated Promotional Campaign, CPI continues to promote the benefits of corrugated packaging. FEFCO's 'Mr Corrugated' has been joined by 'Mrs Corrugated' - two people can demonstrate our benefits more effectively than one!

Those who have been in the industry for a while will be greatly saddened by the news that Aylesford Newsprint has called in the Administrators, but maybe not totally surprised when you look at consumption patterns in some sectors. It may be scant comfort to those whose jobs are suddenly uncertain, but there are parts of our industry that continue to prosper. Paper really is a renewable and sustainable material that can be used in a large number of applications – it is just that in the future they are likely to be different applications to those we have grown up with. In a world where, increasingly, people are taking sustainability seriously, paper arguably has never been better placed to develop into new markets and sectors.

Lastly, all the evidence points to the fact that CPI has done some great work on our industry's behalf. Whether it is facilitating a culture of safety improvement, or ensuring BREF is not too hard on the UK or influencing government thinking to give a clear, unobstructed route for our businesses, it is largely down to the hard work and dedication of the CPI team; thanks to them all.

Patrick Willink

Director General's Overview

"Perhaps 2014 was the year when attitudes began to change"

For decades, governments of all political persuasions have taken an ambivalent stance on manufacturing – especially as far as the more established industrial sectors are concerned.

Industry wins support from Government

Perhaps 2014 was the year when attitudes began to change. The Paper Industry was singled out by the Chancellor in his last two Budget speeches as one that the Government recognised as being in need of support and he went on to repeat this message in subsequent media interviews. In numerous written communications with the Treasury, CPI has received direct personal responses from the Chancellor himself – almost unheard of up until now.

The measures the Chancellor announced in his recent Budgets will benefit our industry to the tune of £170m over the coming years. The compensation measures for both the European Emissions Trading System (EU ETS) and for the Carbon Price Support (CPS) mechanism have so far supported the sector with some £23.5m – more than virtually any other Energy Intensive Industry (EII). We are seeking additional support to offset the impact of government's other energy and climate change policies.

It is also worth pointing out that as CPI successfully negotiated a reduction in the targets for the new phase of the industry's Climate Change Agreement (from 14% to 7%), the sector should continue to benefit from the discounts available from the Climate Change Levy – worth some £17m per annum.

Another sign that the UK Government has begun to take us seriously was the joint decision by the Departments of Business, Innovation and Skills (BIS) and Energy and Climate Change (DECC) to sponsor a Paper Industry 2050 Roadmap project – the outcome of which will be used by officials to influence future industrial policy post the May 2015 general election. CPI has been heavily involved in this project and will have significantly influenced its findings.

It is also encouraging that government has, at long last, taken decisive action to remedy the UK's skills shortage, particularly in engineering. Our industry has responded, through a collaboration with Unite the Union, by gaining formal approval from BIS as a Papermaking Apprenticeship Trailblazer. With this approval comes government funding to help establish a sustainable apprenticeship programme.

All of these moves are positive and would not have been achieved but for the concerted efforts of the CPI team in lobbying government at all levels over several years.

However, we cannot become complacent. It is not a case of 'job done'.

High costs of government legislation

We still need an energy policy based on security of supply and on globally competitive pricing. This will require some backtracking by politicians as it is becoming abundantly clear that we need a mix of energy sources which, for the foreseeable future, will need to include fossil fuels and the exploitation of indigenous reserves of 'unconventional' oil and gas.

We also need to be aware that moves by the Commission or the UK Government to manipulate the price of carbon will only result in more carbon leakage, unless our global competitors are also similarly penalised for their emissions – an outcome which seems highly unlikely. Indeed, the success of our industry in reducing its own emissions may only put our 'at risk of carbon leakage' status in jeopardy – something that we cannot allow to happen.

Longer term Climate Change targets will only be met through breakthrough 'blue sky' technologies. Whilst the Confederation of European Paper Industries (CEPI) has undertaken some superb work through its 'Two Team' projects, government needs to recognise that our industry requires funding if these ambitious innovations are to materialise into commercially viable applications. In the short term, the emphasis in policy needs to be placed on encouraging energy efficiency within known technological boundaries – more 'carrot', less 'stick'.

There is also the question of the cumulative direct and indirect costs associated with all government energy, climate change and environmental legislation, which are still too high for UK manufacturers to be truly internationally competitive.

It is not just legislators that influence the way we operate. Regulators are just as important and this has become even more relevant in light of the devolution of powers in areas such as waste, environmental compliance and, increasingly, water. CPI played an integral part in setting up the Environment Agency Liaison Group which comprises CPI Members and representatives of regulators in England. There is now a Paper Industry Plan which should improve communications and ensure a more consistent and, hopefully, lighter touch to the enforcement of regulations. This becomes even more relevant now that the Paper Industry BREF has been signed off in Brussels.

Development of a Circular Economy

Radical proposals from the outgoing Commission in Brussels on revisions to waste legislation have been temporarily shelved but are likely to re-emerge in the form of a new policy framework aimed at resource efficiency and the development of a 'Circular Economy'. As paper recycling rates and recycled content levels in the UK are already very high, we should have nothing to fear from any new proposals. However, we will continue to press for higher quality standards to be strictly enforced throughout the waste stream and for very tight

limits on what materials can be sent to energy from waste generation. We continue to lobby with others for an Office of Resource Management to be set up within BIS.

CPI activities

Health and Safety remains a key CPI activity and it is encouraging to note that the All Industry Injury Rate (covering all our sectors) fell by 30% over the most recent three-year strategy period of the Paper and Board Industry Advisory Committee (PABIAC). The new strategy - *'Health and Safety - It's more than just a paper exercise'* - will be launched by Judith Hackitt, Chair of the Health and Safety Executive, at our Health and Safety Conference in June 2015.

The Health and Safety Laboratory (HSL) has sponsored projects on Slips, Trips and Falls and is currently commissioning research into legionella in paper mills. It is encouraging to note the outcome of our recent member survey which placed Health and Safety at the top of the priority list for all CPI activity.

Food contact issues continue to be the main focus of activity in the paper packaging sector – and may in future envelop other sectors, including tissue. CPI maintains close links with its counterparts in Europe and with the supply chain in the UK in order to counter threats to paper-based products from legislation or regulation. We also operate in alliance with other paper-based interest groups to ensure that we have a united position. The decision by the authorities in France to ban Bisphenol A (BPA) should act as a warning as to what can happen when these sorts of issues are allowed to progress unchallenged.

Corrugated promotional activity increased significantly in 2014 and is set to increase further in 2015. We will place six major innovation articles in Packaging News and continue to promote themes and messages through social media.

In a move to raise its lobbying profile, CEPI has reorganised its committee structure, and CPI is represented on all of them as well as on relevant working groups. We are also well represented within the European Federation of Corrugated Board Manufacturers (FEFCO). There will be more emphasis in future on using our influence with UK MEPs in order to promote wider EU issues with one single message and one single voice.

We again feature PaperWorks in this report. This is our highly acclaimed online schools education resource which comprises five modules (a Corrugated module was added in 2014) all designed to fit in with the National Curriculum. We hope that more Members will actively introduce this resource to schools in their local vicinity, to help promote paper and paper packaging.

Competitive environment

The UK general election in May 2015 and the UN Climate Change Conference in Paris later in 2015 could significantly influence the future direction of government policy. We will therefore be lobbying heavily both before and after these events in an attempt to ensure that future policy direction leads to an increasingly competitive environment in which all the sectors we represent can continue to invest for the future, confident in the knowledge that they will not be hampered by government.

Council and Members

At the May 2014 Council meeting, Patrick Willink (James Cropper) was elected President of CPI and Richard Coward (Rigid Containers) was elected Vice President. David Chalmers (UPM-Kymmene UK) agreed to become our Treasurer and we retain the services of Bob McLellan (Logson Group) as Past President. We now have a full set of Officers which has led to the re-formation of the CPI Finance and Management Board.

I would like to thank Ola Shultz-Eklund for his considerable support as CPI President over the preceding two years and to John Denman who held the Treasurer position for more years than many can remember. I wish Ola well in his new position within the Holmen Group and to John a wish for a long, healthy and enjoyable retirement.

I would like to end by thanking Members for their continued support and their active input to committees and Councils. Finally, I would welcome suggestions on how we can enhance the service we offer to Members – please feel free to contact me.

David Workman

Energy - remains a key cost

Internationally competitive Energy Intensive Industries

Energy remains a key cost for the Paper Industry, with internationally competitively priced energy critical for the long-term future of papermaking in the UK.

Price volatility continues to pose a challenge for energy managers. Few predicted the continued fall in oil and gas prices throughout 2014, nor can anyone confidently predict energy prices throughout 2015. Clearly, low prices are welcomed by users but the lack of investment by suppliers is cause for concern and a signal that prices could quickly rebound once demand outpaces supply.

For the UK Government, low prices are double-edged. While lower energy prices are likely to stimulate the overall economy, low prices are likely to quicken the decline of UK oil and gas production and delay investment in fracking as well as other types of low carbon energy infrastructure. A number of UK policies assume a continuing increase in the cost of fossil fuel, with the result that renewables were expected to become more cost comparable. This situation has now fundamentally changed and the cost of a number of policies should be reviewed during 2015.

During 2014, it became increasingly clear that the UK Government accepted the argument that policy-related energy costs could not be imposed on energy intensive installations and then expect them to remain internationally competitive.

Compensation

Throughout 2014, Government continued to seek ways to address the competitive issue of the indirect cost impact of the Carbon Price Floor (CPF) on electricity prices. Paper mills are one of the few sectors to benefit from compensation payments to address the impact of electricity related costs arising from the European Union Emissions Trading System (EU ETS) and the UK Carbon Price Support (CPS) taxation.

CPI estimates that to the end of 2014, eligible UK paper mills received a total of £23.5m in compensation from the Government. These payments will continue throughout 2015; substantially higher 2015 CPS rates will increase the amount of the compensation payments.

Of course the CPF is designed to guarantee that the cost of fossil carbon will increase when used to generate electricity. Early in 2014, the Chancellor effectively paused this policy by capping CPS from 2016, destroying much of the justification for the policy (to provide certainty for investors in low carbon generation) while still increasing the costs for consumers.

2050 Roadmap

The UK remains unique in having enshrined carbon reduction targets into legislation through the Climate Change Act. The 2050 target is for the UK to reduce emissions of fossil carbon by 80% compared to 1990 levels, necessitating fundamental changes to the way energy is used in the UK. One of the key criticisms of the way progress is monitored is that only emissions directly released in the UK are counted. Those released overseas through the production of goods for export to the UK are not counted. If emissions numbers are reassessed on a consumption basis, much of the reported progress disappears. Assuming the direct emissions methodology remains unchanged, then any move of manufacturing out of the UK serves to reduce direct emissions.

