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RENEWABLE RESOURCES, ENERGY SECURITY AND CLIMATE CHANGE



The use of forest resources as energy supplies should not disrupt the economic equilibrium to the detriment of the forest's other roles

Europe's fears about supplies of affordable energy have in just a few months propelled energy policy onto centre stage, where it joins climate change and competitiveness as leading priorities¹. The new imperative also gives added focus to a number of other EU initiatives discussed within, where these issues are also raised.

The Commission's Action Plan on Biomass is a particularly relevant case in point. It proposes to increase the use of wood energy from forests and forest products. Noting that 35% of the annual growth of wood is not used, the Plan suggests there is considerable room for developing this renewable energy resource. However, care and balance are needed. Development of the wood energy industry differs significantly between EU countries. Many, like Poland, Czech Republic, Slovak Republic and the Baltic States, are just beginning to exploit

the potential. Others, like Finland and Sweden, have already developed a high-tech industry (e.g. combined heat & power (CHP) installations), and have already largely used their potential.



There is no doubt about the current and potential role of forest derived biomass and bio-energy. But it is important that any supporting actions taken by the EU or Member States do not lose sight of the range of economic uses of forest resources. In particular, encourage-

ment of the use of forest resources for energy should not disrupt the economic equilibrium to the detriment of the forest's other roles, e.g. countering climate change and supplying wood and paper products.

There is a potential to use 3 to 3.5 times more biomass for energy by 2020 in Europe²

Care needs to be taken to ensure that the competitiveness of these industries is not unwittingly destabilised.

¹ European Commission Green Paper on European Strategy for Sustainable, Competitive and Secure Energy, COM (2006) 105 Final, 8 March 2006.

² European Commission Communication on Biomass Action Plan, COM (2005) 628 Final, 7 December 2005.

NEW FOCUS ON BIO-ENERGY AND BIOMASS TRIGGERS LIVELY EU DEBATE

Public EU debate on bio-energy has begun to pick up pace in recent weeks. It is a topic on which views and positions differ – as the reports of Seppo Kallio from the EU's Economic & Social Committee and of MEP Heinz Kindermann clearly show.

For the pulp and paper sector, the topic is fraught with challenges or brimming with opportunities depending on whom you talk to. For companies, opinions vary based on factors like geography, whether or not they are forest owners, and the pulp supply/demand balance. But whatever the different views, there seems to be emerging consensus that bio-energy is a subject whose time has come.

Kallio's report highlights the massive potential energy source that is available and largely untapped in Europe. Around 30% of the region's forest growth is currently unexploited (this figure varies slightly according to sources) - much of it low-grade timber that is only useful for energy purposes, says Kallio.

Interviewed for the Newsletter, Kallio is cautious about getting too specific too soon. "I think there's a lot spare capacity, but nobody really has very precise figures, and the situation will vary across Member States".



Seppo Kallio, a Finnish member of the European Economic and Social Committee (EESC)

He represents the Central Union of Agricultural Producers and Forest Owners (MTK) of Finland. Kallio is the rapporteur of "Wood – Energy Source in the Enlarging Europe", an EESC exploratory opinion which has received a lot of attention from policy-makers recently, including three European Commissioners.

Kallio's report has raised a few eyebrows with its mention of tax breaks and subsidies. But he explains he is very much against interfering with the market for forest products or providing artificial economic supports.

Wood to burn? - but careful with subsidies

"Many people have commented on this aspect", says Kallio, "but I'm mainly in favour of starting up the systems and setting up the markets for bio-energy. My feeling is that to continue to use so much fossil fuel will be catastrophic, so let's get rid

of barriers to the setting up of a market for bio-energy. We don't want a system like the Common Agricultural Policy (CAP, which provides market subsidies) or anything close to that – in fact my own country would be very much against it- but what we do want is to create a market for bio-energy."

At the same time, Kallio believes there is a role for financial incentives for biofuel power schemes. This, he says, will help drive increases in forest coverage, with attendant benefits like higher self-sufficiency in energy, reduced climate change impacts and improved forest management (with knock-on effects such as a reduction in fire risks).

GETTING THE BALANCE RIGHT - A VIEW FROM THE INDUSTRY

Forest director at the Swedish Forest Industry Federation, Stefan Wirtén **cautions against using high quality fibre directly for fuel, but he believes that the forest sector can increase the delivery of low quality fibre (off cuts, bark wood) as biofuel and still meet the needs of the paper industry.**

"As long as they don't subsidise the biofuel sector to such an extent that it affects the fibre used for other wood products then I think paper can compete quite well," he says.

