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Lord Marland of Odstock  
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### **Response to Lord Marland's Enquiry on "Reducing Red Tape"**

Dear Lord Marland

I am writing in response to your invitation to provide our views on reducing the burdens and costs associated with policies and regulations associated with energy and climate change.

CPI represents the paper industry in the UK. Paper manufacturing is an energy-intensive activity and we have around 50 UK paper mills producing 4 Mt of paper per annum. However this is less than half the paper consumed in the UK, meaning the sector is clearly one with scope for expansion.

Our energy efficiency, environmental performance and carbon emissions reduction record is excellent - paper manufacturing has improved energy efficiency by 40% since 1990 and CO2 emissions have reduced by a similar amount over the same period. The sector is a major user of biomass for energy generation and several projects are in hand to increase this usage significantly. We believe that we – and other energy intensive manufacturing industries – have done much to help this country move towards a low carbon economy. However over burdening the sector with unrealistic targets and costs will, over time, drive industry out of the UK.

Our critical concern is the cumulative effect of different policies both in sheer cost and administrative burden. As the UK moves towards a low carbon economy there must be appropriate burden sharing of the costs through all sectors of the economy; energy intensive industry simply cannot be loaded with additional costs if it is to remain an important part of the UK economy.

Particular issues for us arising from climate change regulation, and suggestions to mitigate the associated burdens, are noted below:-

*Paper – the sustainable choice*

**Climate Change Agreements (CCA).** The sector benefits from a Climate Change Agreement with Government – all 50 mills participate. No less than 41 of our mills are also in EU ETS (the EU Emissions Trading Scheme) and so you will immediately see that there is significant duplication of regulation applied to our major industry players – both CCA and EU ETS require the monitoring and reporting of more-or-less the same data but to slightly different standards.

I welcome the news that the Government has recently announced a review of the whole CCA/CCL issue, though I note the time wasted in responding to consultations connected with the now abandoned “New CCA”. “Old CCA” was by no means a bad scheme; it was reasonably simple in concept and in application and we believe has helped us deliver energy efficiency improvements. The proposals for “New CCA” were somewhat more complex with needless increases in administrative burden (notably the move to annual targets, target review every 2 years and removal of sector trading provisions) which together with the reduction in CCL relief from 80% to 65% may well have resulted in some of our member companies reconsidering their participation in CCA.

Whatever system is eventually chosen to replace the CCL, I would urge that it be very simple and that energy intensive manufacturing industry be given an appropriate degree of relief without having to jump through needless administrative hoops to claim this relief. Our German colleagues inform us that they can claim relief from their carbon/climate levies much more simply than we can. I would suggest that it would help if a sector could be clearly defined as being “energy-intensive” and then if an installation in that sector is a participant in EU ETS it could simply be deemed to have qualified for levy relief.

**European Union Emissions Trading Scheme (EU ETS).** No UK paper mills are in the highest emission class and indeed more than half of our mills emit less than 25,000 tCO<sub>2</sub>. As such I urge that you take the opportunity available to you to allow a voluntary opt out of the next phase of EU ETS for these smaller mills. This is a simple step you can take to reduce red tape.

Our experience with the current operation of EU ETS is that the UK “gold-plates” EU legislation and that its application here is made in such a manner that would not be countenanced in other EU Member States. I give you two examples relating to EU ETS:-

The recent call by DECC for the supply of baseline data for Phase III of EU ETS (the “ETS300 forms”) cost CPI over £100,000 in administrative time (and mills will also have had to divert resource to this activity at additional cost). DECC’s demand was premature (no other Member State required this information at this stage) and indeed some of the EU decisions on allocation have yet to be finalised so DECC officials have admitted to us that some of the data we supplied will have to be revised – at additional cost! I urge that DECC officials are made to apply some sort of test of cost-effectiveness to their policy decisions that impose administrative burdens on industry and that such decisions are made with regard to what other Member States are planning.

