Paper - the sustainable, renewable choice

cpi confederation of paper industries

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REVIEW 2018/19

# FIBRE FOR THE FUTURE

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

# CONTENTS



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 billion, 56,000 direct and a further 86,000 indirect employees. Members range in size from large multinational 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



# PRESIDENT'S INTRODUCTION

Welcome to the CPI Annual Review 2018-2019. This is my first President's foreword, and I am delighted to say that this report shows again the great contribution that CPI makes to the UK's Paper-based Industries.

2018 was dominated by Brexit issues in the UK, and CPI responded rapidly in briefing Members and lobbying Government and MPs to mitigate the worst challenges that Brexit poses to an industry that is integrated across Europe. 2019 will hopefully see clarity on the future political landscape, which in turn will give industry the confidence to invest in the future. Too much time has already been lost to Brexit-driven inertia. The global challenges that will ultimately shape our competitive landscape are developing apace, and the UK cannot afford to be left on the sidelines for any longer.

First among these challenges is the competitiveness of the industry. For paper and its products, this is driven by both decarbonisation policy and by efficient resource management. The UK is currently the world's largest net-importer of paper, and improved UK competitiveness would create opportunities to re-shore production.

The UK's Paper-based Industries must have a competitive energy price base if papermaking is to grow. We want to recycle more paper in the UK and convert it into high value-added products, and competitive energy supplies will be a fundamental part of achieving this resource efficient goal.

The UK's Paper-based Industries are leaders in Health and Safety. Through the work of PABIAC (the Paper and Board Industry Advisory Committee), the tripartite partnership that brings employers, unions and the Health and Safety Executive (HSE) together to develop industry health and safety strategy, accident rates have fallen by two thirds since 2005. This is a record of which we can rightly be very proud, but at the same time we must never be complacent. One accident is too many, and we must redouble our efforts to ensure that this downward trend continues. I am delighted that the PABIAC Strategy 2019-2023 will be launched at the CPI Biennial Health, Safety and Industry Conference on 9 July 2019 and I look forward to supporting its success.

As well as the constant challenge of improving health and safety, UK businesses are increasingly being asked questions about the diversity and inclusivity of their workforces at all levels. CPI has commissioned external consultants to survey the industry and report on the current position. There are many good examples of how CPI member companies have actively sought to increase the diversity and inclusivity of their workforces. I look forward to working with my industry colleagues to spread these good practices as widely as possible.

There are many people to thank for their support in the delivery of CPI's objectives. I am particularly indebted to my fellow CPI Council members, and the members of CPI's sectoral councils and committees for their support and contribution over the year. CPI simply could not function without the engagement and contribution of such a wide spectrum of its knowledgeable and committed members to its work. On behalf of all CPI Members, I would also like to thank Andrew Large, our Director General, and the team of CPI staff for their work throughout the year. The Confederation is fortunate to have such a dedicated team of experts at its disposal, and throughout this report you will read the significant achievements that this group has made over the year.

Richard Coward

# DIRECTOR GENERAL'S OVERVIEW

CPI's Mission is to be the "Voice and Face of the UK's Paper-based Industries". In 2018 – 2019, as this Annual Review shows, we have achieved many of our objectives and pushed forwards into new areas of influence and support for the UK's Paper-based Industries.

We have done so in the teeth of one of the biggest political and business challenges that the UK has ever faced. Brexit has become an all-consuming leech on the British body-politic, draining the life out of the Government and the willingness of business to invest in the UK. As uncertainty around the result of the negotiations has grown, so business and consumer confidence has drained away. CPI called for a Remain vote in the Referendum and we continue to believe that the UK should retain the closest possible ties with the European Union of 27 (EU27) to preserve the hard-won cross channel networks of customers and suppliers that sustain the competitiveness of our, and so many other, industries. We urge both the UK and EU27 to move swiftly to agree their long-term trading relationship.

Despite these uncertainties, I remain confident of the UK's long-term position. We are a high-income country of over 65 million consumers, with an active, innovative market and a generally supportive business environment. Of course, there are things that the UK could do better, for example in better integrating industrial competitiveness into decarbonisation policy, but overall, the UK will be a great place to live and do business in the years to come.

Society is also changing in ways that will benefit the UK's Paper-based Industries. This report is entitled Fibre for the Future because the evidence shows that cellulose fibre paper and its products have a key role to play in growing the sustainability of the UK economy. As we seek to reduce fossil material use and fossil carbon emissions, and increase recycling rates, then the future looks bright for a material that is both 100% renewable and 100% recyclable, that has carbon capture, use and storage built in, and that has already reduced its carbon emissions by two thirds from 1990 levels.

Taking this long-term view is an important element of our work. In 2022, CPI will have reached the milestone of 150 years. This year I will be starting work on preparations for a year of celebrations for that anniversary. I am acutely conscious that, as Director General of CPI, my responsibilities extend beyond the here and now and include respecting the legacy of my predecessors and ensuring that my successors inherit the best organisation possible. My role is to ensure that CPI is fit for both today's challenges and sufficiently agile to shape and respond to the challenges of tomorrow. It's a great job to have.

CPI's ability to serve its Members is the result of the unstinting efforts of many people, both the CPI team itself and the Members that work with us. I would like to thank the CPI President, Richard Coward (Rigid Containers) and the Immediate Past President, Patrick Willink (James Cropper) for their advice and support over the past year. CPI has also this year welcomed a new Vice-President, Kevin Bussey (Smurfit Kappa) and Honorary Treasurer, Angus MacSween (Arjowiggins) and I am delighted to be working with them both.

I would also like to thank the CPI team. They are a knowledgeable, committed and well-respected group, and without them, none of the achievements set out in this Annual Review would have happened. I am grateful to them for the work that they do, and for the conscientious way they do it.

Andrew Large

# BREXIT

In 2018, Brexit was again the focal point of UK political attention, to the exclusion of almost anything else. At the time of writing, the Government's proposed agreement has been heavily defeated in the House of Commons and efforts are being made to find any solution that might command a majority in Parliament and also be acceptable to the EU.

In common with almost all trade bodies, CPI has lobbied extensively against the prospect of leaving the EU without an agreement. We have written to the Prime Minister, contacted numerous constituency MPs, spoken at All-Party Parliamentary Groups, and secured media interviews, including on BBC Politics Live.

Brexit is intensely political, although views on EU membership cut across party lines. The assessment from manufacturing industry is clear – the UK must not leave the EU without a deal, as to do so would risk jobs and growth for many years to come.

Over the past year, CPI's work on Brexit has led to several clear achievements.

CPI continues to be an active member of the Manufacturers Trade Remedies Alliance (MTRA). This group brings together several manufacturing associations and its aim is to coordinate lobbying on the Trade and Customs Bills to ensure that UK businesses will be able to defend themselves against unfair trade imports post-Brexit. Working closely with the Department for International Trade, MTRA has secured numerous changes to the Bills to the advantage of UK manufacturers, and this work will continue until all the primary and secondary legislation is complete.

CPI has also been engaged in briefing Members on the current situation and latest news about Brexit and its implications for their businesses. Since March 2018, CPI has issued regular bulletins covering the latest state of the negotiations and key issues such as preparations for "No Deal". We will continue to provide information to Members in this form for as long as Brexit policy is being developed.

CPI has also been engaging directly with Members and holding Brexit seminars with their senior management teams on site. These have been targeted at "No Deal" preparation and have aimed to encourage Members to view Brexit as a business continuity problem, to assess the risks to their own businesses and act accordingly. CPI Members are already stockpiling materials in mitigation of potential trade disruption and have reviewed their logistics arrangements to avoid being caught up in any eventual cross channel delays.

Perhaps CPI's greatest attainment in the Brexit process has been to cement our position within our European associations. In October 2018, Council agreed a strategy of deepening engagement with the EU associations to ensure that the UK's Paper-based Industries retain as much influence as possible in Brussels. In March 2019, CPI hosted the European Federation of Corrugated Board Manufacturers (FEFCO) General Assembly and in Spring 2020, we will welcome the Confederation of European Paper Industries (CEPI) Board.

Regardless of the relationships at Governmental level, CPI intends to be a strong advocate for UK industry in the EU27 for many years to come.



# INDUSTRIAL STRATEGY

In 2018, CPI continued to work closely with the Department for Business, Energy and Industrial Strategy (BEIS). While progress has been slower than hoped, largely due to the protracted nature of the Brexit negotiations, this year saw three key achievements for the UK's Paper-based Industries.

The first of these was the Government's decision, announced in the Budget on 29 October 2018, to launch an Industrial Energy Transformation Fund (IETF). The establishment of such a fund, to support energy intensive businesses in the improvement of their energy efficiency, had been a long-standing priority of CPI, and we were pleased that our consistent advocacy over many years had brought results. The fund has a clear budget, with some £315 million announced to cover all the Energy Intensive Industries. The structure of the IETF will be developed in the early months of 2019, and CPI will be working closely with BEIS to ensure that it is designed in a manner that makes it accessible for CPI Members. As the fund develops, we will also approach Members early on to ensure that their projects are eligible for funding and that matched industry support is available.

CPI has also been successful in submitting a bid for funding through the Industrial Strategy Challenge Fund - Wave Three (ISCF3). CPI submitted two bids. The first was focused on recycling innovation and the second was a joint bid with other energy intensive sectors targeting energy usage. These have now been combined in a joint submission entitled "Clean Growth in the Foundation Industries". The budget for this submission has been set at £60 million, and the Energy Intensive Industries will need to provide some £85 million of matched funding to secure the full amount. Eligible projects will need to be focused on the transformational change that is needed by these industries in how materials are sourced and processed, and the types of products manufactured. For CPI, this will particularly focus on innovation aimed at improving the quality and quantity of material available for recycling.

In 2018, CPI also continued to work closely with BEIS to progress the Sector Deal Project. It remains our objective to reach agreement with the Government on a shared strategy for the UK's Paper-based Industries. We believe that as manufacturers of a renewable and recyclable material, paper and its products must be at the forefront of any sustainable manufacturing strategy. Progress on developing the Deal has been slowed by the effect of Brexit priorities. Nevertheless, our discussions continue, and we look forward to being able to reach an agreement in 2019.

