



“ Is there a conflict between sustainability and economics? No, because it's our license to operate in the global economy.

Roger Harcrow,
Senior Vice President Technology & Engineering,
Eka Chemicals



the issues and develop solutions. This is healthy for society and corporations – understanding and co-operation is the Real way to address problems.

However, at the on-set of the recent financial crisis, companies started to question whether they could afford all the ambitious sustainability initiatives. Is there a conflict between long-term sustainability and keeping costs low and margins up? To better understand this, we need to look at the drivers that pushed sustainability before the crisis and ask ourselves: Will these drivers still exist in the future? They include the pressure on natural resources (deforestation, water), energy (sources and availability), demographics, climate change (GhG), biodiversity, and land-use. We need to keep a long-term perspective but also consider the short-term effects: surviving as a company is also a sustainability issue.

How should we focus on sustainability for our own use and benefit? Eco advantage is where a company gains an advantage by producing a product or service in the process of being sustainable. We need to consider these from both internal and external perspectives and ask: are our processes and the products sustainable?

Within Eka, we are focusing on energy, water and waste from our operations. Our customers within the

P&P industry are also focusing on energy and water, but also at fibre. Can we improve our processes and actively address process RD&I for solutions? Can we challenge product RD&I for more sustainable products and educate the sales force to sell elements of sustainability along with costs advantages and savings? Embedding sustainability with an organisational culture often requires a push from management. As it becomes more embedded, less push is required as the organisation is motivated on its own successes to grow and improve its sustainability performance.

Sustainability and economics do go hand-in-hand when we keep a long-term perspective. It's important that we communicate and sell the fact that our industry is sustainable. Sustainability is a marathon, not a sprint. It is relevant and it is a global reality. Our challenge is to break the concept into manageable elements, prioritize, commit our resources and then work to create a competitive advantage for our business and our industry. ■

Fibre Markets

Gunilla Saltin

The pulp market really is like riding a roller coaster; the market today looks completely different from how

it looked a year ago. While the short-term perspective is difficult, however, pulp producers do need to look at the long term and there are factors influencing how the market will look in the future, namely demographics, competing materials, economics and energy policy.

Demand for wood products in the future will be heavily influenced by demographics. World population in 2005 was around 6.4 billion but is projected to rise to 7.5 billion by 2020. That means a lot more demand for forest products. Another important factor is that, in the West especially, the number of people living in single households is predicted to increase by 20% by 2030 compared with 2005, which will also have a significant impact on overall fibre demand, from furniture to construction timber and maybe pulp and paper.

Economics is another key driver. As living standards rise, demand for forest products increases. Competition from other materials will also be an issue: Will it be important to have a low carbon footprint, to have recyclable materials, or will other factors come into play?

Perhaps the most important driver is energy. Wood was historically used as fuel before being replaced by oil and electricity, but this is changing again.



“ The pulp market of the future is hard to predict but we know it will be difficult to find low cost fibre. ”

Gunilla Saltin, President, Södra Cell AB

Financial incentives encourage the use of wood for fuel, especially in the EU, which is committed to achieving a 20% renewable energy target by 2020, up from 8.5% in 2005. In the future, energy prices will be a factor in setting the price for wood.

The supply of wood, then, is going to be tight. And while rising living standards generate increased demand for forest products, the tendency to look at forests for conservation and tourism also increases as standards improve, removing more forest from production. Forests remain vulnerable to natural attack too, from pests, fires and storms which can all temporarily affect supply.

Against this background, it's vital that forest companies maintain a

focus on improving productivity in forest management. In Södra's case, its mission is to deliver value to its 52,000 member forest owners and to see the future as a challenge not a threat, using it to invent and improve. The company looks at productivity from the forest through the mills to customers, adding value to their processes, and focusing on new ways of providing new materials.

Södra's competitors are increasingly energy producers as well as other pulp suppliers, which is why Södra is also focusing on energy efficiency and aiming for independence from fossil fuels (Värö is already there for day-to-day operations). There's also an opportunity here to enter the energy market as a player – Södra already sells biofuel,

electricity and district heating which together make a valuable contribution to the bottom line.

Pulp suppliers need to increase productivity for customers by focusing on value-added product development. Södra has 50 people in R&D who work with the mills and customers identifying areas to improve. New business development is also heavily driven by R&D. By looking at its existing product portfolio and seeing what more can be done, Södra is starting to ask what else it could do with pulp and its by-products, both to generate new business with existing customers and to create new ones. The chair and lamp made from Durapulp, a brand new composite material made by combining pulp and polylactic acid,



A visit to Södra Cell's flagship Värö mill to round off the event showed a mill at the forefront of environmental progress, independent of fossil fuels for its day-to-day operations.



are an example. It doesn't mean Södra will become a furniture retailer, but it shows what can be done with pulp, and how pulp mills can use the resources already in place to do things differently, and better, to secure their place in the future. ■

Packaging Markets

Florian Stockert

Packaging took a dramatic hit during the recession. The containerboard market had already been suffering from overcapacity before the financial crisis, so it was lucky that some planned investments were delayed.

Substance reduction is an ongoing story. The new generation of machines can produce grades down to 70 g but many older machines can't run below 100 gsm. The deckle width of corrugators is changing. They were built according to paper machines so 2.20 m was ideal for a 4.4-m or 6.6-m wide machine, but 2.8-m wide corrugators are now coming on stream and making it impossible to use older machines, which is causing big problems for some producers.

Sustainability, climate change and demographics are all influencing the sector. Europe is leading the way in lighter grammages with 560 gsm now down to 530 gsm, although this capacity is still restricted but increasingly supported by new machines.

In the past, the growth of containerboard was intertwined with GDP growth and enjoyed a steady increase but the business was hit dramatically by the global economic crisis. Although consumption patterns are different across the World's main regions, recycled containerboard consumption is growing much faster than virgin-based containerboard.

Containerboard consumption fell by more than 7% in Europe in 2009 but for 2010, prospects are already looking much brighter. We have not seen such negative global GDP growth since WWII which had a tremendous



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If Poland's GDP can grow by 1.7% during a global economic downturn, we have definitely chosen the right country to invest in.
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*Florian Stockert,
Sales & Marketing Director Containerboard,
Mondi Europe & International*

impact on certain regions. Global GDP fell by 2.2% in 2009 and the Eurozone by 3.9%, but Poland grew by 1.7%, which translated into 60,000-70,000 tonnes more paper.

In 2009, containerboard consumption in Western Europe fell by 11%. While the crisis was partly financial, containerboard producers also felt the pressure of heavy destocking. They stopped buying for a month, then when mill stocks hit bottom, buyers found themselves having to swallow price increases. Pre-crisis levels of consumption in Western Europe are expected to return by 2013-2014 and earlier in CEE, even by next year for recycled grades. There is still a lot of potential to grow. Per-capita consumption in Western Europe is above 60 kg per capita but Poland and Croatia are around 30 kg and Russia just 17 kg. That's a lot of tonnes

eventually being consumed in CEE in the coming years.

The containerboard consumption structure in Russia differs considerably from the one observed in Western and Central Europe. Some two thirds of the market is serviced by virgin grades since the availability of recovered paper is limited. Still, Russia is growing very fast and at some point we will see investment in waste collection and recycled paper production. It lacks modern state-of-the-art recycled paper machines. This hinders the development of this segment of the market, as could an import duty on containerboard (15%).

The European containerboard market began restructuring and adjusting capacity before the crisis. Between 2008-2010, some 2.65 million tonnes of capacity was shut down, but 1.7 million tonnes came on stream