

CPI Director General Briefing to MPs: Cumulative Impact of Legislation - Need for a Rethink



David Workman, CPI Director General

David Workman, CPI Director General, has released his latest briefing to MPs, outlining the action CPI believes government needs to consider to tackle some key industry issues.

In the briefing, David states that the burning question on the minds of many who work in manufacturing – particularly those operating in Energy Intensive Industries (EIs) – is whether they are about to be sacrificed on the altars of carbon abatement, renewable energy and environmental compliance schemes.

He claims that industry is becoming increasingly alarmed by the prospect of further punitive measures being imposed by government both here in the UK and in Brussels. It is the cumulative effects and the unforeseen consequences of these measures that have the potential to seriously damage the competitiveness of not only the paper industry, but all EIs.

In this wide ranging briefing David covers a number of topics, including Phase III of the EU's Emissions Trading Scheme, the UK's unique Carbon Floor Price mechanism and the cost associated with achieving the UK's Renewables Obligation targets. He then goes on to outline specific measures that he

believes that government must consider. These include:

- An exemption from the additional costs of the Carbon Floor Price – to apply to all industries officially recognised as being “at risk of carbon leakage”
- Exemption from the “pass through” costs of renewable energy generation – as in Germany
- Continuation of free allocation of EUETS allowances for on site CHP electricity generation
- Management of the Climate Change Agreements to stay with trade associations and the Climate Change Levy discount to be increased to the maximum allowed under E.U. law
- Deferral of any changes to environmental operating permits to at least 2025
- Agreement on global sustainability criteria for biomass
- An emergency independent review of the costs of the renewable energy programme before it is too late (we do not have any faith in DECC figures)
- A derogation from the Large Combustion Plant Directive to 2020 so that all of our power stations can continue to operate – assuming that they haven't come to the end of their lives
- A resource efficiency strategy for waste that ensures that paper and board is recovered for recycling and not for Energy from Waste. Only genuinely unrecyclable fibres should be allowed to go for EfW generation
- Recognition in the forthcoming Water Bill that the paper industry only borrows water – it does not consume it on the same scale as it extracts it
- Simplification of the CRC regime

With the above measures in place David believes we may pull out of the current financial and economic crisis with a paper industry (and other EIs) in a fit state to invest for the future, to create jobs and wealth and to help reverse the trend of recent years which has seen manufacturing decline as a percentage of GDP. If government does not heed these warnings, there are 1 million direct and indirect EI jobs in the UK which must seriously be considered as being “at risk”, as would any prospect of economic growth from the manufacturing sector.

David closes by stating that even in good times, the cumulative cost of all current proposed measures – many £100 millions – would be difficult to absorb. In the current economic climate they will lead to the demise of many businesses, and not just in the paper sector. Every EII is faced with similar cost pressures, all forced upon them by government. Indeed, we need to question whether climate change/environmental goals are compatible with the overriding economic goal of growth, through increasing the percentage of GDP derived from the manufacturing sectors.

At the very least, he suggests, we need government to recognise that the economic downturn means that it cannot pursue environmental goals as if nothing had happened. We are operating in a very different world now, and both DECC and DG Environment need to recognise that “business as usual” is no longer an option.

David also suggests that BIS needs to develop a meaningful strategy for manufacturing as a whole and not one simply for a few favoured sectors and SMEs. He proposes adopting a new target – manufacturing to be 20% of GDP by 2020.

To view the full briefing please visit:

www.paper.org.uk/aboutcpi/communication/mps.html

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Notes to Editors

- CPI is the voice and face of the UK’s Paper and Paper-Related Industries, representing recovered paper merchants, paper and board manufacturers and converters, corrugated packaging producers and tissue makers.
- CPI represents 72 Member Companies, with a combined annual turnover of £4 billion and 19,600 personnel.
- For additional information on the UK Paper Industry, in the first instance, please contact Annabel Acton, Communications Manager, on 01793 889612 or email aacton@paper.org.uk
- Alternatively, please visit: www.paper.org.uk