As part of our Industrial Strategy work, CPI will be publishing an updated version of the Economic Value Report for the UK's Paper-based Industries in 2019. This document is a valuable calling card for the industry and sets out the employment and value added that it brings to the UK. This year, the document will be expanded to include an assessment of the growth potential of the Industry, and the policies required by both industry and Government to realise that opportunity.

# ENERGY

The cost of energy remains a central issue for papermakers – it's one of the key costs that drive profitability and hence there's an ongoing focus on energy efficiency in the sector. Electricity is needed to drive machinery and heat required to dry the newly formed paper. It follows that access to secure supplies of competitively priced energy is critical to underpin paper manufacturing in the UK.

## Energy cost and supply concerns multiplied during 2018

For electricity, the non-commodity part of the cost (distribution, supply and Government policies) now makes up around 60% of a typical bill. This, together with cost increases within the fundamental generating mix, is causing real cost concerns for industry, even though for some sites these costs are partially mitigated thanks to reliefs and compensation schemes.

A recent report from the steel sector reminded Government that energy intensive installations pay a lot more for grid supplied electricity than competitors in France and Germany, and it remains the case that UK industrial electricity costs are 50% above the EU average and are the highest in the EU.

Replacement low-carbon generation needs to cover its capital costs and various policies to recover these costs from consumers deliver the reassurance required by investors in renewable generation infrastructure. The cost to papermaking associated with the Renewables Obligation continues to increase (even though the scheme has closed to new entrants with new projects now supported through Contract for Difference), as do the costs of the Feed-in-Tariff and the Contract for Difference. The most recent results from Capacity Market auctions do suggest that long-term prices are being driven down (especially for offshore wind) but the costs from existing contracts are built into the system for up to 20 years. Indeed if the new nuclear plant at Hinkley is built, then its guaranteed inflation linked income for 35 years will be at roughly double the current market price.

With this new generation capacity being in different places (often offshore) to that being replaced, major structural changes to the power grid are underway with huge associated cost. These costs are filtering through to bills with increases in transmission system and distribution network charges being well above the rate of inflation. Ofgem is currently conducting a major review of the way these costs are recovered and the outcome of this work will have a real impact on the competitive position of manufacturing in the UK. It is too early to estimate the effect on paper mills, but it is likely that mills with Combined Heat and Power (CHP), which help supply the network with electricity at times of need, will pay more in residual network charges than they do now due to a shift in the way Ofgem considers how these costs should be recovered.



## Energy security remains a huge question

Energy security remains an issue largely missing from the Brexit debate, even though a growing network of electricity and gas interconnectors tie the UK and continental markets increasingly closer together. With the UK being a net importer of energy, the expectation is that the European Commission will not seek to disrupt their operation – not least because the UK also exports energy to support other networks at times of stress. Accordingly, while technical planning expects little disruption, regulatory links are quietly being revised to exclude the UK from rule setting. The commercial reality is that investment in new interconnectors (for both power and gas) will bring the operation of UK and continental energy markets closer together – increasingly important as systems struggle with the more intermittent nature of renewable energy. Government projections envisage that around 20% of UK electricity could be imported in future years. Assuming that Government policy does not deliver the expected fleet of new nuclear power stations, then the operation of the interconnectors will be even more important in filling a potential power gap as the existing network of UK nuclear plants close and are not replaced.

During March 2018, a perfect storm hit the gas market which gave rise to questions on how secure gas supplies are. Bad weather, the so called 'Beast from the East', resulted in peak demand plus an unrelated set of connector pipeline problems all served to highlight the lack of strategic storage following the closure of the main UK storage facility at Rough under the North Sea. While most gas is purchased under long-term contracts, much is still purchased on the spot market, and huge price spikes were seen for both gas and electricity driven by the need to buy gas to generate power to meet increased demand from the cold weather.

In the traditional British way, the system just about coped, with the high prices and the balancing service methodology operated by National Grid pushing down demand so no enforced cuts were ultimately required. Once again, the problems raised concerns that the lack of UK-controlled strategic storage is a huge and unrecognised risk. After intensive lobbying, BEIS is considering the issue of gas storage and the BEIS Parliamentary Select Committee has taken evidence from CPI amongst others to see if they should recommend that the Government takes action.

**Value of compensation payments, discounts and exemptions:**

**£44.5 million**
Renewable Obligation, Feed-in-Tariffs and Contracts for Difference

**£35 million**
Carbon Price Floor

**£14.1 million**
Climate Change Levy

**£93.6 million**
Total savings to Industry

# ENERGY

## Sector decarbonisation and energy efficiency

The Committee on Climate Change has highlighted progress in reducing emissions of fossil carbon dioxide associated with heating. HM Treasury has announced a dramatic increase in CCL rates for 2019 (which will increase energy prices) but the effect on paper mills will be negated by membership of the Paper Sector Climate Change Agreement where rates of CCL relief have been increased to compensate. Decarbonising heat is likely to be a priority for BEIS during 2019 and a joint CPI/Paper Industry Technical Association (PITA) working group has already flagged the importance of natural gas to UK papermaking and highlighted the current lack of viable and cost-effective alternatives.

Of course, all energy cost increases reinforce once again the importance of energy efficiency, and CPI and PITA are continuing to work with BEIS to deliver the actions itemised in the sector 2050 Decarbonisation Roadmap. BEIS has implemented a new fiscal support programme to bring forward new energy and carbon efficient technologies to industrial sectors in the shape of the Industrial Energy Efficiency Accelerator programme with which some CPI Members have already engaged. Another programme to help support industry in recovering "waste" heat from existing sources has been implemented in 2018 with a budget of £30M. Paper mills feature in the first round of project applications and hopefully 2019 will see a number of other CPI Members winning support through these programmes. Government has also announced a £315M Industrial Energy Transformation Initiative (funded by the closure of the Enhanced Capital Allowances Scheme), details of which are yet to be announced but which should also benefit our industry.

Significant and strategic investment by papermakers over a number of years mean that around three quarters of UK made paper is produced at sites with high efficiency CHP plant, with welcome investment in new plant having been made during 2018.

Papermaking carbon dioxide emissions from fuel combustion have reduced by 67% since 1990, the base year for the first Kyoto commitment period. Correcting for a shrinkage in the size of the sector, this means that carbon efficiency has improved by 58% over the same period. This is due to fuel switching (from coal and oil to natural gas and solid biomass), investment in CHP, investment in energy efficiency techniques and technologies and, in the last few years, by a reduction in the carbon content of UK grid electricity.

Papermaking energy efficiency has improved by 32% over the same period – in other words, each tonne of paper produced now requires the consumption of 32% less energy than it did in 1990.

Nearly all UK paper mills (very small mills are excluded) participate in the EU Emissions Trading System (EU ETS) and face annual carbon costs levied on their fossil $CO_2$ emissions. EU ETS allowance prices have increased dramatically over 2018 and now stand at around the 25 Euro per tonne mark; this will mean a large increase in the compliance costs paid in 2019 by individual mills.

Brexit remains a huge uncertainty, with no clarity on what happens after the UK leaves the EU. Under a hard Brexit, the UK will no longer participate in EU ETS but industry will have a UK-only replacement carbon tax for an interim period. If there is a negotiated deal, then the transition period to the end of December 2020 will require continued participation in EU ETS for the duration and will allow time for a decision on UK participation in the longer-term.

Whatever happens, the focus on energy efficiency and the fight for competitively priced energy will continue against the context of policies to reduce UK emissions.

**2.2 million**
tonnes of $CO_2$ emitted in 2017

**3.2 million**
tonnes of $CO_2$ emitted in 2012

**6.6 million**
tonnes of $CO_2$ emitted in 1990

# ENVIRONMENT

## Review 2018: challenges and opportunities

The impact of the Brexit referendum, and the lack of clarity around a post-Brexit state continues, as predicted in the 2017-2018 Review. At the time of writing, we are little clearer on the outcome and implications, for environmental matters, to name but one. With over 80% of environmental legislation being derived from European law it remains important, for business continuity, to understand how such legislation will be maintained and administered or, indeed, re-worked, going forward. The only certainty, for now, being that the outcome and implications will continue to dominate the challenges and the opportunities into 2019, and quite possibly beyond!

Other than the ifs, buts and maybes of Brexit, 2018 did see progress made in a number of key areas.

## BAT/BAT AELs

The compliance deadline for permitted paper mill operations to be working to Best Available Techniques (BAT) and the associated BAT Associated Emission Levels (BAT AELs) as specified in the Pulp & Paper BREF (BAT Reference Document), passed at the end of September 2018. These requirements are now written into mill permits with the first reporting deadline for BAT AELs being end of January 2019. This reporting period is for October to December 2018 and is, therefore, only an indicative BAT AEL as the AELs themselves are annual loads. They are, however, a good indicator of any necessary improvement to achieve the BAT AELs by the next reporting period of January 2020 which takes in the full twelve months of 2019. Compliance with the BAT AELs based on this, 2019 data, is required, with mills expected to be in compliance.

## Abstraction reform

CPI has been working closely with both Defra and the Environment Agency (EA) over several years as they wrestled with the problem of reforming the regulation of freshwater abstraction, to make the link between abstraction and availability of water. Finally, a simplified proposal making use of existing regulation was announced in 2018 with the Abstraction Plan. This plan has three strands; Licencing, Catchment approach to solutions, and Infrastructure.

With regard to licencing there are elements around revoking unused licences and licencing previously exempt abstraction activities. The most important facet of this strand, however, is moving all abstraction licencing into Environmental Permitting Regulations (EPR). For mills with existing EPR permits, this will involve a variation to bring in abstraction volumes and conditions.

The catchment focus will look at how to assess water availability in a catchment and bring stakeholders together to work on solutions within the catchment, based on the premise that issues, and therefore potential solutions are different for each catchment. Priority catchments are being identified, with four in 2018 followed by a further six in 2019, to pilot the development of catchment licencing strategies. The selection of the catchments will be based on priority/water stress. Defra and the EA have formed two working groups. One is looking at how to move from licencing to EPR and the other at indicators for assessing flows and availability within a catchment. CPI is involved, representing the paper sector, in both of these working groups. As each priority catchment is identified a catchment stakeholder group will be established to look at water management within that catchment. It will be important, at this stage, for any paper mill within a priority catchment to get involved with their catchment group. The EA has published a timetable for these changes with licencing moving into permits by 2020, and the abstraction licencing strategies to be published in 2020 and 2022 for the ten identified priority catchments. The principles could then be rolled out to other catchments based on need.

