CEPI

1. What are the emerging issues facing the industry in your country?
(e.g. national political situation, climate change, water, illegal logging, SFM certification, energy market reform, etc.).

At policy level, 2009 will be a transition year, because of the election of the European Parliament as well as the renewal of the Commission (José Manuel Barroso seems to be candidate for re-election, but other possible candidates are lining up).

Climate change and energy are still on top of the EU policy agenda, with the need to implement the commitments made in 2007. The implementation of the Renewable energy directive requires the development of national energy action plans that will include biomass mobilisation elements. At the same time, sustainability requirements for biomass are being discussed at different levels (EU Commission, MCPFE, CEN, etc.)

The European Commission is preparing to launch on April 1st a green tax package, which contains the proposal for a revised Directive on taxation of energy products (the Energy Tax directive) and a proposal for a Council Directive on reduced VAT rates for environmental purposes. Both proposals are highly contested as is the date of April 1st, just before European Parliament elections. The proposal makes a split between CO2 tax and Energy Tax and sets the minimum tax rates on energy at 10 euro/ton, fuel independent. It will be made complementary to the EU ETS - applying the CO2 tax to those companies not falling under the CO2 emissions trading system. In the draft proposal clear exemptions are made for energy production from biomass. There would no longer be an exemption for fuel use in forestry and agriculture.

The political framework on the Emissions Trading Scheme (ETS) directive has been set by the heads of state and governments in December 2008. In 2009 and 2010 implementation and translation will take place. The two key processes are the determination which sectors are eligible for free allocation (carbon leakage sectors) and the determination of the benchmarks, (which will be the basis for free allocation). There is no ready made paper industry benchmark available. DGEnvironment has hired a consultant, Ecofys (in combination with Fraunhofer and Oeko-Institut), which has now proposed principles that should be established for all industry benchmarks. The Ecofys report has been made the default option by DGENV. Ecofys has been asked to meet all sectors to discuss, finalise draft report by May 15th and produced a final proposal for industry benchmarks by September this year.

With the joint signature by the chairmen of the 3 leading forest sector organisations in Brussels (CEPF, CEI-Bois, CEPI) of a statement on climate change, the industry is developing its message to the negotiators of the climate change convention, with a view to raise awareness about the positive contribution brought by the sector to climate change mitigation. The industry's intention is to stress the carbon storage in harvested wood products element that was not taken on board by the Kyoto Protocol.

On the raw material front, the question of the legality of wood placed on the European market has led the Commission to draft a Regulation that would require operators placing wood on the EU market (either via domestic harvest or via imports) to exercise a due diligence to minimise the risk of making available illegal wood and wood products. The approval of the Regulation – via a trilogue – is expected during the second half of 2009.

The process of revising the BREFs (Best Available Techniques Reference documents) is going on in the context of the revision of the IPPC (Integrated Pollution Prevention and Control) Directive and this is valid for pulp and paper as well. The previous version of the BREF for the industry is 8 years old.

The EU is working on an industrial policy geared towards more sustainable consumption and production. The scope of the activity covers:

- Eco-design
- Revision of the EU ecolabelling scheme
- Revision of EMAS
- Implementation of Green Public Procurement

This process is part of the Community Lisbon Programme for 2008-2010.

There is an emerging debate, fuelled by some consultants and ENGOs, concerning the issue of water and the idea of a water footprint (the pulp and paper industry is presented as water incentive, e.g. some unverified calculations estimate the water footprint of an A4 sheet to be 10 liters). This would cover the use of water from the forest to the mill. The industry needs to be ready to engage in the discussion with firm data and arguments. The debate should not only address the issue of the quantitiy but also the quality aspects.

On the research side, the issus of biorefinery has gained in importance with the publication of a joint call on biorefinery related research by several DGs of the European Commission. Some 3 forest-related research projects have been short-listed. The European Forest-based sector Technology Platform (FTP) has made of biorefinery one of its priorities, and intends to set up a Biorefinery JETI (Joint European Technology Initiative).

On 11th February 2009 the Report on the Eurovignette Proposal (a Directive of the European Parliament and the Council amending Directive 1999/62/EC on the charging of heavy goods vehicles for the use of certain infrastructures, so-called "Eurovignette III") was voted on in the Transport and Tourism (TRAN) Committee of the European Parliament. The aim of the proposal is to promote sustainable road transport by reducing its external costs.

Together with European transport federations, CEPI highlighted the ineffectiveness of the Proposal with respect to enhancing road transport sustainability and its negative impact on competitiveness. Greener transport would be better achieved by completing the Internal Market, removing regulatory and administrative barriers for road freight transport services and allowing the use of more efficient and innovative vehicle concepts like the European Modular System – strongly advocated by CEPI.

2. **What are the most important business developments within your industry over the last year?**
(economic situation, legal developments, investments etc.).

At the economic level, the European pulp and paper industry is hit very severely by the economic and financial crisis. This is reflected in several ways:

- Loans are more difficult to obtain despite interest rates cuts
- No economic recovery is foreseen before end-2009, or even beginning 2010
- Retail sales as well as consumer confidence have plunged
- Advertising expenditures are expected to decrease by at least 1% in EU in 2009
- At the end of 2008, the paper industry has recorded a real decline of its activity
- Most of pulp and paper grades have seen their markets deteriorating, despite downtimes taken by companies
- Decreasing production costs and raw material prices is a relief
- Freight rates have substantially decreased, making competition even tighter

Still, some investments planned before the crisis are going on (in Portugal and UK), but many of them have been suspended or delayed.

On the raw material side, Russia has announced the postponing of the tax on roundwood exports that was supposed to high up 50EUR/m^3 as of January 2009. This delay will not impact significantly on the imports of Russian wood by the Nordic companies, since they had already adapted their procurement policy by anticipation.

3. **What new information do you have on the socio-economic contributions of the forest industry in your country (formal and informal employment generated by the forest industry, contribution to rural and urban development, health, education, poverty alleviation, etc).**

In the current context, of lay-offs, closures (temporary or definitive), depressed wood prices, etc., it is difficult to deliver positive information on the socio-economic contribution of the industry.