General Assembly

Barcelona

14 September 2023 – 8:30/12:30

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Utipulp

Agenda of the meeting

Introduction (Chairman)

- Welcome/new delegates
- Legal guidelines for attending UTIPULP meetings
- Approval of the minutes of the last meeting (Gdansk, 30 March 2023)
- Membership

Market analysis

- Preliminary discussion on the PIX index (All)
- Presentation of Fastmarkets (Perrine Fay)
- Presentation of the PIX index (Lars Halén, Fastmarkets FOEX)
- Synthesis of the questionnaire pertaining to pulp supply (PA Lacour)
- Report from the National Associations delegates (All)

Special Subject Dossiers

- EU Deforestation Regulation (PA Lacour, EPIS)
- PFAs (PA Lacour)

Association Topics

- Excom Composition
- Review of the monthly statistics report

Any Other Business

Close out

- Date & location
- Close

Introduction

Welcome /new delegate

Legal guidelines for attending UTIPULP meeting

- The chairman recalls the main requirements of the guidelines. Guidelines are available at any time during the meeting

Approval of the minutes of the last meeting

- Gdansk, 30 March 2023

Membership

Market analysis (Methodology)

- During the UTIPULP General Assembly that took place on 15 March 2023, it was agreed to set up an index reflecting the perception by the delegates of the pulp market.

- It was more specifically agreed that "*The index will be calculated to be as consistent as possible with the Purchasing Manager Index (PMI)*".

- Slides hereafter provide information on how the index is calculated.

Market analysis (Methodology)

- The UTIPULP Secretariat sends an on-line questionnaire to all the delegates (representing companies and national associations).

UTIPULP market questionnaire

Dear
Member,

In preparation
of our next meeting, on **Thursday xxxxx in xxxx**,
please find below a short questionnaire.

Connectez-vous à Google pour enregistrer votre progression. En savoir plus

Regarding your pulp supply, has the situation improved or worsen since the last meeting (xxxxx)?

- strong improvement
- slight improvement
- steady
- slight deterioration
- strong deterioration

Please comment the reasons of your choice.

Votre réponse

In S2 2023, according to you forecasts, will the pulp supply improve or worsen?

- strong improvement
- slight improvement
- steady
- slight deterioration
- strong deterioration

Please comment the reasons of your forecast.

Votre réponse

Comments and remarks (if any).

Votre réponse

Envoyer

Effacer le formulaire

Market analysis (Methodology)

Index Calculation

- The value of each index is calculated using the following formula: **INDEX VALUE = 1 x (% “strong improvement”) + 0.75 x (% “slight improvement”) + 0.50 x (% “steady”) + 0.25 x(% “slight deterioration”) + 0.0 x (% “strong deterioration”)**