The third strand of the plan, involving the infrastructure, includes the development of flow monitoring and digital licencing, allowing online access to licences and data.

Water is a vital resource for the Paper Industry with access to a consistent supply of clean, fresh water essential for production. That said, water is used in the process but with very little consumption. Data from CEPI confirms around 95% of water used in the papermaking process is returned to the environment. It is vital the sector is involved at all stages in the development and implementation of the Abstraction Plan to recognise the industry needs and to take best advantage of the water returned.

## Performance-based regulation

The EA began the process of streamlining its assessment and scoring of permit compliance in 2018, replacing the Operation Risk Appraisal (OPRA) score with Performance-based Regulation (PBR) over a "five-year strategic programme". The OPRA system classes sites based on their risk, scale of emissions and complexity, combined with a rating of compliance with permit conditions, whilst PBR combines new and existing approaches to regulation into four strands:

- information-based regulation
- permit compliance
- incentive-based regulation
- behavioural interventions

PBR will focus more on abiding with permit conditions, with the most compliant installations subject to fewer inspections and lower fees, according to the EA. There are opportunities here to gain and to benefit from recognition for good performing mills. The challenge will be in responding to EA consultations and other interaction with the regulator to ensure appropriate criteria for assessment.

## Other challenges and opportunities for the year ahead

### *Waste handling exempt activities moving into permitting*

Changes to waste regulation aimed at tackling waste crime will mean that all but very small waste paper handling operations will be brought into environmental permitting. Working with the regulator to ensure an appropriate regulation for such operations will be a focus in 2019. The move to permitting brings with it the need for Fire Prevention Plans and the opportunity to develop, in conjunction with the regulator, fire experts and other sector experience, a Paper Sector Guide to developing a Fire Prevention Plan, again a focus for 2019.

### *Environmental Regulation in 2019 and beyond*

Whatever the outcome of Brexit, the future for all aspects of environmental regulation, be it Permitting, REACH, Air Quality, Waste and Resources, will be a key challenge for 2019. This could mean activities around a UK re-write of legislation or how to maintain influence and input to revision of regulation or documents such as BREFs that could impact UK regulation. No matter what, our aim will be to see a flexible and proportionate regulation through a pragmatic, risk-based approach that both protects the environment and supports business growth.

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

# PACKAGING AFFAIRS

Modern society demands choice and consumers expect to be able to have a wide range of new products on demand, from fresh fruit and vegetables even when they are out of season, to the latest electronic devices. None of this would be possible without efficient and effective packaging. While it is all too often criticised, packaging is essential to our modern society, enabling us to live more sustainably, allowing customer choice while minimising food and other product waste.

Packaging only exists 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. Packaging makes this possible, preventing physical damage and spoilage, protecting ten times the resources that it uses.

## Raising awareness of the benefits of cardboard packaging

The focus on packaging is widespread and after the televising of Blue Planet 2, narrated by Sir David Attenborough, a number of dramatic changes have followed, particularly in relation to marine litter. Consumers have woken up to this danger, retailers are seeking options to reduce plastics in the packaging on their shelves, and governments are starting to raise legislation in relation to single use plastics.

Across society there is a growing awareness of sustainability and we applaud every consumer who is taking a look at their lifestyle choices, seeking the opportunity to use the most appropriate materials. To inform this debate, CPI has initiated a communications campaign to raise awareness of the opportunities associated with cardboard packaging, moving beyond our previous communications outreach to the business customer and seeking to engage the public consumer. It has been good timing for the campaign but has required a different mindset as Business to Consumer (B2C) activity is very different from our previous Business to Business (B2B) experience.

We launched the campaign under the name 'Beyond the Box' (www.cardboard.org.uk) providing a source of information with which to educate UK consumers about the sustainability credentials of corrugated cardboard and provide insightful, relevant and accurate information about packaging in general. At a Parliamentary Reception on 6 June 2018, we formally launched the Campaign with a 'White Paper' that drew together new consumer research, our key messages, and 'thought leadership' pieces from objective third party commentators.

The research showed that two in three consumers admit they're worried about packaging and many state that it's their "biggest concern". Plastic was found to be the most troubling packaging material, causing concern for four out of five 'packaging worriers'.

As a result of our campaign, we secured a wide range of media coverage throughout the year. Around the launch event, coverage in national newspapers including The Telegraph took our messages to a potential audience of three million. Then, during the national Recycle Week in September, we created a video fronted by TV presenter Max McMurdo. It explains that two thirds of consumers are concerned about packaging and 55% are confused about what they can recycle. But it goes on to confirm that there is good news and that cardboard has the highest recycling rate (over 80%) for any packaging material. The video was picked up by more than 120 regional newspapers online, to a potential audience of 17 million.

Photo Credit: John Nguyen/PA Wire

- Two-thirds of consumers are concerned about packaging
- 55% are confused about what they can recycle
- Cardboard has the highest recycling rate for any packaging material, over 80%

We have also sought to explore the opportunities of social media, by engaging with a series of 'micro influencers' and a 'macro influencer', giving us exposure to some 650,000 individuals through Instagram.

Towards the end of the year we focussed on the Christmas packaging experience, with input from a child psychologist, exploring the way in which young children often engage as much with the cardboard packaging as with the gift itself. This has provided valuable objective input for a new direction with an approach to a new range of 'family' titles. Pick-up from a wide range of national and regional titles has put us in front of an audience of a further nine million.

An additional project at Christmas picked up a broader message including wrapping paper and the 'scrunch' test to determine if it can be recycled. A series of radio interviews, again fronted by Max McMurdo, went out to an audience of 2.4 million listeners. An associated press release was picked up, including by the Mail Online, Yahoo and the Scottish Sun.

The 'Beyond the Box' campaign has started 2019 with an exciting new project, a sculpture of the Greek god Atlas who had to carry the weight of the world on his shoulders. Created entirely from cardboard, specifically for Global Recycling Day, it encourages society to make sustainable choices. We were pleased that it was picked up by The Guardian, the Evening Standard and regional titles, with a potential reach of over 100 million.


www.cardboard.org.uk

- 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 always 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 multinational corporations alike are asking what they can do to improve their green credentials.

There are many opportunities to choose paper packaging. CPI, and our Members, stand ready to assist Retailers and Government with a move to paper packaging as an alternative for plastics.

# PACKAGING AFFAIRS

## Paper and board in food contact

There are many occasions when paper and board are used for the packaging of food and throughout this sector we continue to follow several important legislative and regulatory issues.The EU Commission was drafting a Regulation on printed food contact materials, and Member States have been responding to the EU Recommendation on mineral oils.

Paper packaging has a long and successful history of safe use in food contact applications and the Paper and Board Industry has a strong record of co-operation with national and pan-European Governments and other Regulators, to ensure the necessary levels of consumer protection. Through 2018 and into 2019, CPI has monitored and engaged with a wide range of issues in the arena of food contact:

### *Food Contact Guidelines for paper and board*

All food packaging is governed by the 'Framework" Regulation (1935/2004), but there is no pan-European legislation specifically for paper and board in food contact applications. These Guidelines have been established in the absence of such legislation and are a valuable tool, alongside Good Manufacturing Practice (GMP), with which to demonstrate compliance.

In a lengthy process throughout last year, and incorporating a wide range of paper and paper packaging organisations, the Food Contact Guidelines have been completely overhauled and updated to reflect current developments. CPI has consulted the UK industry on the revised document to ensure that it meets their requirements.

The Guidelines have now been launched and there will be considerable activity through 2019 to raise them to the attention of a wide range of stakeholders.

### *Developments on mineral oils*

Concerns have been raised about the potential presence of mineral oils in recycled fibre and in 2017, the EU Commission Recommendation 2017/84 was published. Through 2018, several Member States have been undertaking testing of packaging to determine levels of mineral oils.

Our position is clear, that there are no food safety concerns arising from paper packaging. We recognise the Food Standards Agency (FSA) statement that there is no need for consumers to change their eating habits.

In the latter half of the year several pieces of work were undertaken which recognised that there are indeed many sources of mineral oils other than recycled paper. Authorities are recognising that while all sources of food contact must be taken seriously, and paper has a role to play, there are many other sources in this area that require greater regulatory attention.

### *EU Regulation on printed food contact materials*

Also in 2017, the EU Commission announced that they would be proceeding with an ambitious timescale to complete a Regulation in this area during 2018. Throughout the year CPI has been working closely with our Brussels-based colleagues, at the Confederation of European Paper Industries (CEPI) and the European Federation of Corrugated Board Manufacturers (FEFCO), as well as the ink manufacturers Association, EuPIA, to establish our combined industry position.

## 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, and together we represent a wide range of companies across the Corrugated sector.

### *Paper Packaging Forum*

There are several trade associations in the UK representing paper packaging and we work together wherever possible. To that end, CPI has formed the Paper Packaging Forum – incorporating organisations such as BPIF Cartons, ProCarton, SPA, Two Sides, ACE-UK and the Paper & Board Association, under a CPI lead – as an informal opportunity to exchange information and learn from one another.

Throughout the year we have had much discussion of various communications campaigns and there is now an opportunity that each Association's programme might, in due course, come together as part of a combined strategy. The Forum also provides an important opportunity for an exchange on regulatory matters such as food contact and recyclability.

### *Working with FEFCO*

CPI continues as an active member of the European Federation of Corrugated Board Manufacturers (FEFCO) and has continued with our robust support for its activities. Throughout 2018, we continued to participate in 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.

In addition to participating in the strategic committees, CPI has encouraged our Members to take part in a series of FEFCO seminars.