To be fair to Government, this is not the policy it seeks to follow. Rather, it would prefer to keep industry in the UK with production decarbonised to the maximum level possible – both through the application of technology and ideas already developed, as well as supporting research and innovation to bring forward breakthrough technologies.

These ideas are being taken forward through the 2050 Roadmap initiative – an in-depth assessment of eight key industrial sectors to develop shared understanding of the potentials in each sector, assess the current situation and map out likely trajectories towards decarbonisation assuming different scenarios.

CPI has worked closely with the Paper Industry Technical Association (PITA), together with CPI Members, academics and equipment suppliers to facilitate a lively debate to help develop the report which is expected to be released during 2015.

The final report will provide a useful evidence base as a check for where we are and where we can get to if the correct policies are put in place. This debate needs to set policies for long periods – investment decisions looking 20+ years into the future do not sit well with five year political cycles.

Energy security

The lack of long-term investment in UK grid generation is causing serious concern over security of supply, with National Grid warning that the margin of supply is dangerously narrow and getting smaller, meaning the risk of power cuts or brown outs cannot be discounted. For manufacturing with continuous production, such interruptions cause real disruption. The challenge is to secure sufficient new low-carbon generation at an affordable cost quickly enough to replace coal fired plant closing due to the effect of the Large Combustion Plant Directive.

Energy

The current low cost of coal is leading to its increased use and even new coal power stations elsewhere in Europe – an option greatly limited in the UK, both by regulation and increased costs caused by the CPF and other regulatory devices.

These non-energy costs are accounting for an increasing proportion of energy bills and are a real concern. The increasing proportion of intermittent renewables on the system adds to costs as expensive back-up is required, as well as massive investment in the distribution network to cater for changed energy flows. While a longer term issue, the strike-price offered, of around twice the current market price, to secure a potential new nuclear plant in Somerset is indicative of the cost dangers being stored up for the future and the difficulties of securing new investment into the power sector.

Combined Heat and Power

One of the big opportunities missed during 2014 was around Combined Heat and Power (CHP). An assessment carried out for DECC concluded that specific support for CHP is not required to bring forward new plant – predicted higher costs of electricity relative to gas and also the introduction of the capacity market are expected to offer sufficient support. However, there is little current evidence that this will happen, with few CHP projects being progressed.

The potential of CHP continues to be under-delivered in the UK, with expected levels of deployment suggested by Government never being delivered. The forthcoming exemption of CHP from CPS taxation is welcome and we will continue to press government to monitor and incentivise CHP deployment. CHP is a good fit for the sector as both heat and power are used but there will be new plant only if polices are delivered to support the investment costs and operational complexities.

Energy efficiency

As major users of energy, CPI Members have a long track record in managing energy and continually cutting the amount of energy needed to make paper. As such, it will be interesting to see the impact of the Energy Savings Opportunity Scheme (ESOS) reporting – the scheme through which installations will be required to report on energy efficiency opportunities.

CPI continues to manage the sector Climate Change Agreement (CCA) and it looks likely that the sector as a whole will pass the first efficiency improvements set by the revised scheme. All UK paper mills are members of the sector CCA and so eligible for discount from the Climate Change Levy, as well as exemption from the Carbon Reduction Commitment (CRC). The CCA delivers a total annual saving of approximately £17m for the sector, plus a similar saving through the CRC exemption.

European Union Emissions Trading System

Industrial installations across the EU, including all paper mills above a low threshold, are required to participate in the EU ETS – the cap and trade emissions system designed to drive down emissions from power generation and heavy industry by limiting the amount of fossil carbon dioxide that can be emitted.

During 2014, the list of sectors accepted as ‘at risk of carbon leakage’ (the loss of investment and jobs to areas outside Europe with lower carbon costs) was reassessed and confirmed largely unchanged through to 2019, meaning that an element of free allocation to cover emissions arising from heat use will continue. In the UK, these free allocations are insufficient to cover direct site emissions, resulting in a shortfall of over half a million allowances.

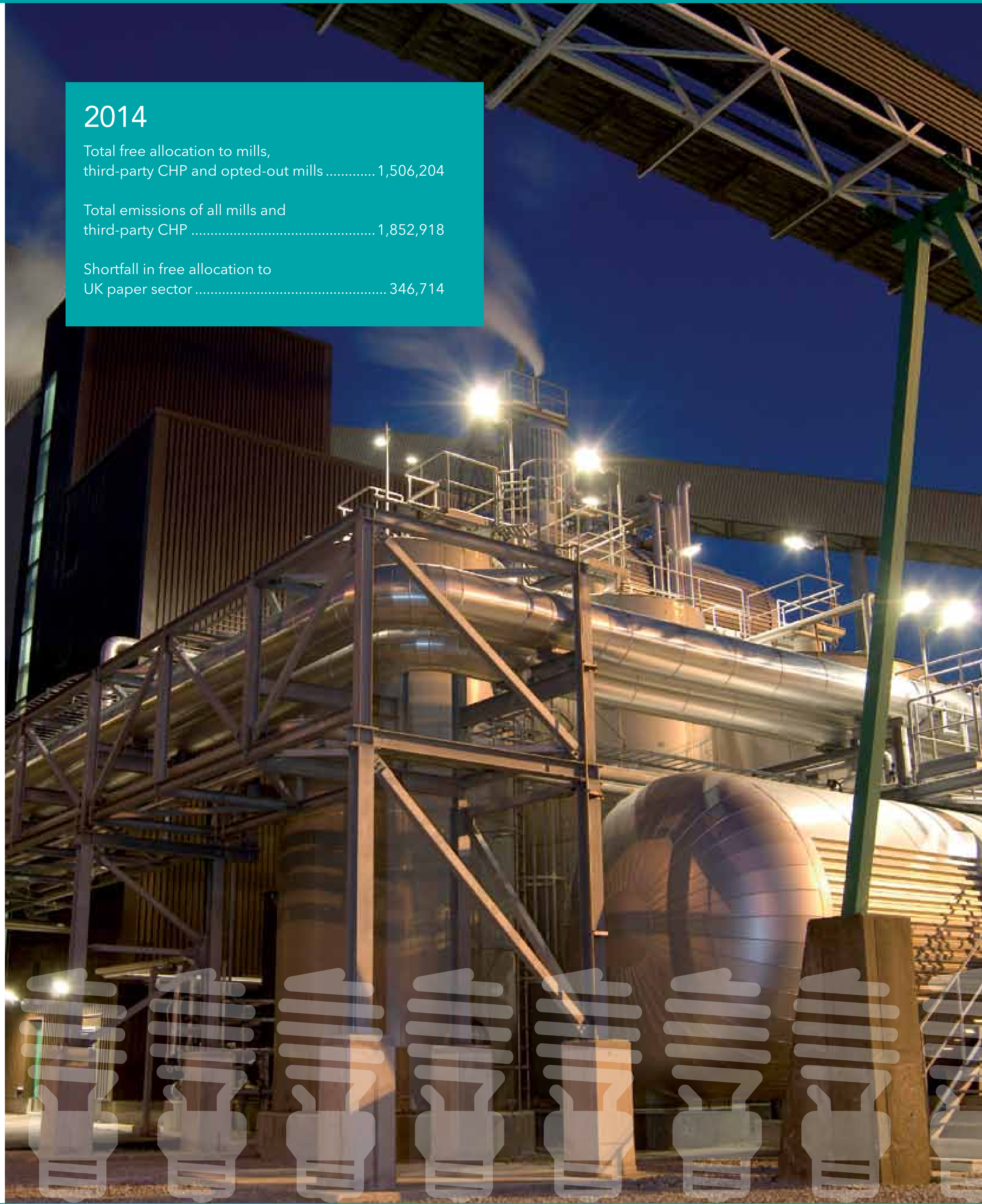
2015 will see a restructure of EU ETS for post 2020, and CPI will continue to liaise closely with officials and elected representatives to ensure views from manufacturing industry are properly taken into account. These negotiations are likely to have some elements of politics in play as there is a newly elected European Parliament; the UK general election in May 2015, and the current round of Climate Change talks are due to conclude in Paris in December 2015.

2014

Total free allocation to mills,
third-party CHP and opted-out mills 1,506,204

Total emissions of all mills and
third-party CHP 1,852,918

Shortfall in free allocation to
UK paper sector 346,714



Environment: Key Challenges for 2015

New Environmental Permits

The long awaited revision to the Pulp & Paper BREF - BAT (Best Available Techniques) Reference Document - was finally published by the European Commission in September 2014. The BAT Conclusions now take on legal status and the focus turns to implementation in individual Member States.

CPI has been closely involved in the successful negotiations of the revised BREF which, in general, is a reasonable outcome for UK mills. It is, however, critically important that UK Regulators - the Environment Agency (EA), Natural Resources Wales (NRW) and the Scottish Environment Protection Agency (SEPA) - implement the BREF in a consistent and reasonable manner. We are cautiously confident, given CPI's close liaison with the Regulators, that this will be the case. The BREF should set a level operational playing field across the EU. Any over-regulation will be to the detriment of UK industry and any temptation to gold plate the regulations must be resisted.

The original BREF was published by the European Commission in 2001 as guidance for setting permits under the Integrated Pollution Prevention and Control (IPPC) Directive. In the meantime, the rules changed with the introduction of the Industrial Emissions Directive (IED) which now gives a much greater significance to the BREF. The BREF defines what is considered to be BAT for the industry, as well as specifying emission levels expected when BAT is implemented – BAT AELs (BAT Associated Emission Levels).

BAT AELs are legally binding

Significantly, under IED, whilst BAT Conclusions are not prescriptive and alternatives may be used with justification, the BAT AELs are legally binding and will be incorporated into mill permits. All EU pulp and paper mills (with a production capacity over 20 tonnes per day) must be operating to BAT, or equivalent alternatives, and meeting the BAT AELs within four years i.e. by 30th September 2018.

The challenge in 2015 is that all UK mill permits will be revised to take into account the BREF and, specifically, the BAT Conclusions and AELs. The first step in this process is a formal gathering of information on the 'BAT status' of mills by the Regulator. All mills have been asked to confirm whether they are working to each applicable BAT Conclusion, either now or will be by 2018, and the same question asked about meeting the applicable BAT AELs, with evidence required to back up assertions for both. The quantity and quality of such evidence is potentially very subjective, with the Regulator acting as arbiter.

CPI, in conjunction with the Paper Industry Technical Association (PITA), is working to assist CPI Members through the permit review process. A workshop was held in January 2015, bringing the Regulators and industry together, with a focus on panel discussions around clarity of interpretation and the evidence required to demonstrate BAT. A common approach to interpretation of the evidence requirements and consistent implementation within mill permits is essential for the sector to remain competitive.