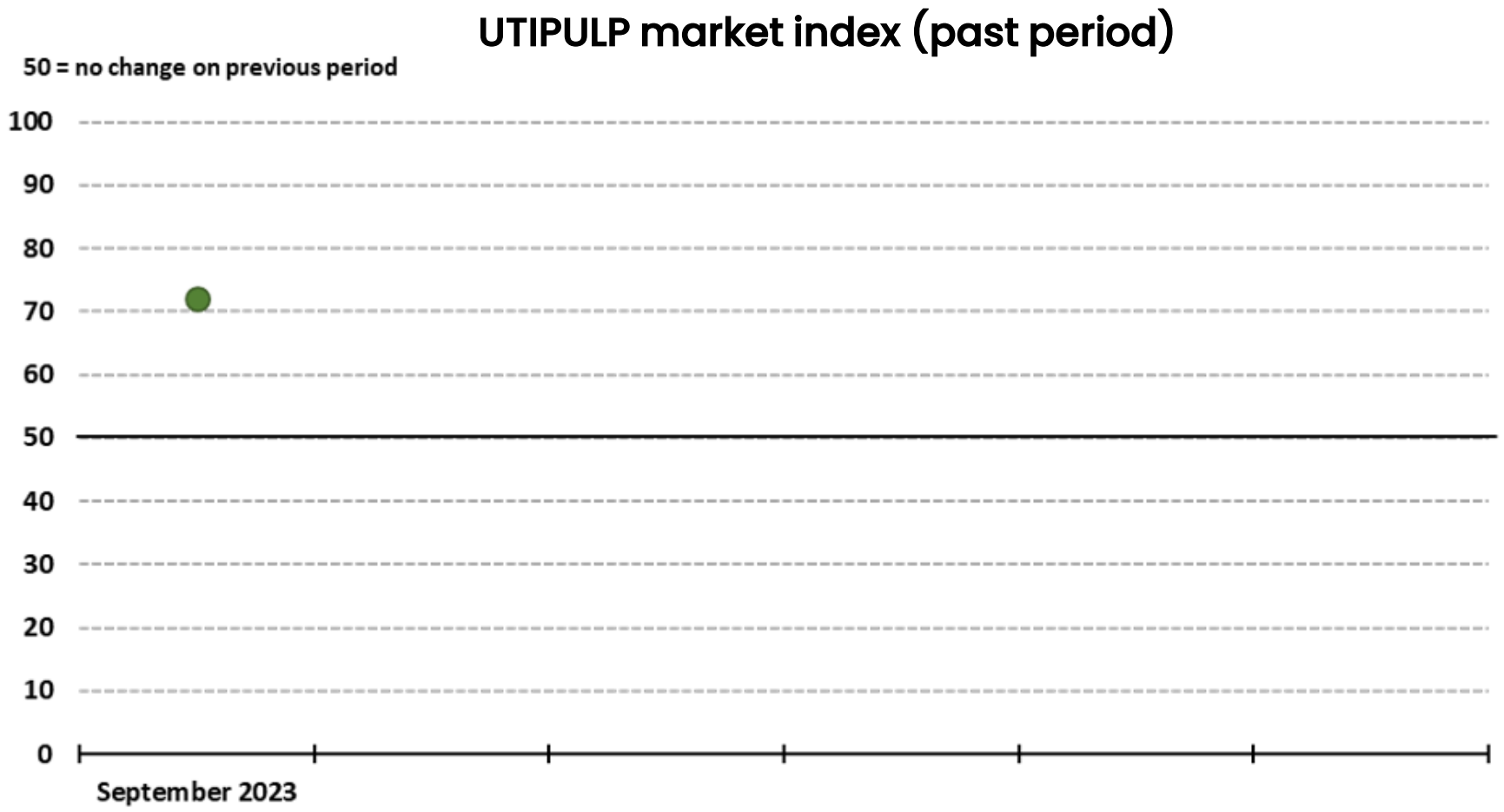
- The resulting index values are therefore bounded between 0 (all companies respond strong deterioration) and 100 (all companies respond strong improvement), with a theoretical no-change mark at 50 (all companies respond “steady” or equal proportions respond up as do for down).

- Index values above 50.0 indicate improvement and below 50.0 report deterioration.

- The index will be reported on a curve that will give a long-term vision.

