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

Confederation of Paper Industries Ltd
A company limited by guarantee. Registered Number 3886916
Registered in England and Wales
Registered Office: 1 Rivenhall Road, Swindon, Wiltshire SN5 7BD

Designed and produced by Child & Clark - www.peartreestudios.co.uk
Printed on Conqueror Brilliant White supplied by Arjo Wiggins Fine Papers Ltd
Printed by Prestige Colour Ltd - www.prestigecolour.com

cpi confederation of paper industries

PAPER - THE SUSTAINABLE, RENEWABLE CHOICE

REVIEW 2012-13

cpi confederation of paper industries

UK Paper: Strength Through Unity

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

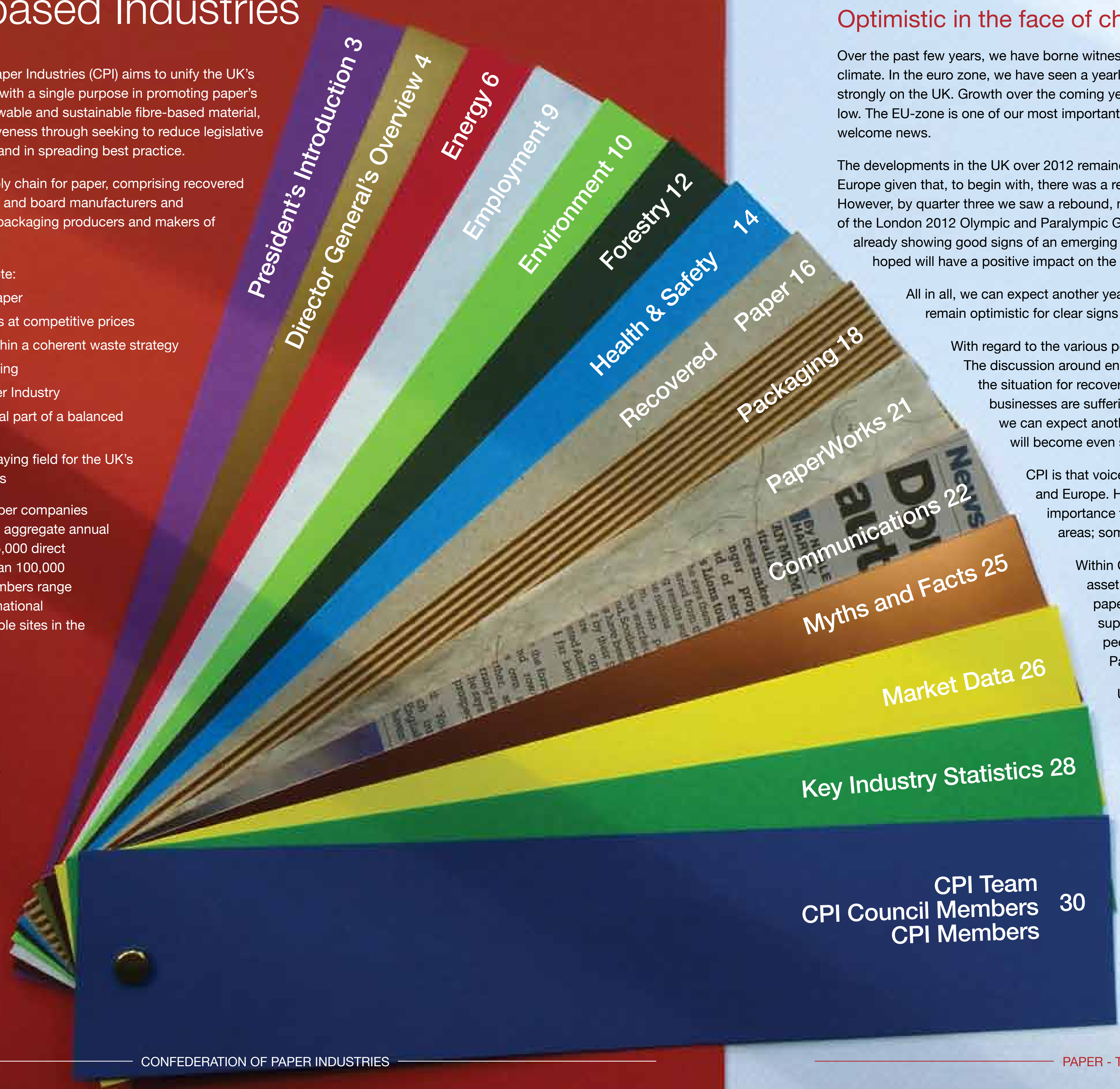
The Confederation of Paper Industries (CPI) aims to unify the UK's Paper-based Industries with a single purpose in promoting paper's intrinsic value as a renewable and sustainable fibre-based material, enhancing its competitiveness through seeking to reduce legislative and regulatory impacts and in spreading 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 67 Member companies from an industry with an aggregate annual turnover of £5 billion, 25,000 direct employees 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.



President's Introduction

Optimistic in the face of challenge

Over the past few years, we have borne witness to an uncertain financial climate. In the euro zone, we have seen a yearly decline in GDP, which impacts strongly on the UK. Growth over the coming years is also expected to remain low. The EU-zone is one of our most important markets and therefore this is not welcome news.

The developments in the UK over 2012 remained dissimilar to the rest of Europe given that, to begin with, there was a reduction in the economy. However, by quarter three we saw a rebound, mainly due to the positive effects of the London 2012 Olympic and Paralympic Games. Additionally, the US is already showing good signs of an emerging economic recovery which is hoped will have a positive impact on the UK market.

All in all, we can expect another year of financial uncertainty, but we remain optimistic for clear signs of a recovery with a continued small growth of GDP.

With regard to the various political initiatives affecting our industry, they have never been more intense. The discussion around energy policies, for example, as well as initiatives regarding climate change and the situation for recovered paper, all have an impact on our industry. Simultaneously, most European businesses are suffering from an unbalanced supply-demand situation. It is therefore apparent that we can expect another challenging year for our industry, but a year where the voice of our industry will become even stronger.

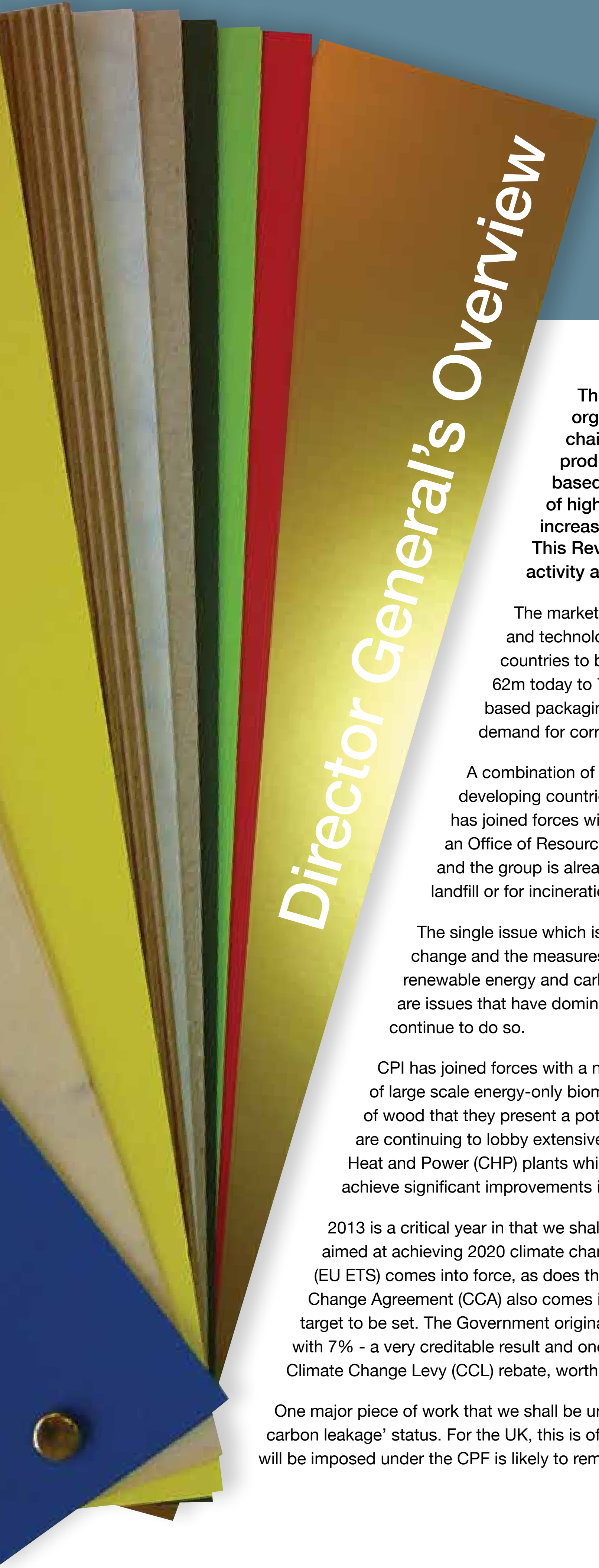
CPI is that voice, actively and successfully representing the fibre-based industry in the UK and Europe. However, in order to increase the influence of this voice, we believe it is of great importance to further develop alliances with other trade organisations acting in adjacent areas; something which will be high on CPI's agenda for the coming year.