- The FEFCO biennial Marketing Summit was held in Stockholm in May and brought together more than 200 high-level corrugated industry representatives and their suppliers. Speakers addressed the opportunities inherent in the Circular Economy and the prospects for a closer partnership with customers and the retail sector that would benefit the whole supply chain
- A one-day workshop "Corrugator: the heart of our business" was arranged in Brussels in September to exchange good practice on how to improve machine running speed and increase efficiency of corrugator performance. The event featured a range of distinguished speakers from across the industry, presenting their experience on paper developments, equipment reliability and automation control.

We look forward to working closely with FEFCO in the future to assist its lobbying activity and to develop its marketing programme.

# PAPER FOR RECYCLING

## A challenging and turbulent year

2018 was a challenging and turbulent year in secondary fibre markets. This emanated from political and economic uncertainty created by preparations for Brexit and grumbling trade issues between President Trump's administration and China, but was exacerbated by a wide-ranging domestic debate about the environment, recyclability, producer responsibility and recycling, driven by the BBC Blue Planet 2 TV documentary screened late in 2017.

Sitting atop of these issues was the existential threat to UK collection systems from changes in demand for secondary materials from China. The UK has become heavily dependent upon China as an outlet for recyclate. At the start of the year, China closed its doors to mixed papers and introduced demanding new quality standards on other grades, which for traders, introduced the daily challenge of finding and developing new outlets for material. Mid-year, the European Union (EU) finalised its Circular Economy Package (CEP), bringing forward a number of potentially significant changes to the current PRN system by shifting the costs of dealing with packaging waste into the supply chain. How this will be transposed into UK law after the UK leaves the EU remains to be seen but was partially addressed in the Government's Resources and Waste Strategy, which was launched in the week before Christmas.

The volume of paper and board collected in the UK for recycling fell again in 2018 to 7.5 million tonnes. The reasons for this decline, which has continued a trend started a decade ago, are varied and include light-weighting of packaging and a sharp decline in the consumption of graphic papers (newsprint has declined nearly 25% in the past five years alone). Collections in 2018 have been particularly affected by Chinese import restrictions, which may have encouraged the incineration of material of marginal quality. Exports have fallen in 2018 to 4.53 million tonnes with sales to China down by 30%. However, much of the excess capacity has been picked up by other Asian countries. Domestic demand for Paper for Recycling (PfR) fell only marginally over 2017 with consumption at 3.13 million tonnes.

Despite volatility immediately after the China ban and specific difficulties in marketing mixed papers, prices for other grades recovered in the second half of the year and remained relatively stable to year end. Old Newspaper (ONP) and other higher-grade graphics papers showed good demand throughout. Of benefit to mills accredited under the Packaging Recovery Note (PRN) scheme, and perhaps as a sign of things to come under new Extended Producer Responsibility rules, PRN prices rose tenfold through the year, starting at £1.75 per tonne and ending December at £18.

One of the enduring themes for 2018, highlighted by the closure of Chinese markets, was the quality of recyclate being generated by post domestic recovery systems in the UK. Mills were challenged to find material of high quality, and the graphic mills in particular, continued to invest heavily in sorting technology to make good from the material delivered to them. Some members of the waste management fraternity crowed loudly about their ingenuity in finding new markets for recyclate, but failed, publicly at least, to acknowledge the real challenge posed by the under-development of UK recycling infrastructure and the failure to engage consumers in the importance of high-quality recycling.

## "OUR PAPER"

CPI's Recovered Paper Council (RPC) engaged in two projects through the year designed to address this issue. Members stepped up to fund a joint project with the charity WRAP to help local authorities better appreciate the long term commercial and environmental benefits of separate collection (Dual Stream) of paper and board. Under the banner "OUR PAPER" the project has written to all local authorities in the UK offering support and assistance in improving the quality of material collected to those considering changes to their collection systems. The threat remains real that without change, many will find no future outlet for the contaminated material they produce and will bear increasing costs to dispose of what is potentially a valuable resource.

## Design for the Future: Paper and Board Packaging Recyclability Guidelines

The furore around the environmental impact of single use plastic packaging has given rise to potential opportunity for the Paper Industry and after widespread media focus, some retailers have expressed the desire to switch out of plastic and into board-based packaging. Paper is recyclable, but new applications and composite formats can create challenges for reprocessors. Whilst the industry welcomes the additional opportunity, it should not become the repository for an enlarged range of dirty or hard to recycle materials.

In order to avert this eventuality, to provide much needed guidance to the packaging supply chain, and to create a clear direction of travel for the future design of paper-based packaging, a sub-committee of RPC has developed Recyclability Guidelines for paper and board packaging. This was done in partnership with WRAP and other supply chain stakeholders and should contribute to the gradual improvement of materials entering the post domestic collection system and will also drive technological developments in areas such as coatings to reduce the environmental impact of packaging. The guidelines fit well into the wider aspirations of the Government's strategy and the circular economy, and the On-Pack Labelling Scheme (through OPRL) intends to use them as a basis for its programme of labelling of consumer packaging. Intended as a working document, it is available on the CPI website and in hard copy format and will be reviewed periodically to ensure it meets the broad requirements of the industry.

## Our Waste, Our Resources: A Strategy for England

In the final week of 2018, the Government launched ***Our Waste, Our Resources: A Strategy for England***, laying out its future ambition on a range of issues that have been hanging over the recycling sector for many months. Important elements of policy hinge on the outcomes from four public consultations to be held in the early part of 2019, including inquiries into reform of the Extended Producer Responsibility system and the consistency of local authority recycling collections. Much of the content was positive for the industry and leaves everything to play for if we are to persuade government that high quality recycling is fundamental to the continued success of our industry.

# FORESTRY

Papermaking in the UK is based on recycling, with around three-quarters of fibre used being harvested from the 'Urban Forest'. Nonetheless forestry still underpins the industry with virgin fibre used to replace lost fibres and in the manufacture of some special grades of paper. Of course, high recycling rates returns much of this new fibre to the paper loop ready for recycling.

UK pulp making is carried out on two sites (Iggesund in Cumbria and UPM Caledonian in Ayrshire) where low grade conifer timber is mechanically ground to split the raw material into fibres. Both sites have benefited from major investments installing modern equipment, with all the pulp made on site being processed directly into paper. The mills use wood grown in northern England or Scotland, providing important income to support forest management. The amount of UK timber used to make into paper is fairly stable with less than 5% of harvested timber going to make paper.

Other virgin pulp used in the UK is imported – mostly from elsewhere in Europe, but also from North America or South American plantations. Different uses require different characteristics produced through the use of different pulps – such as softness, strength or printability.

## European Union Timber Regulation (EUTR)

Sustainability remains a key issue for the sector, with the renewable and recyclable nature of paper being central to the environmental credentials of the product. Many timber derived products sold in the UK are required to comply with EUTR rules to prove they are derived from legally harvested material, a requirement strongly supported by CPI. Indeed, CPI supported the introduction of the EUTR legislation and continues to push for a revision of the rules to expand the coverage. Notably, most of the fibre used in the UK goes further than simply proving legality, being recycled or certified under either the Forest Stewardship Council (FSC) or the Programme for Endorsement of Forest Certification (PEFC) schemes to underpin its environmental credentials.

## Bioeconomy Strategy – more trees!

As environmental concerns move up the political agenda, increasing attention is being paid to the potential role for bio-based materials in replacing those made from non-renewable resources such as plastics. During 2018 the UK Government published a major new bioeconomy strategy. With the Paper Industry already being at the heart of the bioeconomy the new strategy offers a huge opportunity for increased use of paper and card to replace materials made from non-renewable resources.

Of course, if a new bio-based economy is to become a reality, then the raw materials need to be available. A number of earlier policies (such as renewable energy) neglected this point and resulted in large imports of wood from other countries – sometimes with questionable environmental results.

A new forest policy working with the bioeconomy strategy offers the opportunity to address this issue by increasing the amount of tree cover in the UK. While forest cover continues to slowly expand, the scope to plant more trees is one that should be an integral part of growing a bio-based economy.



# EMPLOYMENT AFFAIRS

Information and guidance is available via Employment Affairs to CPI Member companies, on working arrangements, dispute resolution, annual hours, 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. In addition, 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.

# HEALTH AND SAFETY

At the time of writing, Brexit remains at the forefront of everyone's minds. A definitive decision on the future of health and safety regulations, or how far we will diverge from European standards is still unclear, and it would appear that in the halls of Westminster, no one cares. Irrespective of the outcome, preventing work-related death, injury and ill health is a 'red line' and the Paper Industry will continue to focus on these underlying principles.

## PABIAC Strategy 2015 – 2019 and Industry Health and Safety Performance

As the current Paper and Board Industry Advisory Committee (PABIAC) strategy, ***'Health and Safety - It's more than just a paper exercise'*** draws to an end, and we embark on a new set of challenges for the next four years, we should acknowledge the effort and achievements by the industry during 2018 and beyond.

In reviewing the industry's health and safety performance against the key strategic objectives, headline figures for the industry show:

### *All-sector*

The all-sector over-7-day injury rate fell from 542 per 100,000 in June 2015 to 421 per 100,000 by September 2018, a 22.4% improvement. At the time of writing the rate is slightly better than the HSE 'All Manufacturing' rate of 463 (2017/18).

- 28% reduction in machinery related injuries, and
- 31% reduction in slip and trip injuries.

### *Papermaking*

- 32% reduction in slip and trip injuries
- 14% reduction in machinery related injuries
- 28% reduction in RIDDOR over-7-day injuries.

### *Corrugated*

- 56% reduction in manual handling related injuries
- 33% reduction in machinery related injuries
- 29% reduction in slip and trip injuries
- 21% reduction in RIDDOR over-7-day injuries.

### *Recovered*

Notwithstanding the relatively low number of employees working in the sector, when compared to papermaking and corrugated, the sector still recorded:

- 75% reduction in slip and trip injuries
- 61% reduction in RIDDOR over-7-day injuries.

Overall the recovered paper sector's injury rate improved by 62%.

### *Occupational ill health*

The current strategy set some baseline occupational health objectives for the industry to meet. Across the industry there are grounds for optimism with indications that the industry is taking on board the issues around occupational health, especially work-related stress, but there is more work to do. In 2017/18 stress, depression or anxiety accounted for 44% of all work-related ill health cases and 57% of all working days lost due to ill health (source: Labour Force Survey - HSE Work-related stress, depression or anxiety statistics in Great Britain 2018). People working in the Paper Industry are not exempt from these figures.

