

Paper – the enabler of our daily life



Making the UK the place for global paper-based business to invest

Paper and its products: drivers of our sustainable future

Paper, a product with centuries of history, has a bright future as the sustainable material of the 21st Century. The UK has huge challenges to face, we must decarbonise by 2050, while at the same time reducing waste, and ensuring that inflation remains in check. After the disruption of Brexit and COVID-19, the Russian invasion of Ukraine adds a further dimension of uncertainty.

In this context, paper and its products will play an immense role in the UK's sustainable future. As an industry, we are biobased and many of our products are easily recyclable at scale. Our carbon emissions are the result of power and heat generation alone, which means that decarbonisation is technically easier, if economically still challenging. Moreover, we can substitute for many more carbon intensive items in consumer and industrial supply chains. We have carbon capture and storage built into our supply chains – in trees.

Paper is a successful UK industry. To operate we need feedstock, energy, water, and labour. All of those are available here in the UK or imported from sustainable sources. Our collective challenge now is to ensure that our economic conditions speed up the inward investment that the industry needs today and for decades to come.

Executive Summary

1. Government should establish a permanent Foundation Industry Council to enable Ministers to meet industry leaders regularly and engage them in a strategic dialogue;
2. Industry and Government should collaborate to understand and communicate to potential inward investors the attractiveness of investments in the UK Foundation Sectors;
3. Following the Prime Minister's statement that UK industrial energy prices are too high, industry and Government should work together to implement cost reduction measures as quickly as possible;
4. UK climate change policy should focus on the quickest delivery of global decarbonisation, going beyond UK territorial targets;

5. The UK needs to rebuild its apprenticeship base to ensure that recruits to the UK's Paper-based Industries can be trained and qualified here in the UK;
6. Recycling policy should support improvements in quality through separate collections of paper materials from households and the substitution of renewable and recyclable paper packaging products for less sustainable solutions that cause marine pollution;
7. CPI has established Papercycle to certify the recyclability of fibre-based packaging products in UK paper mills;
8. Industry and Government should collaborate to continue to smooth the UK's new trading relationship with the EU.

Building a Strong Partnership with Government

In recent years, the UK's Paper-based Industries have seen unparalleled cooperation with Government. Schemes such as the Industrial Energy Transformation Fund and the Transforming Foundation Industries programme have begun the process of supporting the UK's foundation industries, including paper, towards a net-zero carbon compatible future. This, together with the British Energy Security Strategy and the Build Back Better programme, shows a commendable intent to rebuild Britain's Industrial Base. But the scale of these schemes is simply not sufficient to deliver the goals and we need to build on these foundations.

It's not clear that the whole of Government understand that UK-based manufacturing needs to be internationally competitive and that policy and other costs cannot be loaded onto industry without repercussions.

We urge the Government to establish a permanent industry council, for Ministers to meet industry leaders regularly and engage with them on future strategic challenges. We also urge longer term, cross party thinking on strategic industry issues. Investment lifespans in energy intensive sites are often 25 years or more. The flip-flop of policy between Governments does nothing to promote investment stability. We need a longer term consensus that supports sustainable UK industrial growth as essential for the UK as a whole – independent of the nature of the Government of the day.

Investment

Industry is in continual need of investment. This is both in new sites to bring manufacturing back to the UK, and in existing sites to drive efficiency and decarbonisation.

Each year, the UK's Paper-based Industries invest about £1.2 billion into UK activities. Huge additional future investment will also be required to decarbonise. Writing off existing assets and the construction of new lower carbon energy infrastructure is a real challenge. The Government has accepted that UK industrial electricity is internationally expensive, yet electrification is seen as a key decarbonisation technology. Innovation and regulatory change are both urgently needed to bring that bill down.

The UK's Paper-based Industries are largely owned by European and Global multinational companies, with their headquarters outside the UK. Investment decisions are not made in the UK and the Government therefore needs to have an eye to what counts in Global boardrooms. Boards need to know that UK costs will enable them to make a return on their investment and they need a stability of regulatory approach so that the ground rules are predictable over the lifetime of their investments. Unfortunately, the UK's recent history of regulatory volatility and openness to trade means that for many, the sensible approach is to invest overseas and export to the UK. A first priority of Government must be to reverse that trend.

Energy Costs and Security

The energy cost impact of the Russian invasion of Ukraine, and the concerted International response, comes on top of an existing inflation surge, an ongoing energy cost crisis and the unanswered questions linked to the regulatory driven transition to a Net Zero economy irrespective of practicality or affordability.

