cpi confederation of paper industries

REVIEW 2017/18

Paper: the sustainable, renewable and recyclable choice

confederation of paper industries

The voice and face of the UK's Paper-based Industries

The Confederation of Paper Industries (CPI) is the leading organisation working on behalf of the UK's Paper-based Industries.

CPI represents 79 companies in the supply chain for paper, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers, and collectors and processors of paper for recycling.

CPI represents an industry with an aggregate annual turnover of £11.5 billion, 56,000 direct and a further 86,000 indirect employees. Members range in size from large multi-national organisations with multiple sites in the UK, to single site SMEs.

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 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

Paper - the sustainable, renewable choice

Contents

President's Introduction

In 2018, the issue of recyclability has hit the headlines. While much of the focus is on plastics, paper-based products like coffee cups have also caught attention. The Chinese import restrictions on many recovered materials, including paper, are only adding to the challenge.

The UK's Paper-based Industries have responded actively. UK papermakers already recycle over three million tonnes of paper every year. The biggest barrier to recycling is the quality of the paper that is recovered, especially from households. CPI is therefore working closely with Government and other bodies like the Waste and Resources Action Programme (WRAP) to drive quality, which will both improve UK recycling and ensure that we have a quality recovered paper product to export.

Good quality packaging remains at the core of the UK economy. The Government's Industrial Strategy ambition for the mobility of goods will not be met without high quality packaging at the heart of UK business. And paper-based packaging remains the most renewable and recyclable high-quality solution.

In last year's introduction, I noted that the implications of Brexit would be felt for many years to come. What I did not anticipate was how divisive the detail of Brexit would be and how slow progress would be in the UK reaching agreement with the EU27.

For the UK's Paper-based Industries, the uncertainty has challenged the commitment of capital to the UK. Planned UK investments that would improve productivity and drive skills have been placed on hold and some diverted entirely to other EU27 countries. Of the UK's major papermakers, only one is headquartered here, and most are pan-European businesses where decisions are taken outside the UK. It should not be a surprise to the Government that the very mobility of goods and capital they encourage has led the Boards of those companies to target their investments in economies where the policy and trading environment is more stable.

The current Brexit situation must not endure, otherwise permanent damage will be done to the UK economy, employment and future growth. I urge the Government, in the strongest terms, to set out a clear plan for the Brexit it wishes to see, and to get on with negotiating it, so that UK businesses can plan with greater clarity and can again compete with their EU27 colleagues on a level playing field.

I am now in my last year as CPI President. In my first Annual Review, back in 2014-15, I noted the challenges posed by Government policies and I paid tribute to the work of the CPI team in their successful advocacy on behalf of the Members.

I am struck by both how much and yet how little has changed over my term as President. Energy and recycling issues are perennially important. But the Scottish referendum result has been succeeded by the altogether greater challenge of Brexit and the continuing development of a new Industrial Strategy remains an opportunity to be explored.

I would like to thank the CPI staff for their dedicated work over the last year, and indeed throughout my term as President. Without them, we, the members of the association, would not be able to run our businesses as well as we do. Their work in the minutiae of policy, as well as their growing political influence, is vital to the development of a successful industry.

To my successor as President, Richard Coward, I offer my congratulations and my full support. I will remain engaged in the work of CPI as Immediate Past President and I look forward to seeing this great association develop in future.

Patrick Willink, CPI President

CPI President Patrick Willink and Mark Cropper showing HRH The Prince of Wales around the James Cropper paper mill in March 2018

Director General's Overview

Introduction

It is my great pleasure to introduce the 2017/18 CPI Annual Review and to highlight some of the key topics of activity for CPI over the past twelve months.

Last year, I announced CPI's new strategic direction, founded on the values of optimism, visibility and community. I am pleased to say that those values are serving CPI well, and we will continue our work with them as our fundamental underpinning.

Optimism about the future of the UK's Paper-Based Industries is well founded. 2017 saw an increase in paper production and a significant increase in the production of corrugated packaging here in the UK. Customers see growing value in paper, and its renewability and ease of recycling together stand it in good stead in comparison with other materials.

CPI has also been more visible in its advocacy on behalf of Members this year. We have welcomed Ministers to Members' sites and engaged with Parliamentarians across all parties and shades of opinion. We have also established a visit programme for civil servants so that they can see at first hand the issues affecting our industry and understand the impacts and implication of policy choices. One of the side effects of Brexit has been to politicise more elements of the policy making process, and as a result this advocacy outreach will grow in 2018 and beyond.

The CPI community has also developed, with growing member engagement and contribution to the development of CPI's policies. In 2018, CPI will publish guidance for Members in developing their relations with their local communities and we look forward to working with members to grow the reputation of paper and the employment and communities they support.

Brexit

CPI's position on the outcome of Brexit remains unchanged from last year. We continue to advocate for:

- A clear statement of the UK position
- Friction free trade with the EU27
- Common product and machinery standards between the UK and EU27
- Europe wide access to the skills and expertise that the industry needs

It is a matter of great regret that so far, the Government has been unable to articulate a clear vision of its desired Brexit outcome, and we will continue to press for such clarity to assist business with its forward planning.

Where Bills do come before the House, such as the Trade and Customs Bills, CPI is active on Members' behalf with MPs to ensure that they are aware of the issues at stake. CPI is now part of the Manufacturing Trade Remedies Alliance (MTRA), and we are working with our fellow manufacturing trade bodies and trade unions to ensure that our issues are placed to the fore.

The Industrial Strategy is an integral part of the Brexit response, and CPI published an Economic Value Report in early 2018 which is a precursor to proposals for a Sector Deal for the UK's Paper-based Industries.

I am very grateful to our colleagues in the European Associations of which CPI is a member (CEPI, FEFCO, CITPA, UTIPULP and ETS) for their continued support and guidance in this difficult period of Brexit uncertainty. We all recognise that regardless of the Brexit outcome the UK is a European Country and we must continue to work together to press for policy reforms that benefit the whole European industry.

Energy

The cost of energy continues to be a key determinant of papermaking competitiveness. It is unacceptable that the UK continues to have the most expensive industrial electricity in Europe, as highlighted by the Helm Review, published in Autumn 2017. The UK's Paper-based Industries continue to support the principle of decarbonisation and we are pleased to be working with Government on the implementation of our 2050 Roadmap and to ensure that the compensation and relief schemes from the direct and indirect costs of meeting the climate change targets continue.

The value to Members of this support is summarised here

It is therefore highly troubling to note that current OFGEM proposals for the review of transmission charging would in effect negate all the benefits outlined (see right) for the many paper businesses with on-site CHP, at a cost to the industry of millions of pounds overall. The Government has encouraged CHP in the past, and in the context of the UK's emerging Industrial Strategy it cannot be right for a Government agency now to reverse policy and load up further costs on manufacturing industry.

I urge the Secretary of State at BEIS to consider the total impact of current UK energy policy and to act to ensure that overall the price of energy in the UK for large energy users goes down in 2018.

Recycling

UK paper manufacturers use approximately three million tonnes of the eight million tonnes of paper recovered for recycling each year in the UK. They use it to produce a variety of new, widely used paper products such as graphic papers, tissue and packaging. CPI and its Members are working closely with Government, industry colleagues and the rest of the supply chain to ameliorate the impacts of the closure of Chinese markets to mixed papers and the imposition of stringent quality requirements on other recycled paper.

In the short term, the UK will be challenged to find solutions because in the past decade the amount of recovered fibre reprocessed by our domestic industry has fallen sharply, due to paper mill closures, and the UK has become highly dependent upon China as an outlet for this material. Moreover, as the UK has striven to increase the amount it recycles, attention to the quality of material has fallen, with the consequence that much of the paper material collected from households at kerbside is contaminated and requires additional sorting before it can be sold in export markets. This contamination is a problem for UK paper mills who often pick up the substantial cost of sorting and disposing of that waste. The contamination can also make paper collected for recycling difficult to market, particularly when it is in competition with material from other nations.

In the medium term, it is important that UK collectors address the issue of material quality as a prerequisite to sustaining and building domestic demand for recycled paper, and to make it attractive to overseas markets. CPI's initiative with WRAP to promote the consistency framework and separate paper collections is an integral part of that work.

Our work

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.

The twin issues of mineral oils and printing inks have occupied much of the time of the corrugated sector in 2017. We expect legislative action in 2018 and CPI will work closely with colleagues at European level to advocate for the interests of the packaging and recycling sectors.

In June 2017, CPI held an extremely successful Biennial Conference, where we broadened out from the usual health and safety theme to include a wider discussion of the strategic issues facing our industry. The change was a success and I look forward to the 2019 Biennial Conference and the opportunity that it provides to cover challenging issues and bring the industry together. The UK's Paper-based Industries continue to perform extremely well in reducing the numbers of accidents and injuries each year.

Environmental issues also remain extremely important for CPI, with work on ecolabels, the product environmental footprint and water abstraction being important in 2017. The Environment Agency has embarked on a major review of the charges it levies on industry and CPI will work with Members to persuade the agency not to introduce changes that will damage competitiveness.

Thank you

I would like to thank all the Members of CPI for their ongoing support and commitment during the last year. We rely entirely on member engagement to ensure that the policies we advocate meet your needs and all of us at CPI are grateful for your work in developing and promoting the positions we take.

I especially want to thank Patrick Willink, the retiring President of CPI, for his support in the 18 months since I arrived. I am pleased that he will remain fully engaged in the role of Immediate Past President. I am looking forward to working with his successor, and with all of CPI Council, to develop the association in the coming years.

In 2017, Des Fogerty retired as Finance Director of CPI after 16 years. The financial strength of CPI today is largely down to his careful management and we owe Des a tremendous debt of thanks. We welcomed Neil Fishburne as his successor in March, and his experience of large scale membership organisations is already coming to the fore.

Finally, I would like to thank all of the CPI team. In the past year, you have continued to impress with your dedication to supporting Members and your ability to achieve policy change through careful and patient discussion with Government. I, and the CPI membership, are very grateful for your work and look forward to achieving more in 2018.

Andrew Large, CPI Director General

£40.4 million

Renewables Obligation and Feed-in-Tariff

£34.3 million

Carbon Price Floor

£13.5 million

Climate Change Levy Relief

Total of

£88.2 million

Brexit and Industrial Strategy

Brexit

Brexit has dominated UK political and commercial debates all year.

