



ONWARDS AND UPWARDS

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



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

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

CPI is working to promote:

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

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

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This time last year, the prospect of Scottish Independence seemed to be foremost in many people's minds, and rightly so as people on both sides of the debate felt very strongly about it. Scottish Independence would certainly have impacted the Confederation of Paper Industries as we have Members situated throughout the UK, and representing all their interests against different policy and legislative backgrounds would have been challenging.

With that period of uncertainty behind us, we are now facing a potentially far greater one as we prepare for the referendum on future EU membership. David Workman has stated the CPI's position clearly in his January 2016 *MPs Briefing* - the position of the UK's Papermakers, Convertors and Recyclers is overwhelmingly in favour of the UK remaining within a reformed EU. The UK's Paper Industry is largely owned by European or Global operators based in the Nordic Region, Germany, Ireland, Spain and Italy. These organisations have no particular affinity with the UK; in fact the UK is seldom even represented on the Boards of these companies. Even some of the UK-based companies are global in scale. The great strength that the EU can offer our industry is the ability to trade freely across borders and, in theory, operate within the same regulatory framework.

Personally, and perhaps emotionally, I fear the following possible consequences of withdrawal: break-up of the UK

(the Scottish people will want another referendum); break-up of the EU itself (caused by others wanting a UK-style opt out), and declining overall security (as cooperation on immigration, anti-terrorism etc. frays at the edges). The EU is not perfect, and the ingrained nature of the bureaucracy remains a problem, but I would rather Britain used its influence from within Europe to push for the reforms that are undoubtedly needed.

The main concern is that myths and misinformation could catapult us out of a peaceful and positive alliance. This, at precisely the moment when we need those allies more than we have done at any time since they first got together to prevent a repeat of the conflicts which dogged Europe over the first half of the twentieth century.

So, even the President's Introduction is distracted by the debate. Although it is important, it must not overshadow the excellent work that CPI has undertaken over the last 12 months. The team continues to ensure that our industry gets the best possible treatment as the UK seeks to meet its Climate Change targets. Our sector received the maximum level of compensation for the electricity related cost increase associated with the EU's Emissions Trading System and the UK's Carbon Price Floor. Together, these two successes are likely to have been worth £23.1m to our industry in 2015.



PRESIDENT'S INTRODUCTION

Further progress has been made with the announcements by UK government that the sector will also be compensated for some of the costs associated with the Renewables Obligation and the Feed-in-Tariffs. Exemption has also been granted from the Contracts for Difference. The total savings from these measures is likely to exceed the savings already achieved above.

Last summer, CPI held its Biennial Health and Safety Conference, and since then the new PABIAC strategy has started to be rolled out through the sector working groups. This new strategy, "Health and Safety - it's more than just a paper exercise", is to run until 2019 and is to concentrate on slips and trips, machinery safety and occupational health.

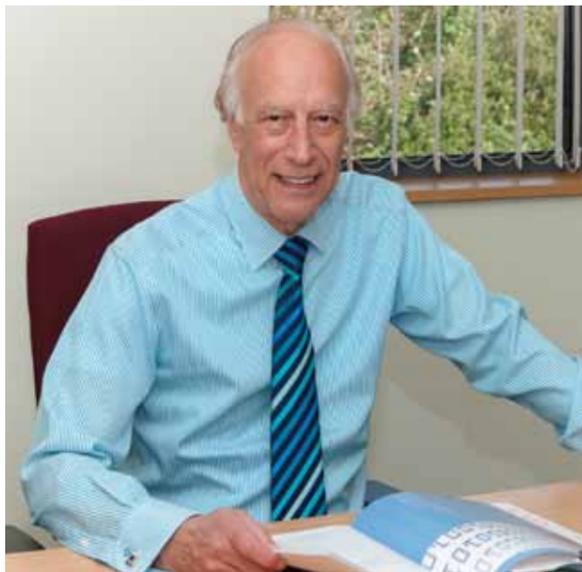
Significantly, a steering group comprising Member company representatives has successfully achieved "trailblazer" status for an apprenticeship model for papermakers, thus opening up the possibility of government funding.

CPI continues on a secure and stable financial footing and is close to achieving its target of having sufficient reserves to be able to achieve an orderly cessation of its activities (should this ever be required) without calling on the resources of Member companies.

The team in Swindon continues to work energetically and enthusiastically for the best interests of our industries, and I would like to extend thanks, on behalf of us all, to them for all that they have achieved.

Patrick Willink

DIRECTOR GENERAL'S OVERVIEW



Three issues dominated the political landscape in 2015: the UK General Election, the Chancellor's Autumn Statement and the UN Climate Change Conference in Paris. Government, as we had come to know it, virtually disappeared - Ministers and officials proving reluctant to commit to anything. The new Commission in Brussels was also very quiet.

It was also the year when the plight of the Energy Intensive Industries (EIIs) - most notably Steel and Paper - hit the headlines, and all for the wrong reasons.

There were a number of factors behind the significant declines in output from these two sectors but one constant has been the direct and indirect costs associated with meeting the UK's Climate Change targets. Energy intensive manufacturing has borne the brunt of these costs and paid a heavy price. UK industrial electricity costs are double those of the EU average and Europe's gas prices are double those of our major international competitors.

Government support

CPI, along with other EIIs, has lobbied long and hard for the UK Government to act and I am pleased to report that considerable progress has been made. Not only does the Paper Industry maintain its Climate Change Levy relief under the Climate Change Agreement (CCA) but we have also ensured that those Members who are in our CCA are exempt from the Carbon Reduction Commitment (CRC). These two measures alone were worth £30m to the industry in 2015.

Additionally, we ensured that our sector received the maximum level of compensation for the electricity related cost increases associated with the EU's Emissions Trading System (EU ETS) and the UK's Carbon Price Floor. Together, these two successes are likely to have been worth £23.1m to our industry in 2015.

We have also helped to persuade the UK Government to seek State Aid Clearance to further compensate us for the costs associated with the Renewables Obligation and Feed-in-Tariffs. Depending upon eligibility rules, this additional compensation could be worth up to £24m in 2016.

The biggest breakthrough, however, was the announcement by the Chancellor in his Autumn Statement that he would in future seek to exempt, rather than compensate, EIIs from some of the costs of achieving the UK's Climate Change goals. It remains to be seen what this measure will actually mean for us but it is a huge step in the right direction. The Chancellor has already announced that we will be partially exempted from the costs associated with the Contracts for Difference Scheme.

The Chancellor has referred to the Paper Industry in two out of his last four Budgets, so we know that our message has been getting through to the highest level in government.

CPI has also been very heavily involved with officials from the Treasury, BIS and DECC in reviewing general energy taxation and we welcome the Chancellor's announcement in his Spring Budget that the CRC will be cancelled.

Tightening carbon targets

The next challenge on the horizon is to ensure that our industry retains its "at risk of carbon leakage" status within the EU ETS as the Commission in Brussels introduces the Market Stability Reserve - a mechanism designed to increase the cost of emitting carbon. This will be followed by a revision to the EU ETS for the post 2020 period which is likely to result in the withdrawal of even more allowances from the market and a tightening of targets. It is estimated the loss of such status could cost the European Paper Industry not millions but billions of Euros.

Whilst the recent UN Climate Change Conference in Paris resulted in an agreement to limit global warming to 2%, it is not legally binding and we therefore need to ensure that environmental NGOs are not allowed to portray it as such. Already some of these groups are pressing for a considerable tightening of the 2030 carbon reduction targets.

Roadmap to a low carbon economy

It is a shame that, having applied so much effort into producing a UK 2050 Roadmap for the Paper Industry in the lead up to the last election, it has been virtually ignored up to now. That is all about to change, however, and we now expect to be heavily involved with officials throughout 2016 in finalising a report which the Government will use to develop a fresh strategy for EIIs in 2017.

Whilst we need short and medium term measures to help us transition to a low carbon economy, we also need innovation funding to help develop the breakthrough technologies of the future. Without them we will not be able to achieve the 2050 target of an 80% reduction in carbon emissions. We continue to engage with government officials who now seem keen to become involved.