The UK's Paper-based Industries stand ready to assist the UK in its changed economic security imperative through the support our products and services provide to society as a whole. But in order to do so to the maximum effectiveness, we urgently need a supportive policy framework. The situation is serious for all companies and desperate for some, to the extent that their viability is threatened without immediate action. CPI has long highlighted that a combination of factors make the UK an expensive location for energy intensive manufacturing and while the war in Ukraine is making matters worse, the Government must not overlook that the situation before the war was already perilous for UK manufacturing. Without urgent action, the UK risks becoming ever more dependent on imported goods, just as the risks of that strategy become ever clearer.

Immediate actions needed:

- Allocate at least part of the £5Billion raised by Treasury from industry in 2021 via the auction of UK ETS allowances. The revenue should be reinvested to support UK Energy Intensive Industries on their decarbonisation journey.
- A Cost Containment Measure on gas, electricity and carbon prices – to ensure that all those exposed to high costs can continue to operate. These measures must genuinely reduce costs to business, and not merely push them into the future through loans. The potential to pass these costs through the supply chain been exceeded some time ago, and the risk now is the destruction of UK industrial competitiveness and significant additional inflationary pressure.
- Suspension of some of the non-commodity costs applied to supply bills – these non-commodity costs need to be socialised more broadly.
- Modification of the Gas Emergency Measures – so that industry can have confidence that sufficient gas will be available and there are no emergency or sudden supply disruptions that can damage equipment.
- Supplier of last resort and credit support – there are increasing reports of hugely onerous prepayment requirements being required by energy supply companies that threaten the future of a number of companies. Government must step in to offer a supplier of last resort mechanism and guarantee payments to remove the pre-payment requirement.
- Energy Intensive Furlough Scheme – the immediate re-introduction of a furlough scheme would help support companies in retaining employees when they are forced to suspend production due to high energy costs.

Climate Change

The UK's Paper-based Industries are responding to the UK's net-zero challenge. We have already reduced papermaking carbon emissions by 72% from 1990 levels and we continue to investment to reduce emissions. We have [published our roadmap](#) to show the challenges and opportunities towards net-zero compatibility by 2050.

We must avoid the UK cutting its domestic carbon emissions by closing industry here and importing foundation products from abroad, regardless of their emissions policies. There is a technology gap between now and about 2035, and no amount of making natural gas more expensive through tax and other policy measures will accelerate the change to technologies which are simply immature. All that will happen is that industry will be offshored for ever, costing jobs, growth and community cohesion.

We therefore urge the Government to mitigate the costs of climate change transition for the UK, until such time as the alternatives to fossil fuels are viable and widely available. In particular we seek:

- The continuation of free UK ETS allowances, compensation and exemption schemes and Climate Change Agreements into the medium term;
- The Government should use the tools at its disposal, such as the UK ETS Cost Containment Mechanism to smooth the increase in carbon prices over time. Linkage with EU ETS should be prioritised to equalise carbon costs across Europe;
- Support to offset the higher costs of lower carbon energy sources so as to accelerate the transition away from fossil fuels;
- Imported carbon emissions embedded in products should be budgeted for and targeted for reduction in exactly the same way as UK territorial emissions.

A key issue for Government to recognise is not just that our industry can reduce its own emissions, but that it can also assist wider society to reach net-zero.

- Paper-based products can substitute for plastics, which are often made using fossil materials. This is especially true for packaging products; recyclable corrugated fruit and vegetable trays have a lower carbon impact than plastic trays under any reasonable assumptions about the number of times they can be reused.
- Brexit provides an opportunity for some upland marginal farmland to be reforested, which if managed sustainably would provide a carbon sink, biodiversity resource and UK supplies of wood for processing into pulp and paper, thereby shortening supply chains and promoting industrial sustainability.

Ultimately, global decarbonisation is a matter of global political will. It is global emissions that are the issue,

not those of the UK, which amount to around 1% of the total. Yes the UK should show leadership, but we need to be mindful that UK leadership requires other countries to follow and set similarly ambitious carbon targets to our own. We urge the Government to support reshoring manufacturing production to the UK. Such a move would increase the proportion of global manufacturing covered by the strictest targets and would help drive a faster trajectory to net-zero for the planet as a whole.