We acknowledge the changing health and safety landscape, recognising that health, well-being and mental health are as important as the safety aspects. To that end, we now need to build on our achievements over the last four years and incorporate these and other health-related issues into our next PABIAC strategy.

As we delve deeper into more complex psychological issues, we need to identify and understand the contributory factors and stressors that can potentially be harmful for individuals.

The nature of work is changing, and we are all different. Rising national trends in 'Presenteeism' (employees working while on holiday, or working outside of contracted hours to catch up) and 'Leaveism' (people using allocated time off, such as holidays, or working outside of contracted hours) requires action to reduce unmanageable workloads, which quite often are the root cause of work-related stress.

## PABIAC Strategy 2019 – 2023

Having canvassed the industry on the key areas for the industry to address, the next PABIAC strategy will focus on the following objectives:

### *Objective 1: Leadership, Engagement and Collaboration*

There has been a great deal of discussion during 2018 around safety culture, leadership and engagement at all levels. And, with the launch of BS ISO 45001:2018 Occupational health and safety managements systems in March, it is only right that the UK's Paper-based Industries, through PABIAC, embrace the principles of the standard and encourages organisations to actively demonstrate commitment to Occupational Health and Safety.

### *Objective 2: Work-related stress, health and well-being*

With a growing concern and political drive on physical and psychological health issues, the new strategy will put a greater emphasis on work-related stress, health and well-being.

### *Objective 3: Vehicle, material movement and storage stability*

Feedback from the industry indicated that vehicle, material movement and the storage of materials was high on everyone's list of actions to address, and this third objective will focus on this important area.

In addition, on the key issues of slips and trips and machinery, we will continue to focus on these specific areas and build on our past achievements.

As in previous strategies, underpinning each of the above objectives will be specific actions for industry to work towards achieving.

PABIAC Strategy 2019 – 2023 ***'Health, Safety and Wellbeing – Hearts, Minds and People'*** will be officially launched by Martin Temple, Chair, HSE at this year's CPI Biennial Health, Safety and Industry Conference on 9 July 2019.

**Injury Rates Per Sector:**

**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%


# HEALTH AND SAFETY

## Industry Guidance

In 2018, two important pieces of work were completed.

***Corrugator Guarding and Safe Working Practices – Aide Memoire and Inspection Document***

This aide memoire was written by the PABIAC Corrugated Industry Health and Safety Delivery Committee. Aimed primarily at health and safety practitioners, managers, supervisors and users of corrugated machinery, this document highlights the main hazards associated with running a corrugator machine, and offers practical solutions in the form of photographs.

***Health & Safety Procedure for the Procurement and Installation of Machinery, Plant and Equipment***

Every year, the UK Paper Industry invests a significant amount of money purchasing and installing machinery, plant and equipment. Unfortunately, and despite machine manufacturers claims to the contrary, some equipment arriving in the UK does not meet the required level of safety standards, and often means the purchaser is left with retrofitting additional safeguards, at a significant cost.

To remove this costly burden on the industry, this procedure written by the PABIAC Corrugated Industry Health and Safety Delivery Committee sets clear minimum standards for manufacturers to adhere to when supplying equipment to CPI Members. The onus will now be on the industry to adopt the procedure within their own organisations.

## Looking ahead

Since PABIAC was established as a strategic body in 2005, delivering its first industry strategy 'Making a difference', the industry through a series of successive strategies has gone from strength to strength. However, we can't sit back and think the job is done!

As a significant part of UK manufacturing, we can't allow standards to lapse. Justification for the continued support from the PABIAC partners is measured on what the industry achieves next, not on its past achievements. Looking ahead to the next four years, there is still more work to be done, and most definitely not 'job done'!



PaperWorks

# GETTING THE MESSAGE INTO SCHOOLS

Environmental issues related to Paper have been a source of numerous misconceptions for a number of years. What better way to try to counter some of these than to get the facts directly into the classroom? PaperWorks aims to dispel some of the common myths surrounding paper – many of which are often ingrained at an early age.

CPI's education resource, PaperWorks, provides teachers with a range of web-based curriculum-linked multimedia learning resources. Through the use of videos, online presentations and ready-to-go lesson plans, PaperWorks helps students to connect curriculum theory to the real world, whilst supporting and promoting the Paper Industry's core messages on recycling and sustainability.

There are five separate modules available to give children aged 5 to 18 an understanding of the UK's Paper-based Industries and their environmental credentials:

- **Art and Design: 5 to 7 years**
  Explores Paper through art and design
- **Science and Technology: 7 to 11 years**
  Shows how Paper is made and the importance of recycling and sustainability
- **Design and Technology: 11 to 14 years**
  Challenges students to design a packaging solution using cardboard packaging, creating a logo and brand by responding to realistic packaging briefs
- **Geography Studies: 11 to 18 years**
  Shows how the UK Paper Industry is a sustainable industry
- **Business Studies: 14 to18 years**
  Introduces the modern Paper Industry and asks students to consider why paper is such an important part of society today

PaperWorks resources, including whiteboard presentations, videos, worksheets and supporting teaching notes are available at www.paperworks.school

# PUBLIC AFFAIRS

CPI's public affairs work, covering engagement with politicians, journalists and other stakeholders continued apace throughout 2018, addressing many industry-relevant topics and issues.

Our five key asks of Government, which will enable the UK's Paper-based Industries to take off and support sustained manufacturing growth remained as follows:

**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**

Of course, the thrust of CPI's Brexit-related work has been set out on page 6, but it is worth noting that CPI wrote an open letter to the Prime Minister expressing deep concern about the possibility of a "No Deal" Brexit outcome and the resulting risk of disruption. This featured in trade press and on social media.

Despite Brexit dominating the political agenda throughout the year, CPI continued to champion Members' needs to government and political stakeholders from right across the spectrum.

## A plethora of issues

CPI wrote an open letter to Philip Hammond, Chancellor of the Exchequer in advance of his Autumn Budget announcement. CPI's submission focused on the damaging effect of current UK energy taxation and other Government policies and explained that with the right support and regulatory framework, the paper sector can make a huge contribution to rebalancing the economy.

CPI's engagement with Defra around the Industrial Strategy and the possibility of agreeing a Sector Deal has also been a key plank of public affairs work and will continue to be so during 2019 (you can read more about this on page 7).

As you will have seen on page 14, a parliamentary reception was held to launch our Beyond the Box programme. This gave Members and the CPI team an opportunity to engage with MPs and journalists in an exclusive setting.

## Public Affairs Committee

In the latter stages of 2018, CPI set about adding further focus to its public affairs work. Following an initial teleconference, a fledgling public affairs committee took shape and agreed its broad focus. This covered areas relating to Brexit, Energy costs, PABIAC Health and Safety Strategy 2019 onwards, Paper as a packaging medium, Single Use Plastics Directive and UK plastics policy as it applies to laminated paper products, along with Sustainability and Recyclability of paper and water.

With Brexit hopefully coming to a resolution before much longer, there should be greater opportunity for serious engagement over wider business issues. To bring in specialist knowledge and extra resource, following a pitch process, CPI has from February 2019, entered into a 12-month contract with GK Strategy, a London-based public affairs/public relations consultants, with a modern and diverse outlook.



## Face to face political engagement

CPI has organised and taken up opportunities to meet with Ministers, MPs and their advisors throughout the period of this review. Sometime these have been 1-2-1's and on other occasions part of wider events.

In July 2018 CPI held a bilateral meeting with Richard Harrington MP, then Business Minister, to discuss and agree the opportunities available to the UK's Paper-based Industries to develop a compelling case for support from the Government's Industrial Strategy.

Throughout 2018, CPI met Trade Ministers, including George Hollingbury MP and Graham Stuart MP as part of a MTRA delegation to press for changes to the UK's post-Brexit trade remedies regime to ensure that UK Manufacturing industries do not have to face unfair competition in the UK market.

CPI has a close relationship with Mark Pawsey MP, in his capacity as chairman of the All-Party Parliamentary Group (APPG) for Packaging. In 2018 we met Mark on a number of occasions, including a specific bilateral meeting to discuss packaging and manufacturing issues, along with industrial strategy matters.

In the Autumn of 2018, CPI attended the Conservative Party Conference in Birmingham and was delighted to hear Claire Perry MP, Climate Change Minister, speak warmly of the success of the Paper Industry in reducing its carbon emissions.

Attending and engaging with APPGs continued to be a strand of our public affairs strategy and these interactions included groups covering:

- Manufacturing
- Energy Costs
- Environment
- Energy Intensive Users
- Energy Studies
- Packaging Manufacturing Industry
- Sustainable Resource.

We kept our finger on the party political pulse by attending fringe events at the Conservative and Labour party conferences, in Birmingham and Liverpool respectively, listening and engaging with stakeholders as appropriate.

Ad-hoc opportunities were also taken advantage of, such as attending a Chartered Institute of Marketing event at the House of Lords in May, which had a focus on food and packaging, enabling us to ask questions in public and help people understand the benefits of using paper and board.

Away from the political sphere, CPI met many senior officials to promote the interests of the UK's Paper-based Industries. These included Chris Stark, Chief Executive of the Committee on Climate Change, Andy Haldane, Chief Economist at the Bank of England and Chair of the Industrial Strategy Material Council and Niall Mackenzie, Director – Infrastructure and Material at BEIS.

## Together we have a louder voice

Working closely with groups that share similar concerns and ambitions is important too. We continued to work with MTRA to help amplify our concerns over the potential weakness of UK trade barriers, post-Brexit. We also kept in close touch with large groups such as EEF (now called Make UK) where useful but non-sensitive information across a range of issues was shared and discussed.

CPI has long expressed concern about the UK's security of supply for gas and has continued to be a member of the Gas Security Group. CPI was pleased that BEIS started an Inquiry into Gas Storage in Winter 2018.

With the EU Single Use Plastics Directive moving swiftly to a conclusion, CPI kept its ear to the ground and worked closely with CEPI to ensure the needs of the Paper-based Industries were considered. For CPI this also meant engagement with officials at Defra, MEPs and both national and international stakeholders.