BREF integrated into new permits

Once the Regulators have all the information to determine the BAT status of mills, they will look to issue revised permits incorporating permit conditions necessary to achieve full compliance with BAT and BAT AELs by 2018. CPI will provide assistance to both mills and the Regulators through this process, either generically for sector-wide issues and consistency or individually as specific mill issues arise.

The target is for the majority of UK paper mill permits to have been revised by the end of 2015, clearly well ahead of the 2018 BAT compliance deadline. This approach is intended to avoid a last minute rush, and to allow proper consideration of compliance operations, the development of considered plans and the imposition of reasonable permit conditions. In particular, the move towards working to BAT will not be limited to technological changes, but will also encompass the use of operational procedures and management systems.

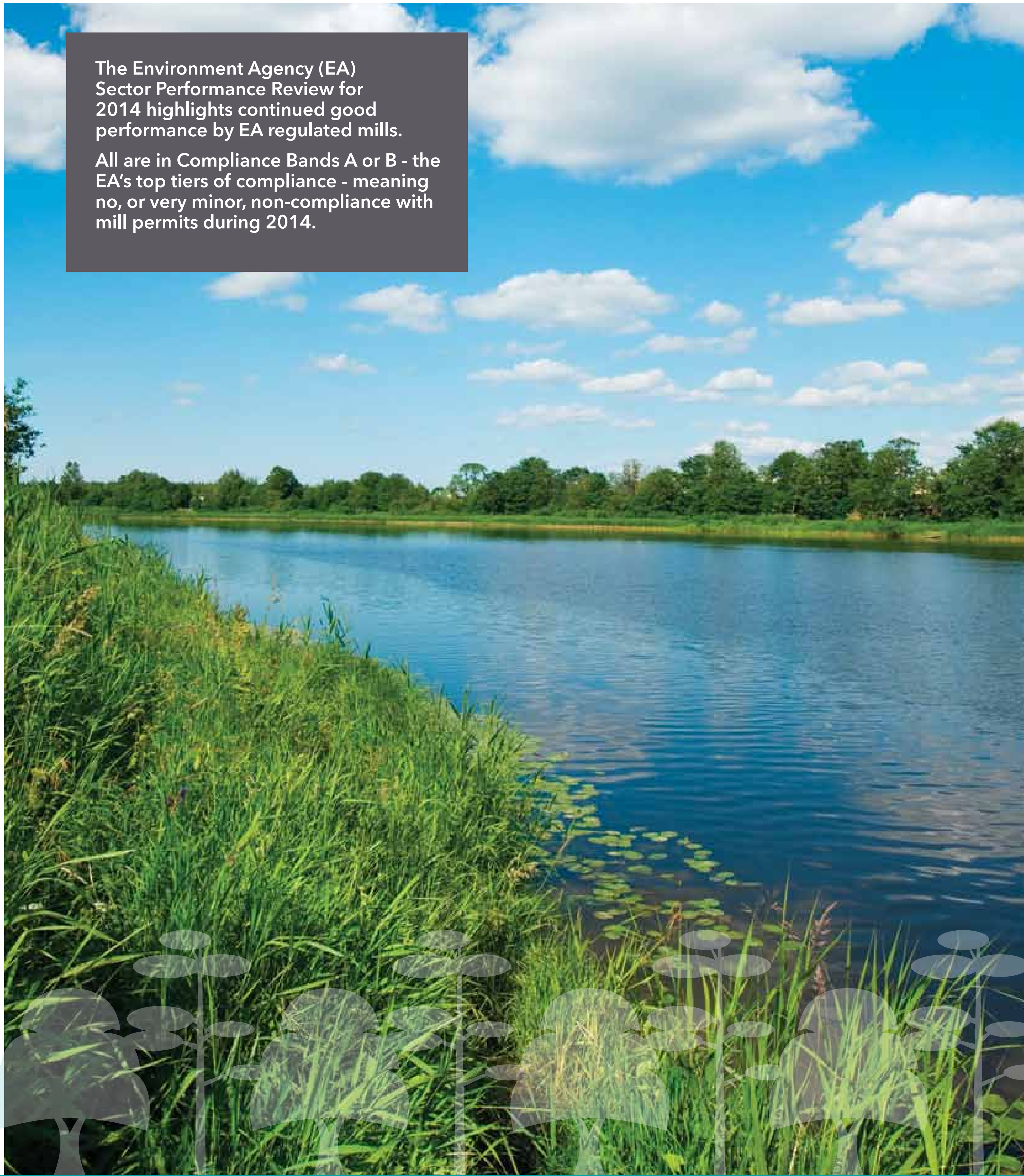
The UK is one of the first Member States to integrate the revised BREF into new permits and, as such, the process will be closely watched to build confidence that a reasonable approach is being taken – an important issue with so many CPI Members having sister mills elsewhere in Europe.

The expected collaboration over the BREF implementation is extremely helpful and a good example of the partnership approach preferred by UK Regulators.

Freshwater abstraction: reform of the regulatory regime

Water is critical to the operation of paper mills, with access to consistent and reliable, fairly priced resources central to mill operations. Water is used as a carrier for fibres, as well as being converted to steam for drying. Mill water systems are already carefully managed (and regulated), with the vast majority of water simply being borrowed, before purification and return to the environment. Any reform to abstraction rules must take these factors into account and respect the needs of established industries.

The current proposed reforms apply to England and Wales, with changes expected to come into force post 2020. However, the legislation for Abstraction Reform is to be finalised in 2015 and will include the mechanism for transitioning existing abstraction licences to the licences within the new regime. Applicable to all mills currently abstracting freshwater from surface water or groundwater, the reformed regime will aim to tie abstraction limits to water availability.



The Environment Agency (EA) Sector Performance Review for 2014 highlights continued good performance by EA regulated mills.

All are in Compliance Bands A or B - the EA's top tiers of compliance - meaning no, or very minor, non-compliance with mill permits during 2014.

Two key options are being considered, with catchment specific issues setting the rules in each area:

- A variable limit depending on water availability, or
- A variable share of the water available

Absolute abstraction limit values will go up or down depending on water levels in the catchment, assessed over a given frequency (yet to be determined).

Given the inherent complication of any such scheme, it is likely to be implemented on a catchment-by-catchment basis and in order of priority; potentially only implemented in catchments where water scarcity is or becomes a significant issue.

Water abstraction licences

Of more immediate impact will be the transition of abstraction licences into the new scheme which will begin once legislation is passed and will impact all current abstractors. A large number of licences, across all sectors, have substantial 'headroom' as current abstractions are well under their limits. Licences will be transitioned into the new regime based on quantities currently abstracted, not on existing limits. This is a challenge in itself - developing a simple formula for determining the 'quantities currently abstracted' across disparate sectors (such as energy, manufacturing, quarries, sports facilities, agriculture and fish farms), in which the quantity abstracted can vary from one day/week/season/year to the next.

Access to water is a valuable asset and the current headroom in licences is important for future operational changes. Whilst understanding the necessity for the link between abstraction and availability, a mechanism for access to water for growth and expansion is essential to gain investment and remain competitive. CPI continues to work closely with Defra and the EA/NRW on Abstraction Reform.

Working together with the Regulator

For these key challenges and the many other environmental issues we face, maintaining a good working relationship with the Regulator is crucial. The Paper Sector Group at the EA has brought industry knowledge and some consistency to regulating the sector. We continue to hold regular meetings on issues of industry wide importance, working with this group and jointly liaising with SEPA and NRW.

This work brought benefits in 2014 with the revision of the BREF and the approach to the review of permits in particular, and will continue to do so with the challenges of 2015.

Forestry and Forest Products

A renewable and sustainable resource

An important aspect of the UK Paper Industry is that it is based on a renewable resource – sustainably harvested forest fibre. While recycling is integral to the industry (over 70% of the fibres used to manfacture paper in the UK come from recovered paper recycled by households and businesses), virgin fibre is still required to replace fibre lost from the recycling loop. The recycling process eventually damages fibres, meaning that after a number of cycles the fibres become too short for reuse. Such fibre is not wasted – it finds good use as an agricultural soil improver, as an energy source, or increasingly for alternative uses such as in the Construction Industry. Fibre is also lost from the recycling loop because some paper is not available for recycling e.g. that used in books, or for hygiene products such as toilet tissue.

The production of virgin wood fibre in the UK is limited to two paper mills – Iggesund Paperboard in North West England and UPM-Kymmene's Caledonian mill in South West Scotland. Both mills make mechanical pulp (effectively grinding wood into pulp) which is used directly on site to make paper. Forest by-products, such as bark and forest waste, are used in modern on-site Combined Heat and Power (CHP) plants, meaning most of the energy used in the manufacturing process is also renewable.

UK pulp production is fairly stable at just under 5% of the timber harvested in the UK. The timber used is low-grade conifer timber, with harvesting providing important support for woodland management, as well as jobs and income for the rural economy. Other virgin pulp used in the UK is imported – predominately from elsewhere in Europe, but also from North American or South American plantations. Different pulps provide different characteristics in the finished paper – such as printability or strength.

Energy use

Increasing amounts of biomass are being used for energy production in a number of countries; such use often being subsidised as part of government policies to reduce the emissions of fossil carbon from energy production. While properly harvested biomass is renewable, the amounts available are ultimately limited. A number of well-established industries are already using biomass as a production material and this is expected to increase significantly as new bio-based products are developed. CPI, together with other sectors using forest fibre as a raw material, continues to call for biomass to be used efficiently - by producing energy from predominantly low-grade timber and otherwise waste materials in efficient plant such as CHP. Co-firing in low-efficiency converted coal power stations is not a good use of this valuable resource.

Use of independently certified materials

Independently certified materials are increasingly providing reassurance that paper is produced from sustainable sources. The industry works closely with the two main schemes - Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) - to ensure the schemes continue to work well and provide confidence to the public that certified paper is truly sustainable. The industry also continues to support the European Union Timber Regulations (EUTR) that requires those first placing timber and timber-based products onto the European Union market to ensure the timber was harvested legally. The legislation will be reviewed during 2015 and CPI will be arguing for the scope to be extended to include other related products such as printed materials.

Health and Safety

Paper and Board Industry Advisory Committee – PABIAC

In November 2011, phase three of the PABIAC strategic direction - *'Being the difference together'* - was officially launched. With that strategy having ended on 31 December 2014, this review looks at what the UK Paper Industry has achieved during this three-year period.

'Being the difference together' set out five objectives for the industry to work towards achieving:

- Near miss reporting
- Accident reduction
- Occupational Health
- Working together with strong and effective leadership
- Competence

Near miss reporting - 95% of sites that report into CPI now have a near miss reporting system in place, including a mechanism for accident investigation, employee representation and a review process.