Within CPI, there is a small, professional group of experts who collectively are a great asset to our industry. CPI is actively supporting our industry and is helping to market paper as the packaging material of choice. Moreover, CPI also gives exceptional support in health and safety as well as industrial relations. With around 25,000 people directly employed and many thousands more indirectly dependent, the UK Paper Industry is unquestionably a key employer.

Ultimately, it is even more vital that CPI remains focused in its efforts to unify the UK's Paper-based Industries and to promote the intrinsic value of paper as a renewable and sustainable material.

I believe that we will have an exciting year ahead of us. The Paper-based Industry in the UK is well served to meet and embrace the future.

Ola Schultz-Eklund



Director General's Overview

Exciting and challenging times

The Confederation of Paper Industries (CPI) is a unique organisation in that it represents all elements of the supply chain for Paper-based Industries in the UK – from pulp production to the collection and processing of end-of-life paper-based products. This means that we are dealing with a huge array of highly complex and overlapping issues both here in the UK and, increasingly, in cooperation with sister organisations in Europe. This Review is designed to give a snapshot of current and future activity and not just to dwell on the past.

The markets for paper are changing at a rapid pace to reflect demographic and technological changes. The UK is also one of the few Western European countries to be experiencing population growth – projected to increase from 62m today to 70m by 2027. This should be positive for both hygiene and paper-based packaging. The huge swing toward online shopping should also boost demand for corrugated packaging.

A combination of a growing global population and increased affluence in developing countries is now focusing the mind on the issue of resource security. CPI has joined forces with other material organisations to press the Government to set up an Office of Resource Management. Paper and wood are very much on the agenda and the group is already pressing for a ban on all recyclable materials going either to landfill or for incineration.

The single issue which is likely to have the most profound effect on our industry is climate change and the measures introduced by both the EU and UK Governments to meet renewable energy and carbon reduction targets. The impact on energy availability and cost are issues that have dominated our workload over the past twelve months and are likely to continue to do so.

CPI has joined forces with a number of environmental NGOs to lobby against the development of large scale energy-only biomass plants, which are inefficient and demand such high volumes of wood that they present a potential threat to the supply of wood for pulp. At the same time, we are continuing to lobby extensively for government to incentivise on-site good quality Combined Heat and Power (CHP) plants which are currently the only proven method for papermakers to achieve significant improvements in carbon and energy performance.

2013 is a critical year in that we shall witness a marked upturn in legislative and regulatory activity aimed at achieving 2020 climate change targets. The next phase of the EU Emissions Trading System (EU ETS) comes into force, as does the UK's unique Carbon Price Floor (CPF). Our new Climate Change Agreement (CCA) also comes into force this year and we very successfully lobbied for a realistic target to be set. The Government originally proposed an energy reduction target of 14%. We emerged with 7% - a very creditable result and one which should mean that we will continue to qualify for the full Climate Change Levy (CCL) rebate, worth an estimated £120m to our industry over the next eight years.

One major piece of work that we shall be undertaking this year is preparing evidence to protect our 'at risk of carbon leakage' status. For the UK, this is of particular relevance given that the minimum price for carbon that will be imposed under the CPF is likely to remain much higher than the EU price.

Fiona Hall MEP, Richard Sutcliffe (Site Manager at SCA Prudhoe) and David Workman. Credit: SCA Prudhoe Mill

David Workman speaking at the 2012 Conservative Party Conference

Two other pressing issues have been those relating to a revision of water abstraction regulations and to the revision of the Paper Industry's Best Available Techniques Reference Document (BREF), which sets a wide range of emission limits. Government now recognises that, as an industry, we only 'borrow' water and that the principle of derogation should still apply to industrial permits – two major successes.

The focus on quality issues surrounding recovered paper is becoming more acute, in part due to our own lobbying, but also due to the formation of the Resource Association and moves by the authorities in China to reject contaminated waste materials. CPI is involved with the Government on its Quality Action Plan and its Materials Recycling Facilities (MRF) Code of Practice.

We have also lobbied for the Carbon Reduction Commitment (CRC) to be abandoned, and a compensation package to offset the costs associated with CPF and the EU ETS. We have lobbied against the introduction of stringent limits on maritime sulphur emissions that will be costly to implement, and the indiscriminate development of Energy from Waste plants which are a potential threat to supplies of recyclable fibres. CPI continues to work on implementation of the EU's directive REACH (Registration, Evaluation, Authorisation & Restriction of Chemicals), the new EU Timber Regulations and food contact issues.

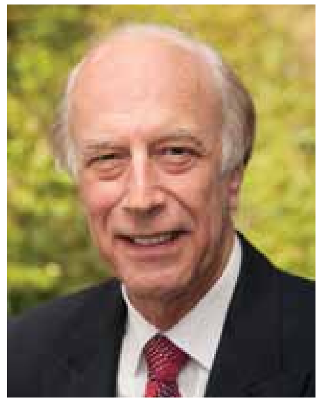
A part of our raison d'être is to spread best practice and nowhere is this showing greater return than in the reduction in accident rates in all sectors. This is in no small part down to the work carried out by CPI in managing the industry's health and safety strategy. The UK's Paper-based Industries can now boast having some of the safest working conditions anywhere in Europe.

In addition to lobbying and spreading best practice, CPI's third main area of activity is in promotion, and 2012 was a very productive year indeed. Our Annual Review was printed for the first time in many years and received universal praise. Our Senior Management Symposium was judged to be the best so far with a number of very high quality speakers covering a broad range of subjects. Our schools education packs were relaunched online under the banner of *PaperWorks*. CPI's booklet *Paper Myths and Facts: A Balanced View* was published in January 2013 and proved to be so popular that within weeks of its launch we had to order a reprint. Our Corrugated Sector continues to promote the advantages of corrugated packaging, working with the UK's major retailers and supermarket chains.

These are exciting and challenging times which will test our ability to adapt to change and to handle an ever increasing workload. With our highly committed, talented and experienced front-line and backroom staff, CPI helps guide the industries that we serve through the maze of legislative and regulatory measures currently before us. We can and will play our part in maintaining the competitiveness of our sectors, promoting all Paper-based Industries and in spreading best practice.

Finally, I thank the Members of CPI for their continued support.

David Workman



Energy

There are clear signs that finally the Government is accepting the message that the cumulative impact of energy policy measures is competitively unaffordable for UK-based energy-intensive installations. There is a commitment that some of these new costs will be offset for paper mills; the detail of this support will be negotiated in 2013.

Questions of cost, competitiveness and the future

The cost of energy and ensuring a long-term affordable supply remains a critical issue for industry strategists and is a key component in securing international competitiveness. Papermaking remains inherently energy intensive and without breakthrough technologies, there is a limit to the energy efficiency improvements that are possible. The Sector 2050 Roadmap highlights these issues and is a powerful reminder to government that support is needed if our sector is to move beyond the efficiency limits set by existing technology.

A number of mills have taken energy generation into their own hands with investment in new combustion equipment – with both gas-powered and biomass Combined Heat and Power (CHP) plants being built and a number of other projects planned. With the Government estimating that the next decade will require around £200 billion of investment in the UK electricity generation industry, potential increases in the cost of grid electricity are a real concern. It is no wonder that operators are seeking to isolate themselves from these costs and indeed benefit from energy self-sufficiency where they can. The ever-growing cost of the Renewables Obligation and Feed-in Tariffs is passed through to customers, so it is far better for mills to have their own biomass CHP and benefit from these additional subsidies than to rely on grid electricity and pay the associated costs.

Reducing emissions - the reality

At a European level, the EU Emissions Trading System (EU ETS) remains the primary policy designed to reduce emissions from the industrial sector. Reduced industrial production - and indeed investment in energy and carbon efficiency - have had the inevitable effect of lowering demand for allowances with consequently lower prices. In spite of this economic reality, the Commission and most Member States, including the UK, are convinced that current EU ETS allowance prices reflect a broken system and are determined to increase prices. This is seen as a prerequisite to drive investment in low-carbon energy.

EU ETS reached the end of its Second Phase at the end of 2012 and generally, UK mills had received sufficient allowances to cover their emissions. This ongoing support is thanks to the sector's 'carbon leakage' status which however, is now under review.

A priority for 2013 will be to ensure the Commission and the UK Government fully understand the importance of this issue. Phase Three is now underway and mills will have to get used to a system in which they are short of allowances. If 'carbon leakage' status was to be lost in 2015, this would cost UK paper mills around £94 million through to 2020 in lost allowances, which could otherwise have been monetised to offset the impact of the UK's unique Carbon Price Floor (CPF).

Government energy policies

At a UK level, the results of the Government's strategic thinking on energy policy are becoming clearer, with a constant stream of policy documents and strategic developments, all set against a quickly changing international energy context and increasingly clear splits within the Coalition Government.

While targets to de-carbonise the UK economy remain enshrined in legislation, the additional costs arising from unfettered support for renewable energy are becoming clearer and potentially unaffordable. The Energy White Paper (published towards the end of 2012) was presented in a way that minimised the impact of these additional costs. As well as some questionable use of discount factors, the most important assumption made was that gas will increase massively in cost and price volatility, thus making renewables relatively more cost effective. Even if there is some price increase, then the role of energy efficiency is emphasised as a way to minimise costs. History suggests attempting to forecast energy prices into the distant future is doomed to failure. Energy efficiency should be supported irrespective of the energy supply mix.