This longer-term goal will require all sectors of our industry to engage in the digital revolution - sometimes referred to as "Industry 4.0" or the fourth industrial revolution. The Confederation of European Paper Industries' (CEPI) Paper Week in Brussels during November 2015 and the European Federation of Corrugated Board Manufacturers' (FEFCO) Technical Seminar in October 2015 used this as the theme of their conferences.

One of the key enablers of digitalisation is the "Internet of Things" which will result in widespread integration of wireless sensor networks feeding into cloud based "Big Data" analytics platforms. This will surely form a part of the 2050 Roadmap work that we are about to embark on.

Issues and CPI activities

There are, of course, many other issues with which CPI is currently engaged and which are highlighted in this review - most notably food contact, the Circular Economy Package, environmental permit reviews and fire risk. During 2016, these, together with water abstraction and stewardship, are likely to dominate our work programmes.

Following on from our highly successful Biennial Health and Safety Conference in the summer of 2015, the new PABIAC strategy has now been rolled out through the sector working groups. This new strategy, "Health and Safety - It's more than just a paper exercise", will run until 2019 and will concentrate on slips and trips, machinery safety and, for the first time, occupational health, including work related stress.

A steering group of Members has worked tirelessly to establish an apprenticeship model for papermakers and to secure appropriate delivery partners. Having gone through all of the processes, the proposal has been granted "Trailblazer" status

by BIS, so opening up the possibility of government funding. One hundred new apprenticeships will be created over the next five years. A special thanks to Janet Marshall, HR Manager Arjowiggins Chartham, for her efforts in securing the support of industry and for successfully negotiating an agreement with BIS. It is intended that the scheme will be up and running by September 2016.

Getting our message out

2015 was another hectic year for our Communications department, increasing our social media presence and publishing numerous press releases, magazine features and advertorials, and adverts. We continued to promote our award winning online schools resource PaperWorks, and ran our Design and Technology for Cardboard Packaging competition for the second year; the 2015-16 competition is now open. A new section within the Members Area of CPI's website has been created to inform Members of Standards activity both here in the UK and in Europe.

We also welcomed a new Member of staff - Mair Unwin - as PR & Communications Graduate Trainee.

Future workload

The issue of the UK's membership of the EU will come to a head following the Prime Minister's decision to hold a referendum on 23 June 2016. A vote to exit will not only be highly disruptive but is likely to have profound effects on the way CPI operates. My January 2016 MPs Briefing was largely devoted to this subject.

In his 2015 Autumn Statement, the Chancellor announced significant reductions to the budgets of most of the government departments with which we deal. The Treasury, BIS, DECC and Defra will all be going through a period of re-adjustment which will result in fewer officials. Government is likely to become increasingly dependent upon recognised trade associations, such as CPI, in order to function and we will need to exploit our position as a leading member of the numerous alliances with which we are engaged.

Thanks

I would like to take this opportunity of thanking Members for their continued support for CPI and look forward to working closely with you all over the coming twelve months.

A handwritten signature in black ink, appearing to read 'D Workman'.

David Workman

ENERGY

6.6 million
tonnes of CO₂
emitted in 1990

3.3 million
tonnes of CO₂
emitted in 2012

2.4 million
tonnes of CO₂
emitted in 2015

Surprises and shocks

Once again, the energy market delivered surprises throughout 2015. The continued fall in the price of conventional fossil fuels was largely unexpected and played havoc with the economics of energy supply companies. One thing for sure during 2016 is that there will be more energy shocks. With such unpredictable changes in the cost of energy, the importance of investing in energy efficiency is obvious. CPI data confirms UK mills are acting on this message and are continuing to be more and more efficient in their use of energy.

As making paper is intrinsically energy intensive, lower energy prices are generally welcomed. However, the key issue remains the comparative cost of energy between manufacturing locations, with UK costs being well above the international average. This continues to be a real barrier when investment opportunities are reviewed; the number of installation closures across all Energy Intensive Industries (EIIs) illustrates the problem for existing sites.

As the cost of conventional energy (oil, gas and coal) fell through the year, it served to highlight the growing non-energy component of supply company invoices. This is especially apparent in the case of grid electricity, with distribution and supply costs and government imposed taxation now accounting for more than half of the power costs invoiced to mills by electricity supply companies.

Uncompetitive UK energy costs

Such is the growing complexity of the electricity supply system that is very difficult to compare the actual cost of electricity used by EIIs in different countries, as the comparison needs to be made after the imposition of various taxes and the application of discounts and rebates. During 2015, CPI Members provided company specific data enabling comparison of electricity costs paid by papermakers in a number of countries, with a focus between Germany (a major exporting country) and the UK (the largest net importer of paper in the world). This analysis highlighted energy cost as one of the key factors in setting a competitive environment - UK companies pay almost twice as much for grid supplied electricity as competitors in Germany, and this is clearly unsustainable in the longer-term.

To the credit of government, the message that UK energy costs are uncompetitive seems to have been finally accepted, notwithstanding that many of the excessive costs have been caused by government policy measures in the first place. A feature of policies designed to incentivise the expansion of renewable energy, and to discourage the use of fossil fuel, is that they often start with a relatively low cost impact in early years but quickly ramp up in later years as deployment increases.

Classic examples of this effect are the Renewables Obligation (RO) and Feed-in-Tariffs (FiTs). These schemes are designed to incentivise developers to deploy selected low carbon technologies by offering payments intended to offset the higher costs associated with the new renewable technologies. The aim is to establish longer-term parity with conventional generation, though it is worth noting that, with much lower prices for conventional fuels, parity becomes even more difficult to achieve.

The key problem for government is that if support tariffs are over-generous, the number of schemes delivered can quickly require more subsidy payments than expected, with the unexpectedly high costs being paid for by electricity supply companies that simply pass on the costs to their customers.

Compensation for impact of policies

Belatedly, DECC has accepted that RO and FiT related costs are far higher than budgeted, with the Levy Control Framework (LCF), which is intended to cap costs, being breached and costs continuing to increase over time. The LCF for 2020/21 is set at £7.6bn pa but, without action to control costs, is projected to increase to £9.1bn pa. Of course, changing things is difficult as RO/FiT support is for periods of up to 20 years, inflation protected and delivered via legally binding contracts. Realising how much of an impact such policies are having on energy prices, BIS has developed a compensation package to offset some of these costs. We hope most UK papermakers will be eligible to receive some of this compensation during the course of 2016. This RO/FiT compensation is in addition to the compensation, worth circa £23m to UK mills during 2015, offered to offset the cost of the Carbon Price Floor.

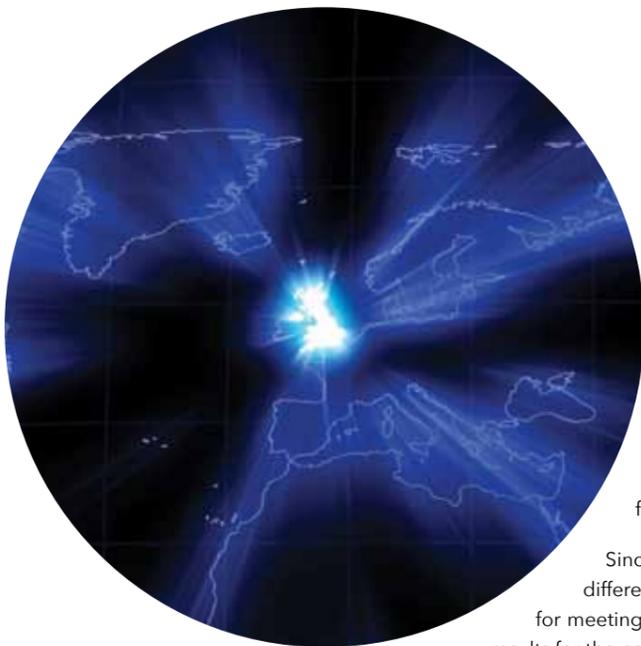


Increasing Cost of Renewable Obligation - cost impact per MWh



Energy Efficiency

As energy is one of the three largest costs for papermakers, energy efficiency is always near the top of their agenda. Back in the year 2000, the Government established a scheme of Climate Change Agreements (CCAs) with a number of industrial sectors. In return for agreeing to challenging targets to improve energy efficiency, with progress reported every other year, scheme participants were granted reduced rates of the Climate Change Levy (CCL) - a tax imposed by government on energy used by industry. In the first phase of



the scheme, the papermaking sector delivered on its commitments and improved its fossil energy efficiency by more than 40% by 2010 compared to the situation in 1990, the base year for our CCA and the first Kyoto Commitment Period.

