Sustainability Report

Confederation of European Paper Industries

2007

cepi

The European Pulp and Paper Industry:

- Generates € 78.6 billion for the economy and adds € 21 billion in value and wealth creation.
- Invests an average € 5 billion per year and spends more than 10% of this to enhance environmental protection.
- Employs 259,100 people and provides indirect employment to 1.8 million people. 63% are in rural areas.
- Produces 102 million tonnes of paper.
- Exports 17.7 million tonnes of paper globally, around 17.3% of its production.
- Is committed to recycling – 56% of the paper and board consumed in Europe is recycled.
- Is expanding steadily. The total European paper market grew by 2.6% in 2006 and is set to continue.

CEPI – the Confederation of European Paper Industries – is the voice of the pulp and paper industry in Europe. It provides high quality, accurate and up-to-date information to all stakeholders to help them understand the role and importance of the sector. CEPI's priorities are to promote a healthy, competitive industry and sound policy on the environment, forestry and recycling for the common good of European citizens.

CEPI:

- Represents 17 member countries – 15 EU states* plus Norway and Switzerland.
- Accounts for 27% of world paper and board production.
- Brings together 801 companies and 1,186 pulp and paper mills.

Pulp and paper is a responsible industry that has worked hard to establish and implement robust systems to:

- Ensure legal logging through our Code of Conduct.
- Increase wood sourcing from certified and sustainably managed forests across the whole supply chain.
- Implement responsible sourcing guidelines for recovered paper.
- Work towards a recycling rate target of 66%.
- Apply stringent rules for food contact.
- Conform to the requirements of the new European Union REACH legislation on chemicals.

This document is a progress report on the targets and indicators set in the CEPI Sustainability Reports of 2005 and 2003 and is based on data and information from 2005 and 2006.

The development of this report was followed up by CEPI Committees and the Associations Directors Group. The final report was approved by the CEPI Board.

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ideas start with paper

* Austria, Belgium, Czech Republic, Finland, France, Germany, Hungary, Italy, the Netherlands, Poland, Portugal, Slovak Republic, Spain, Sweden, The United Kingdom

** c/o Steps Management s.p.r.l., MD of CEPI

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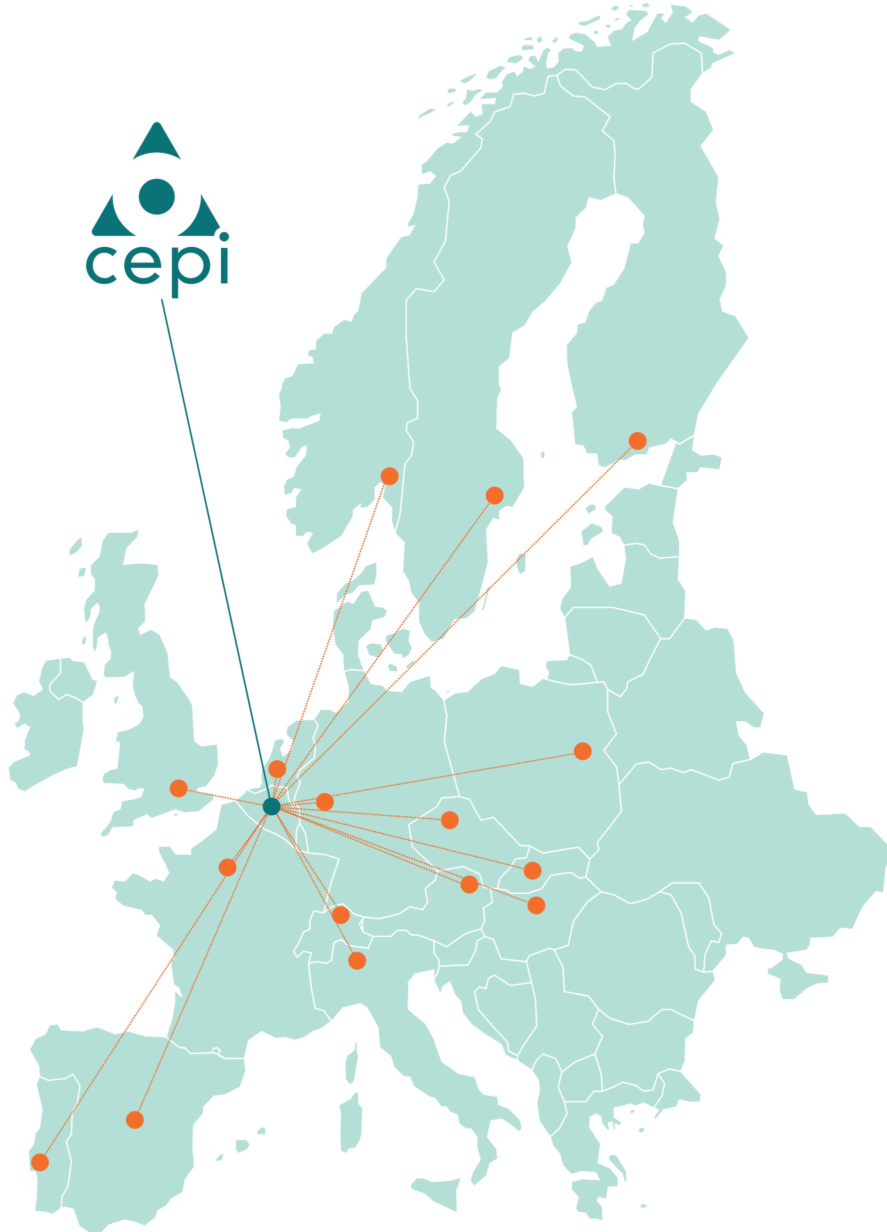
CEPI's members in Europe



Introduction

In 2007 CEPI celebrates its 15th anniversary. Founded in 1992 by the merger of CEPAC (European Confederation of Pulp, Paper and Board Industries) and EPI (European Paper Institute) we have come a long way since then. Six years ago we created our first Sustainability Report and today we are finalising the third biennial report. As we followed the GRI guidelines already in our last report, this year we are pleased to have obtained the GRI certification.

The whole process of reporting on our industry's sustainability progress has brought our industry closer together and helped us analyse our achievements and recognise the challenges facing us. It has also brought us closer to our stakeholders and shown us where we can improve further in the future.

Since our last report we have had many key achievements and landmarks. CEPI has been an active participant in the High Level Group on Competitiveness, Energy and the Environment and has worked closely with WWF on joint approaches.

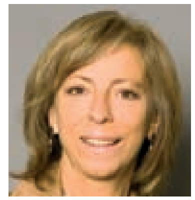
REACH continued to be central to our agenda and CEPI is managing the implementation of this important legislation with its members. This will have an impact on the industry and we are working to ensure that we comply with REACH and that our industry acts openly and transparently.

In 2006, CEPI took on the presidency of the ICFPA (International Council of Forest and Paper Associations). As an active member of this association CEPI contributed to the first-ever international sustainability statement, which was signed by over 90 CEOs worldwide. In 2007, ICFPA published its first sustainability update and 2008 will see the 4th Global CEO roundtable in South Africa where Climate Change will be discussed.

This report provides an update of the targets and indicators set in the 2003 and 2005 CEPI Sustainability Reports. The data has mainly been collected through National Associations. Due to improved data collection, especially in the environmental data collection and certification, the samples in different indicators sometimes vary from those in the previous Sustainability Report.

Looking to the future we now have to translate into actions the fact that we, the pulp and paper industry, are an enabler to sustainable development and realise the goals set on minimising climate change while maintaining the competitiveness of the industry. This will not be easy but we are already on the right track and can show that our efforts are already having an impact.

Frits Beurskens*
CEPI Chairman



Teresa Presas
Managing Director

*Deputy Chairman of Smurfit Kappa Group

Vision & Mission

The pulp and paper sector is convinced that competitiveness and sustainability can and should go hand in hand. Although global regulatory challenges may lead to competitive imbalances, CEPI is addressing these through initiatives with public and private stakeholders. By consolidating strengths, these challenges are becoming opportunities to achieve critical environmental, social and economic goals.

Sustainable development requires frank and open dialogue with stakeholders. CEPI is committed to communication and transparency. The sector is committed to providing information on its performance and expects to be fairly judged on results. This document explains results and achievements. However, it needs to be read with a view to the considerable challenges.

Paper has two enormous advantages: it is a renewable raw material and the industry principally uses renewable energy sources. Nevertheless increases in energy prices and higher demand for wood for energy production are creating challenges, which impact global wood trade flows and availability.

Economic, environmental and social issues impact competitiveness. This is a core concern for the paper sector, which recognises that a multitude of factors build up to influence the industry's long term performance both within Europe and globally. Social cohesion, employment, wealth generation and the quality of physical surroundings rely ultimately on high standards of production and the ability of industry to add significant value by its activities. This is why CEPI invests heavily in technical research, studies to increase insight, data generation, stakeholder dialogue and partnership with European and worldwide organisations.

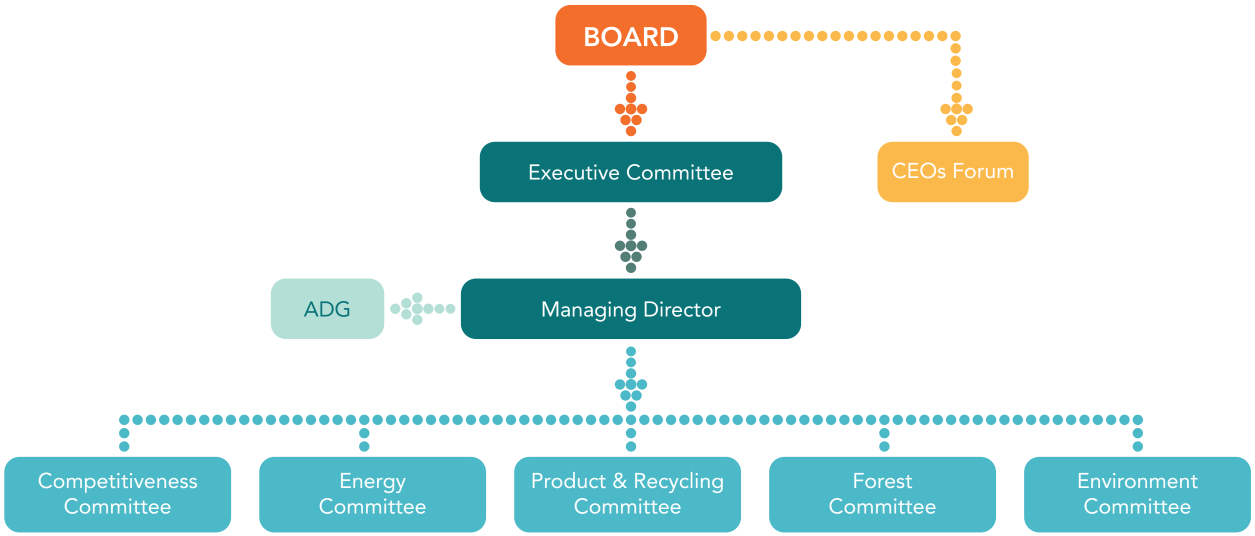
Close cooperation of the whole industry creates a stronger voice in the EU policymaking process.

Governance and Stakeholder Dialogue

Governance

Transparent, flexible and representative internal governance underpin an effective and efficient organisation and are therefore prime CEPI objectives.

In 2006, CEPI modernised its structure and way of working to respond to new challenges and a changing environment. The “Revisiting CEPI” initiative has given a leaner, more flexible and more focused organisation. Links between the operations committees and the Board are now much stronger. Below this, members of the Executive Committee sponsors individual working Committees and members of these are nominated by the Associations Directors Group (ADG). The secretariat supports and implements the decisions of the Committees. The new structure ensures that CEPI continues to provide excellent value to Members, EU regulators and other stakeholders.