Shale gas and the changes it brings

The advent of large-scale shale gas exploitation in North America has revolutionised the market, with price crashes slashing energy costs to the extent that a number of energy-intensive installations are relocating there. The low price of natural gas has displaced coal in the generation system, cutting American emissions. This displaced coal has entered the international market, reducing prices and increasing the role of coal generation elsewhere in the world, including in Europe. In the EU, the potential role of shale gas is far from clear with an acrimonious debate underway. Recent indications are that the Government will support exploration and licencing in the UK, though the potential scale of production (and so the impact on prices) is unclear.

A new UK tax

Irrespective of the international context, the Government is pressing ahead with the imposition of CPF in April 2013, which adds a new tax on coal, natural gas and oil when used to generate electricity; the policy will apply in the UK only. Interestingly, the European Commission does not support the UK's 'go-it-alone' approach, even though Commission officials are propounding a variety of policy changes with the aim of increasing carbon prices across the EU. While the stated intention of the UK Government is to provide carbon cost certainty for investors in low-carbon generation, a helpful side effect is the opportunity to open a new stream of taxation for the Treasury. While the tax comes in at a relatively low level, it quickly ramps up to become significant in later years. Thanks to the Government's increasing acceptance that paper mills are at risk of 'carbon leakage', much of this additional cost should be offset for CPI Members.

As well as these strategic issues, 2012 also saw technical reviews of a number of existing initiatives including the Renewables Obligation, the Carbon Reduction Commitment (CRC) and the sector Climate Change Agreements (CCA).

'Carbon leakage' occurs where a strict climate policy in one country increases local costs to such an extent that production moves offshore, to countries with a more relaxed and less costly policy. The emissions saved in the strict policy country are offset by the increased emissions in the less costly country, with the result that global emissions are not reduced.

Energy

Negotiations bring improvements

During 2012, CPI renegotiated the Paper Sector CCA, providing the Department of Energy and Climate Change (DECC) with detailed evidence that resulted in the papermaking energy improvement target being set at 7%, down from a starting point of 14%.

This target reduction is worth around £6.2m in compliance cost savings through until 2020, though of course the main value of the CCA is the discount it secures on the Climate Change Levy – this is worth in the region of £120m through to 2020.

Lobbying for the good of the industry

A critical role for CPI is to represent the views of the sector to government. One area of particular concern is the increasing cost of energy, especially when cost increases are driven by regulation. Uncompetitive energy costs risk placing UK manufacturers at a competitive disadvantage. This is especially critical for Energy Intensive Industries (EIIs), where higher costs simply cannot be passed through the supply chain without losing market share.

With UK energy policy effectively spread across three Government Departments (DECC, BIS and HM Treasury), the message - that the cumulative financial impact of these policies is unsustainable - is difficult to deliver. After much hard work by CPI, there are increasing signs that the message is being heard by politicians:

- Exemptions from CRC have been reconfirmed.
- A package of financial support is being developed to offset the impact of the CPF.
- The sector has been promised that it will be sheltered from the forthcoming ‘Contracts for Difference’ costs arising from the reshaping of the electricity market.
- Successfully negotiating down the sector CCA emission target from 14% to 7%.

Of course, many energy and environmental policies emanate from the European Commission and, alongside our colleagues at the Confederation of European Paper Industries (CEPI), considerable effort is made to ensure that Members’ views are heard by Commission staff and UK Government liaison staff, as well as MEPs.

Employment

It’s all about people

CPI Employment Affairs provides Members with comprehensive advice and guidance on a range of HR topics, from conditions of service and employment law, to dispute resolution and mediation. This is offered against a background of a continuing stream of employment regulations emanating from either UK legislation or EU directives.

In addition to advice on general HR matters, CPI offers advice on industry-specific issues such as annual hours systems, working time and working patterns, policies and procedures, as well as working with trade unions.

Dispute resolution for everybody’s good

We worked hard on behalf of those Members covered by the national agreements in the Papermaking and Corrugated Sectors, in successfully concluding reasonable pay settlements with the recognised unions.

As part of these national agreements, CPI provides a dispute resolution service that is highly valued by Members and helps to ensure that good industrial relations are maintained across all sectors.

CPI Employment Affairs was proactive throughout the year in building and maintaining relationships with Members and union officials. Together with other services it offers, CPI Employment Affairs helps to maintain stable industrial relations within our industry.

Environment

The Pulp & Paper BREF - the critical next stage

A key concern for the Pulp and Paper Sector in 2012 was the revision of its Best Available Techniques Reference Document (BREF). The publication of the second draft in May 2012 contained, for the first time, the Best Available Techniques (BAT) conclusions and BAT Associated Emission Limit Values (BAT AELs). With environmental permitting now coming under the EU's Industrial Emissions Directive, transposed into UK law late 2012/early 2013, these BAT AELs become legally binding. Environmental Permits must reflect the BAT AELs within four years of publication, now expected in spring 2014. A significant number of comments and issues raised by the second draft are further delaying the revision.

The Confederation of European Paper Industries (CEPI) is coordinating the industry response to the BREF revision, with CPI actively involved in the process. At CEPI's invitation, the BREF authors, Gabrielle Klein and Ioanna Kourti, visited a range of pulp and paper mills across Europe. This was followed by four informal technical meetings in November 2012, where a small group of industry experts met with the BREF authors. The purpose of these meetings was to explain why some mills do not comply with the proposed BAT AELs and to clarify the main issues with the second draft.

The next stage of the BREF revision process is the Technical Working Group (TWG) meeting, scheduled for early 2013, where Member State National Representatives and industry experts will meet to finalise the BREF, BAT conclusions and BAT AELs. The National Representative for the UK is from the Environment Agency Paper Sector Group.

Critical preparation ahead of the TWG meeting is underway, with issue notes being developed for the priority issues to aid discussions and to influence TWG members ahead of the debate. Priority issues include effluent discharge limits for some 'speciality mills' that cannot comply with the proposed annual load limits, despite having good effluent quality and combustion processes. Working closely with the Environment Agency (EA), as the UK TWG member, to ensure it has a full understanding of these issues, is a priority for CPI in 2013.

Once the TWG has agreed the BREF, the final version has to be approved by the European Commission (expected in December 2013) and then finally translated and published - expected in the spring of 2014. It is four years from this point that all permits have to reflect the BAT AELs.

CPI's focus for 2013 is firstly to strive for a BREF document that is workable and achievable. Secondly, once the BREF is agreed at the TWG, the focus shifts to working with the EA and the Scottish Environment Protection Agency (SEPA) on the reasonable implementation of BAT and BAT AELs within permits.

Water - the risk to our business and how we're facing up to it

It may seem difficult to visualise in a year that saw unprecedented rainfall patterns and flooding, but water is set to be an increasingly scarce resource. With population growth rising, demand and climate change predicted to impact availability, the supply of fresh water is an increasing business risk, particularly so in the Paper Sector where it is a process-critical resource. As it was for carbon, there is increasing pressure from the regulator, investors and customers alike for businesses to quantify and account for their direct and indirect water use. Tools to aid the measurement, communication and mitigation of water risk continue to be developed and refined. The principal tools are Water Footprint and Water Stewardship Standards. CPI continues to be involved, through CEPI's partnership with the Water Footprint Network and the European Water Partnership, with the development of both these standards, looking to ensure a more meaningful application for the Paper Sector and focusing on areas we can actually influence.

Helping the Environment Agency appreciate our complex industry

At a more local level, water resource was a focus for the EA in 2012 with water audits carried out in a number of mills. A side benefit of these audits is a better understanding by the EA of the complexities of the papermaking process. 2013 will see a continuation of these audits, focusing on the 'speciality mills' tied in with the BAT AELs in the draft BREF, and the dissemination of good practice by CPI and EA.

Reform of the Abstraction Regime continued throughout 2012, with the development of policy options to reform the system of water abstraction beyond 2020. The process has to start now as the impact of the changes is potentially so significant, stakeholder engagement and extensive impact assessments have to form a major part of that process. Options being considered are Smart Regulation where abstraction limits vary with availability of water, Tradeable Water Shares and a Pay-as-you-go form of licence where the costs vary with availability. Case study catchment areas have been established to model the impact of the policy options on water supply costs and environmental impact. A number of mills have been involved in the stakeholder engagement process for abstraction reform and CPI is a member of the Abstraction Reform Advisory Group, feeding the interests of the industry into the reform process.

Sharing knowledge, working well together

With all the environmental issues we face, maintaining a good working relationship with the EA in England and Wales, and with SEPA in Scotland is key. We continue to hold regular meetings on issues of industry-wide relevance, avoiding unnecessary repetition of issues at an installation level. The EA has a Paper Sector Group looking to bring industry knowledge and consistency to regulating the sector. We are working with this group and jointly liaising with SEPA to broaden this knowledge and understanding of sector issues. To this end, we are currently working in conjunction with the Paper Industry Technical Association (PITA), to develop and deliver some training for the EA Paper Sector Group, bringing together the knowledge and expertise within CPI and PITA to broaden the Regulator's understanding of the Paper Sector.

This work brought benefits in 2012 and will continue in 2013, particularly in the revision and implementation of the BREF and issues such as the Equal Project on landspread of sludges and Pollution Inventory Reporting Guidance.

.... and finally, REACH

2013 will see the next milestone for registration of substances under the EU's directive REACH (Registration, Evaluation, Authorisation & Restriction of Chemicals). CPI Members are, on the whole, downstream users. As such, REACH presents issues and responsibilities principally with security of supply of certain chemicals (ensuring the use of a substance is registered) and with safety data sheets. CPI, with the support of REACHReady, will provide access to a helpline and guidance via the CPI website.