Education and Skills

In common with many industries, the UK's Paper-based Industries have an ageing workforce and will need to recruit new workers with new skills in areas that go

beyond traditional process operations. These will include energy management, materials recycling, and digital process optimisation.

The industry apprenticeship programme is looking to expand its offering in future years. There are currently no specialised undergraduate courses in papermaking, so a priority will be to support materials science post graduates.

CPI urges the Government to support the UK's Paper-based Industries in two ways.

- Reform is required to the Apprenticeship Levy system so that it actually leads to an increase in apprenticeships and is not merely a disguised payroll tax.
- The Government also needs to support the reshoring of training provision in paper-based industries to the UK. Investment support in establishing relevant course provision in multiple locations would remove some bottlenecks in the training of new workers and would reduce costs currently incurred as trainees are sent to Germany and elsewhere.

Sustainable Materials

As the UK works towards a circular economy, we should all think about the sustainability of the products we use daily. Paper is made from sustainable materials, whether virgin fibre typically sourced from sustainably managed forests, or recycled fibres from domestic and business recycling collections.

Paper-based products are recyclable, biodegradable, and renewable and should be used in conjunction with reusable and other recyclable products in a circular economy.

The UK's Paper-based Industries understand the role that reusable products have to play but this risks unintended environmental damage if change is not backed up by robust evidence on issues such as carbon emissions, marine pollution and recycling.

Indeed, the transition away from single-use plastic packaging calls for a suitable, sustainable alternative. Paper-based packaging provides a long-term solution when used in tandem with reusable packaging. Further to this, recyclable, paper packaging is often more compatible with 21st Century lifestyles, post-pandemic hygiene requirements, and global supply chains.

Paper recycling in the UK is a success story, with nearly 80% of packaging paper and board recovered for recycling and with Paper for Recycling (PFR) used in preference to virgin materials. CPI welcomes the

Government response to the recent Resources and Waste Strategy consultations, which provided clarity on significant reforms on the Extended Producer Responsibility scheme. However, for the ambitious target of 89% set for paper and cardboard recycling to be realistic and achievable within the specified timeframes, appropriate collection systems need to be employed. We therefore urge the Government to require all to provide separate collection systems for paper and cardboard to increase the quantity of recycle and ensure a high quality output.

An 89% recycling rate cannot be met unless there is an increase in the range of fibre-based packaging UK's paper mills can process. However, for the mills to be able to develop an economically viable way to process harder to recycle fibre-based materials, there is urgent need for the Government to provide funding streams to support and incentivise this action.

The proposals for a mandatory labelling system for all consumer packaging would require companies to carry out recyclability assessments; however, there is no clarity on the process and criteria for determining the recyclability of fibre-based packaging which is a crucial part of this system. We have worked extensively within the paper industry and supply chain to determine recyclability in a definitive and credible way, and we have recently established Papercycle, that, with Government support can provide the product design assessment required to deliver increased recycling.

With current plans for the collection and management of packaging waste from businesses being postponed, Government has proposed a cross-sector task force to identify options for commercially collected packaging waste. The paper industry must be a key stakeholder in these discussions to avoid the risk of undermining business opportunities for the industry.

Europe

While the issue of Brexit is now politically settled, the geographical realities of a UK industry intertwined with its European neighbours through ownership, raw materials supply and customer geography are not so easily wished away.

Our industry is broadly threatened by potential disruption to trade with the EU. Not only are our supply chains closely linked, but those of our customer base are even more tightly joined to the EU.

We have no desire to restart the arguments of the last six years. However, we urge the Government to build on the Agreement in place with an eye to smoothing UK-EU trade, rather than seeking to diverge for the sake

of divergence. The diminution of perceived political risk to trade will be an important element in building the attractiveness of the UK as a recipient of future inward investment.

About the UK's Paper-based Industries

- Annual Turnover of £12 Billion
- Annual GVA to the UK economy of £3.5 Billion
- 56,000 jobs in 1,400 enterprises, across a geographically wide range
- 93,000 further jobs supported across the economy
- £1.2 Billion annual investment
- Annual production of over 3.6 million tonnes of paper
- Carbon emissions reduced by 72% since 1990
- 69% of all raw materials are recovered fibres from recycling
- Essential products for hygiene, food and retail packaging, communications, decarbonisation support and much more.

CPI is the leading trade association representing the UK's Paper-based Industries, comprising paper and board manufacturers and converters, corrugated packaging producers, makers of soft tissue papers, and collectors of paper for recycling.

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