Accident reduction - With the exception of the Recovered Paper Sector, CPI Members have seen a dramatic reduction in both RIDDOR and non-RIDDOR (over-three-day) injuries.

The Papermaking Sector has recorded a massive 50% reduction in its injury rate performance, while the Corrugated Sector has recorded a 29% improvement.

Change in sector injury rates from June 2011 to Dec 2014:

- Papermaking & Tissue - from 1081 to 536 *(= 50% reduction)*

- Corrugated - from 803 to 571 *(= 29% reduction)*

- Recovered Paper Sector including the Recycling Association - from 385 to 635 *(= 65% increase)*

- All Industry Rate - from 859 to 563 *(= 34% reduction)*

Source: CPI Statistics

It is important to note that, while the percentage increase in the Recovered Paper Sector's injury rate is disappointing, the injury rate of 635 for the sector, as reported to the Health and Safety Executive (HSE) under Standard Industrial Classification (SIC) 2007, is considerably below that of 1,866 for the Waste and Recycling Sector as a whole.

The overall downward trend across the industry is no accident, but is the result of an effective framework put in place by CPI to improve work practices across the industry and greatly reduce the number of health and safety incidents at Member sites.

Occupational Health – The inclusion of occupational health for the third consecutive strategy serves as a reminder of the importance of integrating health as part of an industry action and of building on previous achievements in this area. Considerable progress has been made, with more sites than previously now having at least identified the main causes of ill health within their businesses, having an action plan to deal with these issues and having more access to competent occupational health advice. However, there remains room for improvement in the integration and coordination between 'safety' and 'health'.

Working together – In recognising the importance of employee engagement, there is strong evidence that the Paper Industry does engage with employees on all aspects of health and safety. This involvement includes collaboration on risk assessments and operating procedures, strong and active health and safety committees and good communication channels. The signing of the PABIAC pledge to commit to its strategic objectives, by 105 site MDs and their senior site trade union officials, further demonstrates this commitment.

Competence - Of all the objectives that were chosen, 'competence' in relation to how employees undertake tasks has probably been the most challenging. In considering what necessary skills and experience are required, over 70% of respondents to CPI's PABIAC mid-term survey have carried out a skills gap analysis, identified a training programme, and developed an action plan. The development of the PABIAC 'Competence' toolkit, which was issued in August 2014, will further assist those businesses that have yet to fully address this objective.

Three years hard work has seen the UK Paper Industry continue to build on previous strategies and make good progress.

Looking Ahead - 2015

A new PABIAC strategy – *'Health and Safety - It's more than just a paper exercise'* - has been agreed, and contains three objectives: Machinery Safety, Slips and Trips, and Occupational Health.

Machinery Safety

Each sector has new guidance for machinery safety – Making Paper Safely 2; Casemaker guidance, and baler and compactor standards. The industry will be encouraged to use the new guidance and standards to benchmark itself against existing safety guarding arrangements and control procedures.

Slips and Trips

Slipping and tripping accidents are the single most common cause of injury in the UK Paper Industry - representing 24% of all injuries. On average, 96.3 hours are lost per accident and the cost to businesses is thousands of pounds a year in lost production and other costs.

Figures from the monthly near-miss reports show that slips and trips account for around 25% of all near misses in the workplace. All these statistics point towards setting a targeted slips and trips accident reduction rate.

Occupational Health

PABIAC recognises the need to build on and consolidate past achievements. Hence, within the new strategy, businesses will be challenged to implement a programme to reduce work-related ill health and to specify Key Performance Indicators for occupational health.

Working together

For each of the above objectives, PABIAC will set accident reduction targets but, in addition and in a move away from just measuring our performance reactively, each objective will feature some 'leading indicators' for businesses to work towards. There is also the expectation that employers and employees will continue 'working together' to help shape, plan and implement solutions.

PABIAC Strategy Launch 2015

The new strategy will be launched by Judith Hackitt CBE, Chair, Health and Safety Executive, at the CPI Biennial Health and Safety Conference on 30 June 2015.

For the 10 years since PABIAC was reconstituted to reflect the needs and aspirations of the then newly re-formed CPI, there has been a genuine recognition, at the heart of each strategy, of the progress the Paper Industry has made and continues to make. Equally, and in order to keep the momentum going, we have to continue to challenge but to do this when businesses are facing a myriad of other challenges is no mean feat. We will continue to encourage information sharing on a regular basis through our *Safety Alerts, Injury Statistics Reports*, and regional health and safety meetings.

Through this latest strategy, CPI will continue to drive improvements in the industry's delivery programme.

Whilst we are targeted and measured as an 'INDUSTRY', our achievements demonstrate that health and safety continues to be a core value for all CPI Members.

When CPI Members were surveyed on the question: how important is health and safety within the business?, 87% answered "very to extremely important".

The Circular Economy and other challenges

A zero waste programme for Europe

A circular economy is an alternative to a traditional linear economy (make, use, dispose) and is one in which we keep resources in use for as long as possible, extract the maximum value from them whilst in use, then recover and regenerate products and materials at the end of each service life. *(Source: WRAP)*

On 2 June 2014, the European Commission adopted the EU Circular Economy Package *('Towards a circular economy: A zero waste programme for Europe')*. Its intention was that a package of changes would update a number of existing waste directives and set them within a wider context of a more sustainable and greener economy that would seek to make Europe's resources secure, whilst at the same time creating thousands of jobs.

Challenging targets

Amongst the proposals were several, very challenging, new recycling targets – general municipal waste up to 70% by 2030, paper packaging waste up to 85% by 2020 and 90% by 2025. It also proposed a total landfill ban on paper and board by 2025.

CPI welcomed, in principle, the challenging approach to tackling the unnecessary disposal, via landfill or incineration, of genuinely recyclable resources such as paper and board. However, a number of the proposals in the package proved controversial, with extremely high targets for recycling and changes to the methodology for calculating recycling rates. We were also concerned that legislation should not discriminate between different packaging materials as recycling rates and recycled content are key aspects of competition between materials.

Numerous discussions with key stakeholders took place over the latter part of 2014. One particularly constructive workshop, which took place in London on 31 July with Defra and BIS colleagues, provided a good opportunity for industry feedback on the proposals. There was general support for the concept of a 'Circular Economy' and Defra's realistic views on the costs and achievability of the proposals were welcomed.

A joint position paper, agreed with the Confederation of European Paper Industries (CEPI), included the proposal to set a paper packaging target of 80% by 2020, but defer any decision about further targets until the new performance methodology had been agreed.

Circular Economy at the heart of EU thinking

However, in mid-December 2014, the European Commission withdrew its plans to introduce a circular economy package, with First Vice President, Frans Timmermans, promising a "more ambitious proposal". We await developments with great interest but, in the meantime, it leaves us in the dark as far as future waste legislation is concerned. All that we can say is that the concept of a circular economy being at the heart of future EU thinking is very likely. Together with CEPI, we will continue to monitor developments, especially in light of the European Parliament's decision to produce a circular economy package of its own!!

This confusing state of affairs has been further compounded by our own regional assemblies which have been busy developing their own approaches to recycling and the bizarre decision by Defra in England to "step back in areas of waste management where businesses are better placed to act and there is no clear market failure". This approach was severely criticised in the House of Commons by the Defra Select Committee, whose report included several recommendations which, thankfully, reflected CPI evidence to the committee.

Separate collection mandatory

Under existing EU legislation, it became mandatory from January 2015 for all Member States to collect paper, glass, metal and plastics separately. In the UK, particularly in England, this has proved to be highly controversial. Defra introduced a 'TEEP' test which means that local authorities only have to comply if separate collection is 'necessary' and 'technically, environmentally and economically practicable' – without defining what was deemed to be 'necessary' or 'TEEP'. This could well expose some local authorities to legal challenge, especially those that enter new co-mingled collection contracts with waste management companies.

Two overriding factors will determine the quality and quantity of material from the waste stream. Firstly, strict enforcement of the EN 643 quality standard by the environment agencies throughout the waste stream and, secondly, restrictions on what materials can be sent for energy from waste (EfW) generation. Overcapacity in EfW will inevitably mean that perfectly recyclable waste will end up in incineration and not back at the mills. These two issues will continue to be central to CPI lobbying during 2015.

Fire guidance

Following a spate of fires involving stored waste materials, the Environment Agency issued new guidance on storage, which is both impractical and at odds with existing Health and Safety Executive (HSE) and Insurance Industry guidance. A number of interested agencies have been involved in extensive discussions and this has resulted in further guidance – this time from the Waste Industry Safety and Health (WISH) Forum. CPI continues to attempt to influence the direction of this debate as current proposals are simply not practicable and carry with them huge cost implications, particularly in relation to stack heights and separation distances.

Quality not quantity

CPI has continued to work closely with the Engineering Employers Federation (EEF) in lobbying for an Office of Resource Management to be set up within BIS – so taking responsibility away from Defra for all waste and resource issues. There needs to be a more coordinated approach to the issues outlined above and right across government. End of life materials need to be seen as a resource and not a waste simply to be disposed of. Quality needs to overtake quantity in the approach to recycling and remanufacturing. We will have to await the outcome of the May 2015 election to judge whether our lobbying has paid off.

CPI and our colleagues in Europe are also closely monitoring developments in Germany with regard to ordinances on printing inks and mineral oils, which could have serious implications for paper recycling across Europe.

We enter a period of real uncertainty over the direction of future waste and resource policy. CPI will remain vigilant and continue to promote the intrinsic values of paper as a recyclable resource and to lobby for a legislative environment in which quality is the key driver in any future dialogue on the 'circular economy'.

Employment Affairs

Information and expert guidance

CPI's Employment Affairs continues to provide a valued and highly regarded service to CPI Members. Services offered include information and expert guidance on working arrangements and annual hours, employment law and general HR topics.

Leading negotiations between industry and the unions on annual pay and conditions is a core part of the work of Employment Affairs. The National Agreements in the Papermaking and Corrugated sectors have helped to achieve reasonable pay and conditions awards for the unions and those CPI Members conforming to the agreements. The cost of these pay awards can be offset by local productivity negotiations if necessary.

Whilst the Papermaking sector continued its custom of reaching a one-year settlement for both 2014 and 2015, the Corrugated sector, after protracted negotiations, concluded a two-year settlement covering 2014 and 2015.

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, and so helping to maintain the industry's good industrial relations record.

PAPER MYTHS AND FACTS

A BALANCED VIEW

Did you know that, on average, corrugated boxes contain 76% recycled fibre? Or that efficient packaging reduces damage in transit from more than 30% to below 5%?