Communicating our message

The key points we continue to push are:

- **A consistent quality water supply is critical to papermaking operations. Having water available in the morning but not the afternoon is not an option.**
- **Measurement tools must reflect areas where operators can have a direct impact, where changes can make a difference.**
- **The Paper Industry is a user - not a 'consumer' - of water. Over 85% of the water abstracted is put back into the environment.**
- **Our relationships with the Environment Agency and Scottish Environment Protection Agency are crucial and must be maintained.**

Environment Agency

SEPA Scottish Environment Protection Agency

REACH Ready

Forestry

In the view of the public, paper production is entwined with forestry, and so the sustainability of timber is key to the green image of our industry. While over 70% of the fibre used in UK paper production comes from paper for recycling, almost all is originally derived from wood. In the UK, only two large mills produce virgin fibre from input wood, providing a valuable market for lower grade softwoods from plantations in the north of the UK.

Total UK timber production continues to rise, with the amount harvested increasing to over 10 million green tonnes. The amount going to paper production has fallen over time, but has now stabilised with around 4.4% going to pulp production. By contrast, the amount used for energy production has increased from a low base to around 9%. (Source: Forest Statistics, all figures 2011).

The vital importance of our forests and woodlands

2012 saw the final fallout from the ill-conceived and quickly abandoned Government proposal to sell off the Forestry Commission estate. The publication of the report from the Independent Panel on Forestry advising the Government on the future of England's forests and woodlands states:

"The report calls for the benefits of England's woods and forests to be re-valued for all the services they provide. These include not only areas for recreation, but also clean air, clean water, habitats for wildlife, locking up carbon, shading in cities - even helping in flood reduction. Wood is the raw material for timber frame buildings, furniture, flooring, fuel, and of course paper. The report highlights the 'triple bottom line' that forestry delivers and calls for a revival of a woodland culture that appreciates how important trees are for people, for nature and the economy".

One increasing concern is the potential and growing demand for timber for energy generation. CPI strongly supports the 'cascade' principle, where forest fibres are processed for their most productive use, with energy generation reserved for low-grade material not suitable for other higher value uses. Materials such as harvesting waste, tree tops and unrecyclable paper should be used for energy feedstock, not high-grade material such as woodchips. The sector is moving to generate more of its own energy from renewable resources, and so supports the planned introduction in 2013 of sustainability criteria for wood-based fuels.

Regulating timber in the European Union

At a European level, forestry remains essentially a Member State competency, though CPI supports the development of EU policies to encourage forest management and increased sustainable production. CPI also supports the introduction of timber regulation during 2013 – a policy in development since 2002. The new policy is intended to prevent illegally harvested timber and derived products (such as pulp and paper) from finding a market within the EU. European pulp and paper manufacturing already has no place for illegal timber and CPI, together with its Members, has been working alongside the UK Regulator in developing appropriate regulation.

Health & Safety

Tightening up good practice

Under the Government's reform agenda, and a year after Professor Löfstedt's independent review of health and safety legislation, 2012 was a year of responding to public consultations on proposals to revise, consolidate or withdraw Approved Codes of Practice.

Some changes have already seen the light of day. In April 2012, the reporting of any accidents resulting in the incapacitation of a worker for a specified period was extended from over three days to over seven days. More recently, the Health and Safety Executive's (HSE) controversial Fee for Intervention (FFI) was introduced in October 2012. It is ironic that against a backdrop of the Government reducing costs and burdens on business, we have seen the introduction of FFI with an HSE Inspector's charge of £124 per hour!

Budget cuts have forced changes as to how HSE Inspectors interface with stakeholders; proactive inspections are now limited to a handful of 'high risk' sectors. Exactly what impact these changes will have, particularly for those businesses that have very little in the way of health and safety management systems in place, remains to be seen.

A safer place to work

According to the latest Confederation of European Paper Industries (CEPI) figures, the UK Paper Industry has an excellent health and safety record with the lowest accident rate in Europe, making it one of the safest places to work. In the UK there are many paper, board and recovered paper companies that have achieved two, three and more years without a single lost-time accident. Not only is this good for morale but, with fines on the increase and the proportion of offences where the fines were £20,000 or more increasing, financially it makes a difference. Over recent years, the industry has continued to improve its injury rate and 2012 was no exception.

For a number of years, the Papermaking Sector had struggled to consistently break through the 1,000 injuries (per 100,000 employees) rate level. At the start of January 2012, the sector's total injury rate was 1,105; in May 2012, the sector recorded a sub 1,000 injury rate for the first time in five years. Following successive month-on-month improvements, by December 2012 that figure reduced further to 695, a 37% improvement. After many years of continuous effort, it is a great achievement to finally break through. Having got there the challenge is to continue to push forward.

The Paper and Board Industry Advisory Committee

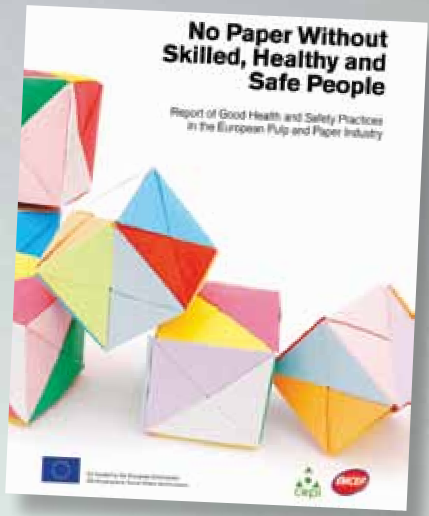
For CPI and the Paper and Board Industry Advisory Committee (PABIAC), 2012 was a year of consolidation and preparation. The PABIAC Industry Delivery Committee in each of our sectors were busy reviewing and updating industry guidance; this work continues in 2013.

After an absence of seven years, one of the highlights of 2012 was the PABIAC workshop. Aimed specifically at managers and employees in the industry, delegates were able to meet members of the PABIAC Strategy and Delivery Committees. As well as participating in practical and interactive sessions, delegates learned about the additional tools and sources of information readily available and discussed, networked and shared ideas with colleagues from around the industry. The feedback from attendees was very positive and PABIAC will now consider running similar events in 2013.

Load Safe, Road Safe

During the last two years, an industry-led working group, comprising the Freight Transport and the Road Haulage Associations, Wincanton Logistics and CPI, has been involved in discussions with the Vehicle and Operator Services Agency (VOSA) and the Health and Safety Laboratory (HSL) to review current load securing practice. As a result, the group collaborated with HSL to produce guidance for operators, consignors and drivers. The guidance was funded and published by HSL and was launched at the April 2012 Commercial Vehicle Show.

No Paper Without Skilled, Healthy and Safe People



In October 2012, CEPI and the European Trade Union Federation, industriAll Europe, launched a good practice report on health and safety in the European Paper Industry.

Of the 22 practices identified, CPI's handling and disseminating of information through our Safety Alert system was chosen as one that other countries and paper mills could use to good effect.

The report is part of the European Agency for Safety and Health at Work (EU-OSHA) campaigns towards healthier and safer workplaces.

Looking ahead

No review of 2012 would be complete without some mention of the London Olympics, and while nations may argue as to which Olympics were the best, there is no question that London 2012 was the safest. As an industry, we can learn a lot from the Olympics: working together, team work, shared objectives and respect.

The industry is midway through the current PABIAC Strategy *Being the Difference Together*. The guidance that the Delivery Committees worked on during 2012 will support companies in improving their health and safety performance, in particular in relation to machine-related accidents.

Another potential hot topic is Legionella. HSE and local authorities will continue to visit businesses and organisations with cooling towers and evaporative condensers. The inspections follow the publication of a safety notice in July 2012 warning of the Legionella risks posed by cooling towers and evaporative condensers and are part of a wider initiative to promote better control of Legionella. HSE and local authorities will also be working with companies and trade bodies to provide advice and encourage the sharing of effective ways of working.

For many years the Paper Industry has had a consistent approach towards health and safety. Driven by CPI, through PABIAC, the approach has been efficient and effective. Under the HSE's new Manufacturing Strategy 2012-2015, Paper and Board will no longer be subject to proactive inspections. In recognition of its combined efforts, the industry has now gained 'earned autonomy' status. Having achieved this, it is important that we don't let our health and safety standards slip. CPI and its partners in PABIAC will continue to push the boundaries to deliver continuous improvement for our industry.

CPI's 2013 Biennial Health and Safety Conference takes place on 5th November at The St Johns Hotel in Solihull, and we look forward to welcoming managers and employees from all sectors to this unique industry event.

Recovered Paper

Based on data from CPI and HM Revenue & Customs, apparent consumption of paper and board declined by a further 2.8% in 2012 to 9.95m tonnes.

Collection of recovered paper (or 'paper for recycling') in the UK rose by 1.5% in 2012 to 8.15 million tonnes. On this basis, the 2012 recycling rate was 70%; a 3% increase on the previous year, which means the UK Paper Industry continues to meet the 'European Declaration on Paper Recycling' target of 70% by 2015.

The UK has continued to rely heavily on exports of paper and board for recycling, with overall exports representing 55% of total UK collections; a 1.1% increase on 2011. China continues to dominate the market, accounting for 70% of total UK exports throughout the year. However, headline export figures are heavily influenced by an anomalous spike in exports to China in January 2012. Most months saw relative decreases in recovered paper shipped overseas, with February-December showing an overall reduction in exports of 2.1%. A close eye is being kept on export activity in 2013.