Despite all the energy that Brexit has sapped from UK public life, alarmingly the negotiations between the UK and the EU27 are advancing but slowly. At the time of writing, the Withdrawal Treaty and a transitional period until 2020 have secured political agreement, but not signature nor ratification, and discussions on the future trading relationship are yet formally to start.

In the context of such a high profile and complicated negotiation, it is difficult to separate the bluff and bluster of negotiating tactics from the reality of the position. However, it seems clear that the EU27 would be willing to do a deal that fitted the UK into an existing relationship structure, such as the European Economic Area (like Norway) or a Free Trade Agreement (like Canada). At present, the UK is proposing a deal that would not fit into these structures, wanting more benefits than an FTA, without the oversight of the European Court and budgetary responsibilities of the EEA. Concern is growing in the UK businesses community that unless somebody backs away from their much vaunted “red lines” then there is no space within which a deal can be done.

While there remains tremendous uncertainty as to the outcome of the Brexit negotiations, UK businesses are starting to plan for the eventuality of leaving without a deal. Both the UK and EU27 have publicly stated that they are planning for a deal, but there is no guarantee that one will be possible before the date of Brexit itself, 29th March 2019. Businesses are therefore acting to protect themselves from their trading relations falling off a cliff.

Over the last year, CPI has been active in defending Members’ interests across the full range of Brexit–related activities.

We have secured our long-term representation through CEPI, FEFCO and UTIPULP by ensuring that their Statutes allow for UK membership regardless of the eventual Brexit settlement. It is CPI’s intention to remain a full and active member of all our European Association partners. We have also joined the International Council of Forest & Paper Associations (ICFPA) to enhance our ability to be influential on policy issues at a global level.

Our lobbying has targeted those issues that have come before the Houses of Parliament and where UK legislative action is required. We have joined the Manufacturers Trade Remedies Alliance (MTRA) to work with other manufacturing associations on the Trade and Customs Bills required to implement Brexit. We are active in meeting Ministers and Officials at all levels on trade-related Brexit issues and in ensuring that our views are well known.

In future we will work with other associations in alliance to ensure that our issues are in Ministers’ minds as the long-term trade agreement between the UK and EU27 is negotiated. We will also be vigilant that the Secondary Legislation that the Government will use to transpose much of the EU’s legislative base into UK law, does not make any changes that would disadvantage CPI Members in the long term.

Brexit Briefings and Seminars will also be held in the run up to Brexit Day itself to ensure that Members have the most up to date information.

Industrial Strategy

CPI continues to be fully supportive of the Government's drive for an Industrial Strategy. We see the Strategy as a vital counterpoint to Brexit and a recognition that UK industry needs further support from Government as we move to the new economic environment post EU membership.

The publication of the Government's White Paper is welcome, but it needs to be backed up with actions soon, not just words.

For UK papermakers, the key issue is that of energy. We were pleased that the Government commissioned Professor Dieter Helm to review Energy Costs in the UK. Professor Helm is an acknowledged expert in the field and has a reputation for clear and insightful contributions. His report was published in October 2017, and we support his central conclusions.

"This review has two main findings. The first is that the cost of energy is significantly higher than it needs to be to meet the government's objectives and, in particular, to be consistent with the Climate Change Act (CCA) and to ensure security of supply. The second is that energy policy, regulation and market design are not fit for the purposes of the emerging low-carbon energy market, as it undergoes profound technical change."

The Conservative's Manifesto Commitment to "competitive and affordable energy costs following a new independent review into the cost of energy" needs to be translated into actions that energy intensive users can see in their bills.

In March 2018, CPI published its first ever Economic Value Report. This report shows to both Government and the wider world the very substantial contribution that the UK's Paper-based Industries make to the UK economy.

The headlines of the Economic Value of the UK's Paper-based Industries are:

- Nearly 1,500 companies
- 56,000 direct jobs and a further 86,000 indirect jobs
- £11.5 billion turnover
- £4 billon gross value added.

CPI has also launched its initial proposals to Government for a Sector Deal for the UK's Paper-based Industries. They focus on:

- Driving paper recycling quality and recyclability
- Extending the 2050 Decarbonisation Roadmap and Action Plan
- Building UK capacity in the bio-economy
- Developing industry training
- Building the investment potential in UK papermaking and downstream conversion.

Miles Roberts, CEO of DS Smith, has agreed to chair a paper-based industry led Sector Deal Implementation Board. He met BEIS Minister Richard Harrington MP in June 2018, and formal Sector Deal negotiations with BEIS will begin in Autumn 2018.

Energy

Making paper is intrinsically energy intensive – essentially fibres are suspended in water, laid down to form a sheet and then dried – electricity drives the machines and heat dries the paper. The water content of the sheet goes from 99% to around 7% in seconds. With paper being internationally traded, it follows that access to competitively priced energy is key for a thriving UK papermaking industry. Paper mills are capital intensive and investment cycles are long. Papermaking has been identified as one of those industries with the potential to help rebalance the UK economy, so the Government needs to set energy policies that will encourage this to happen.

Over many years CPI has consistently made this point to the UK Government, stressing that the cumulative impact of policies intended to drive a move to a low carbon economy on energy costs is unsustainable, and that support through the transition to a low carbon economy is required. The Government has incompletely responded to this call with partial exemptions from the costs of the Climate Change Levy, Emissions Trading System, Carbon Price Support, Renewable Obligation, Feed-in-Tariffs and Contracts for Difference. However this support does not cover all installations in the sector, does not cancel all additional costs, and will not last forever. Industry leaders continue to highlight frequent policy changes as a real issue when long-term investment decisions are made asking for regulatory stability against which such decisions can be made.

Independent Review of the cost of energy in the UK

During the year the Government commissioned Professor Helm to review the operation of UK energy markets. Helm concluded that setting long-term targets and high tariff levels for new technologies does stimulate new investment, but also prevents the UK economy from fully benefitting from reducing deployment costs as long-term contract prices get locked in for existing operators. The review also noted that the costs of certain types of renewables are rapidly falling (notably offshore wind and solar) where non-subsidised projects are beginning to look possible. Add to this, developments in storage technologies, such as batteries – critical to manage the inherent intermittency of renewables – and the fundamentals of future energy systems begin to look very different from the present system as coal is completely removed from the system by 2025. We look forward to the promised review of the findings of Professor Helm and learning how the Government will cut costs and deliver the Conservative party manifesto commitment to cheaper energy.

2050 Decarbonisation Roadmaps

Throughout the year CPI, together with the Paper Industry Technical Association (PITA) and experts from member companies, continued to work closely with BEIS officials to better understand the potential for paper production to be decarbonised, and identify barriers that need to be addressed if this is to happen. With the long-term, legally binding target that UK emissions of fossil carbon have to be reduced by at least 80% (when compared to 1990 levels), maximum levels of reduction will need to be delivered by industry.

In October, the sector Roadmap was formally signed by Government, CPI and PITA. Claire Perry MP (BEIS Minister) warmly welcomed the collaboration between Government and Industry:

"The actions in this plan would not have been possible without such strong and constructive input from the Confederation of Paper Industries, the Paper Industry Technical Association and pulp and paper companies so I would like to extend a huge thank you to them for helping us get this far."

Each of the seven agreed sector Action Plans contains voluntary commitments by Government, industry and other parties to help their sector decarbonise and improve its energy efficiency while maintaining international competitiveness. The full set of Roadmaps can be found on the BEIS website.

The Pulp & Paper Action Plan identifies several barriers to decarbonisation and itemises a series of specific actions to be progressed during 2018:

Action 1: Facilitate greater access to finance for energy efficiency and decarbonisation-related investments

Action 2: Identify and implement industrial heat recovery projects that realise benefits for the sector

Action 3: Raise awareness of state-of-the-art energy efficiency technology and improve related skills through training support

Action 4: Encourage greater use of sustainable biomass to deliver a lower carbon footprint

Action 5: Identify and deliver innovation including demonstration projects

Action 6: Increase activity at R&D stage relating to lowering carbon emissions and improving energy efficiency

Action 7: Contribute UK pulp and paper expertise to bolster UK biorefining initiatives and to develop the bio-economy

Action 8: Support Value Chain Collaboration in the UK pulp and paper sector

Action 9: Provide leadership and strategy in the UK pulp and paper sector

Action 10: Encourage embedded renewable generation, demand side management and energy storage in the pulp and paper sector

Action 11: Consider the case for further investment in CHP in the sector.

Delivering these actions and ensuring supportive Government policies will be central to securing the future of existing sites. It will aslo help the UK win its share of investment linked to the bio-economy deriving increasing value from sustainable and recyclable forest fibres. From climate change and UK growth perspectives, 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

Paper production requires the consumption of significant quantities of heat and electricity. Most of the heat is provided by burning natural gas and biomass, and electricity is either imported from the grid or generated on-site. During 2017 there was significant investment in high efficiency Combined Heat & Power (CHP) plant in the paper sector such that in 2018, 80% of paper produced in the UK will be made at sites having such CHP which generate much or all their electricity requirement on-site. Indeed, CHP is formally recognised as a best practice technology at paper mills across the EU because of its high efficiency and it is encouraged by regulators. However, the economics of such investments are increasingly being threatened by changes in energy policy and by changes to the way the costs of operating and maintaining the national electricity transmission and distribution networks are recovered from consumers. In 2018, Ofgem is removing certain financial benefits that used to be available to CHPs providing the helpful service of exporting electricity to the national networks at times of peak demand – this change will cost the sector some £5m annually. Ofgem is now consulting on radically changing the way transmission

network costs are recovered from users and this could affect CHP sites to the tune of a further £10m per annum. These changes directly undermine Government's publicly-stated intent to support energy-intensive industries and in particular the deployment and use of CHP. They are also counter-intuitive in that if CHP is encouraged there will be an increase in the number of industrial sites which generate their own electricity locally; this means the national electricity transmission networks can be of lower capacity and are hence less costly to fund.

Energy efficiency

In 2017, CPI reported on the papermaking sector's energy performance as one of its obligations under the Climate Change Agreement. The sector had agreed a 7.05% improvement in CCA energy efficiency with Government (for 2015-16 compared with 2008) but actually delivered a 9.74% improvement - an outstanding result. The CCA requires similar performance evaluations in 2019 and 2021 and all the indications are that energy efficiency at mills continues to improve.