It's a myth to believe that we use too much packaging.

It's a fact that packaging manufacturers are legally required to ensure that they do not use more packaging than is necessary.

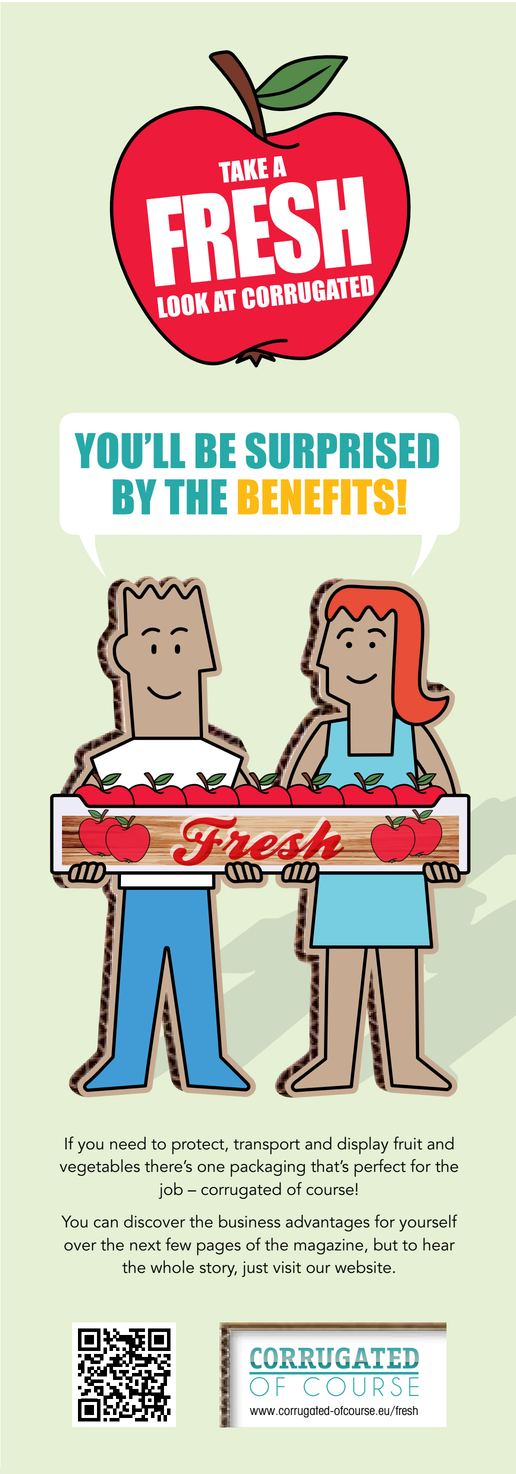
Over 80% of all corrugated packaging is collected for recycling. This superb recycling rate prevents an area of board the size of Greater London from going to landfill every four months.

Corrugated Packaging is the most recycled packaging material in the UK.

To order copies of CPI's booklet on Paper Myths and Facts, and for further information on this and other paper myths and facts, visit our website at www.paper.org.uk/mythsandfacts

Spread the word.....
order your copies and pass them on!

Packaging Affairs



Protecting products and reducing food waste

For many years, packaging has been criticised as wasteful and unnecessary when in fact the opposite is true. Packaging has a fundamental role to play in protecting products and also in reducing food waste which has a far greater impact on the environment.

CPI has long been at the forefront of representation to Government and other organisations to remind them of these facts and we are very pleased to see a growing recognition of this important CPI role by Government and other commentators.

Packaging Affairs within CPI continues to cover three main areas: addressing regulatory concerns on matters such as food contact and the environment; promoting the industry through an active communications campaign, and forming links with other trade associations, including our colleagues in Europe.

Regulatory matters

The Paper-based Packaging Industry continues to face a number of issues in the areas of food contact and the environment. The CPI Corrugated Issues Committee led on these issues throughout 2014.

Concerns have been raised in recent years about the presence of mineral oils in recycled paper fibres and while this issue has remained quiet in the UK in recent months, CPI has followed the ongoing proposals for German national legislation. These proposals now extend to measures on the use of Printing Inks. In both cases, we have maintained that the possibility of such national legislation is disruptive to the European Single Market and that any legislative measure, if indeed it is required, should be addressed at a pan-European level in Brussels.

Many other food contact matters were covered throughout 2014, including the development of the BRC/IoP Hygiene Standard; the treatment of Borax (used as part of the starch glue for corrugated conversion) under REACH legislation, and the impact of the ban on Bisphenol A (BPA) in France, effective from January 2015. CPI is pleased to continue its involvement with supply chain colleagues in the area of food contact through the Food Packaging Value Chain (FPVC), which presents a single voice to customers and retailers.

A number of environmental issues effecting packaging to varying degrees were addressed throughout 2014. In all cases, we benefited from the experience of our papermaking colleagues for whom these matters are often more significant. We continue to follow Product Environmental Footprinting (PEF) and the regulation of biocides in paper packaging. We also had to consider the assessment of Medium Combustion Plants and the increasing regulation of water – new issues in 2014.

Our opinions on these matters are set out in a series of CPI Position Papers available on our website. These Position Papers will be further developed and updated in 2015 as we follow those issues and, doubtless, face a range of new issues.

Towards the end of 2014, the CPI Corrugated Issues Committee widened its remit to consider matters effecting all paper packaging, such as the levy on carrier bags that already exists in Scotland and Wales and will be introduced in England in October 2015. From 2015, all of these wider matters are now addressed by a newly named CPI Packaging Technical Committee, which includes a broader representation from CPI membership.

Promoting the Corrugated Packaging Industry

A programme to promote the benefits of paper packaging has been running for some years, and with the recent focus on streamlining and consolidating a number of the programme's projects - almost all of which exceeded their targets - 2014 can be counted as a particularly productive year.

Conventional trade media

The core of the programme remains an approach to readers of conventional trade publications, both hardcopy and online, across a number of key industrial sectors. This approach comprises a regular series of press releases and specific feature articles targeted at a small number of key titles. Importantly, we can demonstrate that we are not only exceeding targets for volume of hits - media hits exceeded target by almost 50% during 2014 - but we are also achieving coverage in our chosen key titles.

Social media

Recognising the importance of this new form of communication, the Corrugated Sector has run its own successful Twitter account (@CorrugatedCPI). We are very pleased with the number of followers and level of retweets achieved, and can now consider this to be one of the leading global Twitter accounts for paper packaging. An enhanced programme is planned in 2015, seeking new followers and utilising the capabilities of Twitter with a series of 'promoted tweets'.

YouGov survey of paper vs plastic packaging
Over the summer of 2014, CPI commissioned YouGov to undertake a survey of consumer opinion regarding preferences for paper and plastic packaging. We were pleased to receive the results which confirmed that, of the 2,289 people surveyed nationally, 57% stated a preference for their grocery and food to be in paper packaging, with just 8% preferring plastic (the remainder were undecided or had no preference).

Engagement with Retailers
The Corrugated Industry has long maintained that better communication throughout the supply chain will be to the benefit of all parties. We welcome opportunities for the exchange of ideas and to understand the downstream retail experience.

During 2014, CPI was contacted by a major retailer exploring potential packaging solutions in its home delivery service, a sector which is expected to grow significantly. CPI coordinated a team of representatives from across the UK Corrugated Industry to explore the opportunities for providing corrugated solutions in transit alongside the existing plastic totes.

Working with other associations
An important and valuable part of our programme supporting packaging is in forming strong links with other trade associations, for example our continuing support of both the Packaging Federation and INCPEN Trade Association Group (TAG).

Additionally, in 2014, CPI has forged a number of new liaisons:

Paper Packaging Forum
There are several UK trade associations operating in the paper packaging arena, each with different memberships and objectives. CPI has led an initiative to bring the associations closer together and now holds the Chair of an informal structure known as the Paper Packaging Forum. This forum brings together the Corrugated and Cartons industries, as well as including the Paper & Board Association and ACE-UK.

The Forum provides a valuable opportunity to understand the activities of each association; it also gives the opportunity to unite and speak with one voice on a range of regulatory issues and marketing projects.

Packaging Recycling Group Scotland (PRGS)
The Scottish Government has taken a strong line on packaging and is calling for measures that could threaten the Packaging Industry, including a returnable deposit on primary packaging, aimed of tackling litter. While a deposit scheme is unlikely to have an impact on paper packaging, other measures are expected in relation to recycling and therefore CPI is pleased to support the objectives of PRGS.

Soft Drinks Sustainability Roadmap
A Roadmap to improve the future sustainability of the soft drinks industry is being led by the British Soft Drinks Association (BSDA) and is primarily addressing the use of raw materials, particularly water. CPI has agreed to take a key role in a proposed packaging programme aimed at raising awareness of the importance of packaging in protecting and transporting products.

FEFCO
Importantly, our participation in the work of the European Federation of Corrugated Board Manufacturers (FEFCO) enables the UK Corrugated Industry to benefit from an exchange of best practice with our colleagues and partners in other countries.

FEFCO London Summit: 'Re-igniting the Flame' (4-6 June 2014)
CPI was pleased to host and assist in the organisation of this biennial marketing conference which took place in London. Taking its inspiration from the successful 2012 London Olympics, a number of topics were discussed including the challenges facing the Corrugated Industry, how to improve end-user perceptions, and the impact of EU legislation. More than 300 top packaging professionals, from all over the world, attended the FEFCO Summit.

'Meet Paper and Board' Brussels Reception for MEPs (3 September 2014)
This Reception, jointly organised by both the Confederation of European Paper Industries (CEPI) and FEFCO, was held in Brussels to inform MEPs about the issues facing the Paper Industry and, in particular, the challenges and impacts of EU policies on our industry. The event was a great success with 30 MEPs present over the course of the evening. It also represents a positive step forward in terms of closer cooperation between CEPI and FEFCO.

Decision to join CITPA from 2015
CPI follows a wide range of regulatory issues in the areas of food contact, recycling and environment, many of which are coordinated through FEFCO in Brussels to arrive at an agreed position for the European Corrugated Industry. FEFCO and the many other voices for paper packaging come together as one united voice through the International Confederation of Paper and Board Converters in Europe (CITPA). CPI is pleased to announce that, in order to support and promote a greater understanding of paper packaging issues, it joined CITPA in January 2015 as a full Member.

Communications

Raising CPI's profile

CPI continued to successfully raise its profile in 2014 through both trade and political media. Thirty press releases were issued on a range of topics, including Spring Budget and pre-budget recommendations; recycling rates; weekly refuse collections; sulphur content of marine fuels; CPI's PaperWorks multimedia schools resource, and corrugated packaging.