Influencing factors in 2013 and beyond

The relatively modest year-on-year increases in tonnage collected for recycling suggests that maintaining and improving recycling performance will surely require a combination of improved recyclate quality, alongside the sourcing of additional material streams in 2013 and beyond.

With the Government's latest figures showing that the rate of growth in recycling is stalling, the importance of educational campaigns in influencing behaviour change around recycling practices will continue to increase. CPI will continue to push for greater Government understanding of the link between recycling education and material quality. In addition, CPI will seek to raise local government awareness of reprocessor needs with individual councils and via organisations including the Local Authority Recycling Advisory Committee (LARAC) and the Local Government Association.

CPI will highlight to both local and central Government the potential risks to the future availability of quality recyclate posed by thermal waste treatment. Whilst not opposed to the incineration of unrecyclable waste materials for energy production, evidence increasingly suggests that the UK could reach over-capacity in several years – as is already the case in Germany, Holland and some Scandinavian countries.

For UK local authorities (LAs) entering into long-term residual treatment contracts underpinned by guaranteed minimum tonnages (GMT) there is a genuine risk that residual treatment over-capacity could act as a disincentive to increasing recycling rates. Clean, source-separated recyclables are a valuable resource yielding clear returns throughout the supply chain. The rationale for pursuing 'other recovery' over and above recycling (as defined by the Waste Hierarchy) only becomes viable when these different waste streams are mixed together. Consequently, the boundary between extracting value from mixed dry recyclables and otherwise 'recovering' it via residual waste treatment is likely to become blurred once the capacity threshold is achieved. The implications of waste treatment over-capacity for recovered paper are significant and CPI will be engaging with local and central Government on this issue.

Focus on quality

There are also genuine signs that the UK's major export markets intend to maintain a long-term (as opposed to a market-trend) focus on quality through the enforcement of tighter restrictions on imports of paper for recycling, meaning that the UK could become squeezed out unless quality improves. Add to this the significant increase in shipping costs from the EU and China's domestic target to recycle 70% of major waste products (including paper) by 2015 - thereby shifting the focus towards domestic security of supply - suffice to say that it's high time that the UK's material 'quality bullet' was bitten.

A recent report by the Resource Association estimates that over £51 million a year of costs is associated with the management of poor and inconsistent quality recyclate. This represents an average of £15.67 per tonne for over 3 million tonnes of reprocessing capacity featured in the survey. CPI aims to carry out a similar survey of its own Members in 2013 to give further clarity on the cost implications of sub-standard material quality to UK reprocessors.

Making the Paper Industry's case

The Department for Environment, Food and Rural Affairs (Defra) and the Welsh Government's proposed compulsory Materials Recycling Facility (MRF) Code of Practice is finally out for consultation. Whilst CPI welcomes the move to make the Code statutory, we do not believe the proposal sufficiently addresses the Government's stated objective of ensuring that co-mingled collection of dry recyclates followed by sorting at the MRF can promote high quality recycling. We will continue to highlight the concerns of Members and call on the Government to strengthen the regulations so that the necessary improvements to the UK's recycling industry can be realised. Accompanying the MRF Code is the Quality Action Plan which covers a number of other possible actions, including more robust enforcement of Trans-Frontier Shipment (TFS) Regulations. CPI will be pushing strongly for the use of the revised EN643 Standard by the relevant regulatory authorities in enforcing TFS Regulations. Following several years of negotiations, the revisions are close to final approval and CPI is now working with the Confederation of European Paper Industries (CEPI) and others to develop accompanying guidance.

The outcome of the Judicial Review of the Waste (England and Wales) Regulations 2011 in relation to the definition of 'separate collection' signals that co-mingled collections are here to stay; the conclusion being that Defra and the Welsh Government have properly interpreted European law. In contrast, both Scotland and Northern Ireland are placing a greater emphasis on source-separated collections as a means to maximise the quality of paper for recycling.

Promoting the circular economy

Waste needs to be treated as a resource - and throughout the waste stream. Currently it is not. CPI intends to work with other associations to push the Government to establish an 'enabling policy framework' around the concept of the circular economy.

CPI believes a national strategy needs to be developed which puts quality at its heart. We also need to engage householders, commercial organisations, local authorities and the waste management industry in promoting a circular economy, the benefits of which include: reduced resource price volatility, lower supply chain risks, potential employment benefits and reduced pressure from external drivers. Common targets based on material streams would be a good start.

This will certainly require better cross-departmental cooperation in government, so that a greater focus can be placed on creating a society where resources are fully exploited.

Packaging

The packaging activity within CPI focuses on Corrugated Packaging which makes up approximately three-quarters of all paper packaging in the UK. In our capacity as the leading association for the UK's Paper-based Industries, we are seeking to build greater relations with those associations representing other sectors of paper packaging, to unite and strengthen the UK Paper Packaging Industry in all its forms.

Perceptions of packaging

Packaging has come under attack by some commentators who suggest that it is always wasteful or somehow environmentally unfriendly. This misconception could not be further from the truth. Efficient packaging reduces product damage to below 5%, dramatically reducing the environmental impact. CPI has been playing a key part in a national campaign for a change in the way that packaging is viewed, and a number of important organisations are now recognising the fundamental role that packaging plays in modern society.

Helping to reduce food waste

In January 2012, the European Parliament adopted a resolution for urgent measures to halve food waste by 2025. This contained a key reference to the important role that packaging can play to avoid food waste:

"Calls on the Commission to assess and encourage measures to reduce food waste… notes that the optimisation and efficient use of food packaging can play an important role in preventing food waste by reducing a product's overall environmental impact".

Food contact

A key role for CPI is to monitor the position on paper packaging in food contact. Paper packaging is demonstrably safe in these applications but certain parties have raised concerns over some chemicals, most notably the presence of mineral oils.

The Foods Standards Agency (FSA) published its report on mineral oils at the end of 2011 and CPI was satisfied with the overall conclusions that the FSA had "not identified any specific food safety concerns" and that "there is no need for consumers to change their eating habits".

The long awaited report from the European Food Safety Agency (EFSA) was published in June 2012. While some potential concerns have been identified in relation to the exposure to mineral oils through food, the EFSA experts stress that there are several uncertainties.

Importantly, the FSA is "not advising consumers to change their eating habits based on the EFSA opinion".

An important part of the liaison between CPI and FSA comes through our role as part of the Food Packaging Value Chain (FPVC) which stands as an informal 'umbrella' structure representing the supply chain, including ink and adhesive suppliers, and paper packaging converters. We would like to think that this cooperation throughout the supply chain has been influential in helping FSA reach its conclusions.

In the area of food contact, CPI is working closely with European associations - the Confederation of European Paper Industries (CEPI) and the International Confederation of Paper and Board Converters in Europe (CITPA). These associations have revised the Industry Guideline for the Compliance of Paper and Board Materials and Articles for Food Contact.

Customer opinion survey

CPI commissioned a programme of customer research, to identify opinions and perceptions of corrugated as a packaging material and of the Corrugated Industry as a whole. The report was compiled in early 2012 and the final conclusions yielded a fascinating insight into customer opinion.

Headline findings included:

- 94% of respondents consider packaging to be very important /critical when developing new products.
- 84% of respondents believe the sustainability of corrugated retail-ready packaging is better than other materials.
- 84% of respondents consider corrugated transit packaging to be more versatile than returnable plastic crates.
- 92% of respondents said the Corrugated Packaging Industry is very important or critical to the future of their business.

Liaison with the Government Department for Business, Innovation and Skills

CPI was pleased to see the appointment of a Senior Policy Advisor for Manufacturing within the Department for Business, Innovation and Skills (BIS), and took the opportunity to arrange for him to tour a corrugated factory. In recent years, manufacturing has not received the attention that it deserves from government, with few officials focusing on manufacturing. The appointment, to increase liaison with the UK Manufacturing Industry, is a welcome development.

Industry action on charge for 'single-use' carrier bags

The single trip carrier bag came under scrutiny in 2012. While the majority of these are made from plastic, the proposals for a charge extend to paper carriers, such as those used by some fast food outlets and clothes stores.

It was agreed that CPI should stand alongside plastic manufacturers on this occasion, taking a generic view that taxation is not the right approach. There is also a case for standing in general support of packaging as a whole. From an objective, non material-specific standpoint, there is evidence that a focus on carrier bags is a distraction from other areas of activity that have a much greater environmental impact.

Packaging

Corrugated promotion

CPI's Corrugated Sector Promotional Committee enjoyed yet another active and successful year in 2012.

The Committee's primary focus remains the communication and engagement with the conventional trade media. Working with a new PR Agency, CPI achieved increased coverage in a number of core titles across the grocery/retail, packaging and marketing sectors, with 2012 trade media hits exceeding target. We will continue to build on this success in 2013.

Recognising the increasing importance of social media in reaching new audiences, the Committee extended its communications programme to include Twitter, putting Corrugated at the forefront of trade association communications. Regular tweets include a mix of links to recent news releases, links to CPI's website and facts about the Corrugated Packaging Industry.

In a move to improve communications with retailers, CPI is meeting with major multi-national companies and independent retailers to put across our key messages and seek to position Corrugated as a strategic partner. CPI also attended a series of Institute of Grocery Distribution (IGD) events, which provide a valuable insight into retail.

The European Federation of Corrugated Board Manufacturers (FEFCO) has established a market & environment campaign to communicate the many strengths and benefits of corrugated packaging to European stakeholders. At the centre of this campaign is a new website - www.corrugated-ofcourse.eu. Alongside this, FEFCO has launched a series of adverts based on the 'Mr Corrugated' character; a video clip is available online. These adverts have been carried in pan-European trade journals and will be printed as posters. CPI is supporting this FEFCO campaign and is encouraging CPI Members to link to the Corrugated of Course website to raise its profile.

