



Energy Subsidies Hurting Papermakers

A little publicized strike in small British wood products mills may be the start of a major effort by the forest industry, especially in the northern hemisphere, to repair some of the damage caused by subsidies given to power generators.

By David Price

On 29 October 2010, a Europe-wide day of action was held. It was led by manufacturers of wood products (from virgin feedstock) who were protesting against subsidies given to energy companies who are burning virgin wood as biofuel. In the UK, strikes took place at three wood-panel mills.

Readers of this magazine will be familiar with the general issues in play here. In short, the price of virgin wood is now affected by its use as a fuel. Similarly, recovered fiber is another fuel source for biomass boilers. Everyone in this industry knows that burning high quality fiber for energy production doesn't make sense.

The climate change debate has now become political, legal and environmental spaghetti. Somewhere in that mess is a great idea that went wrong. European regulators, at first, believed that low-grade fibers would make an ideal fuel. But as regulations were put together in various committees over five years, the classification of suitable fiber, somehow, shifted to high-grade virgin wood. Then, subsidies followed.

Low and High Grade

The entire industry knows that once fiber has been through a paper machine it becomes low-grade, but it can still be burned for heat and power. The challenge is to convince regulators of this and persuade them to introduce a feedstock classification so that only low-grade fiber should be subsidized. It's common sense to me, but the regulators, climate change disciples, energy companies and forest owners see it differently. Wood-for-energy is politically correct, environmentally sound (granted, wood is sustainable), and the energy industry has deep pockets and other resources it can deploy. But one of the world's most sustainable industries — ours — is being ignored and penalized despite its



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admirable record in sustainable forestry, recycling, water treatment and CHP (combined heat and power).

Criticism

The UK producers of panel products and the federation had a lot to say. “We are not anti-biomass. However, the current subsidy regime means wood panel manufacturers are seeing wood prices being driven up and shortages in supply of its primary raw material,” said Karl Morris, Managing Director of Norbord Europe.

Gavin Adkins, Director of Kronospan, noted, “Paying subsidies to burn virgin timber rather than manufacture with it, damages wealth creation, the economy and the environment. It's pushing up prices, creating shortages in raw material and, inevitably, threatens millions of jobs.”

Daven Chamberlain, Editor of Paper Technology (journal of the Paper Industry Technical Association, PITA) wrote, “The subsidies given to power producers are starting to skew the price of raw materials in a way none of these industries has experienced before.”

What's To Be Done?

The UK's Confederation of Paper Industries (CPI) lobbies vigorously with the British government, the European Commission and its Parliament. In its presentation to all three last summer, CPI expressed concern about, “...the possible diversion of biomass to energy provision and the possible effects on security of supply to the paper industry.”

But CPI is also worried by “...the ravenous appetite for recovered paper, particularly in China.” The point here is that wastepaper, which could be used as a valuable biomass energy source for UK mills, is being exported in massive amounts to China.

At a regional level, the industry is represented by CEPI (Confederation of European Paper Industries). In June 2009, CEPI produced *A Manifesto for Competitiveness and Employment*. It prefaced its appeal to the European Commission as follows: "The negative impacts of the economic crisis are being felt across the European pulp and paper industry. Demand is in sharp decline, investment shrinking and unemployment rocketing. Year on year production of most paper grades is down by anything between 16% and 25%. The industry is struggling to hold employment steady at 260,000 and its EUR 5 billion a year investment budget is under great pressure."

The Manifesto added that, "...The new business climate demands that future development of our industry reflects society's insistence on responsible energy and resource management with a clear demonstration of sustainability."

Who's Listening?

The EU has a long list of critical materials which are bundled into the EU Raw Material Initiative. But this list does not include our industry's strategic and sustainable raw materials — wood and recovered paper. The EU sees recovered paper as wastepaper, which can be co-mixed with other stuff and not separated. This is the view that one truck fits all!

CEPI states, "Fair competition and equal access to wood, for both pulp and paper and bio-energy producers, are a require-

ment so that our industry maintains its contribution to the EU's renewable energy targets."

What European papermakers are pushing for is EU understanding and support for very sensible initiatives which include:

- More sustainable production of biomass through better mobilization of existing forest resources, and a more rapid use of policies to encourage the reforestation of idle land.
- Avoid excessive subsidies, tax breaks and supply guarantees that incentivize the use of biomass solely for incineration, and focus instead on energy efficiency criteria and value creation with adequate sustainability.

Our industry knows all about renewable and sustainable energy sources and in many ways is a pioneer in self-sufficiency in heat and power while for years promoting R&D in a bio-refinery.

"Key projects inside the pulp and paper industry need major support to deliver and supply solutions not yet available through carbon capture and storage," CEPI said.

It couldn't be plainer. Time and again our industry has come up with imaginative solutions to problems in renewable energy technology. But two things still need to happen: (1) the EU regulators need to listen, and then, (2) act upon the industry's proposals. ■

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