## Consultation and legislation

Responses to Government consultations were submitted in the following areas:

- the potential negotiation of free trade agreements with the United States, Australia, New Zealand and the Trans-Pacific Partnership
- Assessing and Scoring Permit Compliance (Environment Agency)
- The Clean Growth Strategy
- House of Commons short inquiry into the Government's 25-Year Plan for the Environment.

## In the news

CPI issued press releases and approached journalists through various channels to raise or respond to a variety of issues. These included:

- Apprenticeships
- Brexit (on numerous occasions!)
- Carbon efficiency
- Coffee cups
- Economic Value Report
- Election of Richard Coward as CPI President
- EU ETS Revisions
- IPCC Report on Global Warming
- Letters to the Prime Minister and Chancellor of the Exchequer
- OPRL Ownership
- Paper bags
- Pizza boxes
- Sustainability of cardboard

Another good way to show our expertise and to network effectively is through speaking/presenting at relevant events. During 2018, Simon Weston and Andrew Barnetson spoke at SPA conferences, and Andrew Large at the conference of the Chartered Institution of Wastes Management.

# COMMUNICATIONS

In addition to our public affairs work, we have been busy behind the scenes working hard on improving our communications both externally and to our Members.

## Online

The CPI website is now established as the primary communication tool for Members and the outside world. In mid-2018 the site undertook a complete overhaul and now boasts a clean design, improved functionality, a clear navigation system and is fully compatible with mobile and portable devices, enabling easy access whilst on the move. The site provides a clear message of who we are, our core values, our industry and what we stand for.

The website delivers up to date news for Members and external audiences, provides educational materials for schools and the general public, and offers facts and figures on the UK's Paper-based Industries. Industry specific guidance documents, fact sheets and position papers, are amongst the many publications available and all can all be downloaded from the site.

A dedicated CPI Members Only area provides additional information including newsletters, meeting papers, industry statistics, Members' Briefings, Government consultation responses and much more.

## Keeping Members updated

CPI consults and supports its Members through various sector committees and councils. These committees provide a communications platform for raising issues, the sharing of knowledge and information, and for sectors to come together to agree a united position. The committees are also an opportunity for industry to engage face to face with government agencies and other stakeholders of specific interest to the industry.

Members are kept up to date on the latest news and website postings via a weekly web updates notification. With convenient links embedded within the email, access to further information is readily available.

CPI News, our fortnightly electronic newsletter, has recently gone through a facelift, and new software is being used to help create a more flexible newsletter. In an ever changing political and social climate, keeping Members informed of the array of issues that CPI deals with on their behalf is a key function of the service we provide.

Members' Briefings are available to Members via the CPI website which include Brexit, EU Timber Regulation, International Standards for the UK Paper & Packaging Industry, Permits, BREF and BAT, Carbon Reduction Commitment – Energy Efficiency Scheme, amongst others.

Whilst these digital methods of communication are useful in allowing us to communicate quickly, and in a timely manner, we also produce a range of stakeholder publications on paper, which serves to showcase the industry's products, while communicating interesting information in an easily absorbed format.

As such, hard copies of Director General Reports and other stakeholder publications, including CPI's Annual Review and Economic Value Report, are sent to Members and external stakeholders.

## Stakeholder publications

In March 2018, CPI's first Economic Value Report was produced. This work showed for the very first time the full extent of the contribution of the UK's Paper-based Industries to the UK economy. It highlighted the location of employment across all the regions and nations of the UK and demonstrated very clearly our progress on health and safety, environmental issues and carbon emissions reduction.

As well as updating progress in all those areas, a second report will be issued in 2019 and expanded to include a comprehensive analysis of the investment opportunities in the UK for paper and paper products.

In February 2019 CPI, in conjunction with WRAP, launched a new publication - ***Design for the Future: Paper and Packaging Recycling Guidelines***. These new recycling guidelines will help retailers and brands specify and design packaging that can be reprocessed effectively in paper mills. See P19 for further information.

CPI will also be publishing an Innovations Report that will outline some great examples of innovation and new products being delivered by the paper sector in all parts of the UK. It will also seek to reinforce our position in the bio-economy with key policy makers as a precursor to securing support for new investments.

## Social media

CPI's most active social media channel is Twitter, and we are continuing to build on the 1,500 followers we have (as at February 2019). 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.

## Engagement and support

CPI continues to offer support to other industry initiatives such as Two Sides, Recycle Now and the Keep Me Posted campaign.

## Alliances

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; International Council of Forest and Paper Associations (ICFPA); Emissions Trading Group (ETG); Energy Intensive Users Group (EIUG); Gas Security Group; Make UK; Manufacturers Climate Change Group (MCCG); Manufacturing Trade Remedies Association (MTRA); Ofgem Large User Group; On-Pack Recycling Label Ltd (OPRL); Paper & Board Association (P&BA); Paper Cup Recycling and Recovery Group (PCRRG); 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); Timber Expert Panel; Waste & Resources Action Programme (WRAP); and Zero Waste Scotland.

In addition, we continue to represent Members at a European level through our work with Confederation of European Paper Industries (CEPI); CEPI-Containerboard; European Federation of Corrugated Board Manufacturers (FEFCO); European Tissue Symposium (ETS); the International Confederation of Paper and Board Converters in Europe (CITPA); and the Group of European Market Wood Pulp Users (UTIPULP).

We would like to thank all of these organisations for their positive engagement on many issues and for their continued support. We look forward to working with them in the future.


www.paper.org.uk

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

# REVIEW OF DATA 2018

A very mixed set of indicators emerged for paper and board markets during 2018. Paper and board consumption declined slightly whereas paper and board production increased; recovered paper demand fell despite an apparent glut of cheap raw materials; and output based on virgin fibre consumption increased in the face of the highest woodpulp prices seen for a generation. As in other parts of the UK economy, the uncertainties of Brexit appear to have affected some sectors but not others. Nevertheless, the UK's Paper-based Industries appear to be in robust health to confront the difficulties that may be presented by the UK's withdrawal from the European Union and one or two early signs of a possible global downturn such as a slowing Chinese economy and an over-reliance on consumer credit.

## Apparent Consumption of Paper and Board

Despite growth in paper and board demand for many months of 2018 compared to 2017, a poor final quarter reduced overall consumption, the year ending with a fall of 0.4%. This is the smallest reduction for many years and hopefully an indication that consumption has finally 'bottomed out', notwithstanding the disruption that may lie ahead. For the various sectors, consumption of Packaging grew by 2.3%, with Corrugated Case Materials adding a further 85,000 tonnes of demand, ending the year on 2.55 million tonnes (+3.4%). Cartonboards and Other Packaging Boards fell back, however, declining by 1.4% to 1.12 million tonnes. Overall, Packaging demand stood at 3.90 million tonnes. Parent reels of Tissue, meanwhile, experienced a surprising loss after several years of growth, falling by 1.3% to 1.10 million tonnes, perhaps another indicator that materials at the sharp end of consumer demand are suffering. The Graphics sector declined further, losing another 3.3% or 114,000 tonnes to end the year on 3.53 million tonnes and there were particularly heavy losses in the Uncoated Woodfree sector, consumption of which fell to just under one million tonnes for the first time; the Newsprint sector, however, managed to remain just above this level despite a further 2% decline. With the Speciality sector growing by 2.1% to 0.29 million tonnes, overall consumption for the year was 8.65 million tonnes. In addition to this primary demand, CPI estimates a further 2.67 million net tonnes of papers and boards were imported during 2018, either as new, converted papers and boards or paper-based transit packaging around other commodities. This gives a total of 11.32 million tonnes of paper and boards placed on the UK market last year.

## Production and Deliveries of Paper and Board

Paper and board production increased by a further 0.9% to 3.89 million tonnes compared to 2017 with only the Corrugated Case Materials sector experiencing a decline in output. For the Graphics sector including Newsprint there was a hefty rise of 4.7% to 0.96 million tonnes, the increase in part due to capacity disruption in the Spring of 2017. Corrugated Case Materials, as noted, fell back by 3.2% to 1.51 million tonnes, a loss of 50,000 tonnes of production. For parent reels of Tissue, there was a second year of growth despite some recent capacity closure, with output of reels increasing by 0.5% to 0.74 million tonnes. Finally, production in the Speciality sector grew by an impressive 7.5% to end 2018 on 0.29 million tonnes.

Home sales increased in all sectors, rising by 2.1% to 3.10 million tonnes. This includes a very slight increase in domestic deliveries by the Corrugated Case Materials sector despite the fall in output, effected by a significant reduction in exports which fell by nearly 26% or 50,000 tonnes to 0.14 million tonnes. This in turn reduced total exports from 0.79 to 0.77 million tonnes for 2018. Imports fell by 85,000 tonnes or 1.5% to 5.53 million tonnes with the bulk of the lost volumes being Graphics, down 5.4% compared to 2017 to 2.70 million tonnes.

## Papermaking Raw Materials

As predicted by CPI and many others, recovered paper collections fell during 2018 due to reduced Chinese demand but also a fall in domestic demand. Collections dropped to 7.55 million tonnes, a 3% decline on 2017 and the lowest volume collected since 2004. However, this is better than many feared as Mixed Papers no longer required by Chinese buyers largely found markets elsewhere in the Far East and India. Chinese share of UK collections fell from 37% to 27% whereas the share for other Asian countries rose from 13% to 23%. More surprising were falling collections of Old Corrugated Containers against a background of growing demand for packaging with 225,000 tonnes less collected, though CPI believes continuing 'lightweighting' of packaging boards may contribute to this loss. Exports of recovered paper fell by 4.3% to 4.53 million tonnes compared to 2017, with both Mixed Papers and Old Corrugated Containers recording losses, of 6.4 and 5.4% respectively, and a combined total of 240,000 tonnes less exported. Woodfree grades were stable but an additional 40,000 tonnes of 'Other Grades' including Newspaper and Magazines were exported, a 10.7% increase on 2017 giving a total of 397,000 tonnes. Imports remained stable at very low volumes, increasing slightly to end the year at 120,000 tonnes. These volumes, together with CPI's estimate for materials placed on the market noted above, give the UK a recycling rate for 2018 of 66.7%, a decline of almost 2% on the previous year.