Carbon reductions

In 2017, the papermaking sector's absolute carbon dioxide emissions (arising from direct fuels used by the mills plus their electricity consumption), were, at the time of going to press, looking a little lower than those in 2016. A small improvement in carbon efficiency has been counteracted by a small increase in production tonnage. Compared with 1990 - the base year for the first Kyoto reporting period and that for the UK's own climate change targets - the sector's absolute emissions have reduced by 67% and its specific emissions figure (i.e. tonnes of CO_2 per tonne of paper produced) has improved by 58%. This performance is the result of fuel switching and investment in renewables, investment in CHP, general energy efficiency improvements at mills and - in the last couple of years - a reduction in the carbon content of grid electricity.

6.6 million

tonnes of CO_2 emitted in 1990

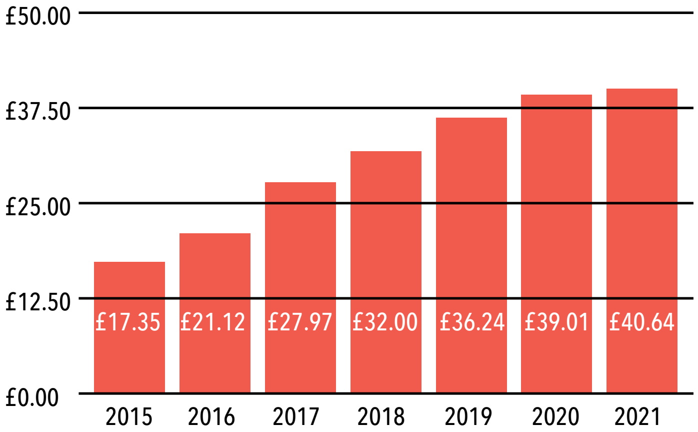
3.2 million

tonnes of CO_2 emitted in 2012

2.2 million

tonnes of CO_2 emitted in 2017

ESTIMATED COST IMPACT OF LOW CARBON POLICIES* (£/Mwh)



*Renewable Obligation, Feed in Tariffs and Contracts for Difference; assumes no compensation payments

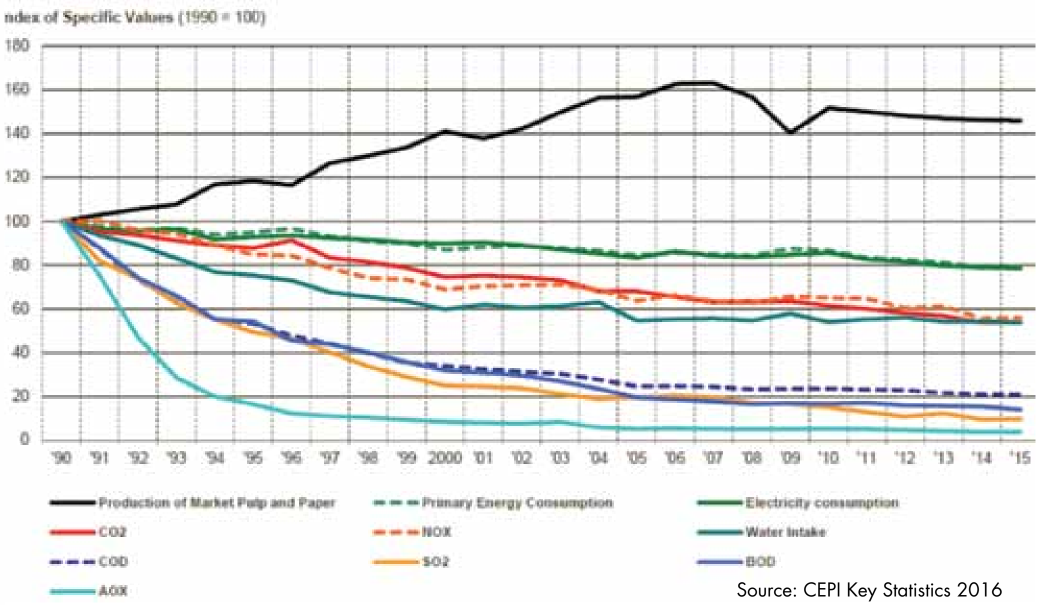
Environment

2017 was dominated by pondering an unknowable, the future post-Brexit state with little certainty as to what that might look like. That lack of clarity continues into 2018. With over 80% of environmental legislation being derived from European Law it is important, for business continuity, to understand how such legislation will be maintained and administered post-Brexit. This is particularly the case where legislation is associated with European standards such as BREFs. Looking specifically at the Environment, Business as Usual will continue for environmental regulation, at least in the short term. The challenge remains of transposing EU regulations where implementation is currently managed by EU institutions. The proposed Government response would be to remove the references to the EU institutions and transfer the functions to the UK. Again, the challenge remains as how to set up the UK administration structures to implement quickly and cost effectively.

So, whilst the UK continues to negotiate with the European Union (EU) on the terms of our exit, including issues around regulatory regimes, discussions are also needed closer to home on the UK regulatory landscape post-Brexit. Environmental regulations are of particular interest to the paper sector.

Industrial Emissions Directive/Environmental Permitting

The paper sector has been regulated through environmental permitting for some time now, initially by Integrated Pollution Control, followed by Integrated Pollution Prevention and Control (IPPC) and ultimately the Environmental Permitting Regulations transposing the Industrial Emissions Directive (IED) into UK law. This regulatory framework has been essentially the same across the EU aiming for a level playing field for operators within the EU. Statistics gathered by the Confederation of European Paper Industries (CEPI) indicate a successful framework with environmental indices showing a steady improvement over time.



Source: CEPI Key Statistics 2016

We can point to another success of the current regulatory framework with the revision of the Pulp & Paper sector BREF (Best Available Techniques (BAT) Reference Document). The sector BREFs define BAT and associated emission limit levels (BAT AELs) for each sector. The European Paper Industry working together, co-ordinated by CEPI, was able to argue for a practical revision of the latest Pulp & Paper BREF.

So, with the majority of environmental regulation emanating from European Directives, what next for environmental permitting post-Brexit? All options are on the table as Defra considers the Government's approach. We, as a sector, need to feed our views into the debate.

The key principles we would like to see adopted centre around:

Continuation of a UK environmental permitting scheme

Environmental permitting allows for efficient regulation with an element of consistency. A permitting scheme should continue post-Brexit, minimising divergence in policies between devolved administrations, and indeed with the EU.

Continuation of a sector-based approach

A sector-based approach to environmental permitting (through the BREFs) has helped deliver an effective regulatory regime and works well for the paper sector, better reflecting the unique circumstances of individual industrial processes/activities. This is preferable to following a 'one size fits all industries' approach.

A mechanism to identify Best Available Techniques & BAT AELs

To continue with a sector-based approach, a mechanism for the identification and periodic review of Best Available Techniques (BAT) in each sector would be required. There are, however, serious concerns over resource and consistency implications if a UK-only approach were to be taken.

On the other hand, without UK data input into the current BAT determination process the collection of data - in terms of its applicability and possible misinterpretation - may lead to compliance levels (BAT & BAT AELs) which are potentially technically unachievable and/or uneconomic for individual installations. This would result in a competitive disadvantage for UK industry. Future BREFs under these circumstances must not be adopted as mandatory.

Retention of flexibility/pragmatism through a risk-based, cost-benefit approach

There is an opportunity for any future UK environmental permitting approach to retain a degree of flexibility, which is administratively simple and makes allowance for applying pragmatism and discretion in suitable circumstances.

Ensuring that post-Brexit the UK has a risk-based, cost-benefit approach is a way of ensuring beneficial environmental and business outcomes.

Maintain good relationship with UK regulators

As a sector we have developed good working relations with regulators over many years and wish to continue constructive, pragmatic discussions at all levels. Recognising the growing pressures on public sector resources we would welcome a more collaborative working approach to ensure regulators' expertise/ understanding of our sector is maintained.

Recognise and reward good performance

We would welcome a system whereby sectors and operators are able to gain recognition for good performance.

Avoid duplication of effort/minimise administrative burden

Where appropriate there should be encouragement for organisations to undertake self-assurance, either directly or using external assurance bodies and certification schemes. There is considerable scope to simplify permit conditions (or exemption from some requirements) for those with accredited management systems, such as ISO 14001 (Environment/50001) (Energy).

REACH

Another key area of regulation impacted by Brexit is the chemicals regulation, REACH and the associated Classification, Labelling and Packaging (CLP) Regulations and the Biocidal Products Regulations (BPR). These rules govern the supply of chemicals in the EU and are managed by the European Chemicals Agency, ECHA. Whilst the paper sector is essentially not a manufacturer but a downstream user of chemicals, ensuring continuity of regulation in this area post-Brexit is complex. Duplication of a REACH equivalent would be extremely costly both financially and in resource terms. Suppliers having to be dual compliant could seriously impact supply chains. The Chemical Industry in the UK, the sector most affected, is arguing for the UK to remain within REACH and to continue to use the services of ECHA.

In summary, Brexit could represent an opportunity for the UK to design and deliver an equally effective but more pragmatic environmental permitting regime; a regime that both protects the environment and supports business growth. Such a regime will be important as we move into what may prove to be very challenging times.

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

Packaging affairs

Packaging is essential to modern society and enables us all to live more sustainably, allowing greater customer choice while minimising food and other product waste. Its importance has grown because consumers choose, and expect to have, a wide range of food and other consumables, much of which travels long distances before it reaches its final destination.

It is packaging that makes this possible, preventing physical damage and spoilage, protecting ten times the resources that it uses. As a direct result of packaging, product damage is below 5% through the developed world, but remains above 30% in the developing world, where supply chains are less advanced.

Paper and board in food contact

Paper packaging has a long and successful history of safe use in food contact applications. The Paper and Board Industry has strong record of co-operation with national and pan-European Governments, and other Regulators, to ensure the necessary levels of consumer protection. Through 2017 and into 2018, CPI has monitored and engaged with a wide range of issues in the arena of food contact:

Developments on Mineral Oils

In January 2017, the EU Commission Recommendation 2017/84, on the monitoring of mineral oils (MOs) in food and in materials intended to come into contact with food, was published. Member States were invited to commission testing of packaging to determine levels of MOs. At the time of writing, we understand that the German authorities remain ready to act unilaterally with notification of their own National Ordinance. Our position is clear, that there are no food safety concerns. We support the Food Standards Agency (FSA) statement that there is no need for consumers to change their eating habits.