Since January 2013, a revised system of CCAs has been in force with slightly different rules but maintaining both the concept of granting CCL relief in return for meeting energy efficiency targets and also the two-yearly reporting cycle. The results for the papermaking sector for the first target period (2013-14) of this New CCA show that relevant energy efficiency improved by 7.5% compared to the scheme base year of 2008. Furthermore, this improvement was better than the target of 4.5%. Improvements in energy and carbon efficiency are becoming progressively harder to achieve but the industry is still delivering.

Carbon Reduction Commitment cancelled

In 2010, the Government sought to drive up energy efficiency, as well as increase the amount of tax raised through energy taxes, by introducing the Carbon Reduction Commitment (CRC) - a highly unpopular tax on the commercial use of energy, and collected annually through a labyrinthine reporting system. Thankfully, installations holding a CCA are exempt from CRC payments but subsidiary operation and supply chains are not, all adding to the cost of doing business in the UK. Adding to this complexity, December 2015 saw the EU Energy Efficiency Directive brought into UK law via ESOS, the Energy Saving Opportunities Scheme. ESOS duplicates parts of the CCA scheme and requires companies to take a strategic look at energy use across the whole organisation and identify efficiency opportunities.

Seeking to simplify regulation, the Government has announced that CRC will be cancelled in 2019, with CCL rates increased to protect the overall tax take. Also announced is that the overall cost to installations holding a CCA will remain unchanged by increasing the CCL discount level. CPI looks forward to working with DECC and the Treasury during 2016 to help shape the new policy framework.

2050 Roadmap

The UK remains alone in enshrining in national legislation a 2050 target that emissions must be reduced by 80%. It follows that unless there are major changes in the pattern of energy use, it is difficult to see how ELLs can be based in the UK. With frequent government reassurances that the policy is not to drive ELLs out of the UK (so called 'carbon leakage'), and an acceptance that simply replacing UK production with imported production makes no environmental or economic sense, support from government is required to help ELLs decarbonise their production processes.

Such analysis and discussions are at the heart of the 2050 Roadmap discussions in which a wide group of stakeholders including industry, equipment suppliers, government and academia discuss in detail the decarbonisation potential and challenges for eight heat intensive sectors. Importantly, the project brings together DECC (the Government Department charged with energy and climate change matters) with BIS (the Government Department charged with supporting UK industry).

The initial reports are already published and can be found on the websites of both DECC and BIS. During 2016, the challenge will be to draw out a sector specific Roadmap identifying actions required by both industry and government if the 2050 targets are to be met while retaining ELLs in the UK.

EU Emissions Trading System

Following the conclusion of the climate change talks in Paris at the end of 2015 (CoP 21), attention now turns back to the review of the EU Emissions Trading System (EU ETS) as one of the main emissions reduction schemes within Europe. The European Union paper mills are required to participate in EU ETS and surrender sufficient emissions allowances each year to match their fossil CO₂ emissions. Phase III of EU ETS runs from 2013 to 2020, but discussions began in 2015 on the shape of EU ETS in Phase IV which will run from 2021 until 2030. The European Commission has published its proposals and Member State governments, the European Parliament, industry and NGOs are preparing their positions for the legislative process which will run until the end of 2017, at which point a final agreed text of the Directive will be published. The Confederation of European Paper Industries (CEPI) leads the Paper Industry lobby within Europe, with CPI managing the liaison with all relevant parties in the UK. CPI is lobbying strongly to minimise any anti-competitive effects of EU ETS on our industry and, in particular, is lobbying to retain a degree of free allocation of emissions allowances and to secure acceptance that the UK Paper Industry is, and will continue to be, vulnerable to carbon leakage throughout Phase IV.



ENERGY

Year of the Permit Review

2015 was the Year of Permit Review as the process of integrating the requirements of the revised Pulp & Paper BREF - BAT (Best Available Techniques) Reference Document into mill operating permits got underway.

It began with a well-attended BAT Workshop which CPI hosted jointly with the Paper Industry Technical Association (PITA), bringing the regulators from England, Scotland and Wales together with mill representatives. The Workshop gave mills and the regulators the opportunity to gain an understanding of each other's expectations and concerns in demonstrating working to each BAT conclusion as specified in the BREF.

The permit review process then moved on in earnest with information requests, clarifications and mill visits as mills demonstrated they are, or will be, operating to BAT in all areas defined by the BREF by the deadline. CPI has continued to work closely with both the regulator and mills to seek a reasonable and consistent approach to interpretation of the BAT Conclusions and in providing technical support where needed.

If 2015 was the Year of the Permit Review, what can we expect going into 2016? In the first instance, certainly more of the same. Having exceeded the anticipated 2015 deadline, the permit review process will likely conclude mid-2016 with all UK permitted mills receiving revised environmental permits. Revised permit conditions will shape each mill's approach to ensuring all are working to BAT and meeting the BAT Associated Emission Values (BAT AELs). It is important to note that compliance with BAT AELs is not legally required until 2018, even though permits will be issued during 2016. Where BAT is not currently implemented, permit conditions will define the plan to achieve compliance by the 2018 deadline.

Looking further ahead to the next review of the Pulp & Paper BREF, data will play a significant part in gaining a satisfactory outcome of the review. The BREF defines the BATs to which all mills must work. The recent BREF review suffered from a lack of mill environmental performance data, making it difficult to determine appropriate emission levels when working to BAT. The BAT AELs are the emission levels expected when working to BAT. Emission limits, set in permits, have to be based on achieving the BAT AELs and a lack of data opens the door to unachievable limits being set. Mill data is key to being able to accurately demonstrate the emission levels achievable when operating at BAT. With three years data required for any BREF review, the hows and whys of consistent and accurate data collection need to commence now - a challenge indeed for 2016.

Priorities emanating from Europe

Notwithstanding a potential exit from the European Union, most Environment Regulation has, and continues to have, its origins in Europe. Looking ahead, the main priorities in the EU will centre on:

Around
95%
of water
returned to the
environment

ENVIRONMENT

- **Air Emissions.** Two more BREFs of relevance to some mills are under development - the Large Combustion Plant BREF for mills with combustion plant over 50MW, and the Waste Incineration BREF, potentially applicable to those co-firing waste materials. BAT and BAT AEL requirements from finalised BREFs will be incorporated into applicable mill permits.

- **Single Market for Green Products.** This includes the development of a single methodology to calculate the Product Environmental Footprint (PEF) for products sold within and across the EU. Use of the footprint will be voluntary but if a footprint is used, it must ultimately be this one. A pilot programme for developing and testing such a methodology is ongoing for intermediate paper products including graphics, tissue and packaging papers.

- **EU Ecolabel.** Again a voluntary scheme, used by a number of CPI Members, under which the ecological criteria for paper products (including graphics, tissue and newsprint but not packaging) are being revised during 2016.

Abstraction Reform

Another issue likely to feature significantly in 2016 is the reform of the fresh water abstraction regime. Applicable in England and Wales only, the reform of the abstraction regime made little apparent progress during 2015. The long awaited government response, in January 2016, to the consultation gives both an indication of how the proposals for reform are to be narrowed down and a revised timetable for legislation and implementation. The original timetable of legislation by 2015 has clearly slipped to 2016, with implementation now targeted to commence in 2022. CPI involvement has helped to ensure the more restrictive measures proposed are proportionate to the greater risk to the environment. "Enhanced Catchments" (those with greater pressures on the available water - "water stressed") will have additional measures. As always, the devil will be in the detail and the definitions. 2016 could prove to be an interesting time if a balanced and workable regime is to be developed.

Key amongst the messages to be conveyed from the paper sector are:

- a steady consistent supply is critical for paper manufacture
- papermaking uses water - it does not consume it. Around 95% of water abstracted is returned to the environment available for use by others
- uncertainty created by restricting water availability inhibits investment and growth

Quality Data - a common thread

It is easy to note a common thread through many of the priorities for 2016 and beyond: that of the need for consistent and accurate data. The challenge we have for 2016 is to build a common approach to collecting accurate data as a single source, only collected once, and fed into all the above priorities and others as they develop. This data will ultimately define who we are, what we do and how good we are; the data needs to be right.