A number of features appeared in the trade press, including Paper Technology, Energy Focus, Materials Recycling World, Recycling & Waste World, and Resource Magazine.

CPI also placed a higher number of advertorials in key political titles during 2014. These included the Party Conference editions of Politics First and the House Magazine, Government & Public Sector Journal and a very well positioned piece in ModernGov – a full colour page situated between David Cameron's and Ed Miliband's articles in its Party Conference issue.

We will continue this level of engagement in 2015.

An issue covered by a number of press releases, features and advertorials throughout 2014 was the 'Basta! Get back on track!' campaign. Basta - a Spanish word meaning "enough is enough" - was launched in January 2014 by the Confederation of European Paper Industries (CEPI).

The campaign seeks to make Europe a better place for manufacturing, which means creating a legislative environment in which European manufacturers can compete on a level playing field with other manufacturers throughout the world. This means ensuring legislation is appropriate, affordable and consistent.

Further information about the campaign can be found at http://www.getbackontrack.info/

Keeping Members up to date

CPI keeps its Members fully informed on issues effecting them and the industry through regular direct contact as well as through our *DG's Reports, Member Circulars, Health & Safety Alerts, Statistical Reports* and our fortnightly newsletter *CPI News*. Members are also alerted to updates made to the CPI website through our weekly *Web Updates* email.

In 2014, *Member Briefings* were published giving advice and guidance on the following subjects:

- International Standards in the Context of the UK Paper & Packaging Industry
- Mineral Oils in Recycled Paper Packaging
- Borax and the Process of Authorisation under REACH

Further briefings will be published as issues develop.

Our *DG's Report*, produced three times a year in hard copy, is sent to Member Company CEOs and Senior Managers to keep them informed on the work of CPI and of developments and progress on industry issues, including updates on Government liaison and lobbying.

Member survey

To help CPI develop as a Trade Association, and continue to serve the needs of its Members, CPI conducted a survey in 2014 of its Member Company CEOs and Senior Managers. The survey covered six areas – General Information; Industry Issues/Activities; Councils and Committees; Senior Management Symposium; Communications, and PaperWorks.

We received a good response from Members, with the general consensus being that the broad spectrum of issues dealt with by CPI does reflect the current needs of the industry.

The most important activities identified related to lobbying – especially representation of industry interests to UK Government and relevant agencies. Of the 92 respondents, 77 rated CPI's work as good to excellent. This endorsement is important as lobbying, along with communications, is seen by us as the key activity for CPI and its staff.

The results showed that the majority of respondents rated CPI's performance on energy, environmental matters, and health and safety as good to excellent. On the whole, CPI communications, including the website, were rated as moderate to very highly.

As a result of the survey findings, CPI has prepared and adopted an internal plan to ensure that Members' expectations continue to be met.

PaperWorks

CPI's online schools education resource (see page 31) continued to prove successful throughout 2014.

The resource was updated in September 2014 to reflect changes in the National Curriculum, particularly in Art, Science, Design and Technology, and Geography.

The recently included Design and Technology module for Cardboard Packaging supports the Corrugated Industry's aim to counter some of the common misconceptions around what has always been one of the most sustainable and forward-thinking manufacturing sectors in the UK.

The module includes a competition in which schools are invited to design a packaging solution for one of a number of realistic and practical design briefs. Having received a wide range of entries, which were judged by a panel of industry professionals, CPI was delighted to announce that the winner in 2014 was the Wirral Grammar School for Girls. The judging panel felt that entries in the competition were all of a high standard but the winning entry responded particularly well to the criteria outlined in the design brief.

New for the 2014-2015 academic year, CPI is pleased to announce a partnership with CartonVille (www.cartonville.co.uk), an interactive website that takes students on a tour of the life cycle of a cardboard box.

CPI will continue to promote PaperWorks through email and postal campaigns direct to teachers, and through active industry support in local schools. Together we can all help to spread the message that the Paper Industry is a modern, sustainable and environmentally responsible industry.

Online

The CPI website is well established as our primary communications tool and, as such, hosts a wealth of public information, including Fact Sheets, Guidance Documents, Press Releases, Position Papers, Myths and Facts, and much more. The site caters for Members, the wider community and educational bodies, as well as the press and media. Regularly updated, the website continues to receive high volumes of traffic.

Stating our Position

A series of Position Papers, which represent CPI's stance on key industry issues, were published on the website in 2014. These will be reviewed and updated on a regular basis with further Position Papers published as new issues arise.

Current Position Papers include:

- Future UK Residual Waste Infrastructure Capacity and its Feedstock
- Paper and Board in Food Contact Applications
- Levy on Single-Use Carrier Bags
- European Union Emissions Trading System (EU ETS)
- Climate Change Agreements
- Recycled Content in Corrugated Packaging
- Carbon Reduction Commitment - Energy Efficiency Scheme
- Paper for Recycling

CPI Full Members have access, through a Members Only area, to a wide variety of information including industry statistics, committee agendas and papers, copies of *CPI News, DG's Reports, Member Circulars*, consultation responses, Member Briefings and more.

Visit the website at: www.paper.org.uk

Lobbying in the UK and Europe

CPI has built a considerable network of relationships with Government and its departments to ensure Members' interests are represented throughout Westminster and Whitehall. CPI's unique position for collecting, analysing and disseminating data on the UK's Paper-based Industries is well recognised, as is its expert knowledge. As such, 2014 saw several high-profile ministerial meetings and a high level of correspondence with MPs and UK MEPs.

Our *MPs Briefing and MEPs Briefing* were printed and mailed in January, May and October 2014 to all MPs and UK MEPs respectively, keeping them informed of industry issues and highlighting key areas where they can help to influence government policies and keep issues visible in Europe. We will continue to publish these briefings in 2015.

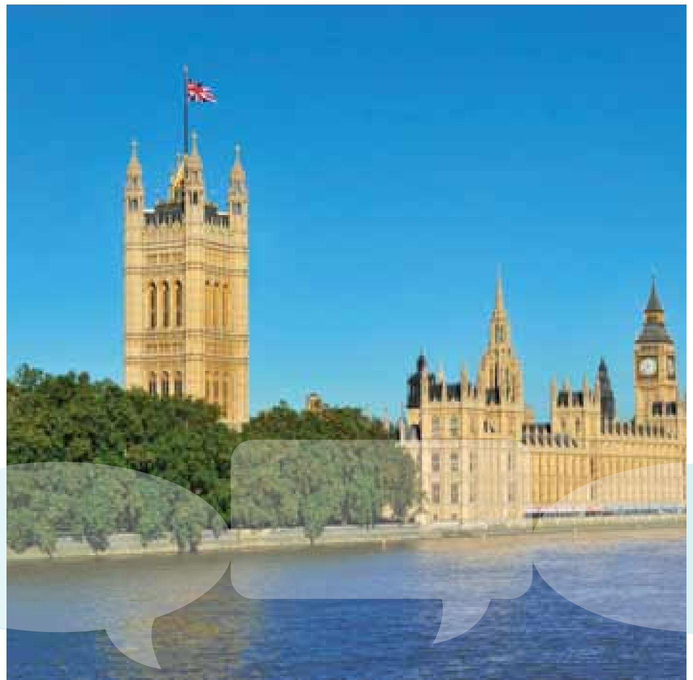
In response to the briefings, a number of MP visits to Member sites took place in 2014.

Letters to Ministers

We continue to write to Ministers and Shadow Ministers to ensure the Government and Opposition are aware of CPI Members' concerns around government policy affecting the competitiveness of our industry.

The subject of these letters included:

- European Paper Industries' Approach to Transitioning to a Low Carbon Economy - *Amber Rudd*
- Rural Paper Industry Debate - *Iain McKenzie and Guy Opperman*
- Support of the Application for an Underground Gas Storage Facility - *Michael Fallon*
- Spring Budget, Budget and Autumn Statement - *The Chancellor*



- EU ETS Carbon Leakage Status - *The Prime Minister, Michael Fallon, Vince Cable and Ed Davey*

CPI Director General, David Workman, also wrote to all UK prospective candidates in the European elections highlighting the Basta! campaign and calling on candidates to support a fresh approach to industrial policy in Europe.

CPI was also a signatory to a letter sent from the EEF's Materials Security Working Group to Vince Cable, Ed Davey, Matt Hancock and Amber Rudd, urging support for new gas-fired CHP. The Working Group comprises CPI, EEF, Greenpeace, the Food and Drink Federation, the UK Petroleum Industry Association, Combined Heat and Power Association, and the WWF.

In the months leading up to the Chancellor's 2014 Spring Budget, Ministers and officials at the Treasury, BIS and DECC were lobbied extensively by CPI for measures to ease the legislative burden being placed on our industry by government policy. Many of our letters received personal responses from Ministers, including the Chancellor himself. Indeed, he specifically mentioned the plight of the Paper Industry in his last two Budget speeches.

We have also received a personal response from David Cameron as Leader of the Conservative Party.

This level of engagement will continue in 2015, both pre and post election.

Consultations

CPI responds to government consultations after seeking and incorporating the views of CPI Members. The consultations in 2014 included:

- Compensation for the Indirect Costs of Renewables Policies
- Reducing Fire Risks at Waste Management Sites
- CUSC Modification Proposal 224
- Emission Trading System (ETS) post-2020 carbon leakage provisions
- Inquiry into Waste Management in England
- Abstraction Reform
- Community Guidelines on State Aid for Environmental Protection
- Environment Agency Enforcement & Sanctions Guidance for EU ETS, CRC and CCA
- Environment Agency H2 Energy Efficiency Guidance Amendments
- Scottish Government Implementation of Energy Efficiency Directive Article 14 (5)-(8)
- ISO14001

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 the Packaging Manufacturing Industry
- The All-Party Parliamentary Manufacturing Group
- The All-Party Parliamentary Sustainable Resource Group

Representation in Europe

CPI continues to represent Members at a European level through its work with the Confederation of European Paper Industries (CEPI), European Federation of Corrugated Board Manufacturers (FEFCO), European Tissue Symposium (ETS), and the International Confederation of Paper and Board Converters in Europe (CITPA).

