23 September 2009

Facing the challenge: change in forests and the forestry sector

European Economic and Social Committee Conference – Joensuu (Finland)

EU Forest-based Industries in a changing world

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Enterprise and Industry

"EU Forest-based Industries in a changing world"

1. Introduction: some numbers

2. Forest-based industries in a changing world

3. APIS FBI: Action Plan "Innovative and Sustainable Forest-based Industries in the EU"

1. Introduction: some numbers

Forest-based Industries in the EU: structural data (2006)

•7% of the total value-added in the manufacturing industries

•8% of the employment in the manufacturing industries

•2.9 million employees

•350.000 companies

Value added

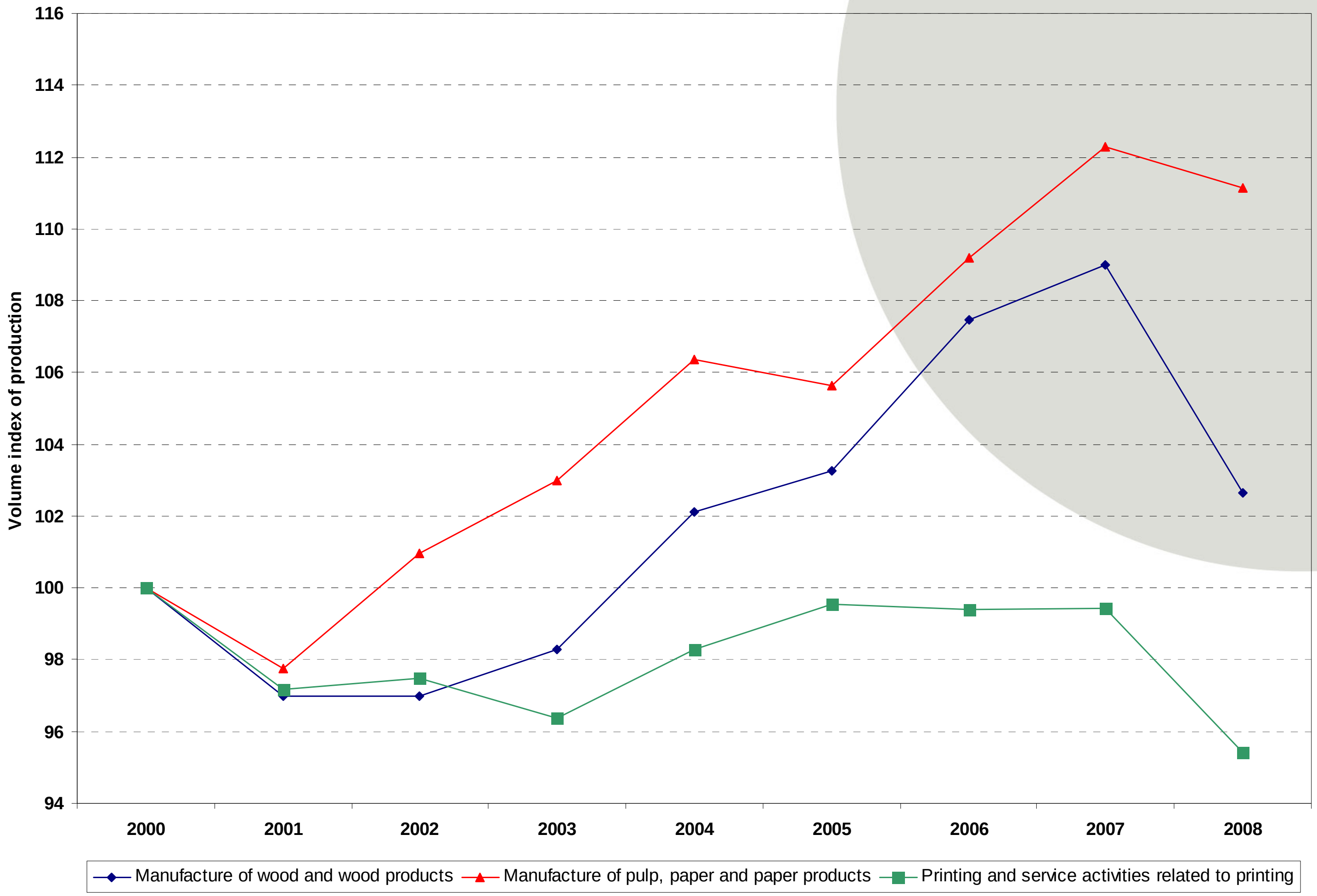
Woodworking Industries 37 billion €

Pulp and Paper and Converting 41 billion €

Printing 42 billion €

1. Introduction: some numbers

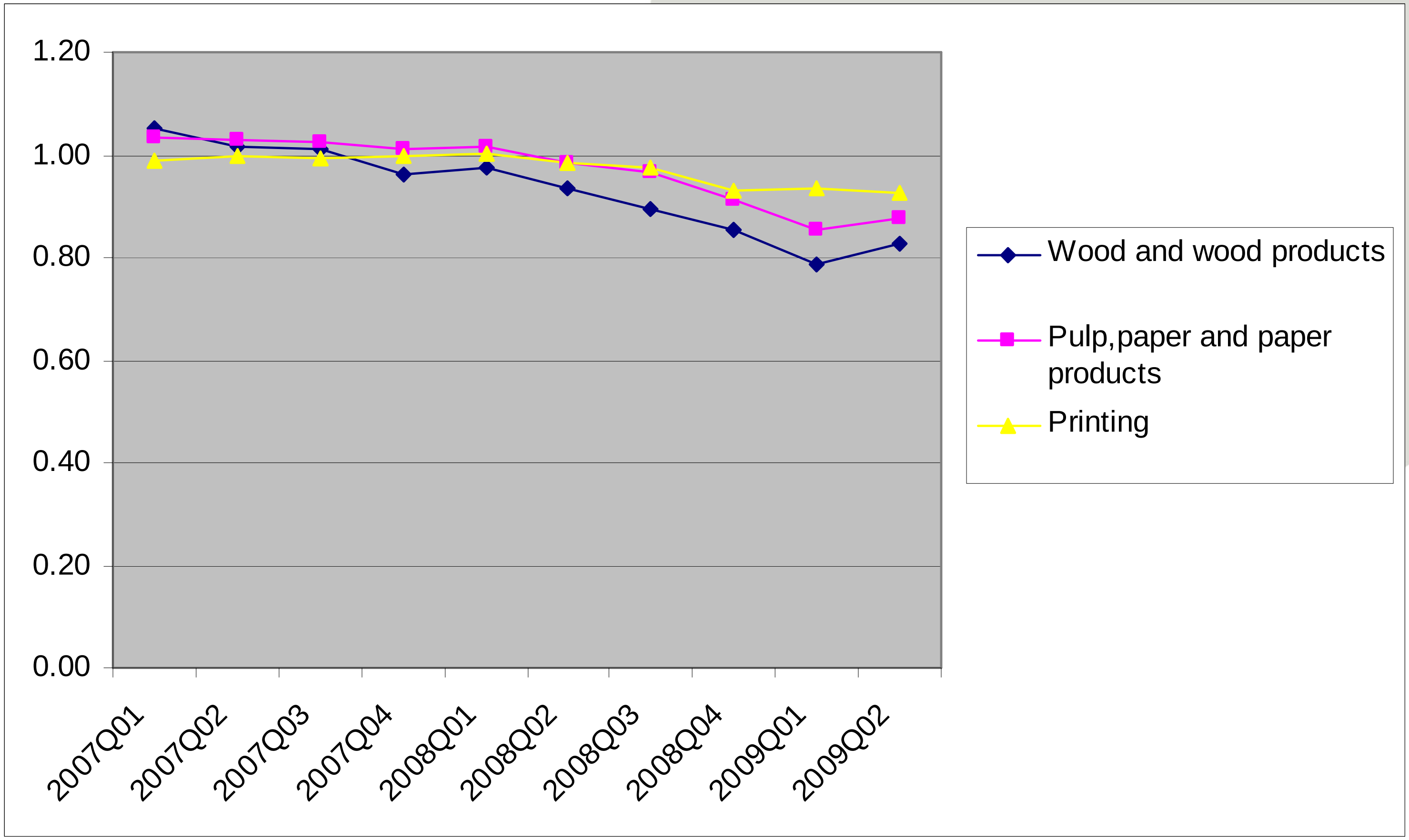
Production of the forest-based industries