## Production of Corrugated Board

A further 2.1% rise in corrugated board output was recorded by CPI Members, taking total board production to 4.1 million ksm and the seventh straight year of growth for these companies. There was a noticeable reduction in average board weight, declining from 469 gsm in 2016 and 467 gsm in 2017 to 455 gsm during 2018. The Sheet-feeding sector also grew, by 0.5% to 1.15 million ksm recording an average board weight of 479 gsm. There is likely to be considerable growth in this sector following the commissioning of the German Pro-group's large, new sheet-feeder at Ellesmere Port - which has a reported capacity of some 500,000 ksm - replacing a much smaller machine.

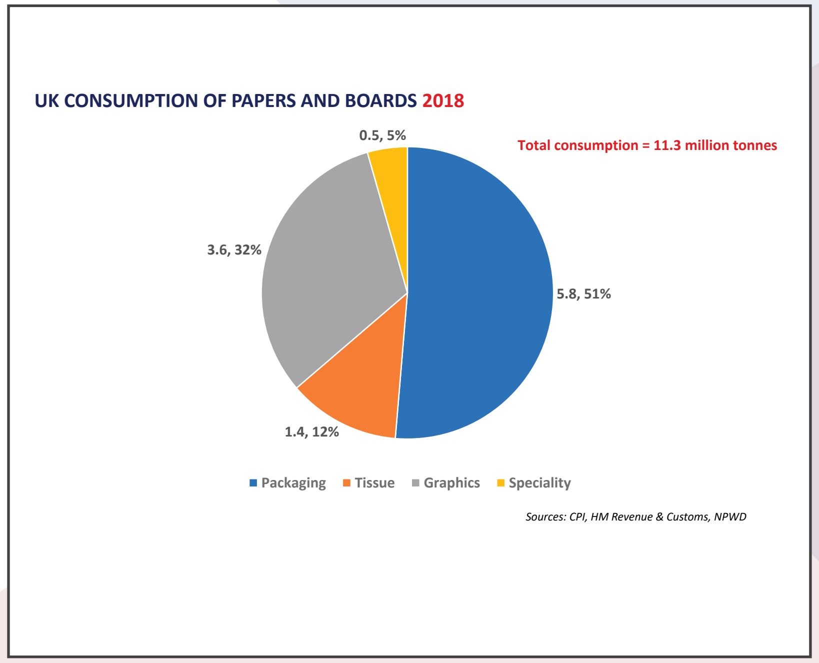
Taking into account net trade in new, unused board and boxes, CPI estimates the UK market for corrugated boxes to have just nudged past 5 million ksm during 2018, a per capita consumption of 75 m$^2$ compared to 69 in 2010.

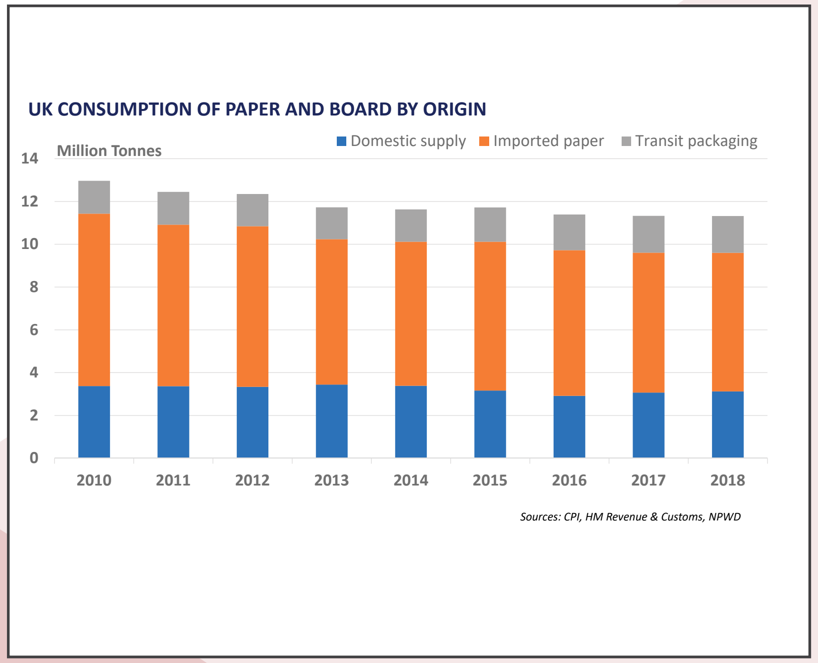
# UK PAPER AND BOARD FACTS & FIGURES 2018

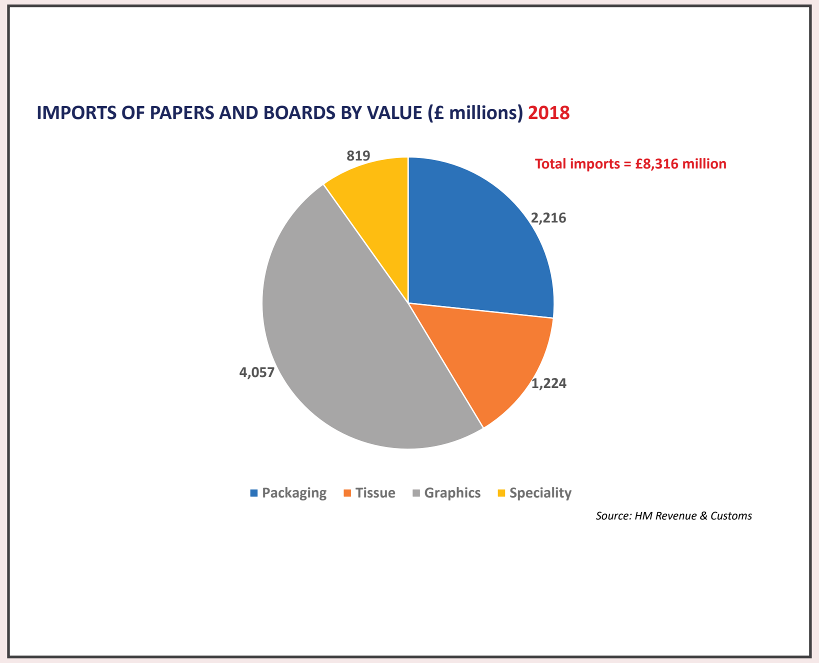
### KEY FIGURES OF THE UK'S PAPER-BASED INDUSTRIES

| | | |
|---|---|---|
| 56,000 | *56,000 people are employed in the UK manufacturing paper and paper products* | Jobs |
| 1,490 | *1,490 UK enterprises are engaged in the manufacture of paper products* | Companies |
| £11 billion | *UK companies manufacturing paper have a turnover of £10,954 million* | Turnover |
| £3.5 billion | *UK manufacture of paper has a Gross Value Added of £3,503 million* | GVA |

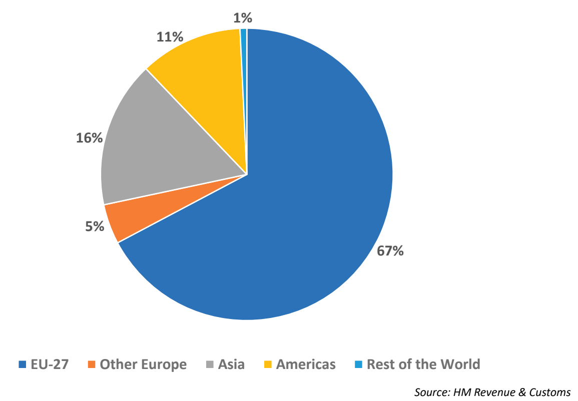
*Source: ONS, Annual Business Survey 2018, SIC 17 2016 data*



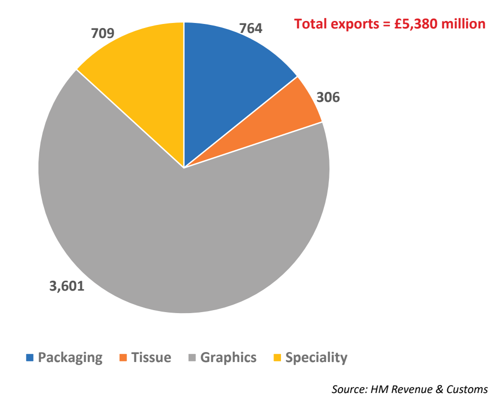



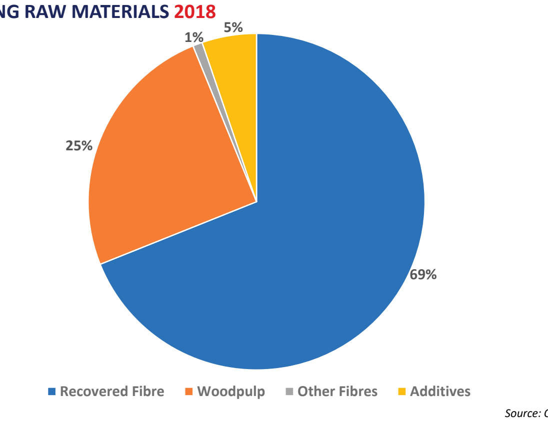
### IMPORTS OF PAPERS AND BOARDS BY ORIGIN 2018