The **Associations Directors Group (ADG)** is the senior advisory group to the CEPI Managing Director.

The **Cepi Board** is the ultimate decision-making and governance body in CEPI. It is assisted by a more operative Executive Committee.

Sustainability Strategy and **Communication** are transversal issues.
Research is under direct leadership of the Managing Director.
Social Affairs is supervised by the ADG.

The **Committees** are responsible for strategy and political perspective in the policy areas.

The **Competitiveness Committee** is a support Committee that crosses all policy areas.

Issue Groups are formed as needed, to work on the problems/issues identified by the Committees.

Stakeholder Dialogue

Many diverse issues affect pulp and paper. For this reason, CEPI interacts daily with a large number of stakeholders, most frequently with regulators, NGOs, national government institutions, other industry associations, research institutes and social actors. CEPI works hard to develop good relationships based on trust and common understanding and has active relationships with many specific organisations. The aim is to develop common approaches to policy issues reconciling different expectations within the goal of promoting a competitive and sustainable industry. Below are listed some of the stakeholder networks with which CEPI interacts on a regular basis.

Stakeholder Networks	Issue
Advisory Committee on Forest-Based Industries	Giving advice to DG ENTR on forest sector
Advisory Group Forestry and Cork	Giving advice to DG AGRI on forest issues
Ministerial Conference on Protection of Forests in Europe (MCPFE)	Advise on emerging policies in the forest sector
FAO Advisory Committee on Paper and Wood Products	Advise on emerging policies in the forest sector
High Level Group on Competitiveness, Energy & the Environment	Advisory group for the European Commission on issues related to energy, competitiveness and the environment
Alliance for a Competitive European Industry	Issues touching competitiveness
Alliance of Energy Intensive Industries	Advocacy for energy policy, e.g. revision of NEC Directive and IPPC Directive, SO_2/Nox emissions trading
Business Europe	Working on issues such as climate change, REACH, Air Quality, IPPC
International Council of Forest and Paper Associations (ICFPA)	International representation of the forest sector
European Shippers Council	Transport
European Recovered Paper Council (ERPC)	Monitoring of Recycling Decl. progress, Ecodesign towards improved recyclability, European Paper Recycling Award
Paper Packaging Coordination Group (PPCG)	Coordinated and joint advocacy in policy related issues
REACH Alliance	Everything related to the implementation of REACH
Postal Users Group (PUG, postal services)	Postal services
Print Media Group	Paper publishing chain
Food Contact Strategy Group	Guidelines on paper and board in Food contact, Coordinated and joint advocacy, Biosafety and R&D, Consolidation of knowledge on safety
International Federation of Industrial Energy Consumers (IFIEC)	

Joint CEPI-EMCEF Opinion on the Impact on the Industry of Renewable Energy Sources

CEPI and EMCEF (the European Mine, Chemical and Energy Workers Federation) worked on a joint statement highlighting the risks generated for jobs and competitiveness by the policy developments in the field of energy from renewable sources. The joint opinion underlines the number of jobs at stake and recommends strong consideration to the most efficient use of resources in order to create value and social benefits to society.

Environment Day

CEPI, together with ENPA – European Newspaper Publishers' Association, FAEP – European Federation of Magazine Publishers, and INTERGRAF - International Confederation for Printing organised with the support of DG Enterprise the first Environment Day in 2006. The event successfully drew attention to key issues for the Print Media Group: responsible sourcing of wood raw material, sustainable production and recycling.

Joint Position on Renewable Energy WWF-CEPI

CEPI and WWF (World Wide Fund for Nature) published a joint position paper on biomass and renewable energy production. This joint position states "biomass has an important role to play in providing sustainable energy for the future". WWF and CEPI believe that biomass has an important role to play in providing sustainable energy for the future. "However, the expansion needed to achieve this must be managed with great care for wider environmental concerns than just green house gas emissions".

Following Up 2005

In line with CEPI's commitment to transparency, the 2005 Sustainability Report set out statements and comments of stakeholders. The meetings and discussions were extremely valuable and helped to shape improvements in several areas. The table overleaf summarizes the principal improvement opportunities and subsequent progress.

Opportunities and improvement possibilities	Progress
Further development of best practices and setting new standards	• Strategic research agenda for the forest-based sector
	• Code of Conduct for legal logging
	• Guidelines for responsible sourcing and supply of recovered paper
	• Best Practices for the global inspection of recovered paper
	• Initial work on guidelines for paper and board in contact with food Guidance document for implementing REACH in the pulp and paper industry
Report progress through concrete measurement	• Sustainability Report 2007
	• Sustainability newsletter
	• Public information about recycling rates
	• Gathering certification data through companies
	• Use of International Statement on Auditing – Assurance Engagements (ISAE 3000) when reporting on annual progress on recycling rate
Promote understanding of the industry, and increase understanding of its audiences	• Paper Talks
	• Collaboration with industry sectors
	• Generation Europe school diary
	• Participation at Green Week
Implement partnerships with NGOs	• IUCN and biodiversity
	• Participation in international NGO conference on migratory birds and the paper industry
	• WWF and recycling (vs. REACH)
	• WWF joint perspective on biomass
	• NGO jury member to assess best practices in recycling for the European Recycling Award
	• Recycling coalition – together with the EEB (European Environmental Bureau)
Talk more openly about the challenges facing the industry	• CEPI Agenda to the European Commission
	• Biomass study and communication of results

2007 Stakeholder Consultation

To measure changes in our stakeholders' views on performance since the 2005 report CEPI approached 15 stakeholders, selected on the basis of their European scope, relevance and connection with the industry, from NGOs, industry sectors, European institutions, social actors and financial analysts. Feedback was generated by a questionnaire, telephone discussions and face-to-face meetings.

CEPI has identified the need for a structural approach to stakeholder relations and is working to develop a structured stakeholder dialogue strategy. The SWOT analysis presents CEPI's view of the challenges.

Strengths	Weaknesses
• Improvement in communication	• Insufficient relevant data, particularly on energy issues to back up positions
• Proactive stakeholder communication	• Communication still complex in some issues
• Excellent information, insufficiently used in the industry	• No systematic stakeholder dialogue
• Strong relationship with many stakeholders	• Non European companies performance in some regions in the world
• Skilled team of knowledgeable experts	• Limited role of CEPI in Social Affairs
Opportunities	**Threats**
• Innovative sector, high level of technology uptake and research	• Global Competitiveness
• Role of biomass for the RES target	• Use of wood to reach the EU renewable energy target
• Develop a global common approach in relation to Kyoto and the forest sector	• Post Kyoto negotiations – need for a global system including forests
• Defending self-regulation across the EU	• Potential lack of skilled workforce in the future
• Link to agricultural and forest value chain to promote bio based industry	• Impact of energy/climate change legislation on industry costs

'Walking the Talk' –
Feedback from Stakeholders and Expectations for the Sustainability Report 2007

The stakeholder research generated very useful insights. The principal feedback was the need for a clearer picture on the results of objectives and a better balance between economic, environmental and social issues. In other words, more evidence of how CEPI "walks the talk".

The exercise provided a wide scope of interesting perspectives. Some stakeholders would like CEPI to be more thorough in identifying key challenges and actions. Most asked for more detailed information. Examples included the potential for improvements in energy-efficiency, case studies from company level, feedback on CEPI dialogues with NGOs and on product policy issues initiatives such as GPP and eco-labels. Other requests included CEPI's position on food, fuel, agriculture and energy, about raw material availability and more information on the McKinsey/Pöyry biomass study commissioned by CEPI. Comparisons of cost evolution between Europe and competing countries and communication with stakeholders on investments in the southern hemisphere were also issues brought up to the discussions. Stakeholders also identified working overtime and best practice on accident prevention. They referred to the weaknesses of CEPI on social issues. Some stakeholders mentioned that CEPI should report more on its work with intersectoral industry platforms and highlight the added value of these platforms.

CEPI believes this report fulfils many of the above expectations, but also recognises that improvements are needed in certain areas. CEPI will continue to improve towards sustainability and report on its progress. We would also like to thank all stakeholders involved for their constructive opinions.

Interviewed stakeholders included representatives from:

UNECE Trade and Timber Division, CITPA, Omya International AG, Boston Consulting Group, Eugropa (paper merchants of Europe), VAPA, FAEP, Axel Springer AG, BUSINESSEUROPE, DG Enterprise and DG Environment of the European Commission, EMCEF, WWF.

Key Challenges

Competitiveness and Sustainability in the Paper Value Chain

The pulp and paper industry plays a major role in the fabric of Europe's economy and society. It provides products that are essential to living standards, to safety, to health and general well-being. It is the base of economic activity supporting thousands of companies, jobs and communities. It is not surprising that such an important element of European life should face certain key challenges.

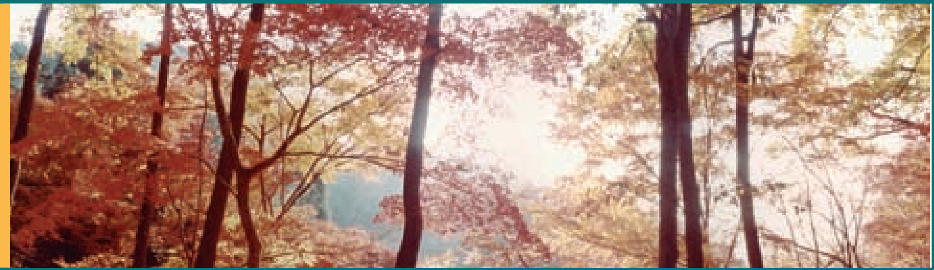
Competitiveness

The competitiveness of the pulp and paper sector is closely related to global trends affecting economies such as Russia, China, India and other Asian regions. These have invested substantially in new capacity and are playing an increasing role in reshaping raw material supply and demand. They will continue to do so in the future. The long-term success of the European sector is likely to depend on:

- Our ability and capacity in new economies;
- The international level of regulation and potential competitive distortions between continents;
- Consumer willingness to buy goods based on sustainable management procedures;
- Productivity levels;
- Market forces – that is relative allocation of wood to pulp and wood related products or to the production of energy.

Energy

Pulp and paper is an energy-intensive industry. Around 16% of the production costs on average come from energy consumption, and as such, improving the energy efficiency of the production processes has both competitive and environmental implications. Higher prices for electricity and gas in the past year, driven by both oil prices and environmental policies, have again focused the industry on energy efficiency. As energy costs are now one of the determining factors in the profit margins of companies, the focus is clear. However energy markets in the EU that are not yet fully liberalised are a concern as well. In 2006, the EU published its first energy package, with a set of proposals to improve the situation. In general though, the pulp and paper industry is working to become more and more independent and self-sufficient in its energy production. Because of its constellation, fuel mix changes, the use of combined heat and power (CHP) and energy efficiency measures all pay off. Large improvements can be made during rebuilds or when installing new machines.



Climate Change

Costs related to compliance with environmental legislation and related policies on climate change directly affect the global competitiveness of the European pulp and paper industry. It is the second most energy-intensive industry sector. Despite the reduction of its energy consumption by 10% per tonne produced over the last 15 years, energy still represents on average 16% of total costs.

In the short to medium term the global impact of the EU Emissions Trading Scheme on competitiveness will represent up to 6-7% of costs, mainly due to the purchase of emission allowances. Even if free allocation of allowances covers 95% of total emissions the net costs increases will be substantial.

Raw Materials

Due to the increasing competition for our raw materials for energy, mobilisation of recovered paper and wood has become a priority for the European paper industry.

Biodiversity

The European paper industry recognises and places importance on its role in helping to protect biodiversity. But it is a long process to find reporting mechanisms that help us report on progress made in this area.

Innovation

Innovation and research are important topics to address. They relate directly to our industry's sustainable competitiveness. CEPI is engaged in the FTP (Forest-Based Sector Technology Platform) for that matter and also prepares the general ground work for keeping the industry innovative and competitive.

