TECHNOLOGY PROVIDERS ARE KEY TO THE SOLUTION

Interview with Marco Mensink

Energy & Environment Director for the Confederation of European Paper Industries (CEPI)

As energy costs skyrocket, and wood prices increase at double-digit levels, the European pulp and paper industry (PPI) struggles to compete in global markets. Marco Mensink, Energy & Environment Director for the Confederation of European Paper Industries (CEPI), discusses competitiveness issues and the importance of technology suppliers in this interview.

Can you tell us about your position at CEPI and your background?
I am responsible for coordinating and developing the paper industry's positions to the EU institutions with regards to energy and environmental issues. Before joining CEPI, I worked for the Royal Netherlands Paper and Board Association (Royal VNP) and as a Senior environmental consultant for Ernst & Young.

What is the most urgent issue facing the European paper industry right now?
The most urgent is energy costs. The pulp and paper industry is the fourth largest energy user in the EU industrial sector. Energy has overtaken personnel costs so that 15–25% of the total costs of goods are related to energy. Keep in mind that the pulp and paper industry is competing in a global market. We cannot pass through these price increases like the utilities do. Energy price has become a key factor, along with markets and raw materials, for determining where investments will be made – on a global basis.

Why are energy costs rising so rapidly?
It is a combination of factors. Overall global economic growth, especially in the emerging markets, is driving oil and gas prices. The demand for energy in Europe continues to increase. If we continue business as usual, energy consumption will be 15% higher in 2030 than it was in 2000. It is projected that we will need 700 Gigawatts of new capacity to secure Europe's electricity supply to 2030. Given such a scenario, there is no question that longer term energy prices will stay at high levels.

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"Business as usual" for energy in Europe is not sustainable – for climate reasons, for competitiveness, or for security of supply. The EU started the liberalization of energy markets and now must finish the work, as highlighted in the just published Energy Sector Inquiry. And politicians have to push for energy efficiency and the use of renewable energies, but must do it in a balanced way.

What about subsidies for renewable energy, do they help?
The pulp and paper industry is already the largest industrial producer and user of bioenergy in Europe. The problem is that there are other industries that want to use the same biomass for fuel.

Governments subsidize the fuel alternative so that it is economically attractive to transport wood four times the distance for bioenergy than for industrial wood use. This has created a huge market distortion. Wood prices have risen an average of 20–25% in 2006. In some regions, the increase is as high as 50%.

When presented with the choice of putting one ton of wood into bioenergy (fuel) or one ton of wood into the production of paper, the paper industry contributes eight times more added value to the European economy than the bioenergy industry – and preserves from six to thirteen times more jobs.

What are the possible solutions?
The pulp and paper industry and the bioenergy industries have to resolve the potential conflicts and live together on a long-term basis. We need government policies that reflect the interests of all the industries involved and look at the total picture: job creation, economic growth, sustainability, and environmental impact. The policies should balance the support for renewables (biomass, hydropower, solar energy, and wind energy), energy efficiency, and the use of certain subsidies. Perhaps a meaningful subsidy would be to provide incentives to get the forest residue (wood stumps, green chips, and other residues) out of the forests. Mobilization to get maximum wood from our forests is the right approach.

What role can technology suppliers play?
For the EU, the suppliers of technology to the pulp and paper industry are key to the solution. Research and technology will save us by cutting emissions and cutting costs. If we offer rewards for the frontrunners, and take away the institutional barriers, we can bring the most promising technologies along quickly.

The supplier trend has been "faster-wider-bigger." Suppliers need to intensely focus on energy-efficiency. They need to develop the low-energy or low-CO_2 machinery of the future. This is a huge task and responsibility.

Another key message is that we need to rethink the way we produce energy. In this possible "war on fiber" we should demonstrate to our governments that if they want to really support bioenergy, they should support the pulp and paper industry. The paper industry can offer a bio-solution for climate change. By further developing "bio-refineries," we can produce energy, and produce second-generation biofuels and chemicals – and then combine it with the fiber we need. Either we do this ourselves, or the refineries and chemical companies will start using fibers for second-generation biofuels and other products.

Are you positive or negative about the pulp and paper industry in Europe?
I am positive. The European pulp and paper sector is still a hugely competitive sector, leading in the world. We have a strong base for technology development. And, we can keep this asset for a long time. We have big challenges, but we have big opportunities. ■