EU Regulation on Printed FCM

The German authorities formally notified the European Commission in 2016 of their intention to proceed with national legislation. There were a large number of objections submitted through the official TRIS process and the EU Commission then announced its intention to proceed with pan-European action. Announced in 2017, the Commission is proceeding with an ambitious timescale to complete the potential legislation during 2018. CPI is working closely with our Brussels based colleagues, CEPI and FEFCO, as well as the ink manufacturers Association, EuPIA. A combined response is being co-ordinated through a joint Task Force known as PIJITF.

Industry Guideline for Paper & Board Materials and Articles in Food Contact

All food packaging is governed by the 'Framework" Regulation (1935/2004), but there is no pan-European legislation for paper & board in food contact applications. In the absence of such legislation, a voluntary Industry Guideline has been in use since 2010. It remains a valuable tool, alongside Good Manufacturing Practice (GMP), with which to demonstrate compliance. Through the latter half of 2017 and in the early months of 2018, the Guideline has been updated; a revised version will be published later in the year.

CFQ Standard for fresh produce trays

Unique to the Paper Industry, CPI continues to oversee the Common Footprint with Quality (CFQ) Standard for Corrugated fruit & vegetable trays. The establishment of this standard further improves the efficiency of the fresh produce supply chain by providing an assurance that trays are suitable for the chosen journey, and by allowing trays from different suppliers to be easily stacked together, maximising space in both storage and shipping.

Working with FEFCO

CPI is an active member of the European Federation of Corrugated Board Manufacturers (FEFCO) and has continued with our robust support for its activities, including the 2017 FEFCO Technical Seminar held in Vienna. Through 2017 and 2018 we continue in our participation of its General Assembly and National Association Directors' meeting, enabling us to contribute to the strategy of the organisation and to learn from our counterparts in other Member States. We are also active in the Regulatory Affairs Committee, which oversees FEFCO activity on a wide range of legislative issues.

The more recently formed Health & Safety Committee is an important development which has benefitted from our input. The UK can demonstrate a clear record of accident reduction and constructive change over many years.

Liaison with other industry associations

We are pleased to continue in our membership of other associations that unite and inform the UK packaging industry, enabling us to approach Government and other stakeholders with one voice. To this end, CPI is active in its attendance at meetings of both the Packaging Federation and INCPEN.

We work closely with the Sheet Plant Association (SPA), which exists for the benefits of smaller independent Corrugated converters, together we represent a wide range of companies. CPI also continues to Chair the Paper Packaging Forum, an informal structure that unites a range of Associations from the paper packaging industry. Alongside SPA, it enables CPI to discuss important industry issues with BPIF Cartons, the Paper & Board Association and ACE-UK, all of whom bring different opinions and perspectives.

Promotion of paper packaging – a sustainable choice for the 21st century

In the closing months of 2017, the BBC aired the Blue Planet 2 series, narrated by Sir David Attenborough. The final episode made an unflinching commentary on the impact of human behaviour on aquatic life, specifically the plastics in marine litter, and delivered a powerful call to action for the protection of the environment. The social response across the UK has been dramatic.

In January 2018, the Iceland supermarket chain became the first major retailer to make a commitment to eliminate plastic packaging for its own brand products, stating that they would be plastic free within five years, replacing plastic packaging with recyclable paper trays. Managing Director, Richard Walker, stated that "The onus is on retailers to take a stand and deliver meaningful change."

The UK Government has since published its 25-year Environment Plan, laying out a strategy to make better use of resources and reduce waste. It cited the success of the 5p plastic bag charge as a clear indication of the difference that government action can make and outlined further plans to achieve 'zero avoidable plastic waste by 2042'.

CPI, and our Members, stand ready to assist Retailers and Government alike with a move to paper packaging as an alternative for plastics.

- **Paper packaging is renewable** – when our Members use virgin fibre it typically comes from sustainable forests (monitored by either FSC or PEFC); most of the fibre for boxes has already been recycled
- **Paper packaging is recyclable** – with the highest recycling rate for any packaging material (more than 80% for corrugated cases) and facilities available at both kerbside and local waste transfer stations across the whole of the country
- **Paper packaging is reusable** – while it is less common in commercial sectors, there are many options for the domestic consumer, from packing for a house move to pet bedding
- **Paper packaging is biodegradable** – it breaks down readily and can be added to a domestic compost bin, though we would prefer that it is recycled if possible.

Across society and around the world there is a growing awareness of sustainability and the importance of the environment. It is in this context that household consumers and packaging professionals in multi-national corporations alike are looking for packaging materials that are renewable and recyclable.

We applaud every consumer who is now taking a new look at their lifestyle choices and considering what they can do. There are many opportunities to choose paper packaging. We also encourage the major users of corrugated packaging – our Members' customers – to carefully consider their purchasing decisions.

During its useful lifecycle, corrugated cardboard packaging meets the myriad demands of flexibility and efficiency and it can be readily tailored to suit the rapidly changing demands of the supply chain. A box will be designed to fit the product every time, unlike other formats such as plastic crates, which are a fixed size, may not fit the product well and will therefore involve transporting air. The space efficiency that follows from using corrugated in warehousing and transport can simply mean fewer lorries on the roads and a corresponding reduction in engine emissions and traffic congestion.

In addition to space efficiency in warehousing and transport, a significant factor in the success of retail logistics is quick stock turnaround, which is where the versatility of corrugated Shelf Ready Packaging (SRP) comes into its own. Well-designed boxes can be placed straight onto the shelf, without the need to decant the product, enabling both the rapid replenishment of stock and improving the shopping experience for the consumer with the opportunity for eye-catching graphics.

Previously, we have sponsored a communications campaign that has been primarily targeted at the customer of the industry, demonstrating the environmental and business benefits that corrugated can bring. At the end of 2017, a decision was taken to build on this existing work and turn attention to the consumer. Through 2018 we are working with a specialist Agency to develop a clear message for the public, seeking to remind them about the superb environmental credentials of paper packaging.

Corrugated cardboard bust of Sir Winston Churchill marked the launch of new sustainable packaging campaign, Beyond the Box

BEYOND THE BOX

www.cardboard.org.uk

Recycling

When industry commentators look back on 2017 they may characterise it as the year in which past mistakes returned to catalyse change. The long-term decline in the UK's domestic reprocessing capacity, an over-reliance on one export market as a disposal route for low quality recyclate, and years of neglect of quality and collection methodologies, especially in England, combined to create a perfect storm. By year end the industry was close to a crisis with the risk of crashed prices and overwhelming supply. The breaking point was the announcement in July 2017 that, from 1st January 2018, China would no longer accept imports of unsorted mixed paper and would also place strict limits on contamination in other recovered fibre. The UK has become reliant upon China as an outlet for its paper recyclate and in 2017 it exported 2.9 million tonnes there, some of it of low quality.

In 2017, UK collections of recovered fibre totalled 7.772 million tonnes, marginally down on 2016 and continuing a declining trend started in 2009. This is largely a consequence of social trends and in particular, a sharp decline in the demand for newsprint and graphic papers. UK Paper Mills consumed 3.147 million tonnes of recovered paper, up 4.3% on the previous year, and remain the most reliable outlet for high quality recyclate. The remaining 4.732 million tonnes was exported for reprocessing abroad. Of this 61% went to China, a reduction of 21% on 2016.

Through 2017, market prices for lower grade recovered fibre were volatile whilst most medium and higher grades remained stable. The Chinese National Sword programme launched on 1st March focused on the quality of material being exported there and its impact caused a short-term reduction of 50% in the value of mixed paper, with prices falling to circa £45 per tonne. Other packaging grades dipped, but recovered by mid-year, with OCC reaching a peak of over £120 per tonne, whilst News and Pam sold at over £100 per tonne. The further announcement in July of the proposed export ban on mixed paper shook the market again, with prices for packaging grades dipping, especially in the last quarter when buyers were reluctant to risk shipping material that might be rejected on arrival. However, prices were saved from collapse by good domestic demand and traders finding other outlets in mainland Europe and Asia. The indication in the early weeks of 2018 was that those outlets had been filled, and prices for mixed paper and OCC fell sharply as a result.

Circular Economy

Meanwhile, the revised European Commission's Circular Economy Package (CEP), intended to stimulate Europe's transition towards a circular economy and first launched in December 2015, continued its negotiation. After a marathon session at year end, the European Parliament, Council and European Commission reached a provisional agreement on the waste element of the package. Agreed proposals will amend six key pieces of legislation, including the Waste Framework Directive, the Packaging Waste Directive and the Landfill Directive, setting new targets for recycling and clarifying other areas of existing legislation. Opinion from Defra continues to be that, given the date of UK's departure from the EU, it is likely that the UK will transpose CEP into law.

Growing pressure on local authority budgets and lobbying from the waste management sector

and environmental NGOs for increased funding for recycling, has led to political demand for changes to the UK's unique Extended Producer Responsibility and Packaging Recovery Note (PRN) system. Wide cross-sectoral discussions to explore possible options culminated in 60 senior stakeholders from across the packaging supply chain endorsing a set of principles for future reform of the PRN system based on adjustments to existing structures, details of which will be developed with government over coming months.[1]

Collection of materials for recycling

The widespread adoption of comingled collections by local authorities (now 63% of total collections) has led to the increasing presence of contamination in post domestic recovered fibre and has undermined the saleability of some material. Since recovered fibre from the UK is now in competition with recyclate from other nations in a diminished global market, it is clear that action needs to be taken by government, local authorities, and the waste management industry to redesign processes to achieve high quality recycling.

CPI's Recovered Paper Council believes the current malaise is an opportunity to address raw material quality and has been negotiating a programme of funding to promote the WRAP Consistency Framework, in the belief this is a time when stakeholders should be receptive to change. The WRAP Consistency Framework was first published in 2016 and describes a voluntary programme to harmonise waste and recycling collection services amongst local authorities in England. WRAP's vision is that by 2025 all packaging will be recyclable and that most households will have a common set of dry materials collected in one of three ways: source separated, dual stream or comingled. The Paper Industry strongly supports consistency in collection methods and the source separation of paper and board from other recyclables.

Challenges and opportunities

2018 will be a challenging year in which the industry will work to resolve short term issues of over-supply, market structure and quality, but at the same time it needs to look to the future. Changing social habits are creating opportunity. After widespread media focus on plastic pollution a number of retailers have expressed a desire to switch packaging medium. Paper is perceived to be the leading bio-based, sustainable, renewable, and recyclable option. This is key in differentiating it from plastics and it is important that the industry preserves, supports, and builds this perception. New applications or composite formats that deliver additional characteristics, such as water resistance or barrier properties, will increasingly enter the raw material supply chain but may be regarded as sub-optimal for reprocessing by paper mills. It is important the industry takes an overview and works together to fully exploit the innate circularity and recyclability of paper and board.