The requirement that larger emitters must annually prove that they should not install expensive continuous monitoring equipment for gas calorific value analysis is unduly and needlessly burdensome and could easily be replaced with a “one per phase” declaration and an obligation to inform the regulators if operations change in such a way that would make the recalculation exercise appropriate. Also in some cases mills have to track, report and get verified a few hundred litres of gasoil usage. This changes their annual CO<sub>2</sub> emissions by less than 0.00001 per cent but costs hours of administrative work to resolve.

**CRC Energy Efficiency Scheme.** When originally announced we supported the concept of a simple, light-touch emissions trading scheme intended to catch the next tier of business (and government) from those subject to EU ETS. However, the sheer bureaucracy of the scheme has mushroomed to an unbelievable extent over the past two years. All of our big emitters will be exempted as they are in EU ETS and/or CCA but the amount of work required to get them out is much more than originally envisaged; furthermore, each week new ramifications are identified adding to the scheme complexity.

It seems to us that for those installations fully caught by CRC the administrative burdens will be huge with insignificant savings of carbon. Indeed recent changes at Drax will yield equal savings to those expected through CRC in its entirety. Surely this is more evidence that attention should be paid to up stream emitters to yield cost effective carbon savings. In particular the requirement that CRC participants must pay for emission allowances up front is frankly indefensible at a time when capital is scarce, as indeed is the growth in EA staff numbers to administer the scheme when you are seeking to reduce the size of the EA.

If the CCL is to be altered to link to carbon, then CRC should simply be cancelled as it is no longer required; the price signal of the revised CCL will be sufficient to drive investment in energy efficiency.

**Renewables Obligation, Renewable Heat Incentive, CCS levy, Feed in Tariffs.** All these schemes are or will be expensive and their interactions increasingly complex and becoming more so over time – the policy field has become cluttered. It is simply not possible to overburden industry with additional costs; over time energy intensive manufacturing will relocate outside the UK to areas offering a more competitive operating environment. If embodied emissions are simply then imported to the UK the global environment has not been advantaged; but UK jobs and wealth creation has been lost.

**IPPC Regulation.** As with EU ETS, UK regulators seem to be prone to gold plate implementation. The technical BREF document (that sets BAT for the sector) is currently being revised and we are concerned that unrealistic conditions may be added to permits by UK regulators that cannot be cost effectively achieved.

The budget announcement that NO<sub>x</sub> trading is to be introduced is yet another burden on UK industry. Allowed NO<sub>x</sub> levels are already identified in operating permits via IPPC and have been substantially reduced over recent years. Accordingly we see no advantage in adding to the complexity of air quality improvement legislation at a time

that Government is seeking to simplify regulation. The operation of paper making means that most mills have their own combustion equipment generally towards the smaller end of the spectrum, especially when compared to the equipment owned by the power utilities. On a number of occasions we see the relatively small combustion equipment owned by our members being caught up with needless regulation designed for large combustion plant. This could well become another example of this problem.

**Waste policies.** Paper recycling rates are the highest for any material - over 70%, with some sectors, notably newsprint, reaching 100%. However, this superb record is under threat because of the deterioration in the quality of material being received by the industry for reprocessing. In no small part this is due to the myriad of collection systems used at local authority level for the collection of waste and the lack of universally accepted quality standards in the waste industry. This is a real threat for closed loop recycling - the most environmentally beneficial way of dealing with waste.

Waste policy is also a devolved responsibility and the current crop of consultations from each of the devolved regions indicate that we could end up with four different strategies with different targeting. This could well create additional bureaucracy and cost for an industry which operates in each of the four UK regions. We would like to see the creation of one overarching body responsible for waste policy implementation across the whole of the UK, with one strategy and a focus on setting and ensuring adherence to quality standards aimed at best environmental practice.

I apologise for the length of this letter but I believe that these issues are of such importance that it is vital to give more supporting detail rather than less. My team would of course be more than happy to discuss any of these issues further with your officials should you find this appropriate.

With kind regards

**David Workman**  
Director General CPI