And finally for 2016, Climate Change Adaptation

Whether we like it or not, and whatever the reasons for it, our climate is changing. The proliferation of flooding incidents over the last few years has clearly demonstrated a change to which we need to adapt. Whilst the significant rainfall may have a positive impact on both water scarcity and the reformed Abstraction Regime, flooding can have a serious cost and environmental impact on those sites affected. With most mills located close to water courses, this is a real issue for the sector and so we need to understand and learn from those impacted by the 2015 floods. The Climate Change Adaptation Guidance will be revised to help all mills mitigate risk in future years.

- WHAT NEXT FOR 2016?

Sustainable resource

Papermaking is based on what should be a sustainable raw material with fibres harvested from well managed forests or annual crops. Carbon released from harvested trees is reabsorbed by new growth through the "carbon cycle". Sustainability is critically important for the long-term future of the UK Paper Industry, and indeed for the whole of the quickly growing bio-based economy. Accordingly, it makes perfect sense for the industry to be strong supporters of sustainability and to promote initiatives that ensure that best use is made of biomass.

During 2016, attention is likely to turn to European policy making as biomass sustainability is discussed in the context of quickly increasing demand for energy use. CPI argues for a hierarchy of use, with added-value manufacturing, such as papermaking, being the premier user of forest fibre. Energy use should be focused on lower grade residues and wastes, such as those used at many paper mills in high efficiency Combined Heat & Power (CHP) plant. A particular concern is where national energy policies subsidise the use of biomass in low efficiency power generation; such policies can unfairly distort the biomass market.

Review of European Union Timber Regulation

2015 saw a review of the EU Timber Regulation (EUTR) - European Commission rules to ensure that only legally harvested wood products enter the European market. CPI and UK papermakers strongly supported the implementation of the EUTR rules, and support calls to tighten the regulations by widening the scope of products covered and ensuring equal implementation across the EU.

While EUTR ensures legality in the timber trade, it does not go as far as to ensure sustainability, a role filled by independent schemes such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) - certification schemes used for increasing amounts of paper products and supported by CPI.

Paper pulp in the UK

Only two UK mills (Iggesund Paperboard in Workington and UPM-Kymmene in Irvine) produce pulp from wood fibre, both using mechanical pulping technology. These two mills have benefited in recent years from multi-million pound investments to maximise yield and minimise energy use. The mills source their raw material from the northern part of the UK, utilising lower grade softwoods drawn from managed plantations, which in turn provides rural employment and income for forest owners.

Both these mills are integrated with papermaking on-site, processing all the pulp they make straight into high-grade paper and board. Each time fibres are recycled they are damaged and, after a number of passes through the system, they become too short to be reused and are lost to the paper loop. For this reason, and of course not all paper is available for recycling, a certain amount of virgin fibre needs to be added to the system.

Other pulp used for papermaking in the UK is either imported ready for use or processed from paper collected for recycling. Recycling mills use paper collected for recycling, from businesses but mostly from domestic collections, to produce around two-thirds of the paper manufactured in the UK.

30%
growth in
European
forests

11%
wood extracted
worldwide
used for Pulp &
Paper

FORESTRY



It's more than just a paper exercise

"When it comes to health and safety, it is the involvement, engagement and drive of the individuals in the companies, industries and organisations like CPI that will make the difference to improving health and safety in your workplaces". That was the opening comment by Dame Judith Hackitt DBE, Chair, Health and Safety Executive (HSE), to over 230 delegates who attended the CPI Biennial Health and Safety Conference in June 2015.

As well as acknowledging the Paper Industry's achievements under the previous Paper and Board Industry Advisory Committee (PABIAC) strategy, notably a 34% reduction in injury rates, the 2015 showcase event was also the launch pad for the next phase of the industry's health and safety strategy and improvement plan. The new strategy's title, "Health and Safety - It's more than just a paper exercise", is not only an apt 'pun', it is also true. Health and safety is not about bureaucracy, it is not about what looks good on paper, it is about identifying the real health and safety risks that the Paper Industry faces, and taking action to manage them, no matter what the economic climate.

For our industry, that means addressing three key objectives over the next four years:

- a programme to reduce work-related ill health which includes specific targets to address musculoskeletal disorders and work-related stress
- reduce the number of contact with machinery type accidents by 30%
- reduce the number of slips and trips type accidents by 30%

Statistics collated by CPI show that slips and trips continue to be the biggest cause of accidents, musculoskeletal disorders are the main health issue, while incidents of work-related stress are becoming more prevalent. Machine-related injuries are often life changing and, with so much information readily available, there should be no excuse for poor procurement, sub-standard guarding and safety controls, lack of operator training, or poor management systems and control.

CPI believes that, through PABIAC, all the targets over the next four years are achievable. But, as a progressive industry with a history of continuous improvement, we also believe that we should aspire to do better than just meeting the targets.

Legionella Research

In June 2015, the Health and Safety Laboratory (HSL) completed its visits to the ten paper mills that volunteered to participate in on-site studies into the potential for Legionella bacteria to proliferate in the process water.

Certain bacteria can grow rapidly under the right conditions for water, nutrients and temperature. The conditions at various stages of the paper process can encourage bacterial and fungal growth leading to contamination in water and slime formation on surfaces. There is no doubt that certain process water conditions can support large concentrations of bacteria, but could the large numbers of other bacteria out-compete and suppress Legionella?

The aim of this research was to gather evidence on the microbial populations typically present in Paper Industry process waters, and to assess whether the conditions are conducive to allow multiplication of Legionella bacteria to levels that could constitute an infection risk.

To support the research, CPI set up an Industry 'Task and Finish' working group to consider the findings from the research and then to develop specific 'practical' guidance to assist paper mills in complying with the statutory code of practice for the control of Legionella.

The findings and conclusions from the research are expected by June 2016, with the guidance to follow.

Reducing Fire Risks at Waste Management Sites

Following the release in 2014 of the Waste Industry Safety and Health (WISH) guidance *Reducing Fire Risks at Waste Management Sites* and a number of Environment Agency (EA) consultations relating to 'Fire Prevention Plan' in 2015, CPI has continued to raise concerns around their application and enforcement.

While acknowledging the need to reduce the risk and impact of fires in the Waste Industry, we are seriously concerned by the impact this will have on the UK Paper Industry, and the knock-on effect this will have in relation to compliance with environmental 'Permits' for permitted sites.

The main stumbling block continues to be around maximum stack sizes and distance between stacks which, if applied, could result in recycling targets not being met and companies not being able to run efficient and effective operations.

Discussions continue to take place with representatives from WISH, Environmental Services Association (ESA), the EA and the HSE through PABIAC on this contentious subject.

CPI Biennial Health and Safety Conference 2015

CPI's 2015 Biennial Health and Safety Conference attracted more delegates than ever before. In a change from the traditional 'sit and listen' format, delegates participated in a series of workshops covering slip and trips, workplace transport, accident investigation, leading and influencing people's behaviour, and machinery safety. Experts in their particular field and from industry, supported by HSE and the HSL, did an excellent job in facilitating these workshops on what was arguably the hottest day of the year.

Having engaged enthusiastically in the workshops, delegates provided very positive feedback on the day.

Looking ahead

CPI continues to regularly keep Members informed on health and safety issues, whether it is on regulatory issues, HSE prosecutions, industry guidance, or through the sharing of information using a variety of communication channels including news articles, regional meetings, safety alerts and facilitating the sharing of good practices.

The main focus of attention over the next 12 months will be to assist the industry, through the sector PABIAC Industry Health and Safety Delivery Committees, in working towards achieving the objectives within the new industry strategy. This includes Key Performance Indicators, as opposed to lagging indicators, to help monitor industry performance.

In 2015, two specific industry guidance documents were produced in collaboration with industry working groups: *Safe Guarding Casemaker Machines* and *Making Paper Safely*; both documents will form a big part of the industry strategy.