Production value
€ 387.8 billion

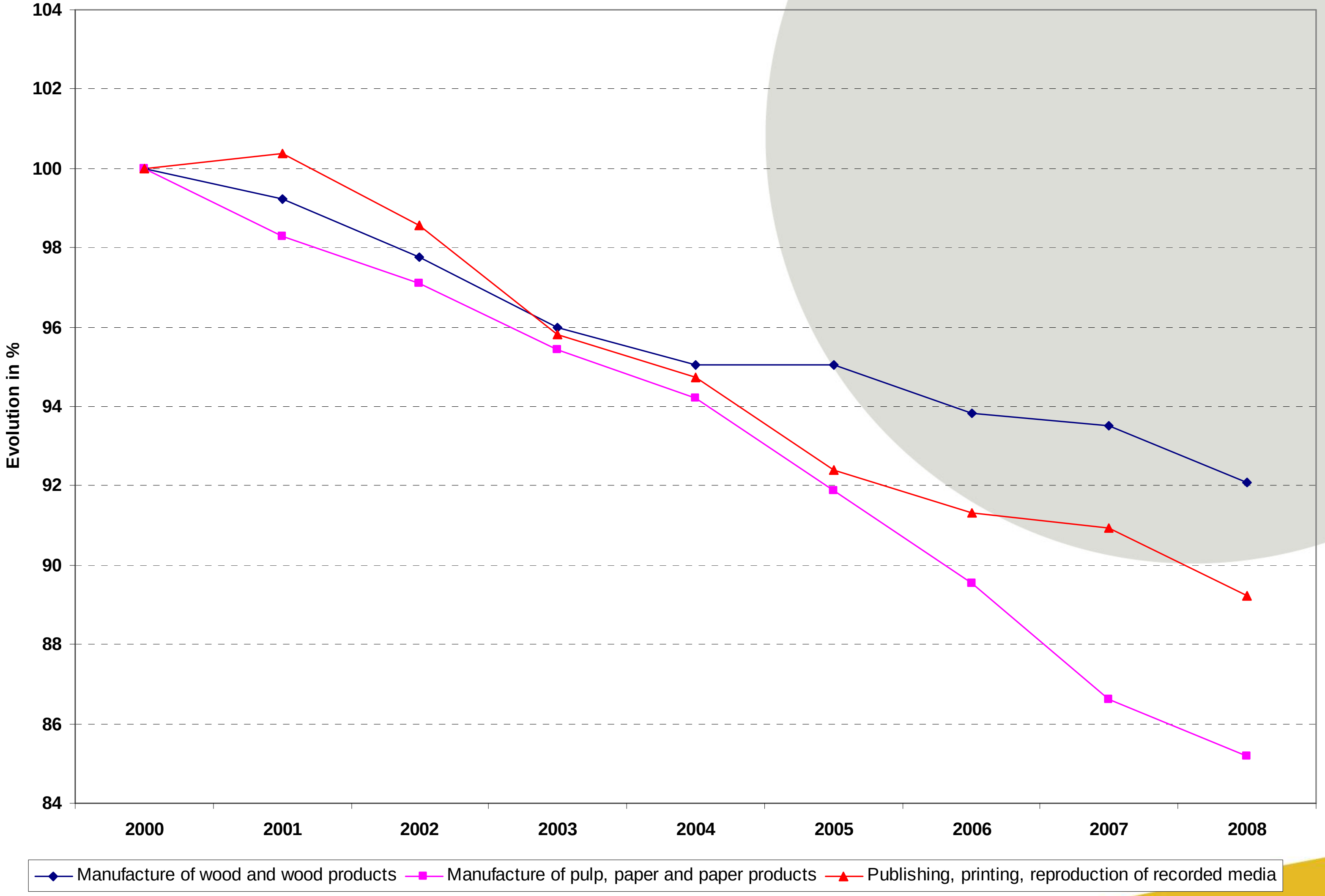
1. Introduction: some numbers

Production: % growth on each quarter compared to the same quarter in previous year



1. Introduction: some numbers

Employment for the forest-based industries



1. Introduction: some numbers

Trade:

	2005AN	2006AN	2007AN	2008AN
FBI total				
IMPORT	24.435.080	26.003.627	29.148.147	27.044.179
EXPORT	32.274.222	35.722.193	36.985.668	36.840.229
Balance	7.839.142	9.718.567	7.837.520	9.796.050
WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL				
IMPORT	10.642.595	11.571.077	13.387.589	11.578.795
EXPORT	8.167.288	8.944.221	9.485.638	8.986.692
Balance	-2.475.307	-2.626.856	-3.901.952	-2.592.103
CORK AND ARTICLES OF CORK				
IMPORT	66.769	68.812	63.591	65.248
EXPORT	421.564	424.927	443.304	426.054
Balance	354.795	356.115	379.713	360.807
PULP and RECOVERED PAPER				
IMPORT	4.387.822	4.724.632	4.872.874	4.777.240
EXPORT	1.555.496	1.975.853	2.260.850	2.481.184
Balance	-2.832.325	-2.748.778	-2.612.024	-2.296.056
PAPER AND ARTICLES OF PAPER				
IMPORT	6.558.092	6.636.475	7.660.993	7.412.033
EXPORT	16.795.301	18.735.653	18.994.906	19.244.547
Balance	10.237.209	12.099.178	11.333.913	11.832.514
PRODUCTS OF THE PRINTING INDUSTRY				