Securing Sufficient Skilled Workforce for the Future

Europe's demographic development raises concerns that the European paper industry may not have enough well-qualified employees in the long-term. The development of the industry will also depend on the successful recruitment of such employees.

Sustainability

Sustainability Performance

Highlights

The table below is a status overview of CEPI's commitments over the last four years and of progress made towards achieving them. With respect to new goals, in some cases, these are framed against quantitative metrics. In others, they are qualitative in nature.

Previous Commitments	Progress	New Goals	CEPI Policy Views
Economic Perspective & Transport			
• To gain a better understanding of, and improve environmental impact of both its in and outbound transport	• Identification and promotion of a solution improving the overall sustainability of road transport: the European Modular System (EMS)	• Further improve the analysis of the environmental impact of transport	• Member States should start with trial periods and then allow the use of the EMS throughout the EU
Climate Change			
• Promote the use of a calculation tool to assess the amount of carbon embedded in paper products • Reduce CO_2 emissions of the European paper industry	• Development of a common framework that enables companies to calculate their carbon footprint • Reduction achieved so far: 0.52 per tonne in 1990, down to 0.40 per tonne in 2006	• Further reductions of CO_2	• Climate change must be addressed on a global basis • The impact of the emissions trading scheme on energy prices must be minimised • Clean development mechanisms (CDM) and joint implementation (JI) must be made operative and included in EU's emissions trading scheme • The role of paper products as carbon sinks must be recognised and rewarded
Energy			
• Promote further use of combined heat and power production • Increase the share of biomass to 56% of primary energy consumption by 2010	• The sector is responsible for 27% of the total production of biomass-based energy in the EU • 49.5% of the primary energy consumed in pulp and paper mills originate from biomass • More than 93% of the electricity produced on-site is generated through combined heat and power (CHP) technology, which allows some 30-35% energy savings	• Develop methodology to assess energy efficiency in the industry • Increase further the share of biomass of primary energy consumption	• Policy actions must be preceded by a full and transparent impact assessment • Policy must be based on efficiency goals instead of absolute targets • Further take-up of combined heat and power generation must be encouraged

Table continued on next page

The indicators in this report build on previous indicators and on data from our members. Most of them correspond to GRI indicators and were chosen for a variety of different reasons, e.g. relevance to the industry and ease of measurability due to existing figures.

Previous Commitments	Progress	New Goals	CEPI Policy Views
Environmental Performance			
• Reach 100% Environmental Management Schemes (EMS) Certification • Minimise residues for landfill • Decoupling of production and environmental impact of the European paper industry	• Currently 83% of the pulp and paper produced in Europe comes from mills with an EMS • Amount of residues for landfills reduced to 19.17 kg/t of product • Even though production increased environmental impact was reduced	• Reach 100% EMS certification • Work further towards minimising residues for landfills • Keep on improving the decoupling of production and environmental impact	• Environmental policy must take into account EU economic goals such as the Lisbon Agenda
Sourcing of Raw Materials			
• Implementation of the Code of Conduct for legal logging and compliance • Continue to Promote Certification • Work on measuring influence of the industry on biodiversity	• Endorsement of the Code of Conduct by all 17 national member associations • 86% of forests owned by companies are certified • 87% of pulp production is chain-of-custody certified • 63% of paper and board production is chain-of-custody certified • CEPI started working with the IUCN on biodiversity	• Reach full implementation of the Code of Conduct on legal logging • Increase certification • Enhance partnerships for the support and promotion of biodiversity	• Policies promoting the use of renewable energy sources such as wood and recovered paper must not discriminate against other uses • The multiple services forests provide must be promoted in a balanced way; more research must be conducted on the positive role they play in climate change
Recycling			
• Improve understanding of fibre flow • Improve recycling rate • Promote implementation of responsible sourcing guidelines	• 50% of the fibres used are Recovered Paper • 63.6% (55.6 million tonnes) of the paper consumed in Europe was collected in 2006 for recycling. (2005: 62.9% and 53.6 mt) • Improvements achieved in the quality of recovered paper statistics • New documents published on responsible sourcing	• Reach a 66% recycling rate target by 2010 • Continue the promotion of responsible sourcing	• Promote recycling practices, acknowledging that recycling has, limits, as without a constant flow of virgin fibres the paper recycling loop would collapse within months • Promote increase in separate collection of recovered paper
Social Affairs			
• Increase employability of workforce through increased training • Zero accidents	• Decreased accidents to 25 out of 1000	• Zero accidents	
Research and Innovation			
	• Launching of the Forest-Based Sector Technology Platform and SRA	• Advance European PPI leadership through innovation	• Support from the 7th framework programme for leading-edge EU research areas, namely bio-refineries

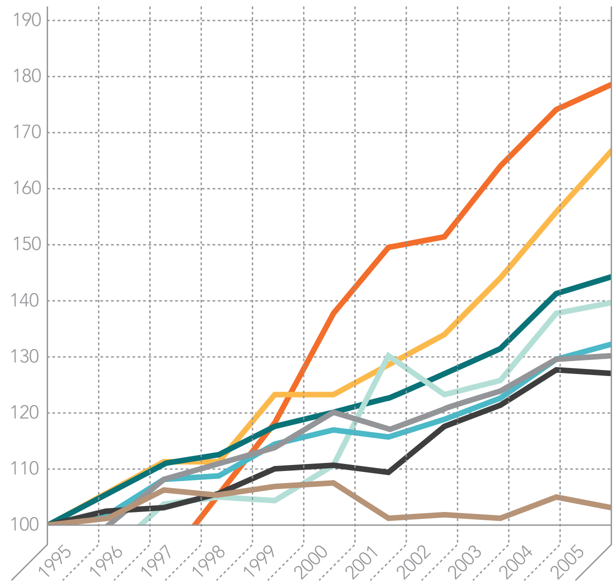
Growth

Contributing to Sustainable Growth

The European pulp and paper industry is a growing industry. It generates net sales of some € 78.6 billion, employing 259,100 people, and contributes some € 21 billion to the EU's Gross Domestic Product. Production of paper has increased by 56% since 1991 and it represents around 27% of the total paper and board production in the world. The European pulp and paper industry is one of the most modern in the world, it has ensured that this production growth has been taking place with a clear focus on sustainability.

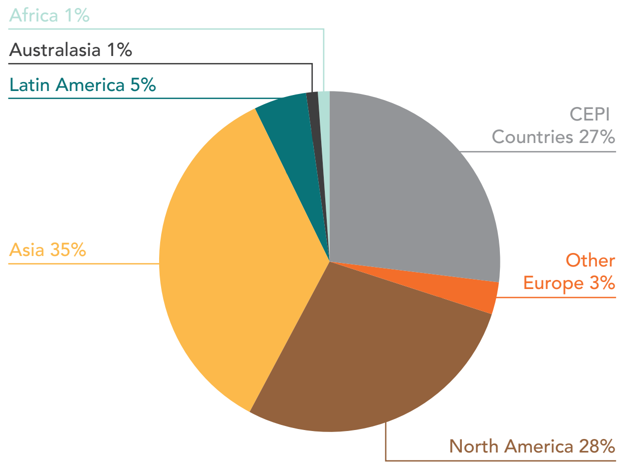
Evolution of Paper & Board Production by Main Regions

Paper & Board Production Evolution



Other Europe ■ Asia ■ Latin America ■ Africa
■ World ■ CEPI ■ Australasia ■ North America

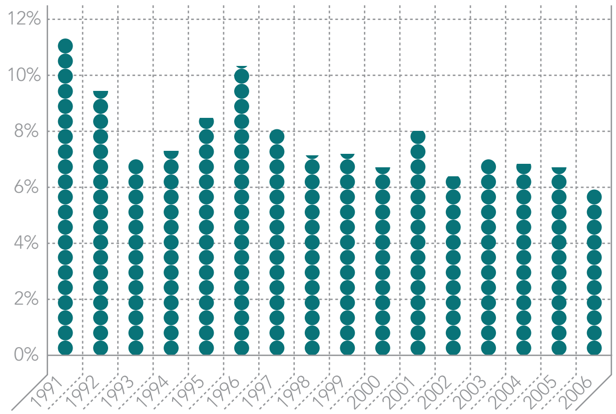
Paper & Board Production 2005



Source: Cepi and RISI

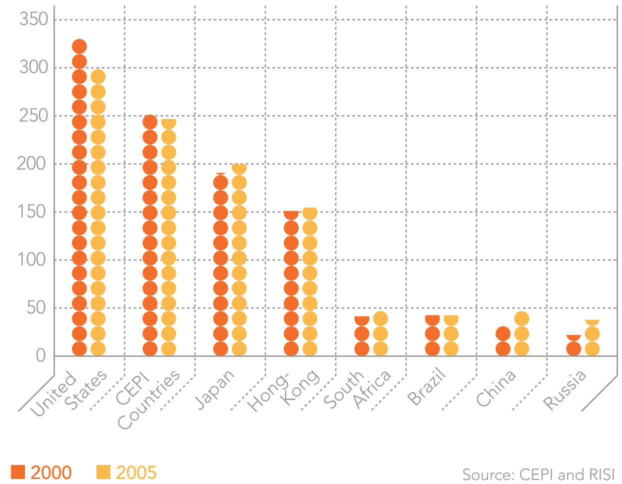
Over the last 15 years the sector has invested an average of 6 to 8% of total revenue to improve capacity and to develop environmental friendly machinery and other tangible assets. Productivity has also increased relative to other regions.

Investment/Turnover Ratio in the Pulp & Paper Industry, Cepi Countries – 2006 data



Source: CEPI

Paper Consumption per Capita in kg – 2005 Data



Source: CEPI and RISI

Symbols

Existing Target (set in 2003 or 2005)

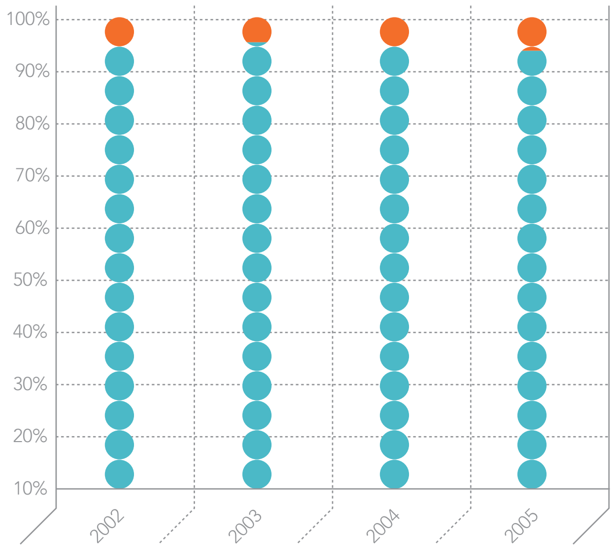
New Target

Indicator

Progress

International Trade Data: Imports and Exports of Market Product

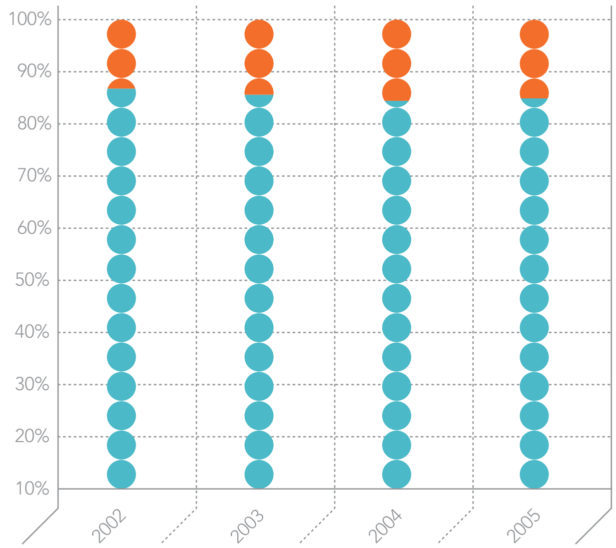
Share of "Home Deliveries" in the Paper Consumption in the CEPI Area



Home Deliveries ■ Imports

7% of the paper & board consumption in the CEPI area is imported.

