

UTIPULP

Group of European Market Wood Pulp users

General Assembly meeting

Thursday, March 15th, 2023 (8:30 – 12:30)

Radisson Blu Hôtel
Gdansk (Poland)

Minutes

Attendees:

Mr Paul	BARTMANN	MONDI
Mr Andrea	BETTIN	BURGO
Mr Steve	FREEMAN	Confederation of paper industries
Mrs Ute	GIERDEN	KANZAN Spezialpapiere
Mrs Katarzyna	GODLEWSKA	Association of Polish Papermakers
Mr Antonio	HITA MARTINEZ	MIQUEL Y COSTAS
Mr Michal	JASTRZEBSKI	Association of Polish Papermakers
Mr Jacek	LOS	ARCTIC PAPER
Mr Stéphane	MOZDYNIEWICZ	CLAIREFONTAINE
Mr Peter E.	OFFNER	BRIGL & BERGMEISTER GmbH
Mr Lorenzo	PASQUINI	LUCART SpA
Mr Andrea	PIAZZOLLA	SOFIDEL
Mr Mariusz	RUPIK	Velvet Care
Mr Janusz	TURSKI	Association of Polish Papermakers
Mrs Charo	VIEJO	LECTA
Mrs Agnieszlla	WERNER	Association of Polish Papermakers
Mr Mustapha	ZAUG	PPG
Mr Paul-Antoine	LACOUR	UTIPULP

1. Introduction (Chairman)

1.1 – 1.2. Welcome, Safety and Legal guidelines for attending UTIPULP meetings

Mustapha ZAOUG, as Vice-President, reminds that the President has not been able to come for personal reasons, and that he will chair the General Assembly.

He welcomes all the participants and reminds the Guidelines pertaining to the competition laws that have been sent prior to the meeting, and that participants have strictly to comply with.

The chair warmly thanks SPP for having sponsored the dinner on the eve, and for the excellent organization of the event.

He then welcomes all the participants, and particularly Marius RUPIK, who is a new delegate. He leaves the floor to Marius RUPIK, so that he introduces himself.

Mustapha ZAOUG stresses that the Guidelines pertaining to the competition laws have been sent prior to the meeting, and that participants have strictly to comply with.

1.3. Approval of the minutes of the last meeting (Barcelona, 15 September 2022)

The minutes are approved without amendments.

1.4. Presentation of the Association of Polish Papermakers (SPP)

Janusz TURSKI, Director General of SPP, presents his Association, the key messages of the Polish P&P industry, as well and the economic situation in Poland (see the slides of this presentation).

2. Market analysis / Report from the National Association delegates

2.1. Synthesis of the questionnaire pertaining to pulp supply

Paul-Antoine LACOUR presents the synthesis of the questionnaire (see the memo sent prior to the meeting).

For all respondents, in comparison to September 2022, the pulp procurement has “improved” or even “improved significantly”. All respondents consider that the market pulp supply will either remain good (as it is) or even improve in H2 2023. Reasons for this are to be found both on the demand and the supply side.

On the supply side, two major capacities will come online for Euca, UPM Paso de los Torros, and ARAUCO MAPA a bit later (some show a lower degree of confidence on the start in time of the ARAUCO project). The start of the new capacity of Mestsa Fibre (Kemi), in H2 (August?), is also seen as adding volumes of NBSKP on the market. The absence of shipping constraints facilitates pulp supplies.

On the demand side, a low demand for all grades of paper and board will contribute to maintain a high availability of pulp. Indeed, as demand is weak in all segments, many companies are forced to cut production. This low demand is the combination of two causes. Firstly, supply chains are full, and customers keep orders at a minimum, as they have high inventories of reels/cut sizes and expect prices to decrease. Secondly, the macro-economic situation, with a high inflation rate, causes a slowdown of the economy. This would imply that the current weakness will last longer than expected. Besides this European situation, many respondents question the impact of the Asian (Chinese mostly) demand. The

question mark is indeed whether the re-stocking of pulp by Asian paper mills will impact worldwide supply balance.

2.2. Improvement of the collection for the market analysis

As a follow-up of the decision taken during the last General Assembly, Paul-Antoine LACOUR presents the two simple questions aiming at assessing the perception of the pulp buyers regarding (i) the evolution of the situation since the last meeting (ii) the forecasts for the 6 coming months.

Agreed:

- ***The two questions are approved.***
- ***The index will be calculated to be as consistent as possible with the Purchasing Manager Index (PMI).***

2.3. Report from the National Associations delegates

Following this presentation, the chairman invites the delegates to report on the key features impacting the pulp market in their respective countries.

As a summary:

- Consensus on the summary presented by PA LACOUR, especially regarding the low demand and the various reasons explaining it (high inventories downstream the value chains and slowdown of the economies).
- The extremely high demand in H1 2022 has changed the supply chains among the customers.
- For the graphic papers, the sharp price increase in 2022 has certainly accelerated the shift of some clients towards digital solutions. The changes in how people work (home office) has also contributed to return to a trend regarding consumption that has been hidden in 2022.
- For tissue products, on the professional segment, home office also contributes to decrease consumption.
- Regarding the activity of the pulp mills in Europe, the sharp increase of the pulpwood prices (roundwood and sawmill chips), because of the competition of biomass for energy generation (high prices of gas and electricity have triggered and extra-demand for wood) caused the slowdown of some mills and raises the question of the likelihood of the new investments unveiled by some companies.
- The low rainfalls and the risks of droughts put at risk for this summer the activity of some paper mills in several European countries.
- The ability of some Asian papermakers to become FSC certified increases the risk to have the products of these companies more present on the European market.