IMPORT	2.779.803	3.002.631	3.163.100	3.210.863
EXPORT	5.334.573	5.641.539	5.800.970	5.701.751
Balance	2.554.770	2.638.908	2.637.869	2.490.888

1. Introduction: some numbers

Imports of wood and wood products: main suppliers

	2005AN		2006AN		2007AN		2008AN	
	Value	Share	Value	Share	Value	Share	Value	Share
Extra-E27	**10.642.595**	**100.0**	**11.571.077**	**100.0**	**13.387.589**	**100.0**	**11.578.795**	**100.0**
China	1.324.442	12.4	1.686.105	14.6	2.247.448	16.8	2.193.107	18.9
Russia	2.002.503	18.8	2.125.151	18.4	2.536.196	18.9	1.912.269	16.5
Brazil	842.643	7.9	872.093	7.5	1.104.219	8.2	902.109	7.8
USA	957.849	9.0	1.010.066	8.7	1.022.476	7.6	810.574	7.0
Indonesia	703.025	6.6	740.070	6.4	653.777	4.9	579.689	5.0

Exports of wood and wood products: main markets

	2005AN		2006AN		2007AN		2008AN	
	Value	Share	Value	Share	Value	Share	Value	Share
Extra-E27	**8,167,288**	**100.0**	**8,944,221**	**100.0**	**9,485,638**	**100.0**	**8,986,692**	**100.0**
Sw itzerland	890,353	10.9	1,005,674	11.2	1,076,579	11.3	1,072,420	11.9
Norw ay	839,134	10.3	910,282	10.2	1,161,318	12.2	988,710	11.0
USA	1,815,036	22.2	1,659,528	18.6	1,158,636	12.2	780,997	8.7
Japan	923,376	11.3	1,059,510	11.8	938,515	9.9	758,075	8.4
Russia	404,384	5.0	487,091	5.4	611,011	6.4	745,256	8.3