Share of CEPI Exports in the Total Production



Home Deliveries ■ Exports

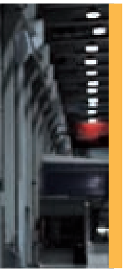
17% of the CEPI area production is exported;
83% is for domestic markets.

"Market Share" of CEPI Area Paper Industry in the Rest of the World

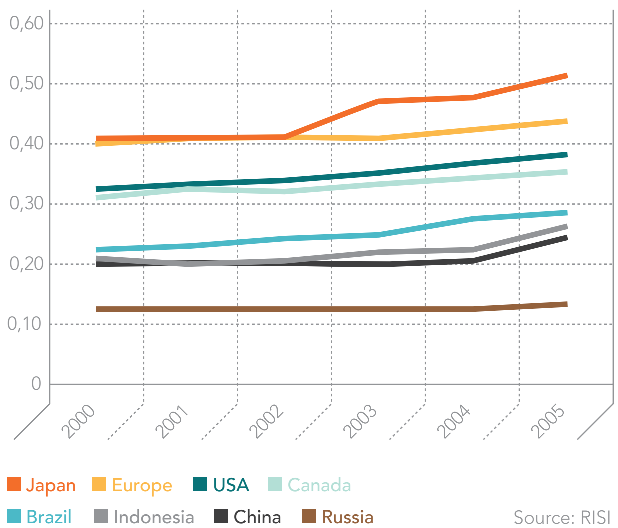
Home Deliveries ■ Exports

Source: CEPI and RISI

CEPI exports represent 6% of the rest of the world paper consumption.

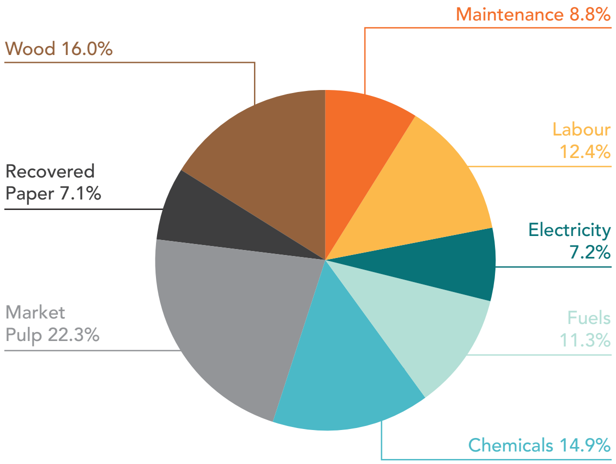


Labour Productivity[1]: Comparison Between Europe and Competing Countries



Source: RISI

Cash Manufacturing Cost Structure of the European Pulp & Paper Industry[2]: 2006



Source: RISI

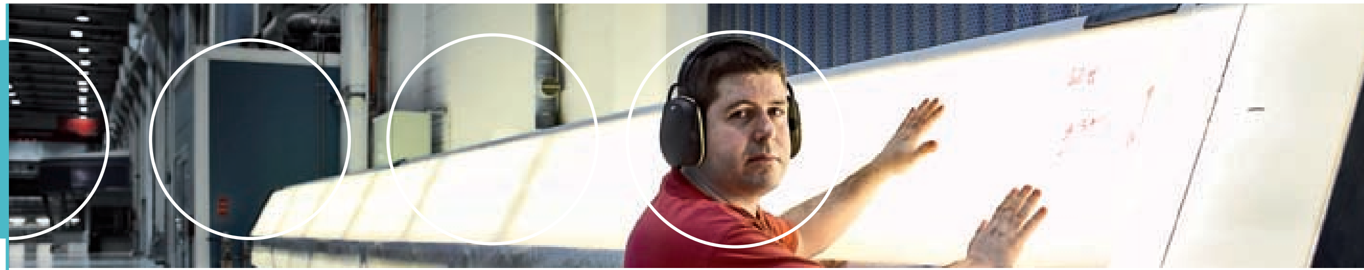
Transportation Issues and Trade Flows

Transport is a critical issue for the European industry especially because of the closely associated issues of energy and climate change. These three areas have major implications for the cost structure of the industry. Transport is an inherent requirement because of the nature of the industry with the raw materials usually located at considerable distances from final markets. These are internal as well as external, with only a relatively modest 17% of production exported outside the CEPI area.

To fulfil customer demands and remain competitive, companies are dependent on user-oriented, cost-efficient, high quality and reliable transport networks based on rail, road and water. CEPI believes that policies to mitigate climate change will further increase cost pressures related to transportation of raw materials and finished products as well as the industry's environmental footprint. CEPI believes that this is not widely understood and is working to generate further relevant data.

[1] Labour productivity should be read as "finished metric tonnes per man hour".

[2] Cash manufacturing cost includes consumables needed to produce ready to deliver non-converted products Capital costs and transport costs are not included.

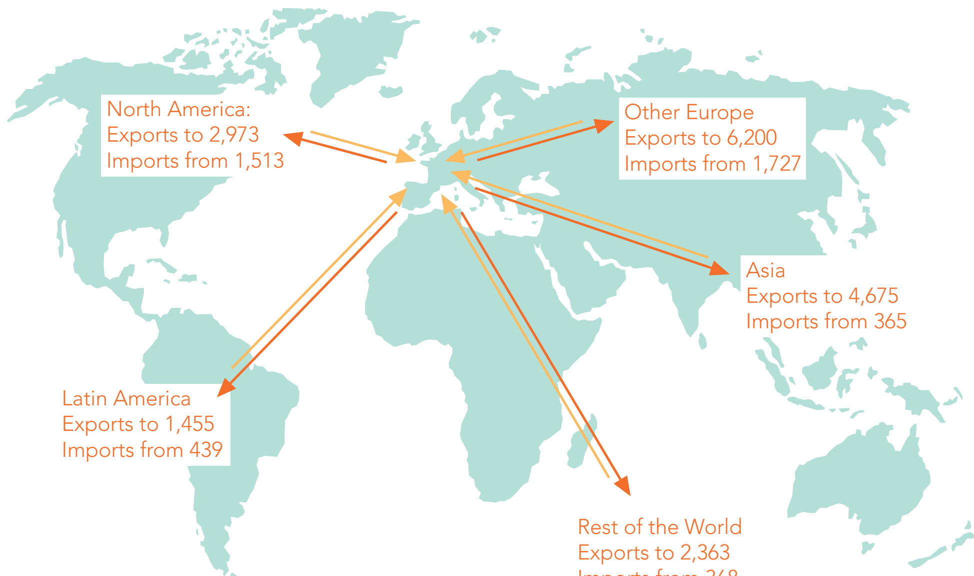


Road-transportation remains the main mode of transport for European pulp and paper distribution and, due to current market demands, this is likely to continue. Around 55% of road transport covers long distance trips, 30% regional distance and the remainder local distance. Road transport provides flexible services with respect to departure time and destination and it is the fastest for distances up to 500km. Alternatives such as rail, unfortunately often offer low cost-efficiency, inferior quality of services and a fragmented network. Indeed, service deterioration has led rail freight to lose market share mainly to the benefit of road transportation.

External logistics account for approximately 10% of annual turnover and further cost increases are expected in the coming years due to the lack of transport capacity, stricter safety standards, more restrictive social legislation – such as that governing truck drivers' working time – and factors such as road-pricing and fuel taxation. Innovation, smart and more environmental friendly solutions and rationalisation in transportation and warehousing have therefore significant impact on the European pulp & paper industry's profitability. Achieving a 5% cost reduction in logistics can result in a 0.5% to 1% total cost reduction according to some estimates.

Gain a better understanding of, and therefore be able to reduce the environmental impact of both its in and outbound transport.

CEPI has formed a transportation network. This is active in monitoring EU transport policy development, analyzing and assessing the sustainability impacts of transport and identifying specific solutions to lower them. CEPI will work on further improving the analysis of environmental impact of transport.



Source: CEPI, 2006

Change

When given the chance we can contribute. And that is where CEPI is working today, integrating the climate, energy and competitiveness issues in one vision for industry policy. And working towards the future.

Acting on Climate Change

The Stern report and Al Gore's movie, combined with the global change in weather patterns has now brought clear public focus on the issue. In Europe, new proposals for the Emission Trading System (post 2012) will be developed and be finished in 2009 and negotiations for further climate change targets have started.

In the fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC), the pulp and paper sector is addressed in two chapters – on industry and on forestry. This makes our sector unique as our raw material source, the forest, our products and our production practices have a role to play in climate change mitigation. For our sector this means there are challenges on several sides

"The New Industrial Revolution"

When the European Commission published its first Energy and Climate Change package on 10 January 2007, it used the words "a new industrial revolution". It would actually require a revolution – new ways of working and new ways of organising the society we know.

The European Union has set an overall climate target of minus 20% CO_2 compared to 1990 levels by 2020. In order to meet this target, a 20% energy efficiency target compared to baseline scenarios and a 20% renewable target have also to be met.

Paper Industry Direct Emissions

The European pulp and paper industry has a direct emission of about 40 Mtonnes of CO_2 per year, 2% of the emissions under the EU ETS and less than 1% of the EU total CO_2 emissions. These CO_2 emissions are mainly caused by combustion processes: producing the electricity and heat needed for the paper making processes. Indirect emissions are caused by purchased electricity. Compared to these two sources, other emissions from the industry are relatively small.

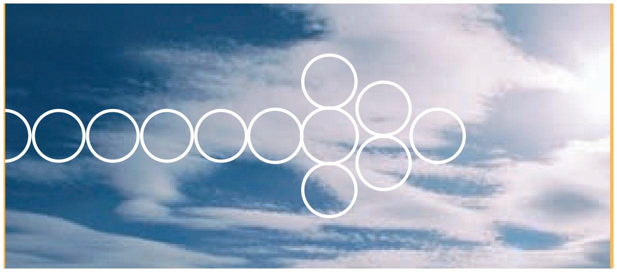
Approximately 50% of all primary energy used in the industry is biomass based with the second primary energy source being natural gas. In fact the industry is the largest producer and consumer of biomass based energy – 25% of the EU total. The industry's reliance on bio-energy means that the CO_2 intensity is not very high, and potential CO_2 reduction in the pulp and paper industry is limited but still, more can be done.

The European pulp and paper Industry is an appointed sector in the EU ETS: about 900 installations producing more than 20 tonnes of pulp/paper per day, are included in the system excluding only about 260 installations.