1. See CPI Position paper: PRN Reform & Extended Producer Responsibility on the CPI Website

Forestry

A renewable, sustainable resource

UK papermaking is overwhelmingly based on recycled fibres, with more than 70% of paper and card made in the UK using recycled paper and card as a feedstock – almost all collected from local households and businesses. Even so, the industry is still underpinned by forestry, as new fibres are required to replace those lost to the recycling loop. Fibres tend to get shorter when passing through the recycling process, and, after a number of trips these fibres are no longer able to be recycled. Additional to fibres lost in reprocessing is paper simply not available for recycling – say being flushed away or stored as books and boxes in the loft – meaning an ongoing requirement for new fibres to be added to the system.

A key advantage of paper over other materials is the inherently renewable nature of wood and the recyclability of paper fibres. The sale of timber and timber products from forests provides income for forest owners and a huge incentive to ensure that land remains used for forestry and not converted for other uses. Indeed, properly managed forests don't just provide timber products, they also have key roles in conservation, recreation and in storing carbon. Added to these existing benefits is a quickly growing interest in the potential to grow a bio-based economy, with non-sustainable products increasingly being swapped for sustainable ones. CPI and its Members are actively involved in this arena and already lead the way in sustainability.

Around 4.5% of timber harvested in the UK is used for papermaking (total harvest 11.7m tonnes, 0.4m tonnes to papermaking[1]), with the sector providing an outlet for lower grade timber from forests in the north of England and Scotland. After a number of years of relatively

Iggesund Paperboard - Workington

low levels of support for tree planting, the Government shows signs of rediscovering the benefits flowing from forestry and the proposals for a new Northern Forest are a hopeful sign that the Brexit linked review of agricultural support schemes may give more priority to increased forest cover in the UK from the current relatively low levels.

EU Timber Regulations

All pulp and paper placed on the EU market must comply with the Regulations by proving legal harvesting. CPI and its Members welcomed the new rules and welcome proposals to extend the coverage to include a number of paper-based products not currently covered.

The UK has two modern integrated pulp and paper mills operated by Iggesund Paperboard (in Workington) and UPM Caledonian (in Irvine) making virgin pulp by mechanical grinding of wood. Mechanical pulping provides higher yields, producing pulps suitable for particular uses such as magazine papers and food packaging. Depending on the product being made, mechanical pulp can be used alongside other types of pulp to provide specific characteristics in the final product. Both mills use all the pulp they make to convert directly into paper and sell no pulp onto the market – virgin pulps used in other UK mills are imported.

Each of the sites is modern and uses cutting edge equipment minimising waste and energy use. Both mills also have their own Combined Heat & Power plant (CHP) using low grade forestry residues and otherwise waste materials to generate heat and power, slashing emissions of fossil carbon.

1. www.forestry.gov.uk/forestry/beeh-a9zjnu

Health and Safety

One of CPI's most important missions and focuses has always been on preventing work-related death, injury and ill health in the Paper Industry. And, while politicians flex their political muscles, and the fallout and uncertainty of Brexit continues to dominate the political agenda, the Paper Industry's health and safety agenda through CPI, remains true to that overarching mission.

Biennial Health and Safety Conference June 2017

If there is one event that unifies the industry, it is the Biennial Health and Safety Conference. In June 2017, representatives at all levels from the Paper Industry attended this event. After years of focusing on the safety aspects of health and safety, the emphasis for this year was on 'Health and Wellbeing'.

As an industry, with an ageing workforce where medical conditions can worsen, work-related stress is becoming more prevalent, and obesity in general is becoming an issue. In her keynote address, Dame Carol Black explained the importance of going beyond existing health and safety legislation to embrace general physical and mental health, wellbeing and engagement, as factors essential to a healthy workforce.

Dame Carol's address captivated the audience and set the tone for this year's event. Presentations from several other speakers, highlighting the business case for managing long term sickness, work-related stress, and managing 'older workers' continued the theme.

Although the conference focused on raising the health and wellbeing agenda, safety related issues were also covered in a series of parallel sessions, which ran throughout the day.

PABIAC Strategy 2015 -2019 mid-term report

The Paper and Board Industry Advisory Committee (PABIAC) believes that past successes must not lead to complacency and considers it essential to continue to drive forward on the basis of continuous improvement. In June 2017, the industry reached the mid-way point of the current strategy and, as we draw closer towards our 2019 deadline, it is appropriate to review the progress to date.

Evaluation of responses to a PABIAC questionnaire showed good progress was being made in the areas of machinery safety and slips and trips. However, feedback relating to Objective 1 and in particular work-related stress, indicate that at present, some sites are falling short in achieving this objective.

The diversity and range of organisations within the industry mean that for many, good progress has been made and looking ahead we need to maintain that momentum. For others, making headway against the objectives is proving challenging, but that's not to say the objectives are unachievable and real progress cannot be made. As we have said on many occasions, the measurement of success is based on the whole of the industry and not on any individual company performance.

Looking ahead, CPI will continue to support the industry towards achieving these objectives.

Industry health and safety performance

Over the years, CPI has been hugely influential in enacting change and continuously driving the UK Paper Industry towards higher health and safety standards.

In 2017, each sector achieved further reductions in injury rates.

- Papermaking 607 (per 100,000 employees) an improvement of 8.6%
- Corrugated 407 (per100,000 employees) an improvement of 12.7%
- Recovered 211 (per 100,000 employees) an improvement of 14.7%

Other notable milestones this year included:

- In March the Corrugated Sector achieved its lowest ever 12-month rolling total of injuries (29). As a result, the sector recorded its lowest ever injury rate of 324 per 100,000
- The Papermaking Sector achieved its lowest ever 12-month rolling total of lost time injuries, which include Non-RIDDOR injuries, and the number of hours lost due to a work-related accident was the lowest on record
- The Recycling Sector's injury rate continues to buck the injury rate for Waste and Recycling as a whole.

Overall the sector achieved its lowest ever injury rate in June 2017 of 443 per 100,000.

ISO 12643 standards work

With developments in machine technology moving at a rapid pace, and within an ever-changing global market, the involvement of the 'end user' at an early stage in the development of harmonized machine standards is becoming more critical.

Within the industry it is widely acknowledged that some manufacturers of new machinery, when placing their machines on the UK market, do not always comply fully with The Supply of Machinery (Safety) Regulations 2008 or other relevant standards. The impact for the UK Paper Industry is costly; notably in having to retro-fit safety guards to comply with the UK application of regulations.

Throughout 2017, CPI has been actively involved in the development of ISO 12643 Parts 1–5 Safety requirements for the graphic technology equipment and systems. Work on these standards is ongoing and CPI will continue to represent the interests of the UK Corrugated Sector to ensure that manufacturers design, build and supply machinery in compliance with the machinery directive and relevant standards.

Legionella and industry guidance

In 2015, the HSE commissioned research into microbial populations typically present in papermaking process waters. One of the aims of the project was to assess whether Legionella bacteria could multiply in the process water, and if so, to what levels. In 2017, the Health and Safety Laboratory (HSL), concluded its research.

In short, the HSL Report concluded there was no clear evidence that Legionella bacteria proliferate in paper mill process waters, and that the underlying reason for this was down to the measures undertaken within a paper mill to control machine cleanliness, which for operational and quality purposes, contribute to the suppression of Legionella and other bacterial growth.

The report also acknowledges that the alert levels in the HSE guidance HSG274 are not applicable to the paper mill process. To that end, and in support of the research, CPI launched in June *A practical guide for the control of Legionella and other bioaerosols in paper mill water systems*. This industry specific guidance, written by the industry and endorsed by PABIAC, provides information more directly relevant to developing risk assessments in the Paper Industry.

Moving forward

CPI is the driving force behind PABIAC and over the year the relationship with HSE and the Trade Unions has been successful in achieving substantial reductions in injury incidence rates and improving health and safety management performance. These benefits can be measured in terms of how HSE interfaces with the industry.

The collective 'industry' approach to reducing accidents and ill-health, the levels of industry engagement at all levels and a succession of successful industry strategies, has led to HSE predominantly intervening with the industry on a reactive, as opposed to proactive basis.

The Paper Industry remains a significant part of UK manufacturing. For years, the industry has invested resources into making the Paper Industry safer. Looking ahead we now need to take a more proactive approach to initiate that sea-change towards recognising the importance of health and wellbeing - which means visible leadership, engagement, commitment and accountability.

PAPERMAKING

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an improvement of 8.6%

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Communications and Public Affairs

In an uncertain business and political environment, CPI has been proactive in communicating and engaging with a wide range of stakeholders to ensure that the interests of the UK's Paper-based Industries continue to be recognised. During this period, we have used our communications and public affairs capability to put across key messages succinctly and effectively; with our Members' views always at the heart of what we do.

Integrated communications

Many of the issues tackled and positions articulated have involved multi-channel communications to achieve greater reach and awareness raising.

A prime example is our ongoing work surrounding Brexit, where CPI has been vocal in calling for clarity and an economically rational Brexit that avoids any cliff edge. This has required face to face engagement, press releases, the use of social media tools such as Twitter, Facebook and LinkedIn, the CPI website, individual letters, and collaboration with third parties holding similar views.

Having access to a suite of tools, both public facing and behind the scenes media and political systems, has enabled CPI to grow its stakeholder engagement capability during the period of this review.

Our five key tasks of Government, as promoted from May 2017:

1. Economically Rational Brexit
2. An Industrial Strategy in support of UK Manufacturing
3. Action on Skills
4. Make UK Energy Internationally Competitive
5. Packaging and the Circular and Bio-Economy

Political engagement

There is, of course, no substitute for meeting stakeholders in person, where trusted working relationships can be built and maintained. CPI has been mindful to directly involve Members wherever possible and there have been numerous occasions where MPs have been hosted at Member premises. This has the advantage of letting MPs see first-hand the employment offered, the goods manufactured, and the many positive aspects of our industry.

We have been delighted to facilitate or support visits to Member premises including:

- Claire Perry MP (Devizes), Minister of State for Energy and Clean Growth, Department for Business, Energy and Industrial Strategy at DS Smith in Devizes
- Stephen Kinnock MP (Aberavon) at Intertissue in Neath
- Mark Pawsey MP (Rugby) at Rigid Containers
- Callum McCaig (then MP, Aberdeen South) at ArjoCreatives in Stoneywood and
- Jacob Rees-Mogg MP (North East Somerset) at Portals DeLaRue in Bathford.