1. Introduction: some numbers

Imports of paper and paper products: main suppliers

	2005AN		2006AN		2007AN		2008AN	
	Value	Share	Value	Share	Value	Share	Value	Share
Extra-E27	**6.558.092**	**100.0**	**6.636.475**	**100.0**	**7.660.993**	**100.0**	**7.412.033**	**100.0**
Switzerland	1.415.468	21.6	1.372.728	20.7	1.385.655	18.1	1.382.686	18.7
USA	1.134.205	17.3	1.114.882	16.8	1.224.978	16.0	1.250.065	16.9
China	691.490	10.5	815.268	12.3	1.183.756	15.5	1.215.231	16.4
Norway	949.958	14.5	940.049	14.2	932.959	12.2	830.899	11.2
Russia	355.906	5.4	378.855	5.7	402.626	5.3	393.972	5.3

Exports of paper and paper products: main markets

	2005AN		2006AN		2007AN		2008AN	
	Value	Share	Value	Share	Value	Share	Value	Share
Extra-E27	**14.949.432**	**100.0**	**14.980.009**	**100.0**	**15.431.337**	**100.0**	**15.477.342**	**100.0**
Russia	840.568	5.6	1.094.743	7.3	1.160.159	7.5	1.232.539	8.0
USA	2.607.666	17.4	2.399.463	16.0	2.456.436	15.9	2.411.928	15.6
Switzerland	1.653.364	11.1	1.696.741	11.3	1.704.787	11.0	1.629.102	10.5
Turkey	684.634	4.6	493.065	3.3	638.848	4.1	721.453	4.7
Norway	813.994	5.4	761.380	5.1	757.811	4.9	745.290	4.8

“Innovative and Sustainable Forest-based Industries in the EU”

1. Introduction: some numbers

2. Forest-based industries in a changing world

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2. Forest-based industries in a changing world

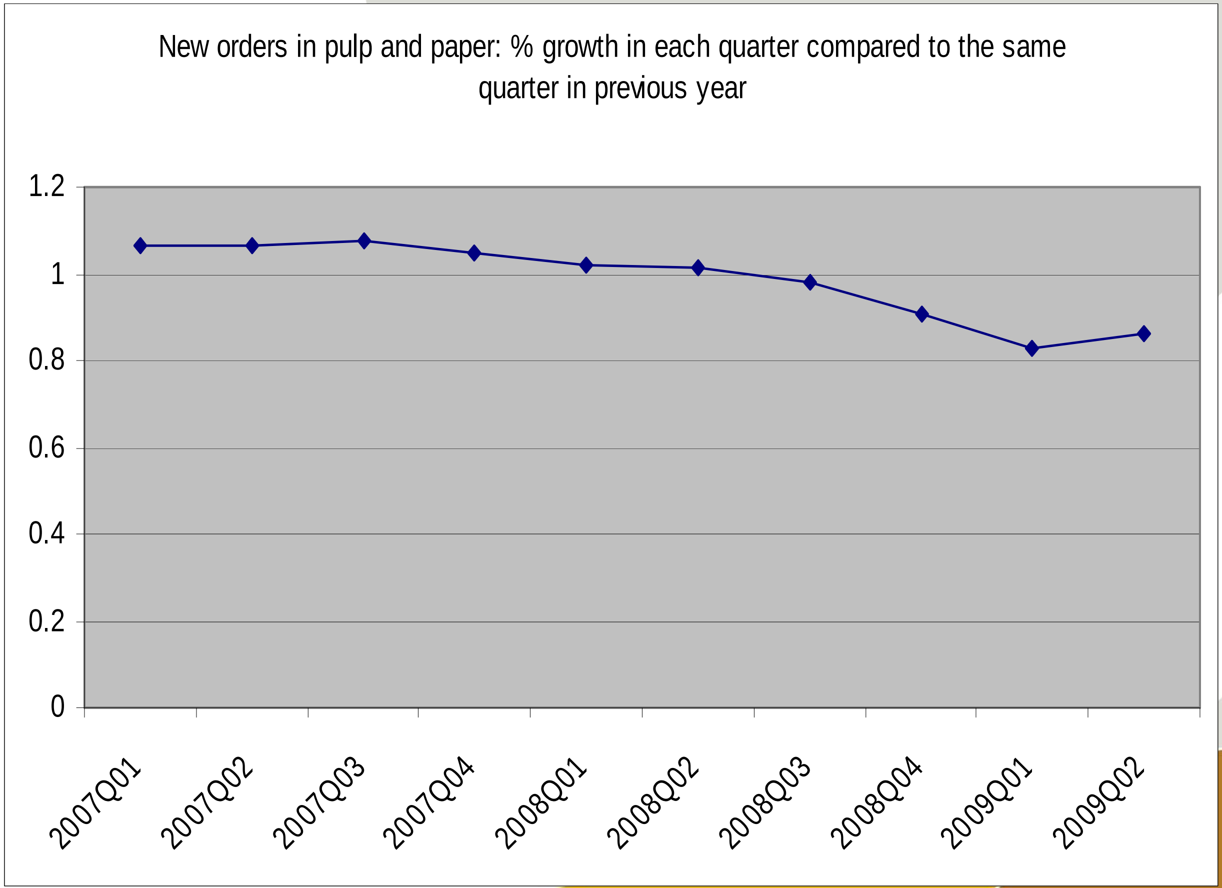
Impact of the crisis on the forest-based industries:

Pulp and paper industry,
Mirror of the global crisis

-Strong **fall in demand**, especially for some paper grades like packaging or graphic paper (downturn in advertising)
-Strong **fall in prices**: pulp, recovered paper..
-Strong **fall in exports**, especially to the US.
-Tissue paper seems to be less affected.
-**Reduced access to credit**, especially for SMEs in the paper converting subsector

Impact of the crisis on the forest-based industries:

Pulp and paper industry, Mirror of the global crisis



- Several temporary or permanent closures

2. Forest-based industries in a changing world

Impact of the crisis on the forest-based industries:

Woodworking industry, very much affected for the construction downturn

-Strong **fall in demand;** no recovery expected in one or two years (except in New Member States).

-MDF seems to be less affected

-Big impact of the finantial crisis in a sector where strong dimension of SMEs: **reduced access to credit**.

-Many temporary **closures** to adapt to the reduced demand. Risk of permanent closures. Impact on employment

2. Forest-based industries in a changing world

Impact of the crisis on the forest-based industries:

Woodworking industry, very much affected for the construction downturn

Some numbers:

•Turnover last quarter 2008/ 2007: -14,6%

•Production first quarter 2009/2008: -22%

•Fall of 70-80% in the construction sector in some countries.

•Improvement in the trade balance: imports fall 13% and exports “only” 6%.

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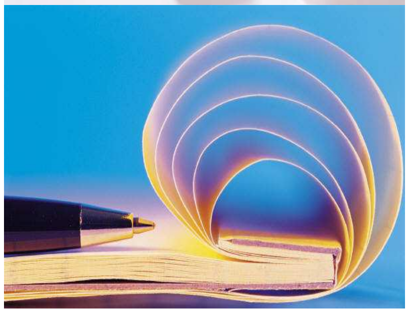
..But big opportunities in the horizon:



-**The EU is advancing towards a low carbon economy**

-**Forest-based products: renewable and recyclable**

-**Promotion of renewable energy sources: challenges..but also benefits**

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3. APIS FBI: Action Plan “Innovative and Sustainable Forest-based Industries in the EU” COM(2008)113

➔ **19-point Action Plan to address the challenges faced by the Forest-based Industries**