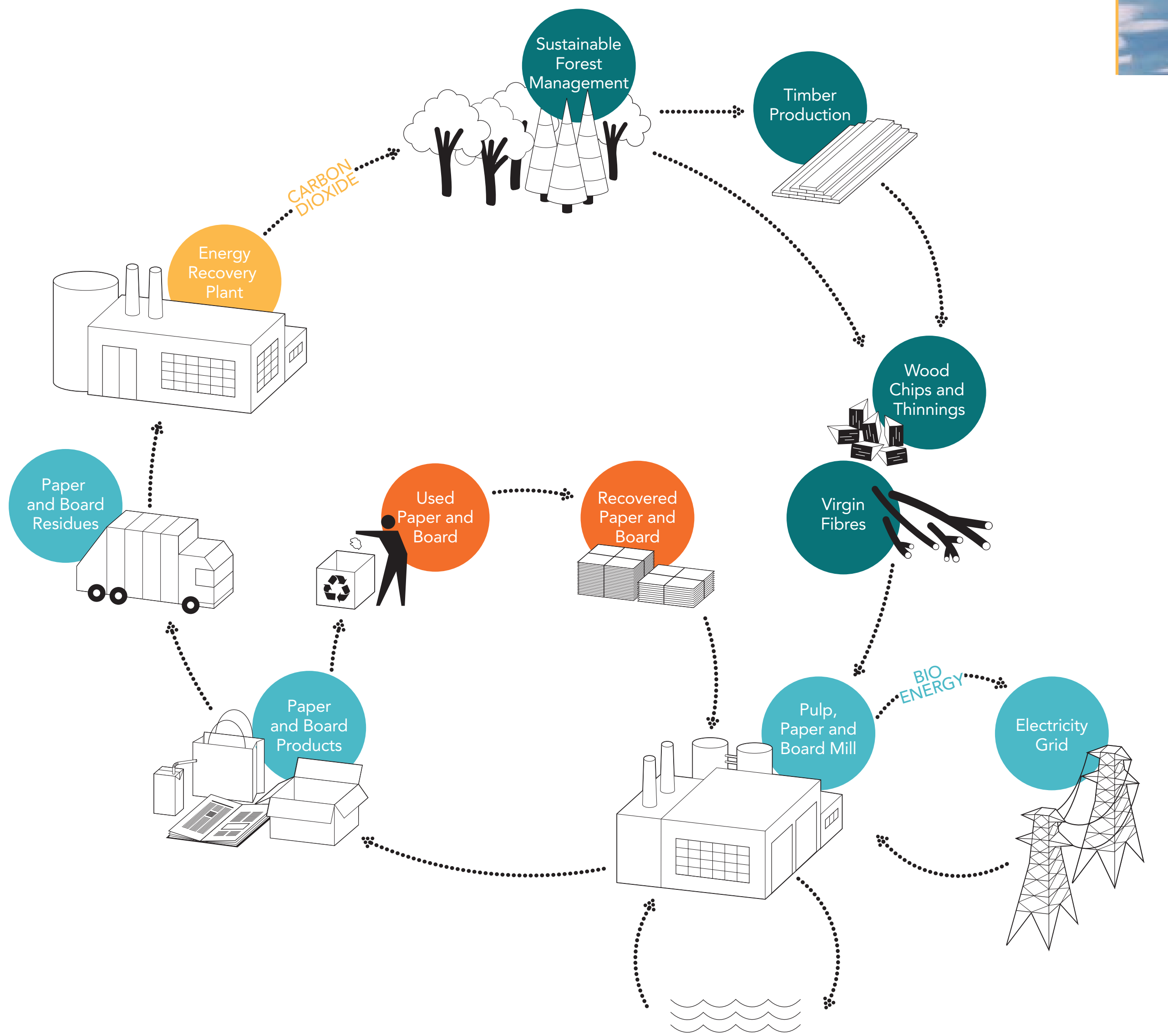
Great Improvement in Emissions per Tonne

The EU pulp and paper industry is a growing industry and production of paper has increased by 56% since 1991, or 3.0% on an annual basis. At the same time, the industry has increased efficiency, and become more energy self-sufficient. CO_2 emissions per tonne of production have decreased by 29% during the past 15 years.

The industry's main resource is renewable and absorbs CO_2 whilst growing. This CO_2 is also kept in forest products, such as books, paper, packaging, etc. Climate change is intimately linked with forest management and in this respect we have been promoting sustainable forest management procedures. Therefore, our industry has the potential to bring a positive contribution to climate change mitigation. A first study has now been developed describing the carbon profile of the global forest based sector.



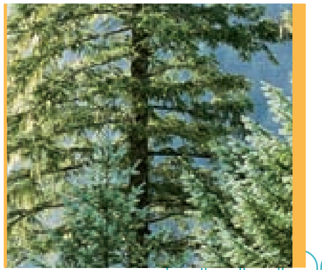
The CO_2 Cycle



Climate change mitigation and the ambitious targets set require a full set of measures, across the entire value chain. The European pulp and paper industry has and is investing heavily in new efficient technology. Where possible, mills have made the change towards biomass as an energy source. Black liquor gasification, bio-refinery technologies, new boilers and new ways of using waste streams have come into focus. For the long term future, breakthrough technologies and new supply chains still need to be developed.

Carbon Footprints

Not only policy makers, but also the markets have focused on carbon emissions. In the past months the carbon footprint of products has become one of the most debated issues in the industry, being led by the UK market. CEPI has worked to produce a common understanding on the issue, resulting in a common framework on carbon footprints for paper and board products. The aim is that companies can use this framework as guidance in presenting the carbon footprint of their products to the customers that wish for this.



Environment

It is essential to make the connection between climate change policies and the competitiveness of industries.

Those sectors that come through the industrial revolution as winners are active, innovative, leading companies that focus on energy, raw material and carbon efficiency. The industry is developing its activities. Governments and policy makers in Brussels should however do the same. This industrial revolution will only be possible if all prerequisites for this transition are in place. This is a huge responsibility for policy makers. New technology is one thing; new policy approaches will also be required. Well functioning energy and carbon markets, a transitional approach for energy intensive industries and a global level playing field still need to be realised. Especially for our industries, a focus on the carbon cycle is important. Preventing distortions on the wood markets from biomass policies is a key concern.

Respecting the Environment

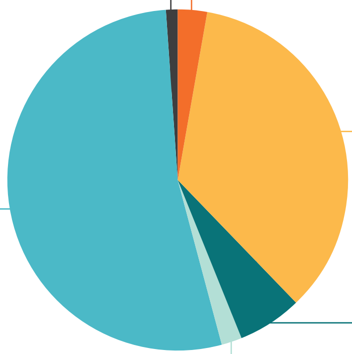
Energy - Between Climate, Competitiveness and the Environment

Pulp and paper is an energy-intensive industry. Around 16% of the production costs on average come from energy consumption, and as such, improving the energy efficiency of the production processes has both competitive and environmental implications. Higher prices of electricity and gas in the past year, driven by both oil prices and environmental policies, have again focused the industry on energy efficiency.

In general, the pulp and paper industry is working to become more and more independent and self-sufficient in its energy production. Because of its constellation, fuel mix changes, the use of combined heat and power (CHP) and energy efficiency measures all pay off. Large improvements can be made during rebuilds or when installing new machines. Investment-cycles in industry are long (10-20 years). Therefore staying attractive for investments is the key driver for the European pulp and paper mills to become more energy efficient. Energy is a core issue in competitiveness and energy use has key environmental implications. The achievements of the industry are shown below.

	1990	2003	2004	2005	2006
Specific primary energy consumption (TJ/kt)	12.99	12.19	11.81	11.52	11.50
Specific electricity consumption (MWh/t)	1.25	1.10	1.08	1.04	1.04
% of electricity produced through CHP compared to total on-site electricity generation	87.39	93.65	93.65	95.55	96.02

CEPI Countries: Primary Energy Consumption 2005



The Sector is Working Hard in Two Key Areas:

1. **Renewable Energy:** The pulp and paper industry is the biggest industrial user and producer of bio-energy in Europe, responsible for one quarter of the total solid biomass based energy used. Almost 50% of all primary energy in the pulp and paper industry is biomass based and this is still increasing.

In 2003, through CEPI, the industry* committed to further increasing the share of biomass from 49% to 56% on average in its on-site total primary energy consumption by 2010.

	2001	2002	2003	2004	2005	2006
Biomass Use (%)	49.3	52.4	51.8	52.6	52.5	54.5

Direct CO_2 Emissions**	1990	2002	2003	2004	2005	2006
Absolute (mega tonnes)	36.89	40.06	41.54	40.18	39.12	39.02
Specific (kt CO_2/kt of product)	0.53	0.40	0.40	0.37	0.36	0.34

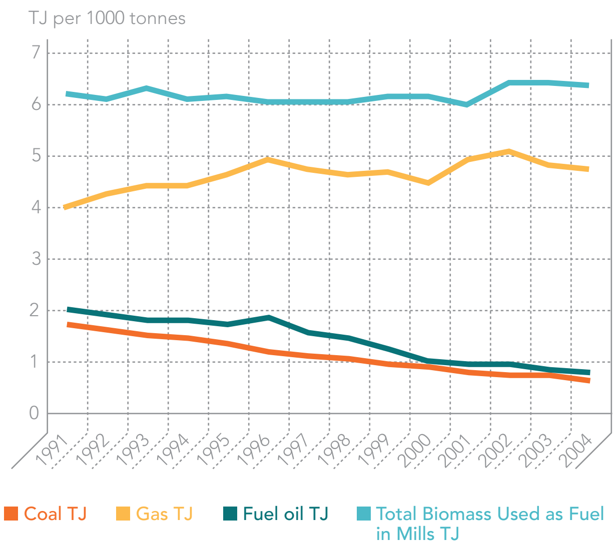
Source: CEPI

* including Austria, Belgium, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Spain and Sweden

** excluding Switzerland and Hungary

2. Combined Heat and Power Production (CHP): Companies have been using more and more combined heat and power production, based on either biomass and natural gas. CHP is an excellent technology for the pulp and paper industry, as both the electricity and the heat that are produced in these installations is used in the mills. Combining the production of heat and electricity saves a significant amount of fuel compared to the separate production of electricity (bought from the national grid) and the production of heat (steam) in separate boilers on site. The further use of gas based CHP, however, is slowed down by the worsening spark-spread (the difference between electricity prices and gas prices). In many countries support schemes for CHP are still in place. A further policy push is expected when the CHP directive is implemented fully.

Evolution of Energy Consumption Structure



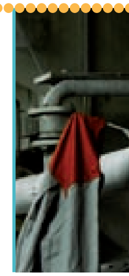
Source: CEPI

Using wood for paper first and for energy last. A study by Pöyry in 2007 confirmed that.

CEPI commissioned a study to McKinsey & Co and Jakko Pöyry of the impact of the European Commission's 20% renewable energy target. The report presents potential solutions to close the expected imbalance between expected future wood demand and supply. Examining different scenarios and taking into account subsidies and various technologies, the study concluded that available biomass would be insufficient to meet demand in 2020. Excessive reliance on forest biomass must be avoided. Although it is superficially tempting as a solution that is rapid to implement, it is not the most energy efficient and sustainable option. It would lead to additional pressure on forests, higher costs and a decrease in the sector's global competitiveness.

- Biomass is extensively used by the pulp and paper sector for energy production. This is reinforced by the sector's public commitment to increase the share of biomass-based energy in total primary energy consumption from 49% in 2001 to 56% in 2010.
- Using wood as raw material the paper industry creates four times more value and retains six times more jobs than the energy sector would by burning wood. Promoting the use of wood first as a raw material to make products, encouraging the recycling of used products, and then recovering energy when recycling is no longer feasible would make a far greater contribution to environmental, social and economic sustainability.

Performance



Sustainable Energy Europe Campaign

In 2007, CEPI became an associate member of the 'Sustainable Energy Europe Campaign'. The campain is the successor of the 'Renewable Energy Campaign for Take-Off' where CEPI participated thanks to its 'Declaration of Intent on Renewable Energy Sources'. The new campaign promotes energy efficiency and the development of energy from renewable sources in the EU until 2008. As associate member CEPI commits to support the objectives and communicate on them.