It is no surprise that the Paper Industry strategy mirrors that of the new HSE strategy for Great Britain. Our success over many years has been our ability to move with the times and, where necessary, change direction. Acting together, supporting the industry and in particular SMEs, sharing ideas and information, and anticipating and tackling new health and safety issues - while key themes for HSE, these have been the foundation of our achievements to date and, looking ahead, will continue to be so.

The key to PABIAC's continued success is its ability to change with the times whilst retaining its trusted tripartite constitution of HSE, Trade Union and CPI working together towards a common goal.



A Zero Waste Programme for Europe

Now the dust has settled on end of year festivities, it is time to reflect on the potential impact of the EC Circular Economy package published just before the end of 2015. Originally launched in June 2014, it was withdrawn in early 2015 with the promise that a more ambitious proposal would be forthcoming before year end. Accordingly, on 2 December 2015, the much leaked EU Circular Economy Package, *Towards a Circular Economy: A Zero Waste Programme for Europe*, was formally released to the public.

The proposals are founded on the waste hierarchy and predicated on the belief that significant economic, environmental and social benefits can accrue from closing the materials loop and extracting maximum value from resources in a "circular" European economy. In practice, this challenge has been addressed in two parts. Firstly, by tightening waste legislation rules and increasing recycling targets both for general municipal waste and packaging waste, with a priority on Bio-mass and Bio-based products, Plastics, Food and Demolition waste and Critical Raw materials. Secondly, it declared a number of aspirational objectives for the design, reusability and recyclability of products.

Game changer?

The package was much anticipated as a potential "game changer" for the social and industrial fabric of Europe. In truth, it has proved to be nothing of the sort, with a strong sense of disappointment dominating reactions from many commentators. It feels like a lost opportunity, both for the socially conscious citizen and for industry. Nothing in the vaunted revision of the document indicates ambition, either in encouraging the consumers of Europe to adopt a more sustainable approach to managing the environment or for the industrial base in shaping this process. European paper packaging recycling targets are set to increase to 75% in 2025 and 85% in 2030, yet no "pull" mechanism has been prescribed to increase markets for recovered materials or to incentivise collectors. In reality, paper is already achieving these levels so the impact on our industry is likely to be negligible. The landfilling of municipal waste is targeted to fall to 10% by 2030 and a landfill ban has been imposed on material that is already separately collected, which should have a positive impact on the Paper Industry.

Targets

It is interesting to note also that the revised municipal waste recycling targets are lower than expected or indeed originally announced. They will rise from 50% in 2020 to 65% by 2030, a reduction of 5% on the original aspiration and described as unambitious by critics. This is explained by the EC as necessary to provide lower performing Member States with realistic and achievable targets. In truth, it may also reflect an understanding that the methods used to calculate recycling rates vary across Member States. The proposals seek to address this issue directly by clarifying and standardising calculation methodology, but the consequences may be that some of the hitherto higher performing northern European nations suffer a reduction in recycling rates. The UK continues to struggle towards the 2020 target. The devolved administrations are making better progress than England, where municipal recycling rates have "flatlined" recently at just below 45%.



Definitions

There are a number of "definitions" contained in the EC document which, although much needed, will also be the cause of much contention. For instance, the Commission has defined the "final recycling process" as beginning "when no further mechanical sorting operation is needed and waste materials enter a production process and are effectively reprocessed into products, materials or substances." This should place the paper mills in a strong position to argue that they are the legal point of recycling, which has significance for end of waste and the current UK Packaging Waste legislation. However, there is little doubt that the waste management industry will seek to persuade legislators that they are the true recyclers and seek to gain these rights for themselves.

Serious threat for the industry

The most serious threat for the Paper Industry lies in proposals for Extended Producer Responsibility (EPR) arrangements and the current Packaging Recovery Note (PRN) system, which could lead potentially to significant extra cost for the industry and the whole packaging supply chain. The Circular Economy proposal calls for the extension of existing arrangements with a stated requirement that producers should "cover the entire cost of the waste management operations... required to meet the waste management targets... from their products."

The UK market-based PRN system is unique and it delivers the lowest cost of compliance to members of the packaging supply chain in Europe. However, falling commodity prices and lost revenue from central government has caused a growing clamour amongst local authorities and their waste management service providers for a revision to the existing system. Simply, they say, current arrangements do not return sufficient funds to them to cover the costs of recovering and presenting packaging waste back to the reprocessors. There is, therefore, support from some elements of the public sector for a change to the system. Central government, however, appears uninterested in introducing new legislation and believes that the current PRN system meets the need under the revised proposal.

EU Circular Economy Package

This is the European Commission's first step away from a linear economy (buy-use-dispose) to a more circular one in which resources are kept in use for as long as possible, maximum value is extracted from them whilst in use, and then products and materials are recovered and regenerated at the end of life. It is a framework document, laying out a direction of travel for the future and will be debated and clarified by lobby groups and legislators in Europe over the next two years before being brought forward for legal transposition. It could then take a further eighteen months to implement the necessary changes in the UK. In the opinion of many commentators, it fails to address a key element of the economy by falling short of demanding behaviour change from the consumer. When the original package was withdrawn in 2014 it was because it was deemed unambitious. In reality, what has emerged seems not to grasp the nettle but we shall see what the future holds.

EMPLOYMENT AFFAIRS

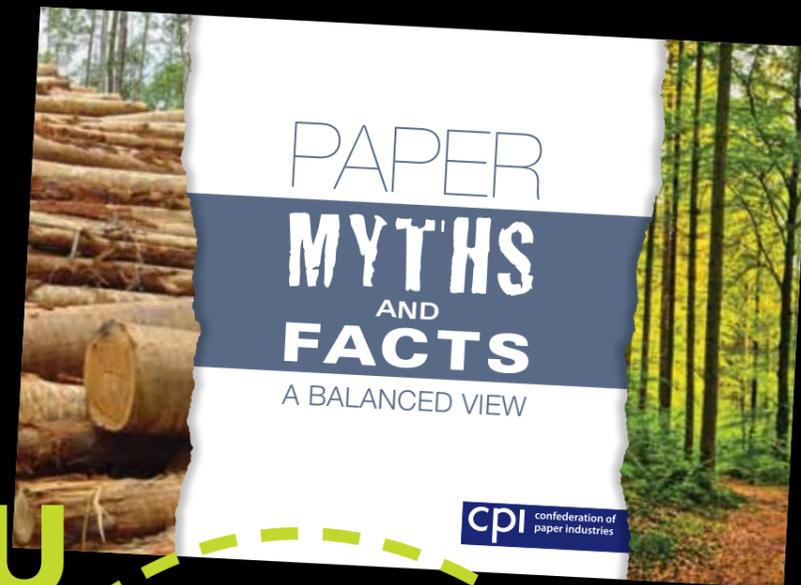
Information and expert guidance

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

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

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

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



DID YOU KNOW...

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

UK Papermaking has reduced total energy use by **34%** per tonne of paper made, and reduced emissions of fossil carbon by **42%**.

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

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

www.paper.org.uk/mythsandfacts

PACKAGING AFFAIRS

Product safety

The concept of issues management remains at the core of CPI activity and for packaging the area of product safety, particularly in relation to food contact, is fundamental. Throughout the Paper Industry we treat consumer protection as the highest priority, while at the same time respecting sustainability and advancing the recycling economy in order to pursue the objective of providing safe food packaging.

Paper and Board has a long and successful history of safe use in the Food Industry in a wide range of applications. The sector has cooperated with government, both at national and European levels, and with other regulators to ensure the necessary levels of consumer protection.

CPI has continued to follow a range of issues that have an impact on paper packaging. It is quite reasonable and appropriate that society examines all matters of product safety and, as we moved into the early months of 2016, we were monitoring an unprecedented number of such issues. However, the development and regulation of these issues must be supported by sound scientific evidence rather than political rhetoric, and it must be balanced with perspective and an appropriate assessment of sustainability and economic considerations.

Chemicals in packaging materials

Studies on mineral oil hydrocarbons found in foodstuffs have raised questions about consumer safety and we have followed this matter for some years. We recognise that the UK Food Standards Agency (FSA) reached a conclusion that is positive for our industry. However, through 2015, we were following the development of a German draft Ordinance that could impact our industry both technically and commercially, and establish a precedent in this area.