3 Special Subject Dossiers

3.1 Extended Producer Responsibility (EPR) applying to bales wires

PA LACOUR reminds that the Directive 2018/852 on packaging and packaging waste states that « *Member States shall ensure that, by 31 December of 2024, extended producer responsibility (EPR) schemes are established for all packaging* ». As bales wires are considered as “packaging”, they are in the scope of this regulation, and the buyers of market pulps bales will have some new obligations.

After a in-depth analysis of these obligations, it appears that the buyers of pulp bales will have most likely to declare the tonnages of wires they receive (and transfer to waste collectors). The detailed obligations are not known yet, as they will be defined by each EU Member State.

It is important to have in mind that EPR scheme for industrial packaging will apply for all industrial packaging placed on the market or disposed of by any company. Consequently, the declarations of bale wires will only be one (minor) item among many others to be declared in the future by paper companies.

Regarding the discussion with EPIS, as there is no way to put in place an EU wide reporting system, the European Associations like EPIS and UTIPULP have no further role. Therefore, it has been decided to stop the common work at this stage. The DGs of the two trade associations will stay in contact, in case that some (unlikely) openings change the legal set-up.

3.2 EU Deforestation Regulation

PA LACOUR presents the status of this file:

- On 6 December 2022, the European Commission, the Council and Parliament reached an agreement on EU Deforestation Regulation (EUDR).
- This regulation introduces major differences with respect to the previous regulation (EUTR), and many requirements do not seem possible to fulfill (geolocation, full traceability...) or cause some legal problems.
- The European Parliament will formally adopt the Regulation in the coming weeks, which means that the EUDR will enter into force most likely in May or June 2023.
- Companies will have to respect the requirements of the EUDR 18 months after its entry into force (most likely in December 2024).
- Paper trade associations should push the authorities (at national and EU level) so that some sectoral guidelines (wood and wood-based products, soja, ...) are written, in order to provide guidance to the paper companies and avoid too high legal (and reputational) risks.

3.3 PFAS

PA LACOUR introduces the topic and mentions that the PFAS (per- and polyfluoroalkyl) is a group of about 10 000 substances used by many industries (including the p&p industry for some applications (e.g: barrier to liquid and fatty foods). These molecules are called “Forever chemicals”.

PFAS have attracted attention these past weeks for three reasons:

- A regulation is under preparation by the EU, in order to ban some molecules (the discussions have just started and should be finished by 2025).
- A newspaper has reported (based on a study) that in all p&p mills might be found traces of PFAS;
- According to a study recently published (March 1, 2023) in the journal Environmental Science & Technology Letters, toilet paper is a source of PFAS.

As a consequence of this media attention, some pulp producers have released statements that “they do not add PFAS chemicals in products, nor do the company’s pulp suppliers.”

Agreed: UTIPULP will monitor the topic and report at the next meeting if necessary.

4 Association Topics

4.1 Revisiting UTIPULP

PA LACOUR mentions that the President and vice-Président have proposed that delegates discuss how UTIPULP can provide maximum value to its members.

In order to prepare this discussion, a questionnaire has been sent to all delegates on February 22, 2023, with the objective to collect the proposals and expectations of the members. 18 answers have been received, and a synthesis of the answers has been prepared and sent to the delegates before the meeting.

The Excom reviewed this synthesis and came to the conclusion that the current organization and ways of working of UTIPULP match the expectations of the vast majority of the members.

Agreed:

- ***The current way of working (topics addressed, number and location of the meetings...) is kept as it is.***
- ***A working group will be put in place with volunteers in order to review the statistics that are circulated to the members.***
- ***A better understanding of the indexes is desirable, and a speaker could intervene on this during the next General Assembly.***

4.2 Accounts 2022

Accounts 2022

The Secretary reminds that the 2022 budget approved on 28 April 2022 was based on expenses amounting to 33 500 €, and revenues of 27 600 €, meaning it was expected to have a loss of 5 900 €.

Considering the actual accounts, it appears that the expenses are lower than expected (savings regarding the new website and the meeting expenses), meaning that the loss is limited to 1 619,35 €.

With this loss, the reserves amount to almost 33 000 € at the beginning of January 2023.

4.3 Budget and contribution from the members for 2023

Budget 2023

The proposed budget shows total expenses amounting to 31 100 €, with little changes regarding the accounts of 2022, with the exception of a decrease of the item “website” (the website is new, and only some basic maintenance will have to be done) and an increase of 4% of the cost of the Secretariat.

As reserves are at a high level, it is proposed that the member contributions remain at the same level as in the past years and amount to 27 600 €. Considering the foreseen expenses and the same member contributions, UTIPULP loss would amount to 3 100 €.

Agreed:

- ***the members approve the executed accounts 2022.***
- ***the members approve the budget for 2023, based on a contribution from the members of 27 600 €, unchanged with respect to 2022.***

5 Any other business

None.

6 Close out

The tentative dates and hours of the next meetings, that will take place in Barcelona, are the following.

Wednesday 13 September: Excom (14:30/15:45)

Thursday 14 September:

- General Assembly (8:30/12:30) followed by a lunch.
- Afternoon: Europulp/Utulp Seminar.