Vision for the Future – Bio Refinery in Sweden

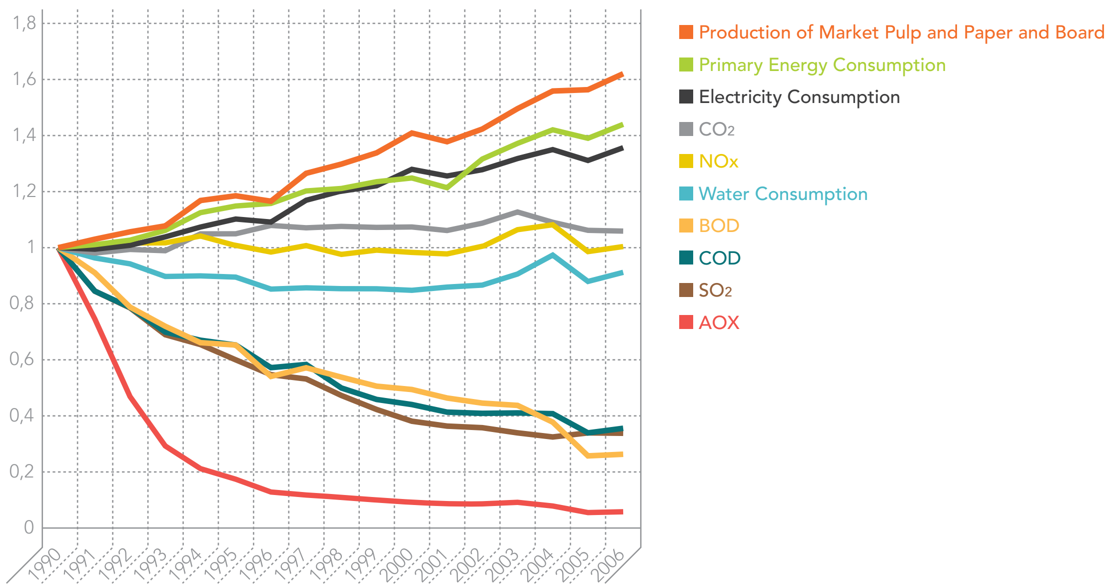
A pilot factory in Sweden shows how pulp factories become refineries for biofuels. The research project "Black Liquor Gasification" (BLG) is a project of the ETC (Energi-Tekniskt Centrum) in the north of Sweden. Together with Chemrec they built the first pilot machinery in 2004 on the Smurfit Kappa plant. Seven different organisations are taking part in this project. Black liquor is a valuable side product that pulp making produces. Through the new refinery mechanism the plant can win back sulphate and sodium and synthesised gas that can be used for electricity in the plant or to produce biofuel. If the project is successful, 30% of Sweden's fuel could come from black liquor or one gigawatt of electricity can be introduced back into the grid.

Environmental Performance

Reducing the environmental footprint is a priority for the sector. The graph on the right shows that the environmental impact measured in emissions has decreased whilst production of market pulp, paper and board has increased by 150% since 1990.

Data generation requires significant investment of time and effort. To increase efficiency the CEPI secretariat has improved, updated and consolidated questionnaires on the basis of Members' comments. A real time data collection system is planned as the next stage to overcoming remaining challenges linked to data compatibility and ease of collection.

Paper Production : Decoupled Growth Levels and Environmental Impacts



	1990	2002	2003	2004	2005	2006
Specific amount of residues landfilled (kg/t of product)	76.70	27.80	27.65	25.53	19.88	19.17

The industry strives to minimise the amount of residues for landfills.

Water emissions have received clear focus as well and have been improving in time.

	1990	2002	2003	2004	2005	2006
BOD (kg/t of product)	5.28	1.61	1.51	1.25	0.84	0.83
COD (kg/t of product)	27.28	7.64	7.29	6.95	5.76	5.83
AOX (kg/t of product)	0.60	0.05	0.05	0.04	0.03	0.03

Key air emissions are SOx and NOx, connected to the combustion of fuels for energy production and the production of pulp.

	1990	2002	2003	2004	2005	2006
Specific SO_2 emissions (kg SO_2/t of product)	1.76	0.44	0.39	0.36	0.37	0.36
Specific NOx emissions (kg NOx/t of product)	1.35	0.93	0.94	0.92	0.83	0.82

In 2003, the European pulp and paper industry committed to strive towards a situation where all pulp and paper in Europe is produced in mills with an Environmental Management System.

From 2004 to 2006, the percentage of pulp and paper products produced in mills with an Environmental Management System (ISO 14001 or EMAS) increased from 76% to 83%.

CEPI REACH Guidance Published for the European Paper Industry

REACH – the new EU chemical regulation – requires manufacturers and importers of chemicals to register all existing and future new substances. CEPI has developed a REACH guidance document, including recommendations and indications on how to implement the new rules in the pulp and paper industry. It covers the whole pulp and paper making processes (from input to output) and focuses on the requirements for downstream users, offering tools to deal with these requirements. Furthermore, the guidance contains a non-exhaustive list of possible substances, by-products and intermediates that could be produced by a mill indicating for which situations registration is needed/not needed.

Raw Materials

Sourcing of Raw Materials

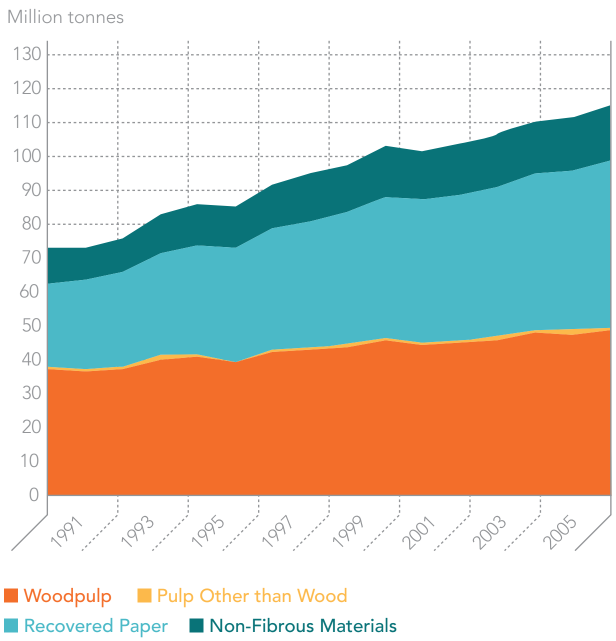
Legal and Sustainable Wood Mobilisation

The pulp and paper industry has a clear interest in ensuring that forests are managed sustainably to secure a long-term, balanced supply of wood. This aim is in complete alignment with the interests of local communities and society in general. Sustainable economic activities linked to forests in practice are the best guarantee that forests remain healthy and intact.

Reporting on the implementation of the Code of Conduct and compliance, which it is expected at both national and European level.

The Code of Conduct on Legal Logging launched by CEPI during the ENA-FLEG Ministerial Conference in Saint Petersburg in December 2005 has been endorsed by all 17 National Associations of CEPI. All National Associations have made their member companies aware of the Code of Conduct and its six principles. From now on an increasing number of companies explicitly include requirements on legality in their procurement policy. A growing number of companies are using tracing systems either independently or within their Chain of Custody certification to be able to demonstrate the legal and ideally sustainable origin of their raw material as provided for in principle 4 of the Code of Conduct.

Raw Material Consumption in Papermaking in Europe



Certification[1]:

The figures for certification indicators have changed due to CEPI's efforts to improve data collection. The latest figures from 2006 show that

- 86% of the company-owned/leased forest areas in Europe are forest management certified by independent forest certification schemes (without any distinction of scheme);
- 55% of the round wood, chips and sawdust delivered to company-owned mills in Europe are forest management certified sources;
- 87% of the market pulp production capacity by company-owned mills in Europe own chain-of-custody certification, while 49% of the market pulp sales (not internal deliveries) are sold with a Chain-of-Custody-certificate enabling further labelling;
- 63% of the paper, tissue and board production capacity by company-owned mills in Europe own Chain-of-Custody certification, but only 8% of that are sold with Chain-of-Custody-certificate enabling further labelling, due to little demand.

[1] These data have been collected directly from companies and cover 90% of the European pulp and paper production capacity.

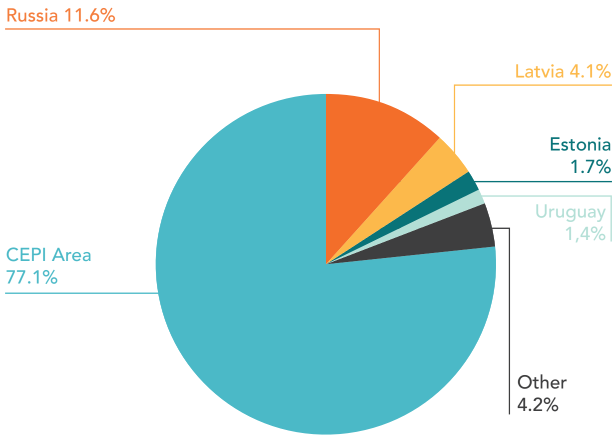
CEPI, together with its National Association's members, will develop an improved and more consistent reporting mechanism across all CEPI member countries, and thereby address the problems found in collecting data.

Trade Flow patterns

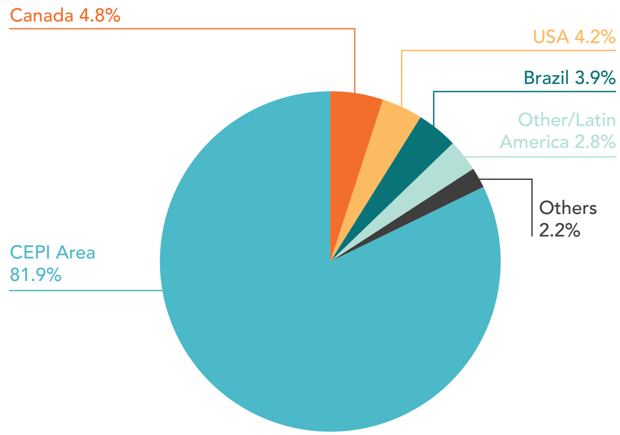
According to best currently available data, members generate 77% of their own requirements for virgin wood fibre within the CEPI area and import 23%, principally from Russia, the Baltic States and Uruguay. Concerning pulp, the main external sources are Canada, USA and Brazil.

Wood imports from outside the CEPI area totalled 29.0 million tonnes or 34.5 million m^3 in 2005. This situation has remained stable since 2002. The most important imported wood category in 2005 was hardwood (HW) pulpwood, mainly aspen and birch, with 12.4 million tonnes followed by softwood (SW) pulp with 5.7 million tonnes and softwood (SW) saw logs with 4.9 million tonnes. About 80% of total wood imports consist of these three main wood categories.

CEPI Wood Consumption Origin



CEPI Pulp Consumption 2005



Source: Pöyry Consulting, Eurostat, CEPI – 2005

To identify better the origin of the overall wood consumed in the CEPI area and improve its statistics and knowledge, CEPI launched a trade flow study with Pöyry, which explored all the main sources of information available and checked their reliability. This study describes the imports and sources of wood used in pulp, paper and board production in the countries covered by CEPI. The potential sources of error and their magnitudes were identified by Pöyry. As a follow up CEPI will set up a monitoring tool to follow wood import developments in terms of volumes and origins over the years and will improve the quality of its wood consumption data and its level of details.

Mobilisation of Wood

CEPI helped to organise and took part in a workshop on wood mobilisation in January 2007 in Geneva, Switzerland. The aim was to explore possible solutions to the issue of competition for fibre. Other participants included the UN Economic Commission for Europe (UNECE), the Ministerial Conference on Protection of Forests in Europe (MCPFE), FAO and the European Forest Institute (EFI) and the Swiss Government. Recommendations from the workshop were:

- Coordinate policies to avoid perverse or contradictory effects of competition. This would be led by governments in cooperation with all stakeholders.
- Improve the quality of information on wood resources and use the data to improve supply flows.
- Promote the sustainable utilization of forests by working more closely with forest owners.

Biodiversity

Biodiversity protection is an important environmental indicator. For business, biodiversity is part of sustainable forest management and thereby inherent to the preservation of forests as a supply of raw material. The industry fully supports the EU goal to halt or significantly reduce the loss of biodiversity in Europe by 2010 and is willing to take appropriate measures.

CEPI wants to identify actions to support and promote the preservation of biological diversity and to work in partnerships with science-based environmental organisations.

CEPI works with the World Conservation Union (IUCN) on Biodiversity.