We have also been busy attending workshops, roundtables and individual meetings with

MPs and senior officials on a range of topics. These have included engagement with Greg Hands MP, Minister of State for Trade Policy, Department for International Trade; Nick Hurd MP, (then BEIS Minister of State); Alex Chisholm, BEIS Permanent Secretary; and Douglas Carswell (former Conservative and UKIP MP). We also attended a key stakeholder meeting with Defra soon after the news was announced about the China ban on certain materials, including mixed paper. Smurfit Kappa in Birmingham were also kind enough to host Dr Aaron Goater from the Committee on Climate Change, and Andrew Large, CPI's Director General for a focused discussion on climate change policy and papermaking.

At fringe meetings during the party-political conferences, CPI officials also engaged with Sue Hayman MP, Shadow Secretary of State for Environment, Food and Rural Affairs; The Rt. Hon Greg Clark MP Secretary of State for Business, Energy and Industrial Strategy; Jack Brereton MP and Mike Wood MP. We also attended selected launch events, such as the Government's Industrial Strategy, to hear speeches by senior politicians and network effectively.

We were delighted to have Chi Onwurah MP, Shadow Minister for Industrial Strategy, deliver a keynote speech at CPI's full Council meeting where she talked about the need to support manufacturing industry.

Parliamentary groups

CPI recognises the value of All-Party Parliamentary Groups (APPGs) and regularly attends and participates in group meetings on a variety of topics including energy, environment, packaging, manufacturing and sustainability. In late 2017, we joined the newly formed APPG on Energy Costs.

Stakeholder publications

Members were provided with information about CPI activities through regular CPI News e-newsletters and hard copy Director General Reports. This mix of frequent operational information and invitations to engage with consultations and initiatives, together with occasional strategic insights continues to be well received.

CPI also issued written briefings directly to MPs about the UK's Paper-based Industries, on important topics such as Brexit.

Strength in numbers

There are times when organisations, including trade associations, need to align themselves with other like-minded or specialist bodies in order to achieve challenging goals. In addition to joining with the Manufacturing Trade Remedies Association and the International Council of Forest and Paper Associations in 2017, CPI continues to benefit from, and provide support to, numerous alliances in the UK and Europe.

These include Advisory Committee on Packaging; 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); Paper Cup Recycling and Recovery Goup; Packaging Recycling Group Scotland (PGRS); Paper Packaging Forum; Sheet Plant Association (SPA); The Packaging Federation (PackFed); The Paper Industry Technical Association (PITA); The Industry Council for Research on Packaging and the Environment (INCPEN); Waste & Resources Action Programme (WRAP); and Zero Waste Scotland.

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); and the International Confederation of Paper and Board Converters in Europe (CITPA). We would like to thank all of these organisations for their positive engagement on many issues and for their continued support during the Brexit process. We look forward to working with them in the future.

In early 2018, CPI has pushed forward with plans to promote the benefits of cardboard to consumers. This is in addition to being supportive of paper-related campaigns, such as Two Sides, Recycle Now and Keep me Posted.

Responses to consultations

Working hard to ensure the UK Paper-based Industries views are heard also involves responding to relevant calls for information from Government consultations, such as the Green Paper on Industrial Strategy. We have also responded to the Environmental Audit Committee's request for information about disposable cups, the Chinese ban on certain materials and stringent contamination rates, and the 25 Year Environment Plan. CPI also responded to the House of Lords EU Select Committee "Brexit – deal or no deal inquiry" in October 2017.

Other consultations that CPI has responded to include the Bio-economy, Environmental Regulation Charging Scheme and Coal Generation in Great Britain, to name a few.

By providing accurate information and informed comment, we have been cited on several occasions in follow up reports, cementing CPI as an important stakeholder that Government should listen to.

In the news

CPI continues to enjoy good relationships with its trade media and we have achieved coverage in many trade publications, including Recovered Fibre, Packaging Portal, letsrecycle.com, and Pulp, Paper & Logistics. Articles covered important topics such as:

- the importance of high quality recycling for paper mills
- disposable 'paper' cups
- corrugated cardboard - the Common Footprint Quality and shelf ready packaging;
- CPI's Biennial Health & Safety Conference
- Brexit
- Papermaking Sector beats its Climate Change Agreements Target 2015-16

Our joint letters with key stakeholders about trade remedies and gas security also featured in national broadsheets.

Throughout 2018, we will be ramping up our media activity with a view to gaining a higher profile.

On the podium

Some of CPI's Directors took up speaking opportunities during the period, sharing their wisdom and expertise on a variety of topics. Andy Barnetson, Director of Packaging Affairs, spoke at several Sheet Plant Association (SPA) events, most recently in January 2018 where he explained about plans for a corrugated cardboard promotional campaign. Andy finds the SPA events very useful, as they are a chance to engage with many valued peers who hold a range of views.

Andy also spoke at the Pro2Pac exhibition, in London in March 2017 contributing to the panel debate "How will the Packaging Industry Fare post-Brexit?" and at the PPMA Show (Processing Packaging and Machinery Association) where he gave a presentation entitled "Corrugated packaging: more than just a brown box?".

In December 2017, Simon Weston, CPI's Director of Raw Materials spoke at the REB Recycling End Markets Conference in Birmingham on the topic of: "What does the current market mean for UK paper recycling infrastructure?".

Social media

CPI's most active social media channel is Twitter, where we have taken the opportunity to share information and put a variety of views across to key opinion formers. We see this channel as a vital part of our wider communications tool-set, allowing us to engage quickly and pro-actively with stakeholders from the media, government, MPs and many more.

Our Facebook and LinkedIn channels remain active and have supplemented our work on Twitter and have been used for niche communications.

New website

CPI has modernised its website and now provides a class leading portal for Members and stakeholders to access. It is easy to navigate, simple to use and retains a wealth of information about the UK Paper-based Industries.

Full Members continue to have access to an exclusive part of the site, where they can benefit from a range of relevant information such as more in-depth statistics, meeting papers, newsletters and member briefings.

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.

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

Review of Data 2017

2017 saw a welcome return to growth in production from the UK's Papermaking sector as increased demand for packaging and tissue papers continued unabated and the recent declines in consumption of graphic grades began to stabilise. With further parent reel capacity in the Tissue sector opening during 2018 and no further capacity closures announced that CPI is aware of at the time of writing, another modest increase is likely for 2018. The UK's Corrugated Board sector, meanwhile, recorded a fifth straight year of growth and, with significant further capacity announced in the Sheet-feeding sector for the autumn, this expansion is likely to continue. In the longer term, the impact of Brexit on UK paper and board demand is of some concern, particularly the UK's ability to import the paper it no longer makes, export the paper it no longer consumes domestically and the future growth of major customer exports to the EU.

Apparent consumption of paper and board

Apparent consumption of papers and boards declined during 2017 by 1.4% compared to 2016, a smaller fall than has been observed in recent years, as good growth in the Packaging and Tissue sectors counterbalanced the continuing decline in demand for Graphics. Corrugated Case Materials consumption increased by almost 6% to 2.47 million tonnes, with exceptional growth for both recycled liners and flutings (8.9% and 5.6% respectively). Demand for other packaging boards such as Cartonboard and Coreboard grew by 4.9% to 1.14 million tonnes, leaving demand for packaging overall at 3.81 million tonnes (+4.8%). With this expansion, Packaging becomes the UK's largest sector, having overtaken annual Graphics demand. For graphics grades themselves, there was a very mixed picture with only Uncoated Woodfree papers exhibiting any resilience to the continual slump in demand for these materials, declining by just 0.5% to 1.03 million tonnes. Demand for publication papers continued to decline, with both Newsprint (11.3%) and Uncoated Mechanical grades (16.3%) falling heavily. Overall, demand for Graphics fell by a further 300,000 tonnes (-8.2%) to 3.47 million tonnes. Consumption of parent reels for Tissue rose once more, by 1.7%, to 1.11 million tonnes, with growth in both reels for toilet tissue and other tissue applications. In total, UK consumption was 8.67 million tonnes, a loss in demand of 120,000 tonnes compared to 2016.

Production and deliveries of paper and board

Paper and board production increased by just under 5% during 2017, to 3.85 million tonnes, the first growth in output for four years. An exceptional increase in output from Corrugated Case Materials mills, together with the restoration of capacity temporarily closed during 2016, added a further 175,000 tonnes to 2016's total. Corrugated Case Materials production finished the year at 1.56 million tonnes (+6.4%) while the Packaging Board sector increased output by 12.3% (+40,000 tonnes) to 376,000 tonnes. And whilst the production of tissue parent reels remained stable at 731,000 tonnes, Graphics returned to growth adding a further 20,000 tonnes (+2.4%) to end the year on 918,000 tonnes. For 2018, the restoration of fire-damaged capacity at a large tissue mill and the restart of Essity UK's mothballed Tawd Mill should see production increase further by the end of the year.

Domestic sales passed three million tonnes once more, with growth in most sectors but particularly Corrugated Case Materials which added 84,000 tonnes (+6.6%), ending 2017 with 1.36 million tonnes of sales. Both Graphics and Other Packaging Boards added a further 20,000 tonnes of sales each, leaving total domestic deliveries up by 4.0% at 3.04 million tonnes. Export sales likewise increased, by 3.7% to 788,000 tonnes, with strong growth in the Packaging Boards sector (+10,000 tonnes, +6.2%) and Specialities sector (+10,000 tonnes, +9.0%).

Papermaking raw materials

The major issue facing UK papermakers' raw material supplies during 2017 was the introduction by China of restrictions on imports of certain classes of waste materials, including Mixed Papers, which has had a significant impact on UK recovered paper markets. Chinese demand for UK recovered papers fell by almost 800,000 tonnes or 22% to 2.89 million tonnes, its lowest level for six years. Although most of this material appears to have found alternative markets in the Far East such as Vietnam and Taiwan, it remains to be seen whether these countries can continue to absorb the volumes being diverted from China. In consequence, UK exports of recovered papers fell by 4.0% to 4.73 million tonnes, with exports of Mixed Papers falling by 10.5% to 1.44 million tonnes while Old Corrugated Container exports were stable. Only Woodfree grades showed any growth, offsetting the decline in domestic demand, increasing by 9.5% to 234,000 tonnes.