New projects in corrugated promotion will include the development of a *PaperWorks* schools resource module designed to educate students about Corrugated Packaging.

PaperWorks

CPI's education material for schools was launched in 2012 as *PaperWorks*. Covering ages five to eighteen, it provides teachers with high quality curriculum-linked multimedia resources which fit with modern classroom teaching techniques and facilities. The web-based packs include video presentations, project ideas and comprehensive teaching notes that emphasise the resource-efficient and sustainable nature of the Paper Industry, and aim to counter some of the common misconceptions about our industry.

PaperWorks currently consists of four packs:

- Art and Design: 5 to 7 years
- Science and Technology: 7 to 11 years
- Geography Studies: 11 to 18 years
- Business Studies: 14 to18 years

Through Art & Design, and Science & Technology at Primary level, *PaperWorks* is designed to engage pupils in a fun exploration of paper. It helps pupils to learn all about paper, its versatility, how it is used every day and introduces the importance of recycling.

At Secondary level, *PaperWorks* supports elements of the curriculum for GCSE and A Level for Business Studies and at KS3 and GCSE for Geography. In particular, it helps students to understand how the UK Paper Industry is a modern and sustainable industry with strong environmental credentials.

PaperWorks has been promoted to 24,500 primary schools and 5,200 secondary schools in the UK. A poster mailing to approximately 2,000 primary schools closest to 50 local Member sites was sent in January 2013. *PaperWorks* has been very well received, achieving a 5 star rating on the Times Educational Supplement website.

Visit the PaperWorks website at: **www.paper.org.uk/paperworks**

Introducing Corrugated Packaging with practical, hands-on learning

In 2013, we will be extending *PaperWorks* with Corrugated Packaging content. Materials will be developed for Key Stage 3 (ages 12-14) to support young people studying design and technology-based subjects.

As part of their studies, students at this level have to explore logo and brand identity, packaging and product display. Students will design their own branded packaging using both hand-drawing skills and CAD (Computer-aided Design) systems. They will then go on to produce their own packaging using CAM (Computer-aided Machinery).

Communications

An exceptionally busy and successful year

In 2012, we issued 21 editions of *CPI News* to Members. This is CPI's primary source of some of the latest, most pertinent news and issues, so remains a crucial publication and reference for our Members.

The *DG's Report* was printed and issued in January, May and September 2012, keeping Member company CEOs and senior management up to date on the work of CPI.

Eleven *Members' Circulars* were distributed, containing action points and information on key issues ranging from Council appointments to the CPI's Senior Management Symposium.

This is the second year running that we have printed our *Annual Review*. The publication is widely distributed across CPI Membership, MPs, MEPs, trade press and industry associations to name a few!

Our education packs were relaunched online in April 2012 under the banner *PaperWorks* and received a 5 star rating on the Times Educational Supplement website. See page 21 for further information on *PaperWorks*.

The fourth biennial CPI Senior Management Symposium was held in October 2012 and the event again proved to be a resounding success, with a programme that provided thought-provoking and informative presentations, delivered by some of the best industry speakers, including Dr Palm, CEO of Palm Paper.

Keeping MPs up to date

Newsletters to all 650 MPs were distributed in January, May and October 2012; these were sent in printed form rather than via emails as previously. The October issue elicited a very detailed response from the Business, Innovation and Skills Minister, Michael Fallon MP. In addition, MPs who have CPI Members in their constituencies received covering letters containing their CPI Member contact details. The Newsletter provides an update on the latest news and issues and is an opportunity to highlight key ways in which MPs can influence Government policies affecting our industry.

The Newsletter to MPs has been rebranded *MPs Briefing*, and in January 2013, we launched *MEPs Briefing* for distribution to all UK MEPs.

We continued to expand our content on the ePolitix website throughout 2012. Some of the key coverage included:

- articles on the 2012 Budget, where we called on the Chancellor to support our industry.
- an article ahead of the Conservative Party conference (at which CPI Director General, David Workman spoke), which called for a U-turn in policy to reverse the decline in UK manufacturing.
- an article from Mark Pawsey MP, ahead of the CPI Senior Management Symposium, in support of UK manufacturing.

Maintaining a high press profile

In 2012, we continued to build upon our successful media relations programme and our relationships with key trade press.

We issued 22 press releases and these were covered over 100 times in the trade press, with topics ranging from lobbying the Government on green policies, reducing red tape and promotion of the UK paper recycling rate, to the Corrugated Sector survey results and the support of Recycle Week.

We also had 30 feature articles published, including several in PrintWeek and Packaging News. A further 15 comment pieces were published including PoliticsHome coverage of the Energy Bill and the Chancellor's Autumn Statement, and an opinion piece for the website letsrecycle.com regarding paper's recycling rate. There were 36 additional mentions in the press.

CPI's website received almost 1 million hits in 2012, with both the public and Members' sections proving to be more popular than ever.

The site hosts a multitude of information such as fact sheets, statistics, press releases, and committee agendas, minutes and meeting papers. *Web Updates*, an email containing the updates made to the site, is sent to Members each week.

Early 2013 saw the launch of CPI's new booklet, *Paper Myths and Facts: A Balanced View*. See page 25 for further information.

Visit CPI's website at: www.paper.org.uk

A new approach - social media

2013 sees us embarking on a new media and communications strategy – social media. We will be scheduling a series of 'tweets' covering some of our key messages, with the aim of further increasing our engagement with the press, MPs and younger audiences.

In Europe

We continue to represent Members at a European level through the Confederation of European Paper Industries (CEPI), European Federation of Corrugated Board Manufacturers (FEFCO), European Recovered Paper Association (ERPA), Bureau of International Recycling (BIR), and the European Tissue Symposium (ETS).

Communications

Alliances

CPI works with a number of alliances within the industry:

- Advisory Committee on Packaging (ACP)
- Emissions Trading Group (ETG)
- Energy Intensive Users Group (EIUG)
- Food and Drink Federation (FDF)
- Integrated Pollution Prevention Control (IPPC) Sounding Board
- Manufacturers Climate Change Group (MCCG)
- Paper Agents Association (PAA)
- Paper Industry Technical Association (PITA)
- Resource Association
- Sheet Plant Association (SPA)
- The Industry Council for Packaging and the Environment (INCPEN)
- The Packaging Federation (PackFed)
- Waste & Resources Action Programme (WRAP)

'Two Teams' Project

The European Paper Industry launched its *2050 Roadmap to a low-carbon bio-economy* in 2011. In the roadmap, CEPI outlined how the industry could achieve an 80% decarbonisation combined with a 50% value creation by 2050. However, CEPI emphasised that in order to meet this goal, industry would have to come up with new ideas or breakthrough technologies.

To this end, early in 2013, CEPI launched the 'Two Teams' Project. The project consists of two competing teams set to identify concepts of breakthrough technologies and processes that could make pulp and paper manufacturing more efficient and create more value. Further information is available at: www.unfoldthefuture.eu

Dr Wolfgang Palm giving the keynote speech

CPI continues to play an active part in a number of 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 Associate Parliamentary Manufacturing Group
- The Associate Parliamentary Sustainable Resource Group

Myths and Facts

Dispelling the common misconceptions about paper

The Paper Industry has always been the subject of many common misconceptions and to dispel some of these, CPI published *Paper Myths and Facts: A Balanced View*. This new booklet provides a factual and balanced view of the UK Paper Industry whilst promoting paper as a sustainable, renewable choice.

The booklet has been mailed to CPI Members, MPs, MEPs, peers, civil servants and the press as well as industry associations. The response from the general public has been excellent and the support of our Members and colleagues in helping to promote the 'good news story' to clients and colleagues has been so positive that the booklet has already been reprinted.

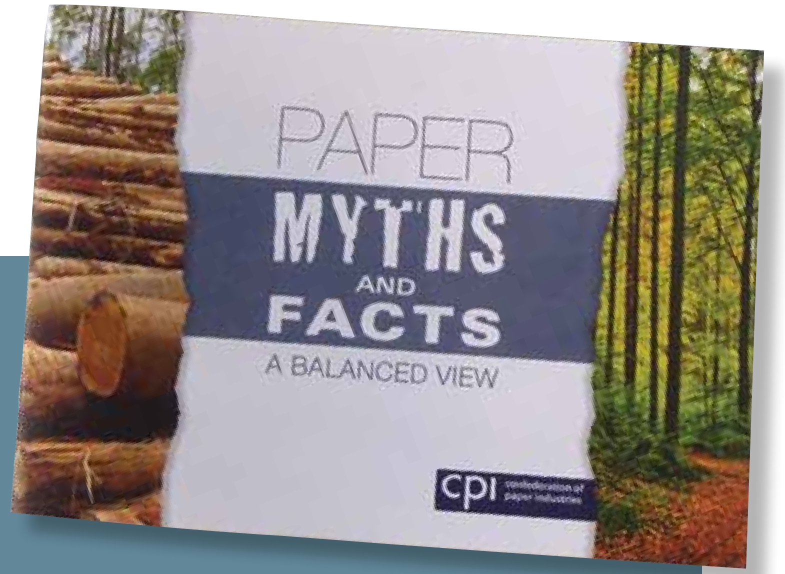
Paper is made from a natural, renewable and sustainable resource and boasts the highest recycling rate of any material in the UK, but environmental issues related to paper are still a source of numerous misconceptions.