The matter has risen as a priority and a high-level industry meeting was held with EU Commissioner Andriukaitis to address the topic, thereby providing an opportunity for our industry to present the latest information on levels of mineral oils, risk assessment and ongoing industry action.

The issue of *Bisphenol A (BPA)* has been a high priority elsewhere in the Packaging Industry, notably for plastics and metals in relation to the French ban in packaging from January 2015. The intentional use by the Paper Industry is very limited (only in till receipts) but the non-intentional use, as it arises in recycled fibres, is now being considered.

Late in 2015, the European Commission published its Roadmap that offered five regulatory options for BPA in packaging. This provided an opportunity for a constructive meeting with UK national authorities. At the time of writing we understand that an EU Regulation is being drafted which will extend the scope of current legislation to new materials and with stricter limits on migration.

Paper and board in food contact applications

All food packaging is governed by the 'Framework' Regulation (1935/2004) which sets broad requirements but there is currently no pan-European legislation specifically for paper and board in food contact. Voluntary initiatives such as the *Industry Guideline for the Compliance of Paper & Board Materials and Articles for Food Contact* have been established in the absence of such legislation.

Throughout 2015, we supported our colleagues in Brussels-based trade associations that have actively called for a new legislative measure for paper and board. In response, the EU Commission has confirmed that a study is being undertaken which will examine where there is a need to harmonise the rules on food contact materials.

On a related note, during 2015 we received very sudden notification that the Council of Europe had drafted, without industry consultation, a Framework Resolution and an associated Technical Guide for paper and board in food contact. We responded to an urgent call for comments and followed this up with a meeting with the relevant authorities in the UK to discuss our concerns. While we respect the right of all recognised Brussels-based political organisations to develop their own positions, these must be done with an appropriate opportunity for fair discussion and consultation.

Monitoring these issues effectively and responding constructively on behalf of the Paper Industry is a difficult task. There are many matters that have to be considered, any one of which may rise as a priority at any time and deadlines for action are often short. Our interaction with other industry committees, specifically the CEPI Food Contact Group (FCG) and the FEFCO Regulatory Committee (RAC) are critical.

Carrier bags

The Government introduced a levy of 5p on all single-use plastic bags in England with effect from October 2015. Similar charges were already in effect for all single-use bags in Scotland, Wales and Northern Ireland.

The Government has stated that, for England, the plastic bag charge is "a targeted, proportionate approach to the problem of carrier bag distribution and littering". It has indicated that "it will therefore continue to focus on plastic bags and not on paper bags". According to government information, paper bags make up less than 0.1% of carrier bags distributed in the UK by the seven major supermarket retailers.

Paper bags are a viable alternative to plastic ones as the fibre-based packaging material used to produce the paper bags is sourced from sustainably managed forests. They are also readily recyclable at their end of life. Unlike plastic carrier bags, which are typically made abroad and imported, paper bags are commonly made in this country. Thus, in addition to the environmental implications, a reduction in production would have a direct effect on UK jobs.



WE'RE SPACE EFFICIENT

MMM COSY!

We're the packaging that's up to 98% space efficient. This means more products on a pallet, better use of warehouse facilities, less lorries on the road and lower logistics costs.

Who are we?

CORRUGATED OF COURSE
www.corrugatedofcourse.co.uk

PACKAGING AFFAIRS



Raising awareness: promotion of paper packaging

Throughout 2015, we have continued to highlight the forward looking and sustainable nature of the Paper Packaging Industry, addressing themes of market development and innovation as well as the environment.

Two pieces of editorial per month, comprising a mixture of press releases, case studies, in-depth feature articles and opinion pieces, were circulated to trade journals as part of a core media programme. Targeted publications, both hardcopy and electronic, covered all key industrial sectors relevant to corrugated packaging, including retailers, food, beverage, recycling, packaging, logistics, design and pharmaceuticals.

The social media campaign has been expanded to reach an even wider readership through increased Twitter activity with a series of promotional tweets and action to promote follower numbers. This was complemented in 2015 with the launch of an official Facebook page where we have been posting three articles per week, usually slightly quirkier posts to create interest.

During 2015, CPI commissioned research from YouGov which showed that British shoppers prefer to see their purchases packed in cardboard because they consider it offers better protection than polystyrene for goods in transit, as well as being the easiest material to recycle. This follows the survey that CPI commissioned in the previous year, which demonstrated that consumers have an overall preference for paper-based packaging and would be more likely to purchase fruit and vegetables in paper packaging than in plastic crates.

The communications campaign has continued into 2016, building on the current successful mix of editorial, social media interaction and market surveys with additional activities using e-newsletters, LinkedIn and YouTube.

FEFCO Market & Environment Campaign

The European Federation of Corrugated Board Manufacturers (FEFCO) has an extensive marketing campaign to raise the profile of paper packaging across the EU. Advertisements have been placed in a wide range of trade journals, with the now established 'Mr Corrugated' figure, and 2016 will see an extension into digital advertising.

A continued focus on fresh produce in 2016 will see the development of the Common Footprint Quality (CFQ) standard, as well as the results of research into the comparative hygiene of corrugated and returnable plastic trays. CPI is pleased to work closely with this programme and explore opportunities for increased cooperation.

Engagement with other UK industry bodies

The Paper Packaging Industry is diverse and varied in its nature and, in order to unite the various sectors, CPI has been instrumental in the formation of the Paper Packaging Forum (PPF). The PPF provides a structure for UK-based trade associations to meet, discuss and exchange ideas on matters of general interest, specifically on regulatory developments and marketing projects. It also enables the industry to present a united voice for the Paper Packaging Industry to stakeholders, particularly government.

CPI is pleased to continue with its membership of, and support for, The Packaging Federation, which provides the important opportunity to sit alongside colleagues in other material sectors, presenting one voice to government. This includes playing a key role in the All Party Parliamentary Group (APPG) for Packaging Manufacturers, an important voice in Westminster to raise the profile of packaging.

CPI jointly organised a seminar with the Waste & Resources Action Programme (WRAP) on the optimisation of secondary packaging. Speakers from within the CPI membership updated an audience of Courtauld Commitment Signatories (brand owners/retailers) on a range of new developments in corrugated packaging, including lightweight papers and supply chain solutions, as well as the importance of good communication with the supplier.

The Worshipful Company of Stationers is seeking to speak for the broader packaging industry and it commissioned a research project during 2015: "Packaging Drivers - from now until 2025". CPI was pleased to join the Steering Group and present at the launch of the report that addressed the impact of increasing manufacturing costs, continuing legislative pressure on packaging, changing demographics and a growing demand for packaging in emerging markets.

The Packaging Recycling Group Scotland (PRGS) was established to address calls for a deposit scheme for certain types of food and drink packaging. It is a new group of over 30 leading organisations, set up to work positively and collaboratively with the Scottish Government, Zero Waste Scotland (ZWS) and local authorities to assist them in raising recycling awareness, as well as in further increasing recycling rates and quality. CPI has been pleased to support the PRGS activity which will continue to work in partnership with others to further develop its proposals and bring forward the best solution for improving recycling, reducing waste and tackling litter.

76%
recycled content
in UK made
boxes





PAPER FOR RECYCLING

A year of considerable upheaval and change

On the face of it, 2015 was a year of relative stability in Paper for Recycling (PfR) markets, with all the major grades trading within a narrow price range and finishing the year close to the levels of twelve months earlier. However, this disguises what was a year of considerable upheaval and change for UK-based reprocessing and for Members of the raw material supply base. UK collections remained steady at around eight million tonnes but domestic paper and board production declined sharply in 2015 with a significant loss of UK outlets for PfR in the calendar year, so that for the first time Chinese paper mills consumed more UK recovered fibre than home based reprocessors.

Recovered fibre markets began 2015 quietly but were rocked early in the year by the announcement of the closure of the Aylesford Newsprint mill. This, combined with the previously announced shutting of a paper machine at UPM Shotton at the end of the first quarter, resulted in a sudden reduction in demand of over half a million tonnes of de-inking material largely derived from domestic collections. The temporary closure of Smurfit Kappa's Townsend Hook mill for rebuild further exacerbated demand side problems for the recovery industry and a crisis was anticipated. Dire warnings were issued about the future of the UK collection infrastructure and markets dropped sharply, but in fact prices for all grades of recovered fibre dipped only briefly before returning to pre-closure levels by early summer. Further closures at Tullis Russell's mill near Fife, DS Smith Paper's Wansborough mill and the machine at SCA Hygiene Stubbins resulted in an annualised reduction in total UK mill capacity of nearly 20% in the calendar year, but prices for all major grades held steady to year end.

