



# Trees for fuel? ...or for fiber?

For North American industry the next big thing—after survival—is biomass to be converted to biofuel, and then into dollars. Here in Europe, biomass is equally big, but it's burned to create energy as an alternative to imported oil and gas. After a closer look, it doesn't seem like such a great idea.

By David Price

The European Union's idea is to grow, harvest and burn trees for fuel. And this process will be subsidized! This is the big idea by a European committee to become independent of Arab and Russian oil and gas suppliers. It doesn't seem to have occurred to this committee that the paper industry also needs trees. It would be a bonus if their plantations could also be subsidized, but the industry has given up looking for breaks from regulators.

In response to energy prices, which have risen 40% in 18 months and have caused some mill closures, the EU introduced the Emissions Trading Directive in 2005. Its purpose was commendable: to assist industry to reduce the consumption of fossil fuels.

In practice, it means utilizing renewable energy sources for which there will be subsidies, and to promote the use of biomass for energy. In the industry we see biomass as "woody" products like trees, chips, bark, sawdust and other forest residues. Do the regulators know this?

On the whole, the forest industries support targets to increase renewable energy—but not if it's to be at their expense. What will happen here, unless the regulators can be persuaded otherwise, is that the forest industries will have to compete with other industries, which are subsidized, for wood supplies. The result will be more expensive fiber.

A more positive take on this is that wood-for-energy will mean new business opportunities for the industry. However, the market will be more competitive and expensive.

## On the Back Foot

Magnus Hall, president of Swedish paper and board maker, Holmen, described the proposal as a "...virtual cost that has forced us onto the back foot." Hall pointed out that the forest industries are already Europe's biggest industrial users of biomass fuel.

"We have direct access to biomass, but limited access to national subsidies. Does this now mean that a power station can buy pulpwood to heat homes at state-subsidized prices?" Hall asked. "The purchasing power of a bio-plant will be much greater than that of a paper mill" he added



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—Jan Åström, CEO of SCA.

The industry's view is that fiber should be used to make paper, not burned for energy.

Another alarming scenario is: what if the regulators decide that wastepaper should also be viewed as a renewable source of fuel? That means the two principal supply streams for the paper industry are diverted to homes and factories.

Jan Åström, CEO of SCA, put it bluntly when he said, "The European Environmental Agency has painted an enticing picture of the reserves of biomass in Europe and the new motto seems to be: 'Let's move in and burn it all.'"

He added that the forest industries

feel they are competing in track and field events, but against those on performance-enhancing drugs. He wrote this in CEPI's quarterly newsletter.

His solution to the debate is to dismantle or phase out the subsidies and taxes that support one industry at the

expense of another. At present, the market is distorted. Åström also said it is unacceptable to burn raw materials that can be used to benefit society. "A sustainable approach should ensure that only low-value biomass, e.g. logging residues, stumps and branches, bark and black liquor, etc., goes to energy production."

### Something Will Turn Up

This sums up the attitude of some EU regulators. They forecast that the Biomass Action Plan will create a shortage of 140 million cubic meters of wood annually. They state that any shortfalls can be met by imports. But the industry asks: *from where? Russia?, the tropical forests?* Even the European Biomass Association has criticized the EU's energy plan.

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Something else also worries me. Many paper companies have sold off their forestlands and now buy back quotas to supply their mills. Some forest holdings are now held by funds, foundations and venture capitalists. What if these new owners of the forests find it more profitable to sell their wood to power companies than to paper mills?

Already hammered by high energy costs, mature markets and low-cost competition, the forest industries in the northern hemisphere must present a determined and united front and persuade the regulators to listen and change their minds. It won't be easy as regulators work in isolation and the big power corporations are stepping to the mound pitching for business. ■

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