The Paper Industry has a good story to tell

Some impressive statistics and research support the facts:

- Europe's forests are increasing in size – by an area equivalent to 1.5 million football pitches every year and over 70% of the fibres used to make paper in the UK come from paper collected for recycling.
- UK papermaking has reduced total energy use by 34% per tonne of paper made.
- The Corrugated Sector is vitally important to manufacturing, protecting around 75% of the UK's packaged goods in transit.
- Over 80% of all Corrugated Packaging is subsequently collected for recycling.
- Thanks to investment in lower carbon energy, annual emissions of fossil carbon have been reduced by 1.6m tonnes or 42%.
- The Paper Industry works continuously to optimise its processes and is already the biggest single user and producer of bio-energy in Europe.

The booklet and an order form to request hard copies is available on the CPI website at:
www.paper.org.uk/mythsandfacts



Market Data

With rising output and increased demand for raw materials, the UK Paper and Board Industry demonstrated its resilience in the face of very harsh trading conditions during 2012; testament to an industry that has continued to invest well in machinery and manpower and one that has continued to keep abreast of current legislation and technological developments.

Apparent consumption of paper and board

2012 saw UK demand for paper and board dip below 10 million tonnes for the first time in 20 years. Nevertheless, with early indications from the Confederation of European Paper Industries (CEPI) of a four to five percent decline in European consumption compared to 2011, the UK's fall of only 2.8% begins to look quite impressive.

The largest declines were once more in the Graphics Sector with Newsprint falling by a further 150,000 tonnes (7.6%) to 1.79 million tonnes and Printings and Writings falling by 2.6% to 3.56 million tonnes. For the latter, both Coated Woodfree and Uncoated Woodfree grades fell (by 4.0% and 5.2% respectively) while there was some growth in the Mechanical Sector (+1.3%). In the five years since the beginning of the recession, the Graphics Sector, whilst remaining the UK's biggest sector, has lost over 1 million tonnes of demand.

Meanwhile, there were rather mixed results in the Packaging Sector. While demand for corrugated case materials remained steady at around 2.1 million tones, cartonboard fell by 4.4% to 595,000 tonnes. Case materials, together with the Tissue Sector (also showing steady demand), remained the UK's strongest sectors. Overall, consumption declined by 289,000 tonnes to 9.95 million tonnes.

Production and deliveries of paper and board

An additional 74,000 tonnes of output meant 2012 saw the most significant increase in production since the late 1990s. Total production was 4.42 million tonnes, an increase of 1.7% on 2011, with the bulk of this increase occurring in corrugated case materials following the startup of SAICA's new machine in Manchester.

The Tissue Sector also experienced a good increase in output, adding a further 20,000 tonnes of parent reels to finish with a total of 786,000 tonnes (+2.6%). However, these increases are unlikely to last following the announcement by Kimberly-Clark of the closure of its Delyn Mill in Flint and no new capacity now anticipated. 2012 saw the scheduled closure of DS Smith's Hollins Paper Mill at Darwen and the announcement by Arjo Wiggins of the closure of its Ivybridge Mill in 2014.

Total sales increased by an impressive 200,000 tonnes compared to 2011, rising by 4.6% to 4.51 million tonnes. The increase was due in part to an excellent export performance (+17.6%) and sales from stock reducing total mill stocks to around 180,00 tonnes (just over two weeks coverage of sales). Domestic deliveries also increased, adding a further 30,000 tonnes to end 2012 at 3.36 million tonnes (+0.8%) due mainly to excellent sales in the Case Materials and Tissue Sectors, as noted above, the UK's two strongest sectors. Domestic share of consumption marginally increased to 33.8% as imports fell by 4.5% to just under 6.6 million tonnes.

Unless there is a rapid improvement in economic conditions at home and abroad, UK papermakers will undoubtedly struggle to maintain what was an excellent performance in 2012.

Papermaking raw materials

Demand for recovered paper increased by over 60,000 tonnes, total usage for 2012 ending on 3.82 million tonnes - a 1.7% increase over 2011. This was due wholly to additional demand for corrugated and kraft from containerboard mills, with usage of these grades rising by over 200,000 tonnes (+17%). Otherwise, there were falls in demand for news & pams (-1.6%) and mixed papers (-5.4%) but with the biggest decline in high grades shedding 130,000 tonnes (-20%). Usage of imported woodpulp rose by 1.5% to 912,000 tonnes and together with a slight fall in domestic production, total woodpulp usage rose very slightly to 1.14 million tonnes (+0.3%).

Production of corrugated board

CPI estimates a total UK market for corrugated boxes of 4.04 million ksm in 2012. Total UK production of corrugated board was just below 4.3 million ksm, and of this CPI Members made some 86%. Corrugated production declined marginally by 0.2%, with an effective weekly production of 69,706 ksm, compared to about 71,000 ksm for both 2010 and 2011. Sheet feeders, however, saw output climb by 2.0% to 1.09 million ksm, an average weekly production of 21,621 ksm, its highest for three years. And indeed, this sector is likely to grow further with the announcement of possibly two further sheet feeding corrugators entering the market in 2013.

Production on SAICA's PM11 Machine at Partington, Manchester started in January 2012

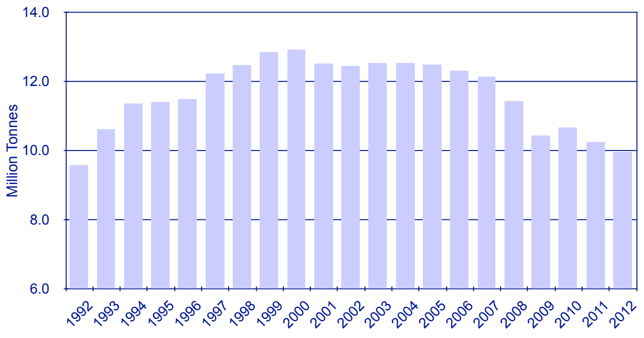
Key Industry Statistics

INDUSTRY FACTS
2012

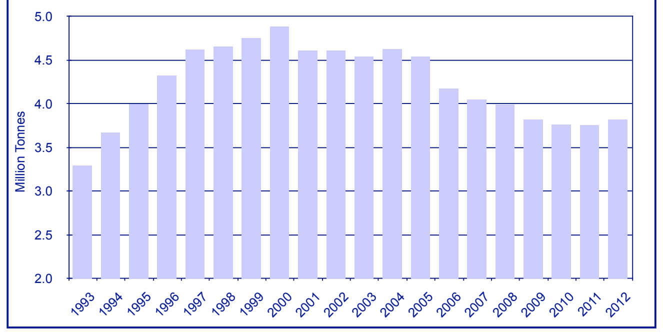
CPI Member Companies	67
CPI Member Employees	19,000
PAPER AND BOARD Production* ('000 Tonnes)	4,416.0
CORRUGATED Production (Million Sq. Metres)	3,513.2
RECOVERED PAPER Collection ('000 Tonnes	8,153.9
TISSUE Parent Reel Production ('000 Tonnes)	786.2

