



A Way Forward?

The unprecedented and challenging circumstances the industry faces have depressed many of us, and it's high time for everyone to work on solutions instead of wallowing in despair.

By David Price

In discussions with my peers over the last few weeks, I was told I was far too pessimistic about the industry's prospects. Show me the good news I replied.

The first to respond, and in majestic style, was the American Forest & Paper Association (AF&PA). As the new U.S. administration waited to take office, AF&PA, in mid-January, delivered a six-point plan to President Obama's advisors. It was a recovery and development program which included action on energy, transport, housing, taxes, pensions and forestry. Hopefully there will be a response by the time AF&PA's Paper Week convention begins in New York City.

I am always sceptical when industry and governments talk to each other about fair trade, assistance or concessions. It's because I have been on a few industry panels which met with government, and the politicians always have another agenda. In addition, the cost of preparing an appeal has been far greater than anything the government delivers.

But of course, I have seriously underestimated the horsepower of the AF&PA. Looking at the program agenda for the 2009 Paper Week event, it is imaginative and progressive; it addresses the industry's problems in forensic detail, and it cheers me up. I would like to see more do-able stuff on energy, recycling and BRIC countries, but, perhaps, that may come out as we move forward.

SOME BIG ISSUES

Energy. For me, and I'm sure for many others, the most dramatic change for the industry has been the steep rise in the cost of energy. It is irreversible, unless alternative sources of energy emerge. And they have, mainly in British Columbia and, on a lesser scale, in parts of the U.S. and in northern Sweden.

In the last three years, this magazine has reported regularly, and at length, on the steady shift by mills to bioenergy, wood for fuel and energy, and biomass in all its forms. It has brought new players into the industry, like oil and gas giants and dedicated energy and power companies.

An intriguing vision of things to come appears in a new report by Pricewaterhouse Coopers (PwC). It says, "BC's forest industry, which turned in one of the world's worst performances in 2006,



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is on the verge of a historic transformation as pulp and lumber production gives way to bioenergy." The prospect is that BC Hydro will become the biggest processor of wood—both for pulp and power generation—in the province. Pulp and paper mills there will still have a significant part to play as traditional processors and suppliers of fiber. They will also have an additional role as sustainable and secure energy producers. In future, the new, leaner and fitter BC pulp mills will attract new owners and investors who see these mills as combined fiber and energy platforms, totally compatible with carbon trading legislation. One consequence

is that there will be no waste or surplus wood in the province.

Recycling. This sector is in a mess at present. No one's buying waste paper in adequate volumes and a vast amount of it is being stored or dumped. Everyone in the supply chain is losing money—some have gone under.

But why not burn it? A cement manufacturer and an urban CHP (Combined Heat and Power) plant a few miles north of where I live (UK) are burning municipal waste, most of it wastepaper and packaging. There is little publicity; only mild eco-protests and undetectable air pollution. Paper and board has a high calorific value, and cement kilns, equipped with anti-polluting chimney scrubbers, burn at very high temperatures. Any waste left over is inert and reused for road-building.

The CHP plant is in south London—a dense urban area. The waste trucks come and go 24/7, waste is emptied into furnaces and local residents enjoy noiseless, odorless, and uninterrupted heat and power.

There are emotive, but largely uninformed concerns, about burning household refuse for generating CHP. But it works and is cost-effective. I believe incineration of waste

paper and packaging is a viable urban option. There are some heavy environmental issues to be resolved. But mills need to get legislators onside, and demonstrate that they can still process RCF with sympathetic technology. If they assist local authorities to burn dumped waste for urban consumption, the industry will, once again, have an additional engineering innovation to offer, and get paid for it.

Russia and China. Of the BRIC countries, China and Russia interest me most. China will recover from the current financial crisis sooner than most of us. It has resources, population and cash flow in fabulous quantities. It is a static player in the pulp market at present, but that posture will not last. It must, at some time soon, start importing pulp to meet domestic needs and to keep its mills running.

Russia is now more encouraging. The president, Dmitry Medvedev, a former director of the Ilim pulp and paper group (now partnered with IP) spoke to the Moscow Times last month and said he is keen to see new pulp and paper mills built near its borders with China and Europe. If Mondi and IP saw this, the phone calls have already been made. ■

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