Indeed, Wirtén's organization believes that the industry can seize a valuable new revenue source by embracing bioenergy. As he points out, "Our analysis is that we can more than double the amount of fuel that we deliver, from around 7 TWh (terawatt/hour) at present to 15 TWh."*

Clearly, this represents a terrific opportunity for certain companies, but there is the potential for others to suffer if raw material costs increase as a result.

*One TWh is the energy needed to keep alight one million 100w light bulbs for 10 hours.

Multifunctional forestry under threat?

The EU is currently finalizing a proposed Sustainable Forest Management Action Plan for the EU. It is doing so in a policy environment now changed by rising concerns over energy security. However, the central objective of the Action Plan will be to maintain the multi-functional use of forests, thus keeping their economic, social and environmental benefits in balance.

But can this balance be maintained given the expected demands for forests to be used as energy source?

Heinz Kindermann, in his report on EU forestry, recognises the challenge, particularly as there is currently no market price, for example, for the environmental benefits forests provide to society.

The MEP believes that the competitive mechanism has a big role to play in securing multi-functional

out. One of these sources could be bio-energy – but only within the limits of sustainable forest management. Kindermann's views may find an echo among other EU legislators charged with balancing economic demands and policy issues. "Policy should not interfere with the markets", he says.



Dr. Heinz Kindermann, Member of the European Parliament

Dr. Heinz Kindermann is a German socialist MEP. A prominent member of the Agriculture and Rural Development Committee, he has drafted an "own initiative report" on the implementation of the EU Forestry Strategy. He presented a resolution on the same topic which was adopted in February 2006 by the European Parliament.

forests. Competitive forestry can provide alternative sources of income for forest owners, he points

"In the end there is enough resource for all kinds of wood uses as we use only 60% of the yearly growth of European forests. Effective mobilisation of wood resources is a key issue for industry, forest owners and society", he concludes.



ACE'S EXPERIENCE WITH BIO-ENERGY

Mills that produce the paperboard for beverage cartons are helping to counteract the greenhouse effect by progressively replacing fossil fuels with bio-energy based on wood. Bark and other wood waste, black liquor from the pulping process all make up the inputs to this increasing bio-energy utilisation.

Some **70% of the energy used in mills producing paperboard for the beverage cartons comes from bio-energy**. Some of the mills also distribute excess heat to nearby communities, helping to minimise fossil fuel use and CO₂ emissions more generally.

Anders Eliasson's from ACE member Assi Domän Frövi believes that there is still some capacity for more low-grade and 'waste' wood to be utilised, but if the expansion in bio-energy use increases significantly, there will inevitably be more competition for the same resource and prices will increase.

Helping turn down the Heat



Working with Nature

Forests play a big part in helping counter climate change. So does the use of green energy. The beverage carton industry chain actively contributes to both.

Forests neutralize carbon emissions by absorbing CO₂ from the air and turning it into wood as they grow. In Europe, paperboard used in beverage cartons comes from

wood sourced in forests sustainably managed to grow year-on-year.

70% of the energy used in mills producing paperboard for the beverage carton in the EU comes from bio-energy. Carton manufacturers have also been continuously reducing carbon emissions linked to their operations.



FORTHCOMING EVENTS

> 30 May- 2 June 2006

THE EUROPEAN COMMISSION IS HOLDING ITS ANNUAL GREEN WEEK

The theme of the 2006 edition is biodiversity.

See www.europea.eu.int/environment/greenweek

> June 2006

SEMINAR ON WASTE PREVENTION

ACE is holding a seminar with CEPS on the Thematic Strategy on the Prevention and Recycling of Waste.

See www.ceps.be

NEWS IN BRIEF

7 February 2006: The Centre for European Policy Studies (CEPS), in cooperation with ACE held a seminar in Brussels to provide key stakeholders such as the European institutions, national governments, industry and NGOs with an opportunity to address the new challenges outlined by the Thematic Strategy on the Sustainable Use of Natural Resources.

Dr. Kevin Bradley, ACE Director General, expressed ACE's belief that the Thematic Strategy is a good starting point for this process because natural resources are vital for Europe and must consequently be managed sustainably. He indicated that ACE and its members are already engaged in activities ensuring the sustainable use of resources needed for the production of beverage cartons. Such activities include sustainable use of forest resources, sustainable production seeking eco-efficiency throughout the life cycle of the product and increased recycling.

28 March 2006: ACE was co-sponsor of a conference held by the European Voice on Europe's natural resources. The event brought together key EU decisions-makers and the forestry, wind and water industry. For more details see ACE website



THE ALLIANCE FOR
BEVERAGE CARTONS
AND THE ENVIRONMENT

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ACE represents leading beverage carton packaging producers and their main European paperboard suppliers in EU environmental policy developments

ACE MEMBERS