Procurement policy influences forest management and can help to ensure that biodiversity receives adequate attention. Forest certification, for example, explicitly includes reference to biodiversity. In addition, CEPI Members have developed their own individual wood procurement policies with biodiversity provisions.

Recycling

Recycling

Demonstrating its commitment, CEPI together with other industries involved in paper has set a target of 66% for recycling by 2010 in 29 European countries (EU 27 + Norway and Switzerland).

To guarantee good recyclability of used paper products, CEPI has involved the paper value chain to improve the eco-design of products made of paper and board and auxiliary materials. It has also developed “Guidelines for responsible sourcing and supply of recovered paper” and is developing a European recovered paper identification system, together with relevant stakeholders. The identification system will assist quality management and help industry and authorities identify sham recovery operations.

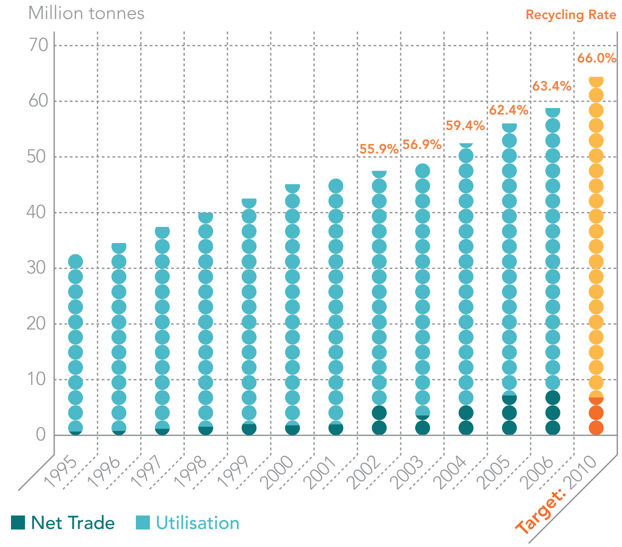
Through the “fibre-flow” project, CEPI is working better to understand paper consumption patterns and thereby increase recycling. The project was a target set in the 2003 Report. It was finalised in 2005 and is now a continuing activity.

Quality of Recycling Rate Statistics

A quantitative target on paper recycling in Europe was set in September 2006 and will be subject to annual reporting. The target also obviously requires quality statistics and CEPI has invested considerable effort here. The Pöyry consultancy was appointed in 2005 to produce quality data on paper recycling and consumption, including for non-CEPI countries within the EU 27. In 2006 PricewaterhouseCoopers was appointed on an annual basis to verify the recycling rate calculations according to the International Standard on Assurance Engagements (ISAE 3000).

The quantitative target on paper recycling rate in Europe was set in September 2006 and will be reported on annually.

European Declaration Progress 2006



Source: CEPI

European Declaration on the Recycling Rate: 13 Associations Along the Paper Value Chain Have Joined the Declaration

In 2005 CEPI proposed to a number of stakeholders to start drafting a new Declaration for the following 5-year-period and was very pleased that the 13 associations of the European Recovered Paper Council (ERPC) decided to join. The aim is to improve eco-design for improved recyclability and increased collection of paper and board. The First Declaration covered CEPI countries (as of 2000), whereas the New Declaration will cover 29 countries – 27 EU Member States, plus Norway and Switzerland. The extension of the scope of the New Declaration will significantly increase the volume of paper consumption that is used to calculate the recycling rate.

European Paper Recycling Award

The European Recovered Paper Council (ERPC) launched a European Paper Recycling Award in 2007. The award will recognise innovative projects to enhance recycling in Europe. Eligible projects, initiatives or campaigns need to fulfil one or more of the following criteria:

- Promote or encourage paper recycling;
- Facilitate or improve paper recycling operations;
- Raise awareness of recycling and how to recycle paper.

Europe wide recognition of the winner's efforts will be accompanied by an original piece of 'paper' artwork, handed over to the winners in a ceremony during the European Paper Week in Brussels.

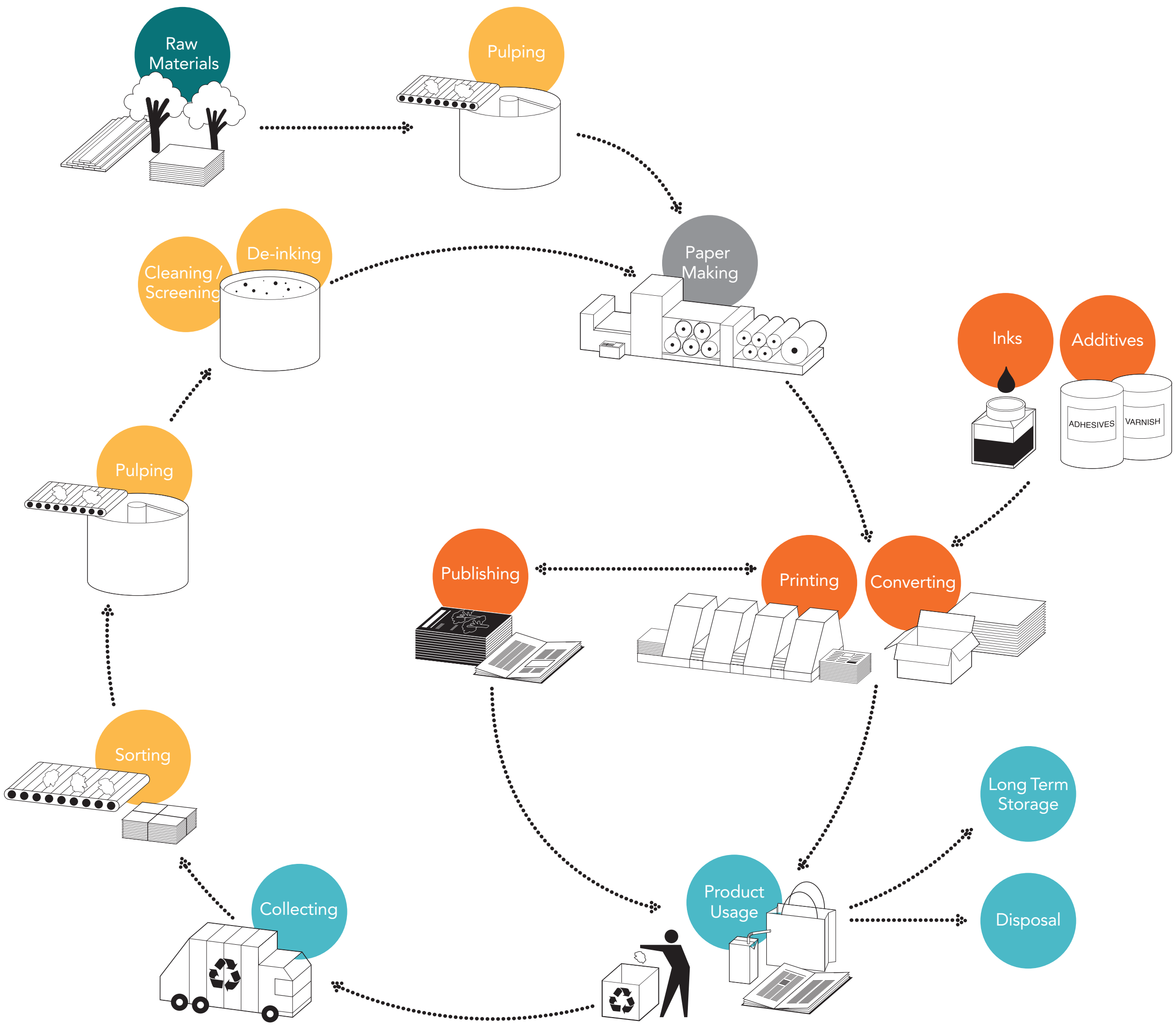
CEPI, together with the relevant stakeholders and sectors, will work to maintain a comprehensive set of responsible sourcing of recovered paper and to actively promote their implementation.

In 2006, CEPI published two documents on responsible management of recovered paper:

1. Guidelines for responsible sourcing and supply of recovered paper.
2. Best Practices for the global inspection of recovered paper.

CEPI also investigated its guidelines on responsible sourcing and quality management of recovered paper. Weak areas in responsible sourcing, mainly increase of co-mingled collection of paper together with other recyclables in the UK, were identified and work to halt and reverse the tendency was started.

Paper Recycling Value Chain



The illustration depicts the role of the 13 associations along the paper value chain that are members of the European Recovered Paper Council.

ASPAPEL Develops a Study on "Diagnosis of Paper and Board Collection in Spain"

ASPAPEL's – the Association of Spanish Pulp and Paper Manufacturers – undertook a study "Diagnosis of Paper and Board Collection in Spain", which showed that hypermarkets generated and managed on site in Spain 363,000 tonnes of packaging and wrapping papers, i.e. 14% of the total market, with a recycling rate of nearly 100%. Given the significance of this flow of paper and board packaging for recycling, the Spanish Association of Corrugated Board Manufacturers sponsored a collaboration project between CARREFOUR and the Polytechnic University of Madrid to study the internal flows of cardboard packaging in CARREFOUR hypermarkets, identifying possible improvement areas and attempting to contribute a methodology for managing used cardboard packaging in the centres. The methodology was included in a handbook.

For more information on recycling issues, please consult Recycling Facts on the CEPI website at www.cepi.org or visit www.paperrecovery.org

Social

Promoting Social Development

An independent study* found that promoting the use of wood first as a raw material to make products, encouraging the recycling of used products, and then recovering energy when recycling is no longer feasible would make a far greater contribution to environmental, social and economic sustainability. Importantly, this approach provides significantly more value added to the economy and retains significantly more jobs. The pulp and paper industry creates and maintains, at core level, 264,000 jobs while the energy sector would create 46,500 jobs. When total employment figures are analysed, the comparable numbers are 2,950,000 for the pulp and paper industry and 229,000 for the energy alternative.

Social Affairs

Social responsibility is one of the three pillars of sustainable development and as such a critical for responsible, profitable and competitive businesses.

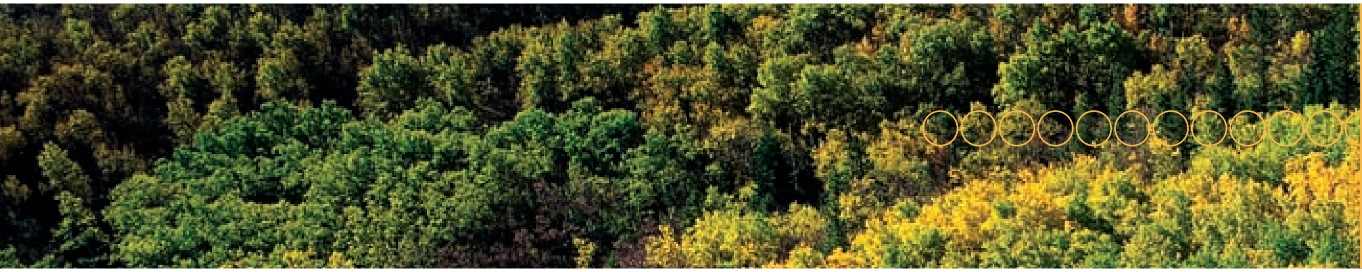
CEPI aims to maintain industry competitiveness as an essential for employment numbers and quality. Many areas of social affairs, however, are best addressed closer to the field, to the mills, to the companies and to the local communities. CEPI's role is to monitor relevant legislation, exchange labour information, share best practices in Health & Safety, and maintain dialogue with stakeholders at European level.

Within this mandate, CEPI has developed its activities to reinforce the industry's approach to the social pillar of sustainability. One important advance has been on common definitions for accidents and absenteeism. CEPI is now seeking to reach a common understanding of 'employability'.

The Dutch Association, the Dutch Ministry of Social Affairs and the Unions Work Together and Achieve Good Results

VNP, the Dutch Association, has finished a 5-year health & safety project in cooperation with the Dutch ministry of social affairs and the unions. The incident rate declined form 45 accidents per 1000 employees to 10; the absenteeism rate fell from 6% to 4%.