➔ **Adopted by the Commission on the 27 February 2008**

➔ **The Conclusions of the Competitiveness Council from May 2009 refer to this Communication *(“Competitiveness in metals industries and forest-based industries”)***: forest-based industries face fierce competition on global markets; need to analyse the impact of the Emission Trading Scheme on some forest-based industries

➔ **The Economic and Social Committee (ESC) adopted an Opinion in December 2008:** positive and in line with most of the actions included in the Communication

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Challenges:

- ➔Knowledge, Innovation, Research and Development
- ➔Climate change policy
- ➔Supply of basic raw materials
- ➔Supply of recovered raw material
- ➔Environment legislation
- ➔Market access
- ➔Communication and information

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Knowledge, Innovation, Research and Development

-Member States and industry to consider the **Strategic Research Agenda of the forest-based TP** in their RTD programmes and make adequate provision for education and training in the forest-based sector.

- The **forest-based industries** will have opportunities within the **EU 7FP**

- Member States and regions encouraged to adopt and develop the "**cluster" concept** to enhance existing and create new competitive synergies in the forest value chain, especially for **SMEs**. CIP Program can support this.

- **Cohesion Policy** support during 2007-2013 will assist the improvement of sector competitiveness and sustainability, particularly in the most disadvantaged EU regions.

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Climate change policy

- The advantages and challenges of proposing to include carbon storage in **harvested wood products**

- Role of **sectoral agreements** that should lead to global emissions reductions.

- The Commission will prepare the measures set out in its climate action and renewable energy package of 23 January 2008 on energy-intensive industries, in particular the determination of sectors or sub-sectors concerned by **carbon leakage**. The Commission will assess whether **forest-based industries** qualify for such treatment.

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Supply of basic raw materials

- Member States, industry and forest owners to facilitate and promote **afforestation, reforestation and active SFM**

- Explore **additional solutions besides mobilisation to the gap between supply and demand of wood**

- MS and Commission to pay attention to the **different uses of biomass** when developing the national action plans and in the context of general monitoring and reporting on RES

- D**evelop further private sector measures** to exclude the trade and use of illegally harvested timber. Industries and forest owners encouraged to undertake **initiatives to prevent illegal logging and SFM.**

- Commission and MS to clarify the application of **public procurement for wood and paper products**

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Supply of recovered raw materials

- The Advisory Committee on Forestry and Forest-based Industries to follow developments of **recovered paper**

- Study to identify solutions to increase the **recovery level of wood products**

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Market access

- The Commission will continue its efforts to establish and implement a market access strategy coherent with its growth and jobs and sustainable development objectives, ensuring **access to raw materials internationally and supporting the elimination of tariff and non-tariff barriers**.

- The Commission will launch a **dialogue** with interested third countries to address **technical, regulatory and related issues.**

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Environmental policy

- Industry invited to contribute to the information exchange in the **review of the pulp and paper BREF**. Attention to identify flexible technical solutions and facilitate consistent implementation by Member States.

Information and communication

- Member States, regional authorities, academic and educational institutions will be invited to cooperate within **multinational networks** in order to examine and ensure the follow-up of **long-term changes in the forest-based industries.**

Priority actions for 2009 taking into account the current EU policy priorities

- ➔ **Innovation and SMEs (action 15):** competitiveness of SMEs in the printing sector.
- ➔ **Competitiveness of forest-based industries in the framework of climate change and energy (actions 2, 8, 9 and 11):** biomass for RES and FBI, Energy Intensive Industries, harvested wood products
- ➔ **Illegal logging (action 5):** additional incentives for private sector measures.
- ➔ **Competitiveness aspects of waste policy and recovered material for the Forest-based Industries (action 3):** recovered paper

Implementation and Follow Up

➔Collaboration with stakeholders and Member States on the implementation of the actions channeled through the **Advisory Committee on Forestry and Forest-based Industries**

Further info:

http://ec.europa.eu/enterprise/forest_based/com2008_113_en.html

Thank you for your attention!

http://ec.europa.eu/enterprise/forest_based/index_en.html