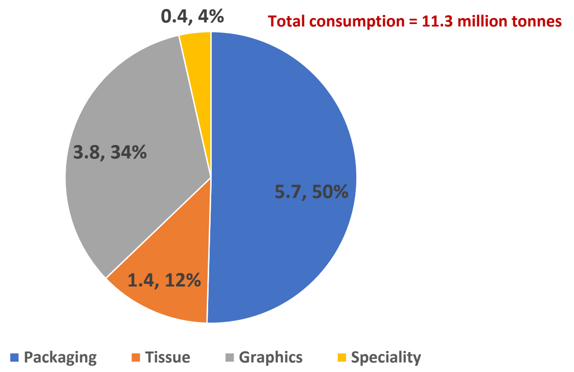
The apparent glut of material thus available had not yet had a significant impact on domestic volumes by the end of 2017. UK paper and board mills increased their consumption of recovered paper by 4.3% compared to 2016 to 3.15 million tonnes but, of the extra 130,000 tonnes used, most were Old Corrugated Containers (+8.3%), fuelled by demand for Corrugated Case Materials, and Newspapers and Magazines. The extra domestic demand and diversion of materials to other Far-eastern countries meant recovered paper collections declined more slowly than might have been anticipated, falling by just 0.7% to 7.77 million tonnes. This fall together with the decline in arisings leaves the UK's recycling rate stable at 69%.

Whilst demand for virgin woodpulp remained stable, very high prices towards the end of 2017 were of increasing concern to paper mills using these materials. Average prices for the benchmark Northern Bleached Softwood Kraft grade were reported to be well in excess of $1,000 a tonne. It is suggested that Chinese producers, seeking alternative raw materials to the curtailed volumes of recovered paper available to them, may have stimulated a surge in demand for woodpulp, increasing prices.

Production of corrugated board

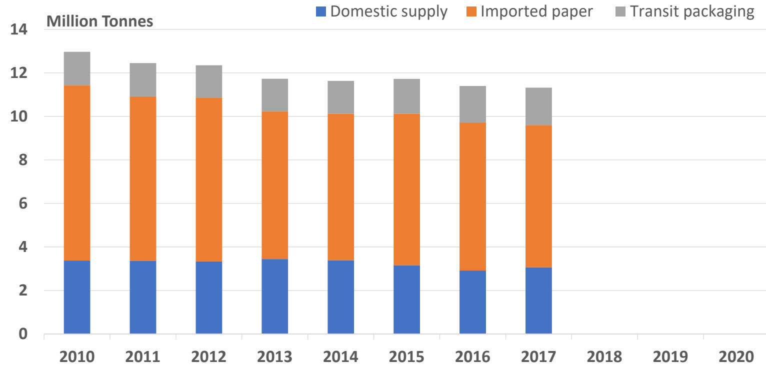
Corrugated board production in the UK passed five billion square metres for the first time during 2017, with CPI Members contributing some 83% of this to the total. Board production in total rose by 4.3% to 5.12 million ksm, at an average board weight of 475 gsm. CPI estimates the UK Corrugated Industry to be making over 100,000 ksm of board every week. From this and taking into account conversion losses and trade in board and boxes, the net UK supply of corrugated boxes is estimated to be 4.81 million ksm, an increase of 2.3% on 2016. In the Sheet-feeding sector, CPI Members recorded a 5.7% increase to 1.14 million ksm at an effective weekly production of 23,000 ksm. The total Sheet-feeding market is now estimated to be more than 1.5 million ksm annually.

UK CONSUMPTION OF PAPERS AND BOARDS 2017



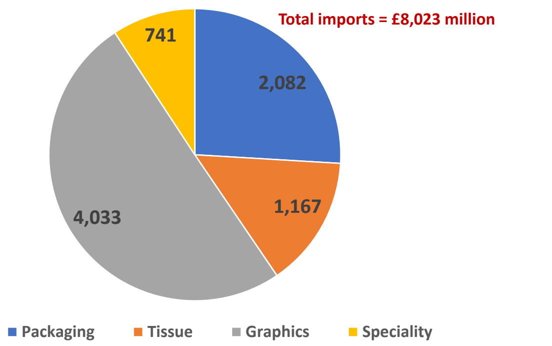
Sources: CPI; HM Revenue & Customs; NPWD

UK CONSUMPTION OF PAPER AND BOARD BY ORIGIN



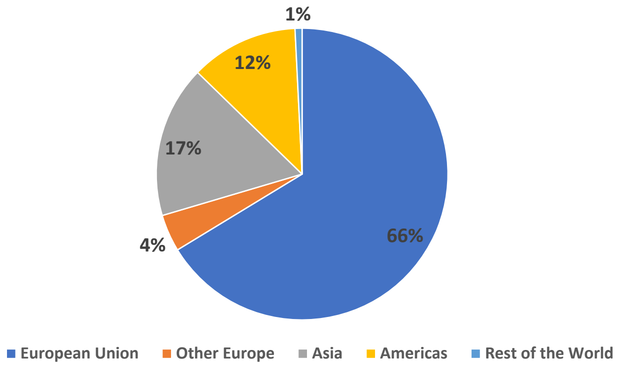
Sources: CPI; HM Revenue & Customs; NPWD