It was foreign demand that stepped up to support UK collections with, for the first time in 2015, China consuming more UK recovered paper than domestic users and accounting for 45% of all material collected. In total, collections were down slightly at 7.98 million tonnes, but exports showed a notable increase, up 10% year on year to 4.9 million tonnes, of which China took 3.63 million tonnes. UK domestic use fell to 3.36 million tonnes in 2015, but with some production capacity coming back on stream, this is projected to rise to 3.84 million tonnes in 2016. The UK's adjusted paper and board recycling rate, allowing for secondary paper and board products placed on the market, was stable at 68% during 2015.

Profitable business very challenging

PfR prices, like many other commodities, remained relatively low, hovering close to the cost of recovery and making profitable business within the supply chain very challenging. As a consequence, as the year progressed, there were growing demands from service providers that the financial risks of collection provision should fall more onto local authorities, and they in turn sought to claim that financial responsibility should lie with the producer. This is somewhat ironic since the Waste Management Industry has sold itself to local authorities as a means of saving money, reducing risks and achieving recycling targets. This issue of Extended Producer Responsibility (EPR) re-emerged in the EC Circular Economy package published in December 2015, and will remain an area for continued scrutiny by the CPI in coming months.

High Quality Recycling?

The quality of domestic PfR was a recurrent theme for domestic reprocessors through the year. Since October 2014, Materials Recovery Facilities (MRF) have been required to sample input and output material to specified frequency and weights in order to demonstrate that the UK is engaged in "High Quality Recycling", as required by the EC Waste Framework Directive. Despite the shortcomings of the legislation, it provides some benchmark to the quality of PfR from comingled post domestic collections.

The first set of quarterly data was delayed until mid-year and showed that only about half of qualifying MRFs had submitted eligible data. Moreover, the data showed significant levels of contamination in output material. Subsequent data sets have not demonstrated much improvement, either in participation or in quality, and it remains to be seen whether the Environment Agency (EA) has the resources or the will to enforce the law. As significant perhaps, is whether Defra will adjust current Local Authority (LA) recycling rates downward to account for the now proven contamination levels.

CPI has continued to involve itself in a range of activities to promote paper recycling and quality throughout the year. It has been heavily involved in the WRAP "Recycle Now" campaign, encouraging paper recycling over the Christmas period by supporting the development of a range of promotional materials to support LA's in developing local campaigns.

Advisory Committee on Packaging

CPI has played an active role in the Advisory Committee on Packaging (ACP), a Defra sponsored committee formed to consult with industry on recycling matters. One notable success was the welcomed changes to the producer responsibility system which simplified the registration process for reprocessors. This is the start of work which it is hoped will also update the current protocol for mixed papers, bringing the currently outdated packaging content of 12.5% more into line with reality, and increasing the number of PRN's that can be raised on mixed papers. To this end, members of the CPI Recovered Paper Committee and the Recycling Association have agreed to undertake sampling in the first quarter of 2016 to inform discussion about current levels of packaging in PfR.

As an adjunct to this work, CPI has also been involved in the Defra "Paperflow" project to better understand packaging paper and board flows through the supply chain, and to help predict material flows to 2020. The study was undertaken by Valpak supported by CPI, which provided aggregated domestic production data for use in the project. Risk lay principally with estimates of imported packaging and in estimating the volume of material handled by de minimis (those not required to declare their packaging use) and free-rider operators. The results of the study were due in November but are yet to be made public. Any significant deviation from existing estimates may impact packaging and overall paper recovery rates.

COMMUNICATIONS

Raising awareness

CPI continues to raise awareness of the Paper Industry both in print and online. Our communications team works hard to promote the efforts of CPI and its Members, getting the issues we face out into the public eye.

Over the course of 2015, CPI continued to raise its profile through various media outlets including trade press and political media. We gained a high level of online and print mentions, ranging from advertorials and features to content from press releases.

CPI has produced a number of Position Papers to represent our stance on a range of key industry issues. A further two were published during 2015, *Biomass Sustainability* and *The Use of Bisphenol A in Packaging Materials*. Copies of all CPI Position Papers can be found on the information section of our website.

Keeping Members in the know

We keep our Members in the know through regular contact, informing them of industry news and changes that could affect any aspect of the Paper Industry. In addition to regular email communications and briefings, we issue a number of core publications:

CPI News - Emailed every fortnight, CPI News highlights the latest consultations, statistics, health and safety information, events, and other industry-relevant information.

DG's Report - Printed and issued three times per year to Member Company CEOs and Senior Managers, these activity reports keep Members informed of developments and progress on industry issues, including updates on Government liaison and lobbying.

Member Circulars - Emailed on an ad-hoc basis, these email circulars are sent from the CPI's Director General to alert Members about important issues regarding the industry.

Health & Safety Alerts - Emailed Safety Alerts are used to notify the industry of any serious injury or fatality. They report the facts at the time of an incident with the sole purpose of encouraging Members to review their own operating procedures against the advice and recommendations provided, ultimately to prevent a similar accident occurring.

Statistical Reports - CPI produces in-depth UK Paper Industry statistics for its Members and contributes to European and global industry databases. The statistics are also used to inform CPI's lobbying activities, evidencing the points being made to government and promoting the industry's achievements.

Member Briefings

In 2015, we published five Member Briefings giving advice and guidance on the following:

- International Standards
- European Union Institutions and Lobbying
- UK Implementation of the EU Energy Efficiency Directive
- Carbon Reduction Commitment
- Electricity Prices

CPI Full Members have access to all Member Briefings, through a Members Only area on our website which also contains a wide variety of information including committee agendas and papers, industry statistics, copies of correspondence with MPs, and copies of *CPI News*, *DG's Reports*, *Member Circulars* and more.

Standards

One of the issues monitored by CPI is that of International Standards - a difficult and ever more complex topic as standards continue to proliferate. To help with understanding such a complex topic CPI, in conjunction with the Paper Industry Technical Association (PITA), has produced an overview of the work of BSI, CEN and ISO in the following areas:

- Papermaking, technical & testing issues
- Environment
- Packaging
- Health & Safety
- Biomass, sustainability & utilisation
- Sustainable development & resource efficiency

The Members Only area of the CPI website now includes a new Standards section that provides an overview of topics under development within each of these areas, with information updated on a quarterly basis.

The political arena

CPI continues to build on its good relationships with government and its departments. David Workman was again very active throughout 2015 meeting with, and writing to, Ministers on a number of issues where government policy affects the competitiveness of our industry.

Our *MPs Briefing* and *MEPs Briefing* were mailed to all MPs and UK MEPs in January, May and October 2015 resulting in a number of requests from MPs to visit Members within their constituency.

Consultations

CPI responded to a number of government consultations in 2015, having first sought the views and input of Members. These included:

- Business Energy Efficiency Taxation
- Revised Waste Duty of Care Code of Practice
- Reducing Fire Risks at Waste Management Sites
- Circular Economy
- Revision of the EU Emissions Trading System (EU ETS) Directive

Parliamentary Groups

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

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

Representation in Europe

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





Alliances

To help get its messages heard, CPI works with a number of industry alliances, including:

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

Supporting the Industry

Recycle Now Campaign

CPI supported WRAP's Recycle Now campaign with social media posts and online promotional material. The campaign, "Paper and card, too valuable to discard", encouraged the general public to recycle card and paper products over the Christmas period.

Courtauld 2025

CPI has pledged support for Courtauld 2025 by becoming a signatory. Launched on 15 January 2016, the Courtauld Commitment 2025 is an ambitious ten-year voluntary agreement that brings together organisations across the food system - from producer to consumer - to make food and drink production and consumption more sustainable.

Keep Me Posted Campaign

CPI is also a supporter of the 'Keep me Posted' campaign which calls for consumers to have the right to choose, without disadvantage, how they receive their bills and statements from banks, utility companies and other service providers in the face of an increasing trend of businesses switching their customers to mainly digital communication.