** includes parent reel production*

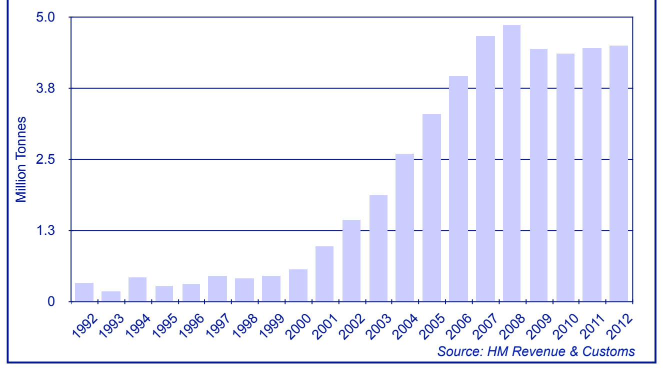
PAPER AND BOARD
Consumption



RECOVERED PAPER
Domestic Usage

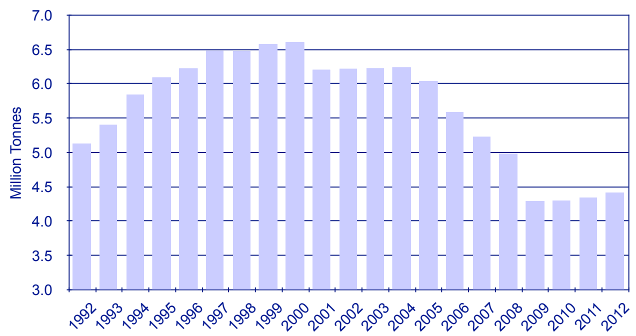


RECOVERED PAPER
Exports

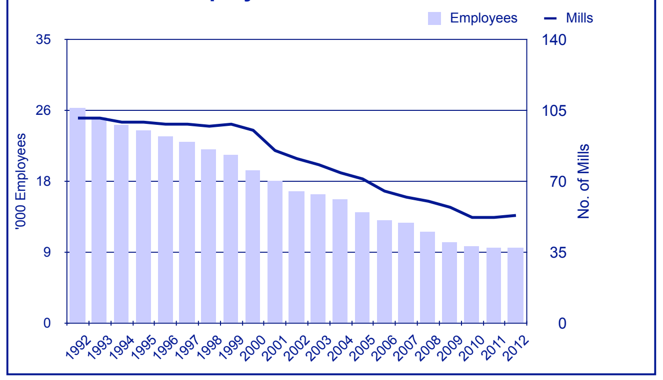


Source: HM Revenue & Customs

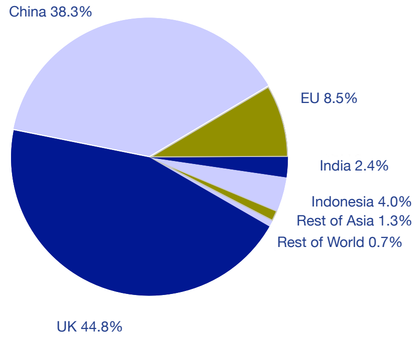
PAPER AND BOARD
Production



PAPER AND BOARD
Mills and Employees

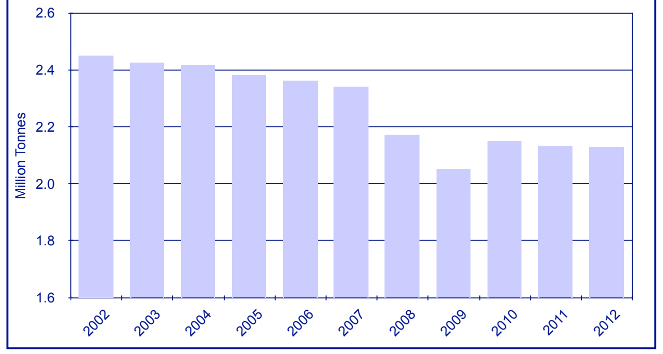


RECOVERED PAPER
Markets 2012

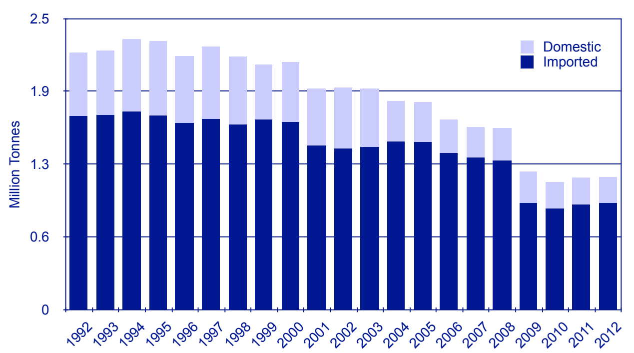


Sources: CPI, HM Revenue & Customs

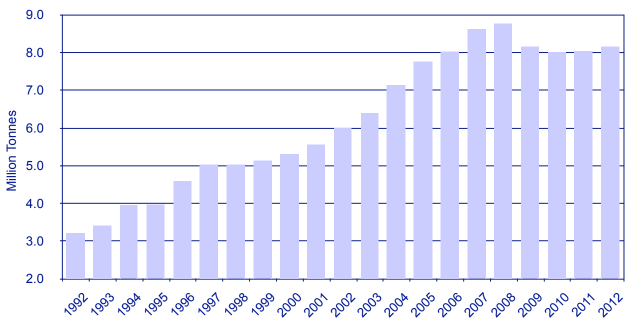
CORRUGATED
Consumption of Paper



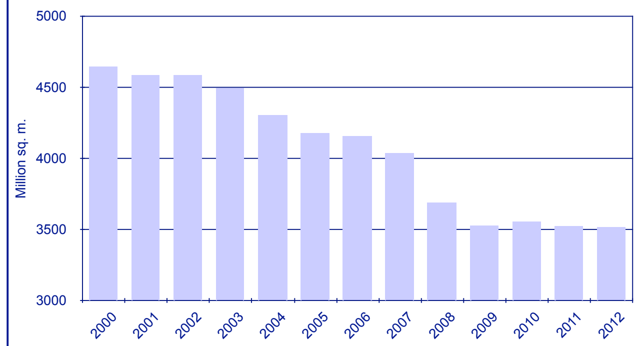
PAPER AND BOARD
Woodpulp Usage



RECOVERED PAPER
Collection

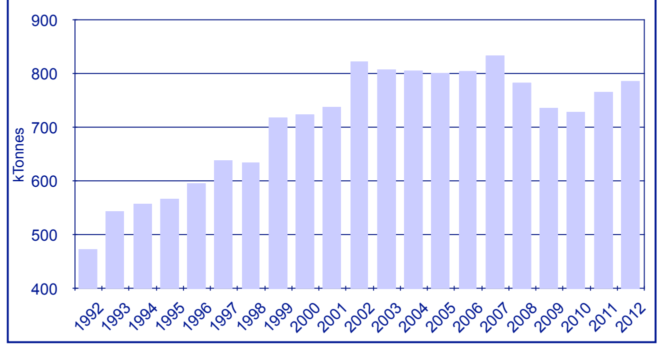


CORRUGATED
Production of Corrugated Boxes



Sources: 2000 – 2003 FEFCO; 2004 – 2010 CPI

TISSUE
Parent Reel Production



CPI Team

Andy Barnetson	Director of Packaging Affairs
Andrew Braund	Director of Health, Safety and Social Affairs
Annabel Cotton	Communications Manager
Des Fogerty	Finance Director and Company Secretary
Steve Freeman	Director of Environmental and Energy Affairs
Nick Langdon	Statistics Manager
David Morgan	Energy Data Manager
Christine Murgatroyd	Assistant Accountant
Stuart Pohler	Recovered Paper Sector Manager
Emma Punchard	Director of Communications
Paul Storey	Head of Employment Affairs
Debbie Stringer	Environment Manager
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
Chris Brereton	Managing Director UK Packaging	DS Smith Packaging Ltd
Ian Broxup	Managing Director	Aylesford Newsprint Ltd
Richard Coward	Group Managing Director	Rigid Containers Ltd
John Denman (CPI Honorary Treasurer)	Group Finance Director	James Cropper plc
John Gaunt	Industrial Director	Arjo Wiggins Fine Papers Ltd
Derek Harman	Managing Director Business & Administration	Palm Paper Ltd
Martin Holmes	General Manager	UPM-Kymmene (UK) Ltd
Brian Lister	Country Manager UK and Ireland	SAICA Pack UK Ltd
Alex Kelly	Chief Executive	Logson Group
Peter Luck	Business Development Director	SCA Hygiene Products UK Ltd
Bob McLellan (CPI Past President)	Non-Executive Chairman	Logson Group
Steve Mulcahy (CPI Vice President)	Chairman	Northern Tissue Group Ltd
Ola Schultz-Eklund (CPI President)	Managing Director	Iggesund Paperboard (Workington) Ltd
David Workman	Director General	Confederation of Paper Industries

CPI Members

Full Members

Ahlstrom Chirnside Ltd
Arjo Wiggins Chartham Ltd
Arjo Wiggins Fine Papers Ltd
Arjo Wiggins Carbonless Papers Ltd
Aylesford Newsprint Ltd
Berridge Waste Paper Ltd
BillerudKorsnas Beetham Ltd
Board24 Ltd
Caledonian Packaging Ltd
Chas Storer Ltd
Connect Hygiene Ltd
CRP Print & Packaging Ltd
De La Rue Currency
De La Rue Security Papers
Devon Valley Ltd
Disley Tissue Ltd
DS Smith Packaging Ltd
DS Smith Paper Ltd
DS Smith Recycling
Durham Box Company Ltd
Faspak (Containers) Ltd
Fourstones Paper Mill Company Ltd
G.R. Advanced Materials Ltd
Glatfelter Lydney Ltd
Gordano Support Group Ltd
Heath Recycling
Higher Kings Mill Ltd
Hollingsworth & Vose Company Ltd
Iggesund Paperboard (Workington) Ltd
Intertissue Ltd
James Cropper plc
John Roberts Holdings Ltd
Lancaster Tissue Ltd
Marshall Langston Ltd
McLaren Packaging Ltd
Northern Packaging Ltd
NTG (Papermill) Ltd
Packaging Products Ltd
Palm Paper Ltd
Palm Recycling Ltd
Pearce Recycling Company Ltd
Peter Grant Papers Ltd
Rigid Containers Ltd
Robert Hough Ltd
Romiley Board Mill
Roydon Packaging Ltd
S H Fiske Ltd
SAICA Natur UK Ltd
SAICA Pack UK Ltd
SAICA Paper UK Ltd
SCA Hygiene Products UK Ltd
SCA Hygeine Products Tissue Ltd
SITA UK Ltd
Slater Harrison & Co. Ltd
Smurfit Kappa UK - Corrugated Division
Smurfit Kappa UK - Paper Division
Smurfit Kappa Recycling UK
Sonoco Board Mills
Sonoco Recycling
Sundeala Ltd
TRM Packaging Ltd
Tyne Tees Packaging Ltd
UPM-Kymmene (UK) Ltd
Vernacare Ltd
Viridor (Erith) Ltd
W E Roberts (Corrugated) Ltd
Weidmann Whiteley Ltd

Associate Members

ACN Europe
Avanti Conveyors Ltd
Bobst Group (UK & Ireland) Ltd
Bollegraaf UK Ltd
Cargill plc
Dicom Ltd
The Environment Exchange
European Packaging Distributors Ltd
GTS (Europe) Ltd
ITW Signode Containers UK
Jointine Products (Lincoln) Ltd
Materials Recycling Week
M-real
PILZ Automation Technology Ltd
Ralegh Ltd
Sun Source Europe LLC
Swanline Print Ltd

Affiliate Members

Paper Agents Association
Paper Industry Technical Association

CPI Membership

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 at: **www.paper.org.uk**