IMPORTS OF PAPERS AND BOARDS BY VALUE (£ millions) 2017



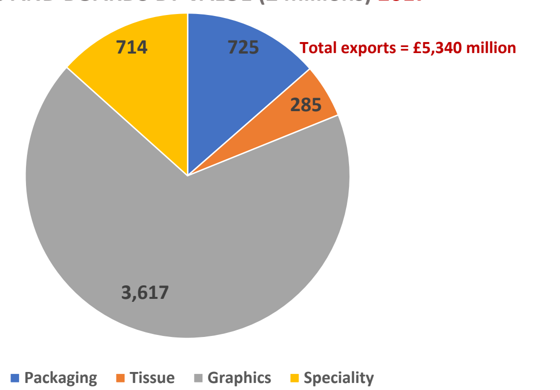
Source: HM Revenue & Customs

IMPORTS OF PAPERS AND BOARDS BY ORIGIN 2017



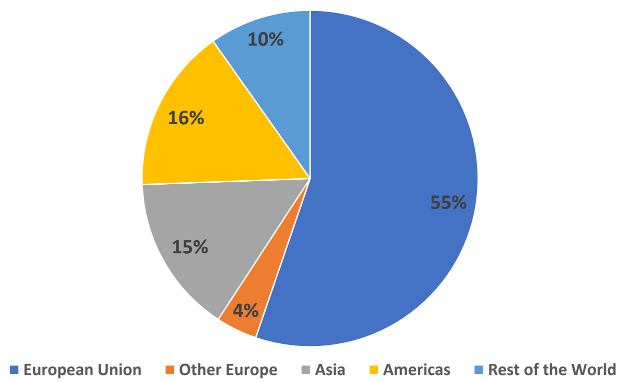
Source: HM Revenue & Customs

EXPORTS OF PAPERS AND BOARDS BY VALUE (£ millions) 2017



Source: HM Revenue & Customs

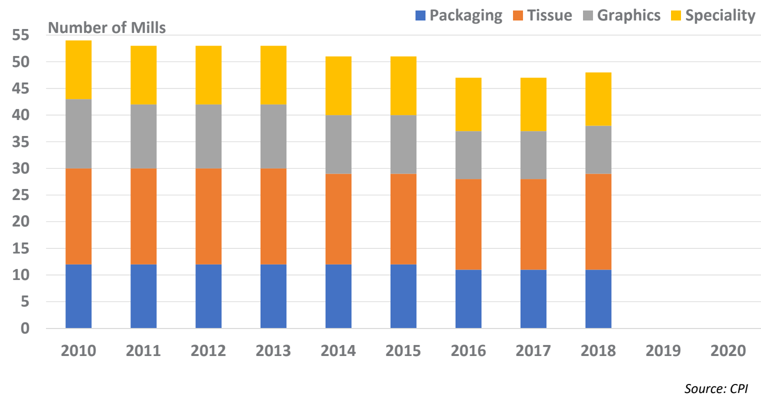
EXPORTS OF PAPERS AND BOARDS BY DESTINATION 2017



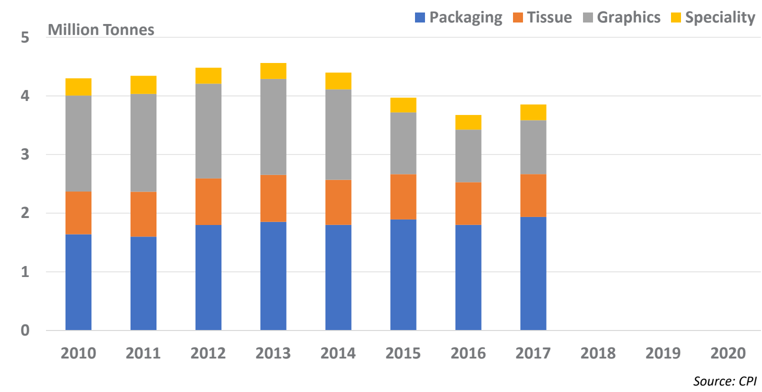
Source: HM Revenue & Customs

INTEGRATED PAPER, PACKAGING, TISSUE AND RECYCLING IN THE UK 2017

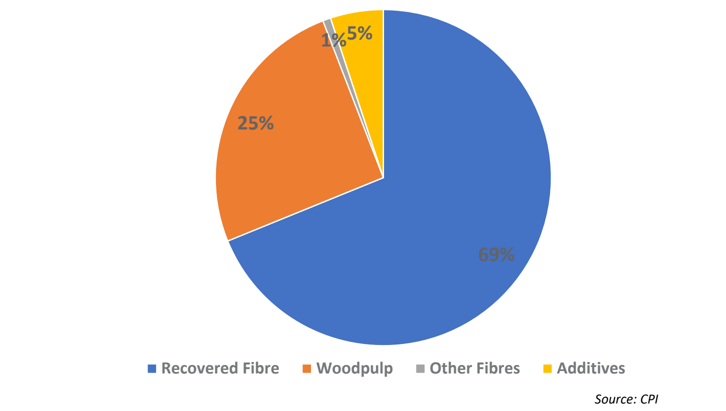
PAPER AND BOARD MILLS OPERATING IN THE UK



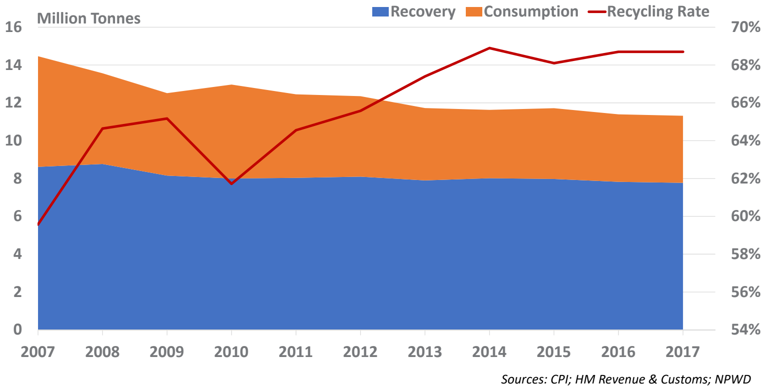
UK PRODUCTION OF PAPERS AND BOARDS



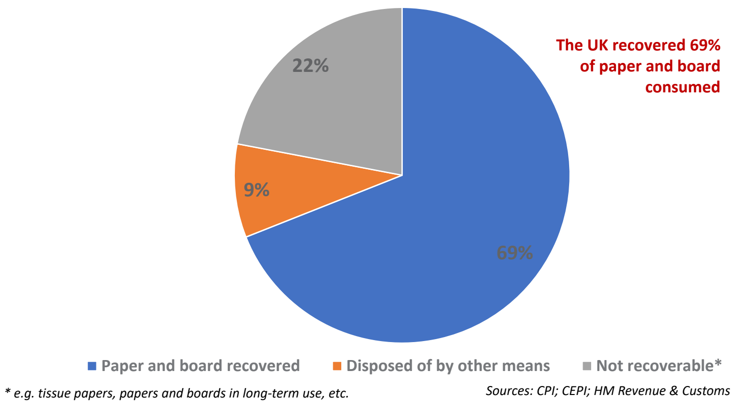
PAPERMAKING RAW MATERIALS 2017

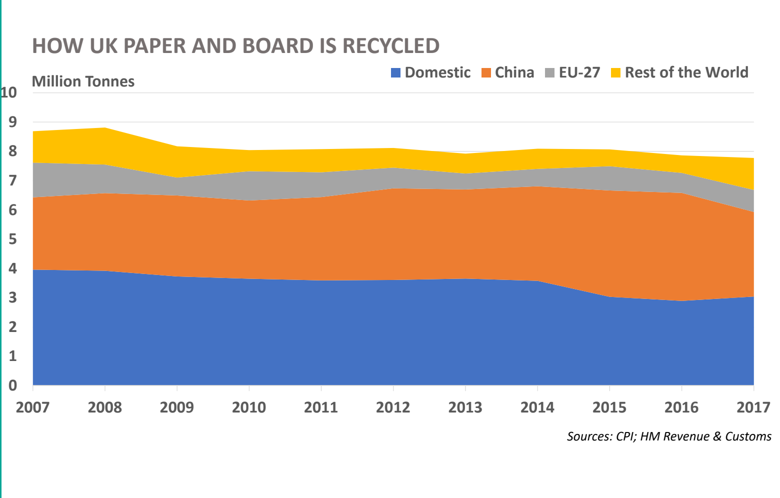


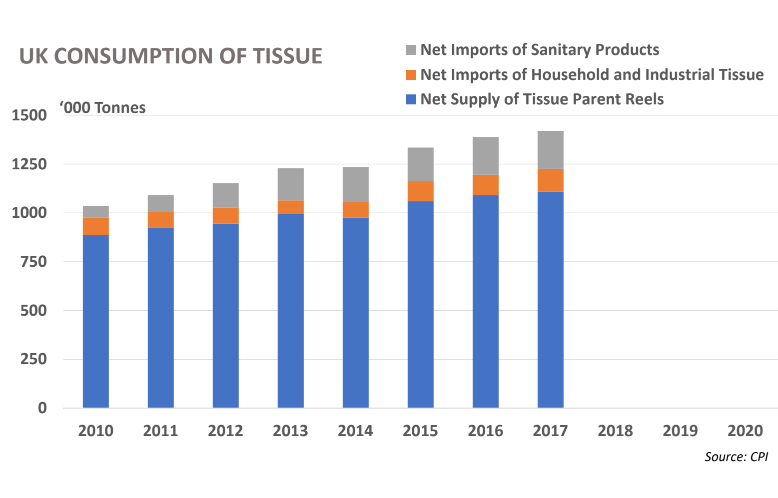
CONSUMPTION AND RECOVERY OF PAPER AND BOARD

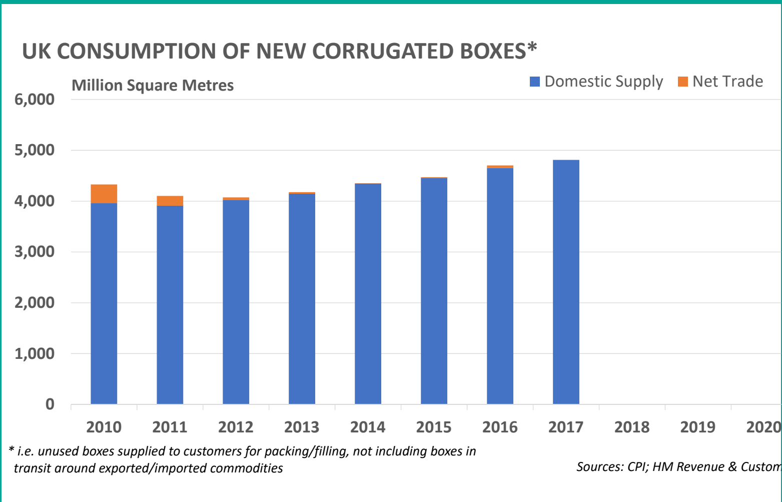


UK RECOVERY OF PAPER AND BOARD 2017




HOW UK PAPER AND BOARD IS RECYCLED
Million Tonnes
Domestic
China
EU-27
Rest of the World
10
9
8
7
6
5
4
3
2
1
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
Sources: CPI; HM Revenue & Customs


UK CONSUMPTION OF TISSUE
Net Imports of Sanitary Products
Net Imports of Household and Industrial Tissue
Net Supply of Tissue Parent Reels
‘000 Tonnes
1500
1250
1000
750
500
250
0
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Source: CPI


UK CONSUMPTION OF NEW CORRUGATED BOXES*
Million Square Metres
Domestic Supply
Net Trade
6,000
5,000
4,000
3,000
2,000
1,000
0
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
* i.e. unused boxes supplied to customers for packing/filling, not including boxes in transit around exported/imported commodities
Sources: CPI; HM Revenue & Custom

UK Paper And Board Facts And Figures 2017

KEY FIGURES OF THE UK'S PAPER-BASED INDUSTRIES

56,000	*56,000 people are employed in the UK manufacturing paper and paper products*	**Jobs**
1,497	*1,497 UK enterprises are engaged in the manufacture of paper products*	**Companies**
£11.5 billion	*UK companies manufacturing paper have a turnover of £11,532 million*	**Turnover**
£4 billion	*UK manufacture of paper has a Gross Value Added of £4,078 million*	**GVA**

Source: ONS, Annual Business Survey 2017, SIC 17

CPI Council

Officers

Mr Richard Coward (President)	Managing Director	Rigid Group Ltd
Mr Kevin Bussey (Vice President)	General Manager	Smurfit Kappa UK Ltd - Paper Making Division
Mr Patrick Willink (Immediate Past President)	Chief Technology Officer	James Cropper PLC
Mr David Chalmers (Honorary Treasurer)	Finance Director	UPM-Kymmene (UK) Ltd
Andrew Large	Director General	CPI

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Mr Clive Bowers	CEO	Smurfit Kappa UK Ltd - Corrugated Division
Mr Andres Calle	UK Manufacturing Director	Kimberly-Clark Ltd
Mr Alex Kelly	CEO	Logson Group
Mr Jim Lang	UK Operation Director - Consumer Tissue Supply	Essity UK
Mr Brian Lister	Country Manager UK & Ireland (Saica Pack UK)	Saica Pack UK Ltd
Mr Ulf Löfgren	Managing Director	Iggesund Paperboard (Workington) Ltd
Mr Angus MacSween	Mill Manager	Arjo Wiggins Fine Papers Ltd
Mr Simon Morris	Managing Director Business & Administration	Palm Paper Ltd
Mr Giuseppe Munari	Country Operations Manager	Intertissue Ltd
Mr Chris Murray	Managing Director	DS Smith Packaging Ltd
Mr Simon Walker	Head of RCP Sourcing UK & Sales	UPM-Kymmene (UK) Ltd

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Affiliate Members

Combustion Engineering Association
Paper and Board Association
Paper Industry Technical Association

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ReCarton UK
Sun Automation
The Environment Exchange

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Arjowiggins Chartham Ltd
BillerudKorsnäs Beetham Ltd
Board24 Ltd
Caledonian Packaging Ltd
Chas Storer Ltd
Devon Valley Ltd
DS Smith Packaging Division Ltd
DS Smith Paper Ltd
DS Smith Recycling UK Ltd
Durham Box Company Ltd
Essity Operations Manchester Ltd
Essity UK 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
Inspirepac Ltd
Intertissue Ltd
James Cropper PLC
James Cropper Speciality Papers Ltd
John Roberts Holdings Ltd
Kimberly-Clark Ltd
McLaren Packaging Ltd
Northern Packaging Ltd
WEPA UK
Northwood Hygiene Products Ltd
Northwood Tissue (Disley) Ltd
Northwood Tissue (Lancaster) Limited
Packaging Products Ltd
Palm Paper Ltd
Palm Recycling Ltd
Pearce Recycling Company Ltd
Portals De La Rue Ltd
Portals Paper
Preston Board & Packaging Ltd
Rigid Containers Ltd
Roydon Packaging Ltd
SAICA Natur UK Ltd
SAICA Pack UK Ltd
SAICA Paper UK Ltd
Sidcot Group Ltd
Slater Harrison & Co. Limited
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 Team

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Andrew Braund

Director of Health and Safety

Mike Dobson

Communications and Public Affairs Manager

Neil Fishburne

Finance Director and Company Secretary

Steve Freeman

Director of Environmental and Energy Affairs

Nick Langdon

Statistics Manager

Andrew Large

Director General

David Morgan

Energy Data Manager

Emma Punchard

Director of Communications

Paul Storey

Head of Employment Affairs

Debbie Stringer

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Simon Weston

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Paper - the sustainable, renewable choice

confederation of paper industries

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