PaperWorks

CPI's award winning online schools education resource, PaperWorks, showed continued success throughout 2015.

Our annual Design and Technology competition, which we run as part of the Design and Technology module for Cardboard Packaging, is proving to be a great success. The winners for the 2014-15 academic year were a team of five students from Montsaye Academy in Northamptonshire with their 'Rise and Shine' gift pack. The judges felt that this winning design stood out as it completely met the brief with striking graphics and a memorable brand image. The competition for 2015-16 was launched in October 2015, and early indications are that it will be even more successful than previous years.



CPI Staff on a Member Visit

Over the course of 2016, we will be adding more curriculum-related content to help attract more schools to use PaperWorks and all its modules. We aim to widen the reach of PaperWorks through further email and postal campaigns to teachers and by attending relevant teaching exhibitions and building relationships with teaching-related magazines.

For 2016, we are working with our Corrugated Members to increase engagement with local schools through a proposed ambassador programme run jointly with BPIF Cartons. One of the aims of the programme is to encourage more children to consider the Packaging Industry as a possible future career.

CPI on the Net

The CPI website continues to be our primary communication tool, hosting a range of regularly updated content for both Industry professionals and the general public. Along with general information, press releases, fact sheets, and a handy 'who makes what' tool for anyone looking for a manufacturer of a specific paper product, we also offer guidance on key issues facing the industry.

Behind the scenes, we are working on redesigning and refreshing the website with a new look that is user friendly, easy to navigate and reflects the modernity of the Paper Industry.

Social Media

Following the implementation of a new social media strategy, CPI has seen a significant increase in activity across its Twitter, Facebook and LinkedIn platforms, with regular postings covering a variety of industry related topics.

In 2015, we introduced the Twitter hashtag '#MythBusterMonday', which is aimed at attracting a wider audience and uses eye-catching graphics to dispel some of the common misconceptions about our industry.

Throughout 2016, we will continue to strengthen our online presence and aim to further increase our following and engagements across all social media platforms.

 facebook.com/Confedofpaper

 twitter.com/@ConfedofPaper and [@CorrugatedCPI](https://twitter.com/CorrugatedCPI)

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

CPI Website: www.paper.org.uk

PaperWorks Website: www.paper.org.uk/paperworks

COMMUNICATIONS

MARKET DATA

PAPER & BOARD 2015

68%
used papers
and boards
recycled in
2015

**3,730
million**
square metres of
Corrugated
Board
produced in
2015

Shift to Packaging and Tissue

Further evidence of the continuing strategic shift by the UK Paper Industry towards packaging and tissue, and away from graphics, was observed in 2015 with the start-up of Smurfit Kappa's new machine at Townsend Hook and the closure of significant Newsprint capacity. CPI estimates net papermaking capacity losses to be over 700,000 tonnes, including four mills and 13 machines. 2015 saw the closure of Aylesford Newsprint, Tullis Russell's mill near Fife, Whatman International's small mill in Kent, DS Smith's Wansborough paper mill and machines at UPM Shotton and SCA Hygiene Stubbins, totalling almost one million tonnes of capacity. The additional new capacity, besides Townsend Hook, includes the new machine at Fourstones Paper Company's Sapphire Mill in Scotland.

Apparent Consumption of Paper and Board

Consumption of paper and board declined during 2015 as a further 170,000 tonnes (-1.8%) of demand was lost compared to 2014, leaving total consumption at 9.1 million tonnes. Demand in the Graphics sector fell by a further 5% to 4.1 million tonnes, led by Newsprint (-8.0%) and the two Coated sectors, Coated Woodfree (-7.5%) and Coated Mechanical (-11.5%). The only bright spot was the recovery of the Uncoated Woodfree sector, posting a 3.3% increase to 1.05 million tonnes. The Packaging sector delivered increases in all segments except Packaging Papers, with demand for Corrugated Case Materials rising by 3% to 2.33 million tonnes and Other Packaging Boards, including Cartonboards, rising by 1.5% to 1.1 million tonnes. Demand for parent reels in the Tissue sector, having fallen back in 2014, rose during 2015 by 1% to just short of 1 million tonnes.

Production and Deliveries of Paper and Board

The capacity losses noted above (the largest round of closures in recent memory) led to a near thirty-year low in paper and board output as production slumped below four million tonnes to 3.97 million tonnes, the lowest annual total since 1986 when 3.94 million tonnes were made. With the closure of Aylesford Newsprint leaving just two Newsprint producers in the UK, CPI is no longer able to comment on domestic Newsprint data. Output of Graphics, including Newsprint, declined in total by almost 500,000 tonnes to 1.1 million (-31.8%); this sector was further affected by the closure of the Tullis Russell mill and the machine at UPM Shotton. Meanwhile, the Packaging sector experienced mixed fortunes as Tullis Russell, also a maker of Cartonboards, dragged Other Packaging down by 7% to 442,000 tonnes. Production of Corrugated Case Materials, however, increased by almost 10% to 1.45 million tonnes with the re-start of the Townsend Hook machine adding to what was another good year for the Corrugated sector. Output of parent reels of tissue also posted a modest increase, rising by half a percent to 772,000 tonnes.

For deliveries, exports were heavily affected by the capacity losses, falling by 20% to 807,000 tonnes with over 200,000 tonnes of sales lost in the Graphics and Other Packaging sectors. This was offset slightly by a good rise in exports of Corrugated Case Materials (+12.0%). The larger domestic market was comparatively less affected, declining by 5% to

3.2 million tonnes and, with the exception of Graphics (-24.0% to 784,000 tonnes), all other major sectors posted increased sales of varying magnitudes. Imports rose by 1.0% to 5.9 million tonnes mainly caused by a substantial increase in the Graphics sector (+2.8% to 3.4 million tonnes), replacing lost domestic sales

Recovered Paper and Woodpulp

Much of the capacity lost and gained in 2015 affected both domestic and export markets for recovered paper. Collections remained relatively stable, falling slightly to just under 8 million tonnes, a volume of recovery that has been maintained for the last six years against a background of declining consumption of paper and board. A large leap in exports, particularly once more to China, compensated for losses at home. China became, for the first time, a larger user of British recovered paper than domestic users, consuming some 3.63 million tonnes compared to 3.3 million tonnes by domestic markets. Overall, China now accounts for 45% of recovered paper and board collected in the UK. In total, exports reached a new peak of 4.9 million tonnes with good growth in all materials except Class I Mixed Papers. At home, consumption of Class III Newspapers and Magazines declined by a third to just 1 million tonnes and, whilst some of this lost volume was picked up for export, the remainder will presumably find its way into Mixed Papers. Mixed Papers themselves rose modestly by 2% to 424,000 tonnes compared to 2014 but usage of Class II Corrugated and Kraft climbed by 7.5% to 1.49 million tonnes on the back of the new capacity and booming demand in the sector. Class IV Other Grades, traditionally considered tissue-making grades, also climbed, by 5.0% to 520,000 tonnes. The UK's adjusted paper and board recycling rate, allowing for secondary paper and board products placed on the market, was stable at 68% during 2015.

Mill usage of woodpulp, including domestic production, declined by 8% compared to 2014 but remained just above the 1 million tonne mark. This decline was due mainly to the closure of the Tullis Russell mill, a significant user of virgin fibres. Usage of non-fibrous raw materials likewise declined, by 40,000 tonnes to 212,000, and largely for the same reasons.

Production of Corrugated Board

2015 also saw some capacity adjustments by CPI Members for corrugated board production, such as the opening of Rigid Containers' new Wellington corrugator and the ongoing refurbishment of sheet-feeding capacity by Board24 and DS Smith, together with the closure of the latter's Bristol corrugator. Production of corrugated board rose again, by 3.2% to 3,730 million square metres (Msm). This is the third year in a row the seven companies reporting production data to CPI, representing some 80% of the industry by volume, have increased output. Evidence of further lightweighting by the industry was to be seen in the significant decline in average board weights, from 484 gsm in 2014 to 465 gsm in 2015. The Sheet-feeding sector ended the year well against strong new competition, output rising by 1.2% to 1,085 Msm, an average weekly output of 21,701 ksm.

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