* 'Value added creation in the European pulp and paper industry and bio-energy sector' Pöyry Forest Industry Consulting, 2006. Statistical data source for both value added and employment analysis: National Accounts Statistical Collections by OECD (STAN, ISIS), Eurostat and national statistical bureaus.



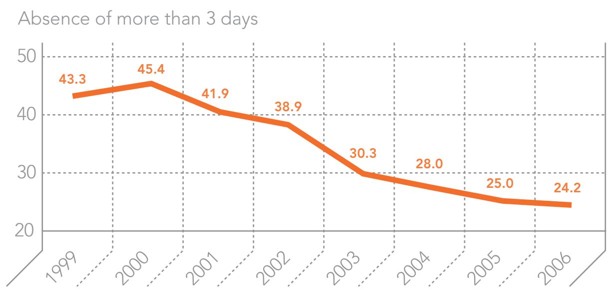
Health & Safety

Safety is the business of all employees at whatever level. From this starting point, many companies have established their own programmes to achieve zero accidents. Educating employees about a risk behavior through peer observation, monitoring illness indicators, implementing specific training courses, increasing dialogue with supervisors, are some of the Health & Safety best practices implemented in the pulp and paper industry. The CEPI Health & Safety group's main objective is to help its members to learn and benefit from each other. The group also acts as a rapid alert centre for the industry in the event of major incidents.

The European paper industry strives towards a zero accident industry.

Incidence rate*

In 2006, accidents resulting in an absence of more than 3 days stood at 25 out of 1000 people employed, down from 34 out of 1000 in 2003.**



Responsibility Pays Off – Health & Safety in Austria

Austria's social partners – including Austropapier, labour unions, the Austrian social insurance for occupational risks and the fund for a healthy Austria – launched the 'healthy paper" project to evaluate health and working conditions in Austrian paper mills. The measurement standard was the Human Work Index. This allows not only assessment of the current situation but also future scenarios. The Index measures work force productivity based on workload, work interest and team work. At 80% the response rate on the questionnaire was very high and the final result of 76% indicated good working conditions, especially in comparison to other sectors.

* Incidence rate: number of accidents (fatal and non-fatal) x 1000/number of employees (absence of more than three days).

** Accidents at work do not include road accidents from commuting from or to work. Data covering 11 CEPI countries. The accident data mentioned in this report is based on the ESAW methodology (European Statistics on Accidents at Work, edition 2001).

Education & Training

As opposed to developing a European-wide initiative, CEPI is involved in specific projects linked to education and training.

The European paper industry seeks to increase the employability of its workforce through increased and continuous training.

VDP – Papierschule – Paper School

Paper is used daily in different formats and has virtually endless possibilities. The VDP offers course materials for special classes and project work that explain the production process in simple terms and show the importance of paper in a historic, societal, economic and technical context. Paper school was developed for 7th to 10th grade. It includes working material, project descriptions and guidelines.

VAPA Project: The Paper Train

PaperTrain is supported by EU funds under the Leonardo da Vinci programme. The project aims at developing training material for guided self study for operators in the paper, board and corrugated board industry.
The project started in October 2006 and will continue for two years.

Goals are:

- Definition of a set of competence profiles for machine operators;
- Developing 40 multi media instructional modules for operators in paper, board and corrugated board mills;
- Incorporation of a European development and distribution centre for the maintenance of the project.

PaperTrain is an initiative of VAPA, the training centre for the Dutch paper, board and corrugated board industry, with the support of associations, mills and educational centres from Austria, Germany, Belgium, France, Spain, Slovenia, Hungary and Switzerland.

CEPI is a partner in the project. Its role is to communicate goals and achievements and to participate in the evaluation of deliverables.

Innovation

Research & Innovation

CEPI is one of the founders and funders of the Forest–Based Sector Technology Platform (FTP) and as such contributed to defining the Strategic Research Agenda (SRA) for the sector. The SRA is aimed at increasing the competitiveness of Europe by developing innovative products and services. It outlines the need for a scientific approach that will generate better understanding of society's needs and provide effective responses. By tackling areas such as sustainability, product development, resource availability, multiple forest use, biodiversity, the production of bio-energy and energy efficiency, the SRA is clearly an ambitious initiative to take the sector to new leading levels and introduce its competitiveness at global level. Under the FTP, the pulp and paper industry will undertake developments and inovative projects that will build on its global leadership and contribute to meet the requirements of a European economy that will be based on knowledge, bio-based products and bio-energy.

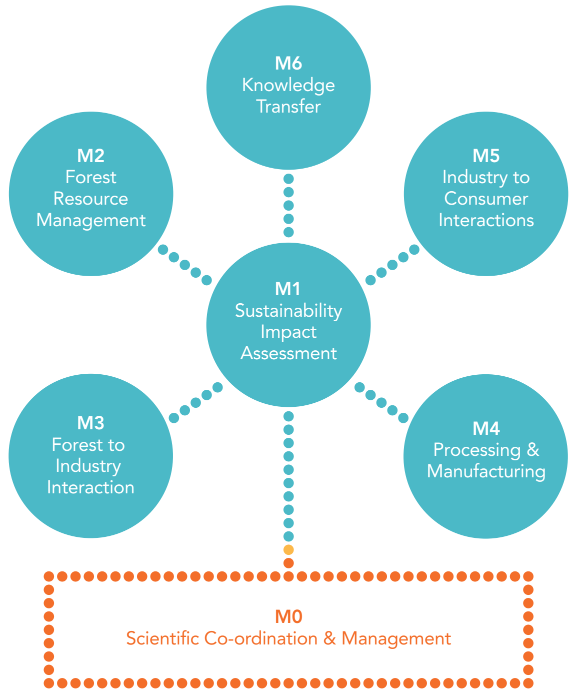
Investments in innovation in the paper industry are made in a number of ways: direct industry investment in product development, financial support to research institutions, and the suppliers' developments in new machines and equipment.

EFORWOOD

CEPI is one of the partners of EFORWOOD, a four-year (2005- 2009) integrated project, funded under the EU "Global Change and Ecosystem" research activity of the Sixth Framework Programme. The project includes 38 organisations in 21 Countries.

The aim is to develop methodologies and tools to integrate Sustainability Impact Assessment of the whole European forest products chain, by quantifying performance of the chain, using indicators for the three pillars of sustainability. It will deliver a tool to assess the impact on sustainability of policy changes, market drivers and technological innovations in the forest products chain. CEPI provides data on pulp and paper and communicates results and achievements.

For more information, visit www.eforwood.org



FTP Bio-refinery Task Force

Bio-refinery is defined as: "Efficient use of the entire potential of raw materials and by-streams of the forest-based sector towards a broad range of high added value products (by co-operation in and between chains)."

With the requirements for a low-carbon society and the challenges at a global industrial scale, bio-technology will help the pulp and paper industry to fully integrate the solution of the future.

As part of its strategic research agenda, FTP set up a taskforce on bio-refinery, led by CEPI to promote the advanced, zero-waste and wood-based bio-refinery concept. The results point to five research directions:

- Efficient separation and conversion processes;
- Bio-refinery as a source for wood-based biofuels;
- Recycled fibre bio-refinery;
- Synergies with the agricultural and chemical sector;
- Socio-economic impact of bio-refinery development.

A complete report on these strategic issues is available on: www.forestplatform.org

Biorefinery Euroview

CEPI is a member of the consortium for the sixth framework programme's 'Biorefinery Euroview'. A biorefinery is a facility that integrates biomass conversion processes and equipment to produce fuels, power, and/or chemicals from biomass. The project focuses on studies of existing and planned bio-refineries, socio-economic factors and regulatory aspects, as well as developing a range of theoretical scenarios for bio-refinery development.

Research for Food Contact Applications

Paper and board is manufactured from safe, natural raw materials and is entirely suitable for mainstream food packaging materials for which a very high standard of product safety is required. CEPI commissions R&D to demonstrate compliance with all existing aspects of consumer safety and to answer the challenge presented by increasing scientific knowledge.

The R&D programme focuses mainly on the chemical purity of paper and board and the foodstuffs with which it comes into contact.

- **Biosafe project**, in collaboration with the European Commission, concluded in 2006 and produced a groundbreaking new method on bioassays for food contact packaging. Currently the method is being transformed to an international standard. Biosafe excludes any testing on live animals.
- **Industry guidelines** have been produced by CEPI together with industries along the food packaging value chain as a European reference for best manufacturing process of paper and board in food contact. The work to obtain regulatory endorsement for the guidelines is continuing.
- **Safepap website** consolidates chemical and safety data available in the industry to increase the knowledge of those working with paper and board about food contact. The website assists both people without training on chemistry or food contact issues with comprehensive and easily accessible information sheets. For specialists, it consolidates references to scientific sources of studies.

Summary Table of Indicators

Economic Indicators

	Status	Page
Investment/turnover ratio	Updated	16
Paper consumption	Updated	16
Imports and Exports	Updated	17
Environmental impact of transport	Investigation started	18

Environmental Indicators

	Status	Page
Specific primary energy consumption (TJ/kt)	11.50	22
Specific electricity consumption (MWh/t)	1.04	22
% of electricity produced through CHP compared to total on-site electricity generation	96.02	22
Ratio of biomass-based energy consumption in total primary energy consumption	54.45	23
Absolute CO_2 emissions from on-site consumption of fossil fuels (mega tonnes)	39.02	23
Specific CO_2 emissions (kt CO_2/kt of product)	0.34	23
% of mills certified with EMS (2002)	83	26
Specific amount of residues landfilled (kg/t of product)	19.17	26
Specific BOD load (kg/t of product)	0.83	26
Specific COD load (kg/t of product)	5.83	26
Specific AOX (kg/t of product)	0.03	26
Specific SO_2 emissions (kg SO_2/t of product)	0.36	26
Specific NOx emissions (kg NOx/t of product)	0.82	26
Raw materials consumption	Updated	27
Implementation of the Code of Conduct on Legal Logging	Progress made	27
Development of more consistent reporting mechanism	Progress made	28
% of company owned/leased forest that are certified	86	27
% of round wood, chips and sawdust from certified sources	55	27
% of market pulp production capacity with chain-of custody certification	87	27
% of paper, board and tissue production capacity with chain-of-custody certification	63	27
Promotion of biodiversity	Progress made	29
Better understanding of paper consumption patterns	Checked regularly	30
Recycling rate	63.4	30
Responsible sourcing	Progress made	31

Social Indicators

	Status	Page
Incidence rate (absence > 3 days) (per 1000 employed)	25	34

GRI Table of Indicators

The table of contents for this report is based on the GRI indicators; only those indicators for which CEPI has relevant data are included. As CEPI is an industry association, other indicators specific to the pulp and paper sector deemed important for sustainability performance have also been included.

New CEPI Publications

- Carbon Footprint of the European Paper Industry
- CEPI Annual Report 2005 and 2006
- Code of Conduct for Legal Logging
- European Declaration on Paper Recycling, 2006 – 2010
- European Declaration Monitoring Report 2006
- Forest Facts
- Guidelines on Respaonsible Sourcing and Quality Control
- Harmonised Grade Structure
- ICFPA Sustainability Statement
- Key Statistics 2005 and 2006
- REACH Guidelines
- Recycling Facts
- Review of the European Declaration on Paper Recovery
- Sustainability Newsletter
- Strategic Research Agenda of the Forest-based Products Technology Platform
- Special Recycling Statistics 2005
- The European Paper Industry, a Bio-Solution to Climate Change
- The European Pulp and Paper Industry, a Contribution to Climate Change
- The European Paper Industry and EU Policy Making – Working Towards a Shared Vision for Competitiveness
- Waste Shipment Guidelines

If you have finished with this report and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your paper recycling bin.

GRI REPORT
GRI CHECKED

November 2007

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