Alliances

To help get its messages heard, CPI works through alliances with a number of organisations within the Industry, including:

- Advisory Committee on Packaging (ACP)
- Food Packaging Value Chain
- EEF Materials Security Working Group
- Emissions Trading Group (ETG)
- Energy Intensive Users Group (EIUG)
- IPPC Sounding Board
- Manufacturers Climate Change Group (MCCG)
- Packaging Recycling Group Scotland (PRGS)
- Paper Packaging Forum (PPF)
- The Packaging Federation (PackFed)
- The Industry Council for Research on Packaging and the Environment (INCPEN)
- Waste & Resources Action Programme (WRAP)

Speaking opportunities/events

Opportunities arose throughout 2014 for CPI staff to speak, or join a panel discussion, at various industry events, including:

- End of Waste and Quality Protocols Conference, *January 2014*
- Resource Event - Packaging focus panel - increasing reuse, collection, and consumer behaviour, *March 2014*
- CIWM South West Centre Open Seminar on TEEP, *July 2014*
- Professional Publishers Association (PPA) Annual Sustainability Summit, *November 2014*
- Paper Industry Technical Association (PITA) Energy Event, *November 2014*

With a completely new format, CPI's Biennial Health and Safety Conference will be held on 30 June 2015 when Judith Hackitt, Chair, Health and Safety Executive, will be launching the new PABIAC Strategy *'Health and Safety – It's more than just a paper exercise'*. Further information can be found on the conference website at www.paper.org.uk/biennial/biennial.html.

Social media

CPI's Twitter following has continued to grow since its launch in 2013. Regular tweets are posted on a variety of topics from press releases and links to industry events, to key press articles and advertorials. Twitter is also an ideal platform for direct engagement with CPI and Member companies and for promoting positive messages about paper.

We will continue to strengthen our social media presence through 2015.

follow us @ConfedofPaper

PAPER MYTHS AND FACTS

A BALANCED VIEW

Did you know that single-use paper towels help prevent the spread of bacteria and cross contamination?

Research shows that paper towels are more hygienic than warm air hand dryers and the more modern jet air hand dryers.

It's a myth to think that rainforests are being destroyed to make paper towels. In reality, over 70% of the fibres used to make paper in the UK come from paper collected for recycling. The rest come mainly from virgin wood fibre from trees grown in sustainably managed and certified forests.

Paper towels are made from a sustainable and naturally renewable resource.

To order copies of CPI's booklet on Paper Myths and Facts, and for further information on this and other paper myths and facts, visit our website at www.paper.org.uk/mythsandfacts

Spread the word.....
order your copies and pass them on!

PaperWorks

Interactive Multimedia Resource for Schools

Exciting free resource from the UK Paper Industry

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.

Review of Market Data 2014

Capacity

Although 2014 saw no further capacity closures, those in 2013 and those announced for 2015, will have a significant impact on UK volumes reported by CPI, in particular for the Papermaking Sector's declining and increasingly marginal capacity base for graphics. In contrast, the startup of the new machine at Smurfit Kappa Townsend Hook the spring of 2015, together with the two announcements of possible further tissue machines, suggest the thriving Packaging and Hygiene Sectors are still in rude health.

Apparent consumption of paper and board

From 2014 onwards, CPI adopted a new method of estimating paper and board consumption - in line with that used by CEPI and using data from different sources. Previously calculated as Home Sales + Imports, consumption is now calculated as Production – Exports + Imports, and by this method a volume of 9.33 million tonnes is estimated to have been consumed in the UK during 2014. This represents a 0.5% decline on the recalculated volume for 2013 of 9.37 million tonnes.

The Packaging Sector, and Corrugated Case Materials in particular, continued to exhibit good growth, with the latter posting a further rise of 3.1% to 2.25 million tonnes. The Tissue Sector, however, fell back somewhat with parent reel consumption declining by over 2% to 988 kTonnes. HM Revenue and Customs data indicates a significant increase in parent reel importing, slightly offsetting the volumes lost with the closure of Kimberly-Clark's Coleshill mill in the previous year, and a smaller increase in imports of converted tissue products. The Graphics Sector continued recent declines, losing a further 70,000 tonnes of market mostly in the coated segment. Newsprint consumption fell back by a further 10,000 tonnes to 1.403 million tonnes (-1.6%) and the year culminated with the announcement of capacity closure at UPM's Shotton mill.

Production and deliveries of paper and board

The impact of closures during 2013, permanent and temporary, had a significant impact on the output of paper and board during 2014, with production falling by almost

4% to 4.39 million tonnes. Newsprint production fell further, by 6.0% to 1.16 million tonnes and will fall further still during 2015 with closure of PM 1 at Shotton noted above and the collapse into administration of Aylesford Newsprint early in 2015. Corrugated Case Materials also fell back, by 5.3% to 1.33 million tonnes but for reasons of capacity closure rather than declining markets, as did the Tissue Sector with parent reels production falling to 768 kTonnes (-4.2%). Growth of 4.4% was seen in both the Packaging Board and Speciality Sectors.

For deliveries, imports remained stable at 5.9 million tonnes thereby gaining market share against declining domestic supply. The largest growth was seen in Corrugated Case Materials (+7.9% year on year to just over 1 million tonnes), Newsprint (+6.8%, just short of half a million tonnes). The bulk of the remaining imports were in Printings and Writings and Packaging Boards, both declining. Domestic deliveries and export sales grew or fell in line with production, leaving the percentage share between the two at its historic average of 75%:25%.

Papermaking raw materials

Usage of recovered paper at paper and board mills declined by 3.2% to 3.71 million tonnes, a fall broadly in line with the decline in output. Export markets, therefore, continued to be the biggest user of paper and board recovered in the UK, increasing by an impressive 4.4% to 4.44 million tonnes. Overall, collection pushed through the 8 million tonne mark once more, increasing by 1.4%. Amongst the various classes of recovered paper there were notable variations, with the rise in the use here and abroad of Mixed Papers continuing as the mechanical content of that material declines. Domestic use of Corrugated and Kraft, and Newspapers and Magazines fell by 4.4% and 9.1% respectively, whilst exports of the former increased marginally. For collection, Corrugated and Kraft remains the largest source of fibre at 3.81 million tonnes (-0.3% on 2013), whilst Mixed Papers (1.75 million tonnes, +30.7%) will soon overtake Newspapers and Magazines (1.87 million tonnes, -11.9%) as the second largest source of fibre.

The UK's 'official' paper recycling rate was estimated to be 84.5% for 2014. The calculation of the recycling rate is subject to controversy as the 'official' rate excludes 'secondary' materials such as converted paper and board products and packaging around imported commodities. Including these materials lowers the recycling rate to what CPI considers to be a much more believable 67%.

Production of corrugated board

Another excellent year for corrugated producers saw production rise during 2014 by a further 1.5% to 3,615 Msm on top of the 1.4% increase during 2013. This equates to an effective weekly production of 72,307 ksm and an average paper used of 484 gsm. Of this, die-cut production continued to increase as a proportion of the total, rising to 35.4%. Sheet-feeding also increased to 1,072 ksm (+0.7%) representing just under 30% of total output. The Sheet-feeding Sector sees an interesting 2015 with new machines having come on line at DS Smith's Blunham plant and at non-Member CorrBoard UK in Scunthorpe; further new capacity is due in 2015 at Board24's Preston site and non-Member Onboard Corrugated.

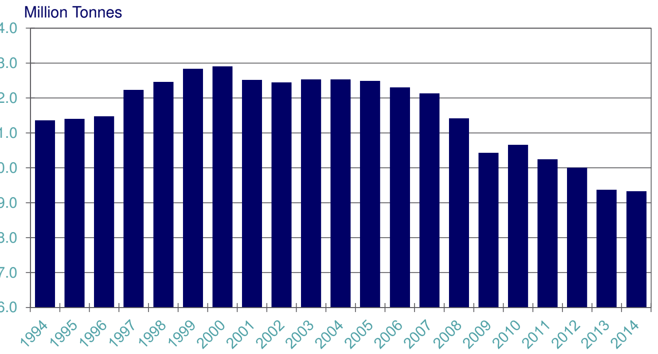
Industry Statistics 2014

INDUSTRY FACTS
2014

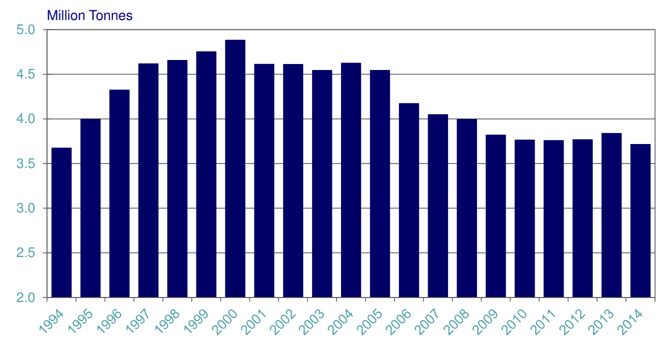
CPI Member Companies	70
CPI Member Employees	19,000
PAPER AND BOARD Production* ('000 Tonnes)	4,393.0
CORRUGATED Production (Million Sq. Metres)	3,615.3
RECOVERED PAPER Collection ('000 Tonnes	8,013.6
TISSUE Parent Reel Production ('000 Tonnes)	768.3