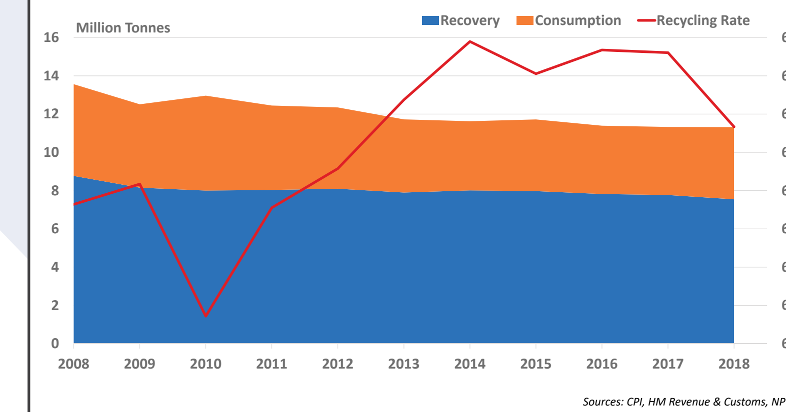

### EXPORTS OF PAPERS AND BOARDS BY VALUE (£ millions) 2018



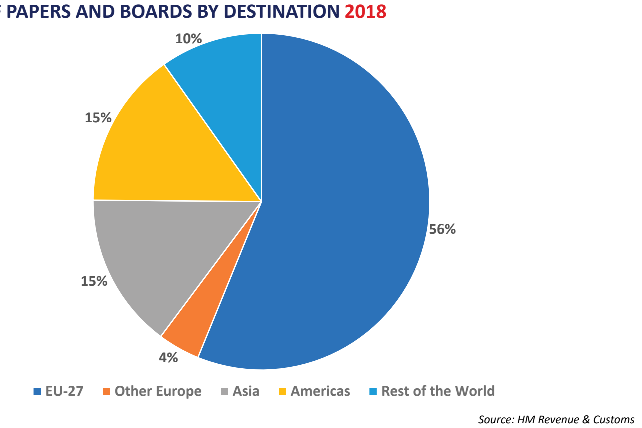

### PAPERMAKING RAW MATERIALS 2018




### CONSUMPTION AND RECOVERY OF PAPER AND BOARD

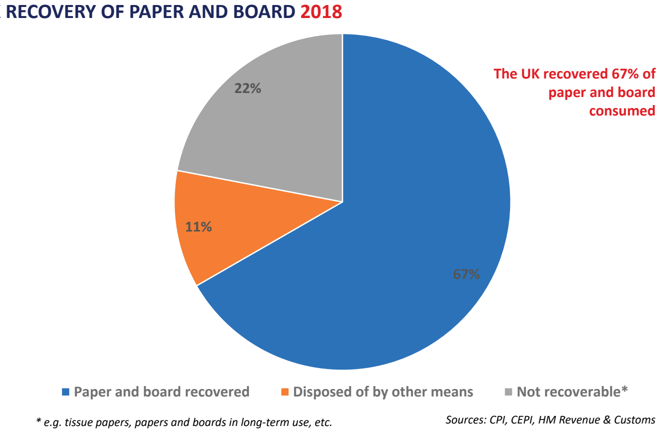



### EXPORTS OF PAPERS AND BOARDS BY DESTINATION 2018

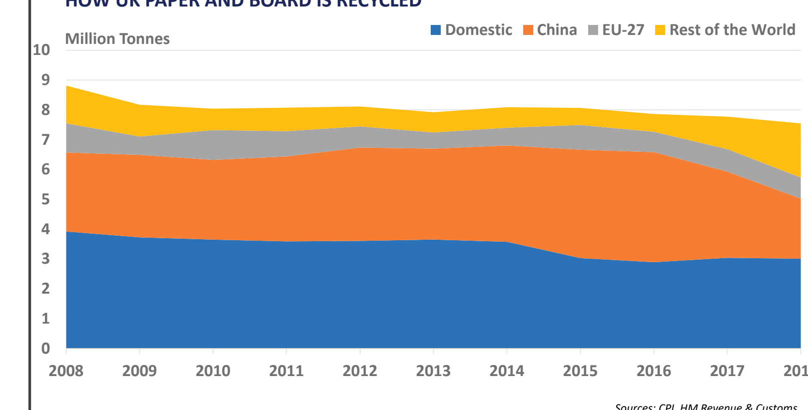



### INTEGRATED PAPER, PACKAGING, TISSUE AND RECYCLING IN THE UK 2018

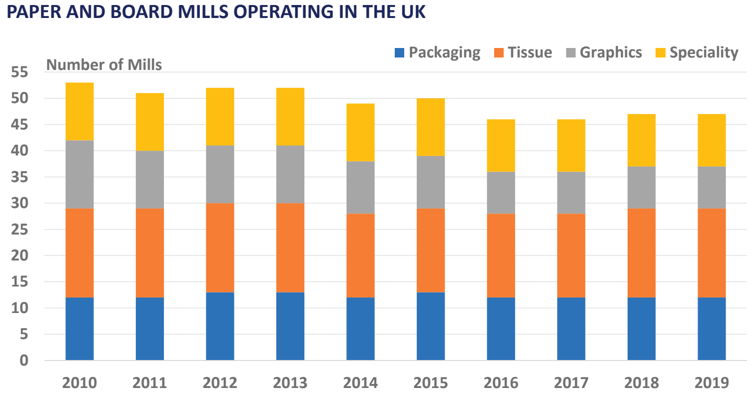

### UK RECOVERY OF PAPER AND BOARD 2018



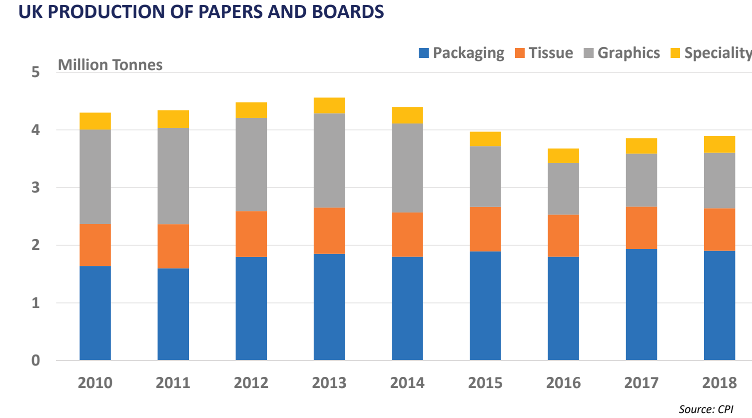

### HOW UK PAPER AND BOARD IS RECYCLED



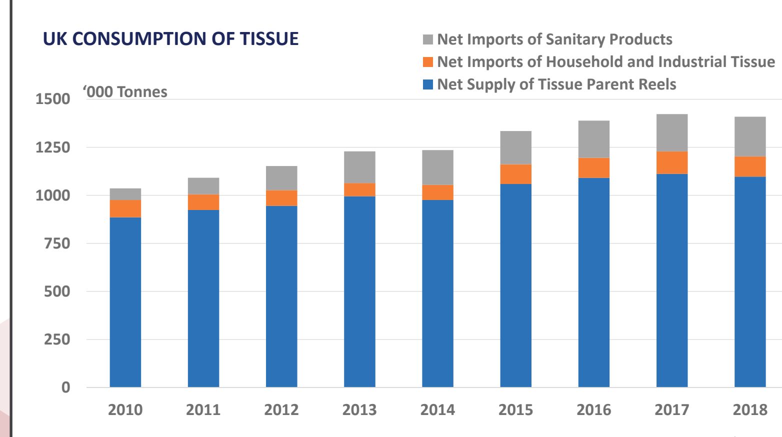

### PAPER AND BOARD MILLS OPERATING IN THE UK



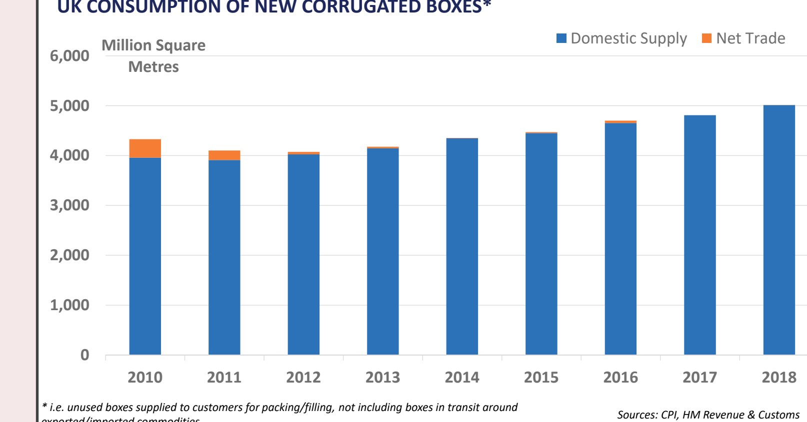

### UK PRODUCTION OF PAPERS AND BOARDS




### UK CONSUMPTION OF TISSUE




### UK CONSUMPTION OF NEW CORRUGATED BOXES*



# CPI TEAM

Andy Barnetson
Director of Packaging Affairs

Andrew Braund
Director of Health and Safety

Mike Dobson
Director of Public Affairs

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

Debbie Stringer
Environment Manager

Simon Weston
Director of Raw Materials

Leonie Williams
Accounts and Office Manager

# 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 | (Past President) | Chief Technology Officer | James Cropper PLC |
| Mr Angus MacSween | (Treasurer) | Mill Manager | Arjo Wiggins Fine Papers Ltd |
| Mr Andrew Large | (DG) | Director General | CPI |

## Members

| | | |
|---|---|---|
| Mr Clive Bowers | CEO | Smurfit Kappa UK Ltd - Corrugated Division |
| Mr Andres Calle | UK Manufacturing Director | Kimberly-Clark Ltd |
| Mr Niels Flierman | Operations Director | DS Smith Paper 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 Bob McLellan | Non-Exec Chairman | Logson Group |
| 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 Tom Rice | Finance Director | Saica Pack UK Ltd |
| Mr Simon Walker | Head of RCP Sourcing UK & Sales | UPM-Kymmene (UK) Ltd |

# CPI MEMBERS

## Full Members

Ahlstrom-Munksjo Chirnside Ltd
Arjo Wiggins Fine Papers Ltd
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
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
WEPA UK

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Bollegraaf UK Ltd
Cargill Plc
De Jong Packaging Ltd
Dicom Ltd
Envirosystems (UK) Ltd
Hyster-Yale UK Ltd
Jointine Products (Lincoln) Ltd
Materials Recycling & Consultancy Ltd
Materials Recycling World
Mosca Direct Limited
Pilz Automation Technology Ltd
Ralegh Integrated Solutions
ReCarton UK
Sun Automation
The Environment Exchange

## Affiliate Members

Combustion Engineering Association
Paper and Board Association
Paper Industry Technical Association