** includes parent reel production*

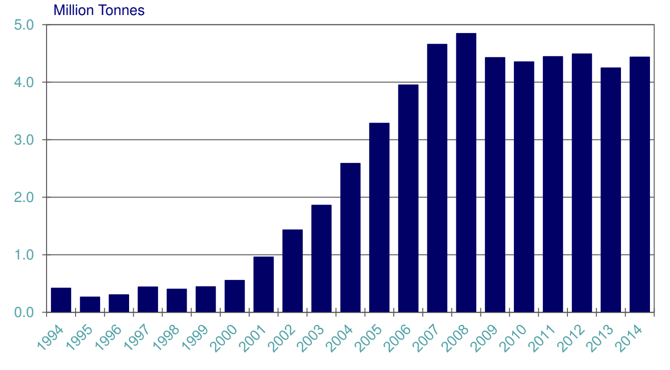
PAPER AND BOARD
Consumption



RECOVERED PAPER
Domestic Usage

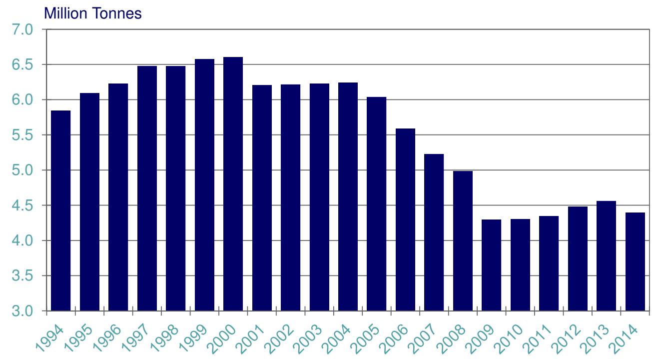


RECOVERED PAPER
Exports

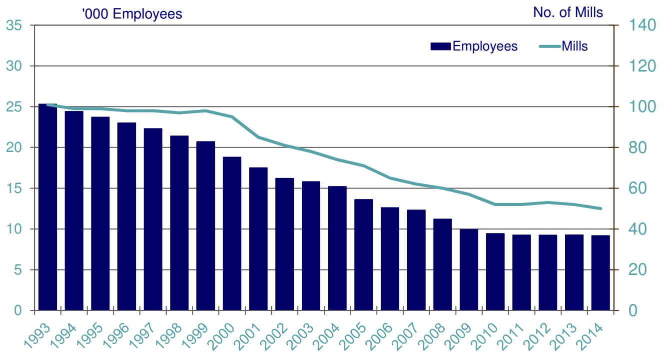


Source: HM Revenue & Customs

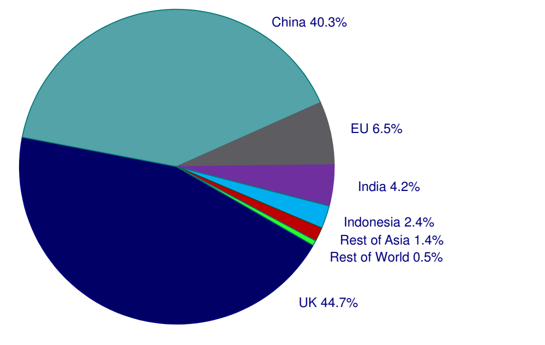
PAPER AND BOARD
Production



PAPER AND BOARD
Mills and Employees

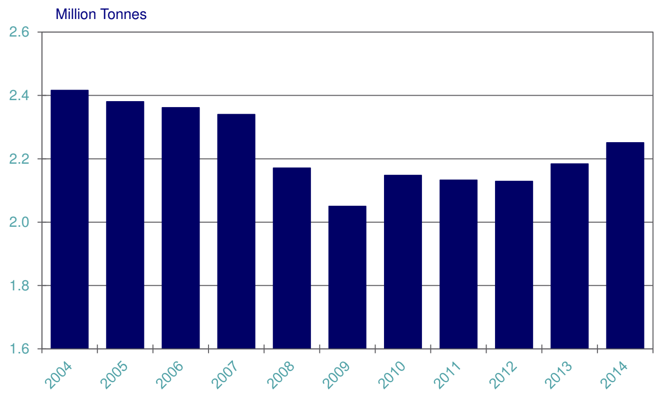


RECOVERED PAPER
Markets 2014

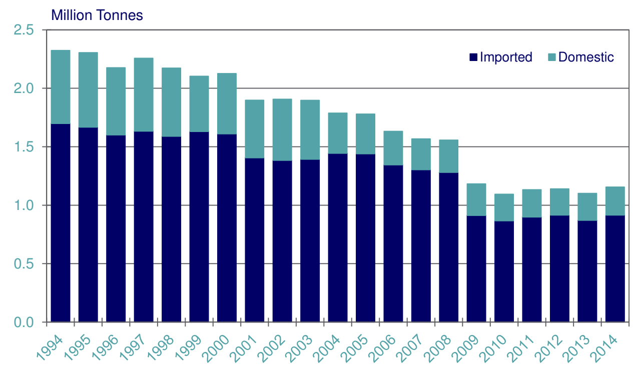


Sources: CPI, HM Revenue & Customs

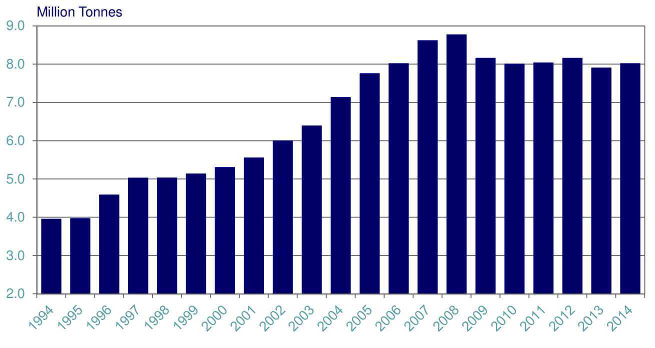
CORRUGATED
Consumption of Paper



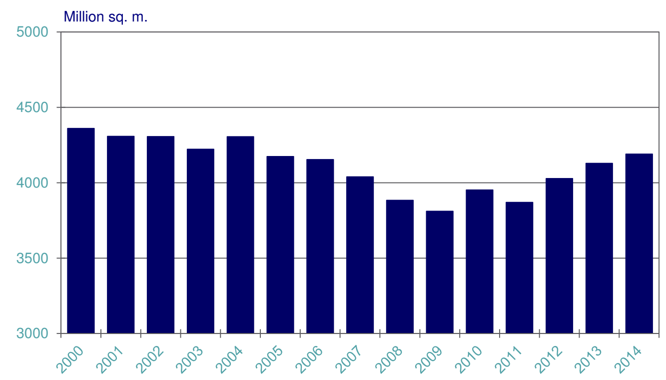
PAPER AND BOARD
Woodpulp Usage



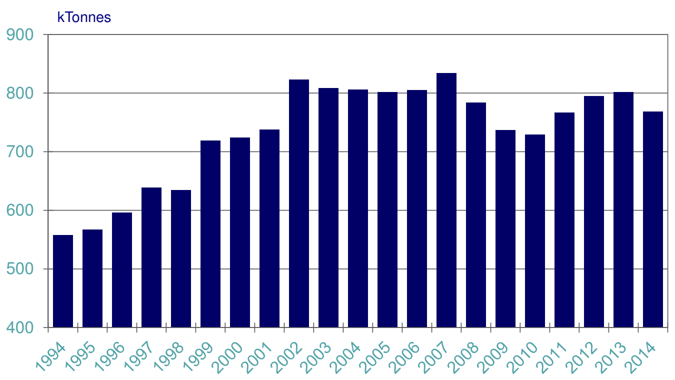
RECOVERED PAPER
Collection



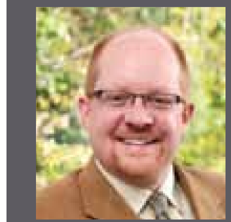
CORRUGATED
Shipments of Corrugated Boxes



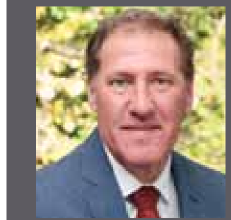
TISSUE
Parent Reel Production



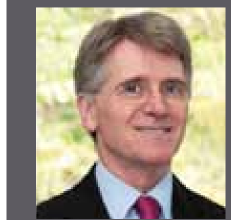
CPI Team



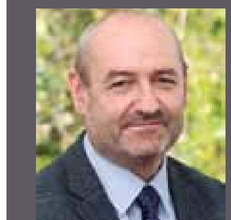
Andy Barnetson -
Director of Packaging Affairs



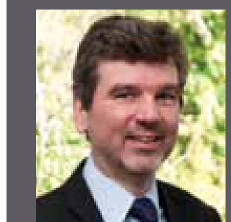
Andrew Braund -
Director of Health and Safety



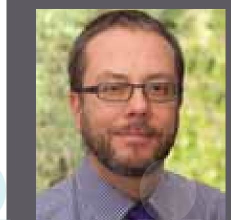
Des Fogerty -
Finance Director and Company Secretary



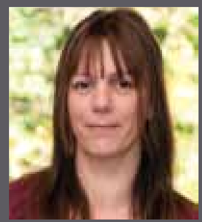
Steve Freeman -
Director of Environmental and Energy Affairs



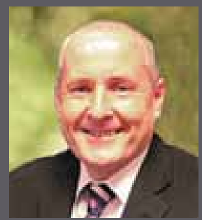
Nick Langdon -
Statistics Manager



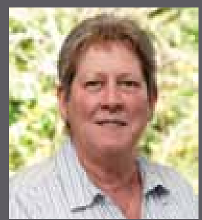
David Morgan -
Energy Data Manager



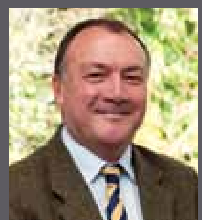
Emma Punchard -
Director of Communications



Paul Storey -
Head of Employment Affairs

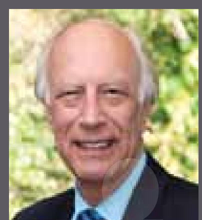


Debbie Stringer -
Environment Manager



Simon Weston -
Director of Raw Materials

Leonie Williams -
Accounts Assistant



David Workman -
Director General

CPI Council Members

Chris Allen	Chief Executive	Smurfit Kappa UK - Paper Division
Clive Bowers	Chief Executive	Smurfit Kappa UK - Corrugated Division
David Chalmers (CPI Honorary Treasurer)	Financial Director	UPM-Kymmene (UK) Ltd
Richard Coward (CPI Vice President)	Group Managing Director	Rigid Containers Ltd
Niels Flierman	Operations Director, Paper Division	DS Smith Paper Ltd
Derek Harman	Managing Director, Business & Administration	Palm Paper Ltd
Gareth Jenkins	Managing Director, UK Packaging	DS Smith Packaging Ltd
Alex Kelly	Chief Executive	Logson Group
Brian Lister	Country Manager UK & Ireland	SAICA Pack UK Ltd
Ulf Löfgren	Managing Director	Iggesund Paperboard (Workington) Ltd
Angus MacSween	Mill Manager	Arjo Wiggins Fine Papers Ltd
Bob McLellan (CPI Past President)	Non-Executive Chairman	Logson Group
Giuseppe Munari	UK Operations Manager	Sofidel UK Ltd
Ray Norris	UK Manufacturing Director	Kimberly-Clark Ltd
Tony Richards	Supply Chain Director, UK and Ireland	SCA Hygiene Products UK Ltd
Patrick Willink (CPI President)	Chief Technology Officer	James Cropper plc
David Workman	Director General	Confederation of Paper Industries Ltd

CPI Members

Full Members

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Arjo Wiggins Fine Papers Ltd
Arjowiggins Chartham Ltd
Aylesford Newsprint Ltd
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BillerudKorsnäs Beetham Ltd
Board24 Ltd
Caledonian Packaging Ltd
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De La Rue plc - Security Products
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DS Smith Paper Ltd
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James Cropper Speciality Papers Ltd
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Marshall Langston Ltd
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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
SITA UK Ltd
Slater Harrison & Co. Ltd
Smurfit Kappa Recycling UK
Smurfit Kappa UK Ltd - Corrugated Division
Smurfit Kappa UK Ltd - Papermaking Division
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Paper and Board Association
Paper Industry Technical Association

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For further information on how to become a Member of CPI please contact:
Company Secretary, CPI, 1 Rivenhall Road, Swindon, Wiltshire SN5 7BD

Tel: +44(0)1793 889600 Email: cpi@paper.org.uk.

A membership pack can be downloaded from CPI's website at www.paper.org.uk