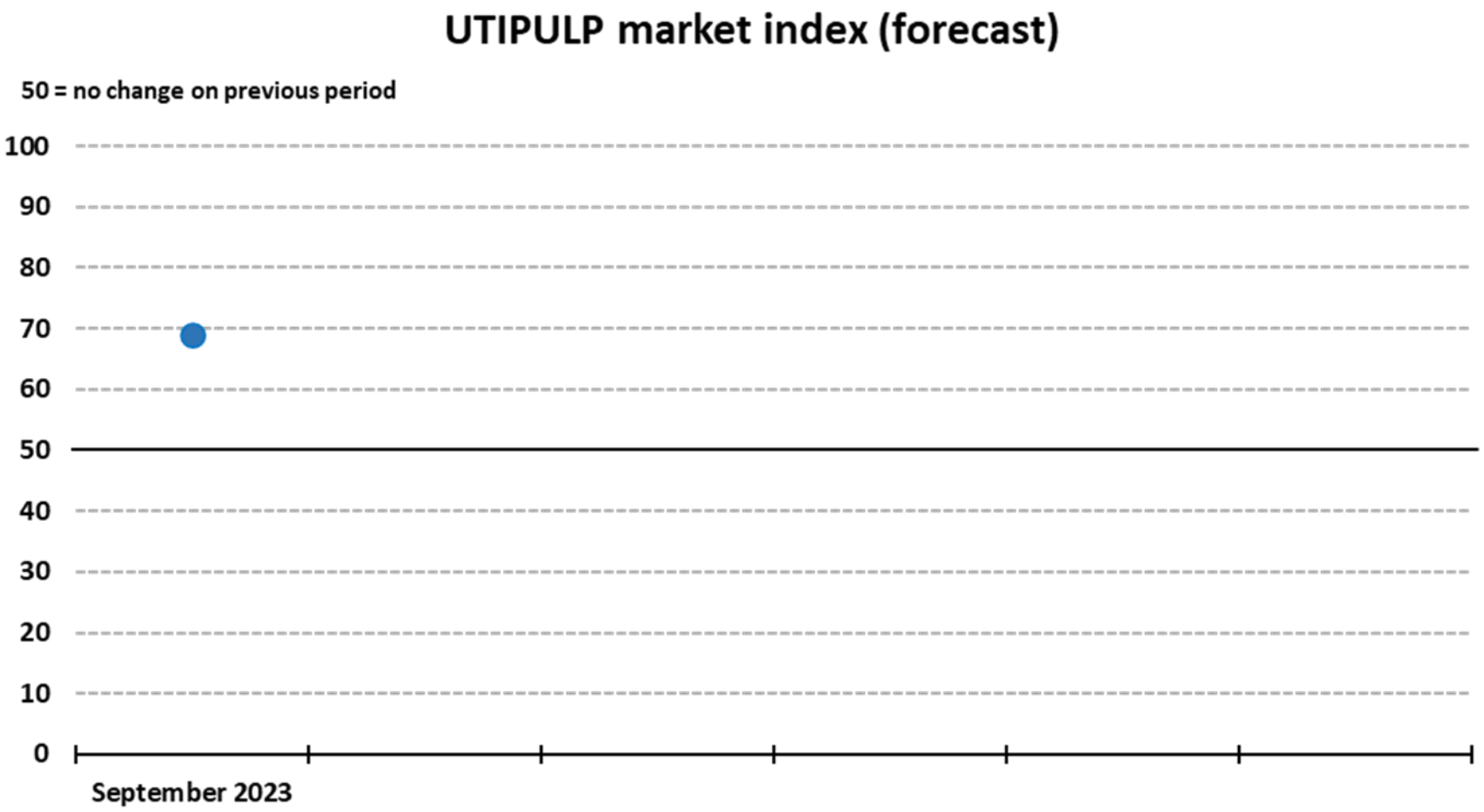
Market analysis (Outcome of the survey)

UTIPULP market index (past period)



Market analysis (Outcome of the survey)

UTIPULP market index (forecast)



Market analysis (Outcome of the survey)

Pulp supply

- Short fibres: UPM (Paso de los Toros) ; Arauco (MAPA) ; CMPC (Guaiba)
- Long fibres: Metsä (Kemi)
- Start of idled capacities (if prices increase)?
- Not much to expect from North America
- In some European countries: reduced wood chip availability + restricted imports of pulpwood from Russia. It might effect production levels

Pulp demand

- Rebound of economic situation? When inflation will be back to “normal”?
- If the deteriorated situation lasts too long, some mills will have to shut down
- No major capacity changes are expected in the coming months in Europe, but some PM closures have been announced
- Time for M&A?

Market analysis

Tour de table of national situations

IT'S TIME FOR
a
Coffee
BREAK

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

- On 9 June 2023 was published on the Official Journal of the EU the Regulation (EU) 2023/1115 on deforestation and forest degradation (EUDR).

- The objective of this regulation is to ensure that products derived from 7 commodities (cattle, cocoa, coffee, oil palm, soya, rubber, wood) which are placed on the EU market or exported from the EU, have not caused deforestation or forest degradation during their production.

- Products derived from wood such as pulp, paper, cartonboard and paper/cartonboard articles (including printed books, newspapers, other products of the printing industry) are covered by this regulation.

❑ EUDR states that the products cannot be **placed or made available** on the EU market, or exported from the Union market, unless all the following conditions are fulfilled:

- they are deforestation-free;
- they have been produced in accordance with the relevant legislation of the country of production;
- they are covered by a due diligence statement.

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

- For each sold product, paper mills will have to exercise due diligence on the corresponding pulp supplies .
- Paper mills will have also to issue a Due Diligence Statement (DDS) for each sold product.

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

- Reminder about the content of a due diligence

Collection of information

- Description of product (trade name/scientific name)
- Quantity
- Country of production
- **Geolocation** (mandatory use of polygons above four hectares) **and time period of production**
- Supplier name
- Buyer name
- Verifiable evidence that product is “deforestation free”
- Verifiable evidence that product is produced in compliance with relevant legislation

Risk assessment

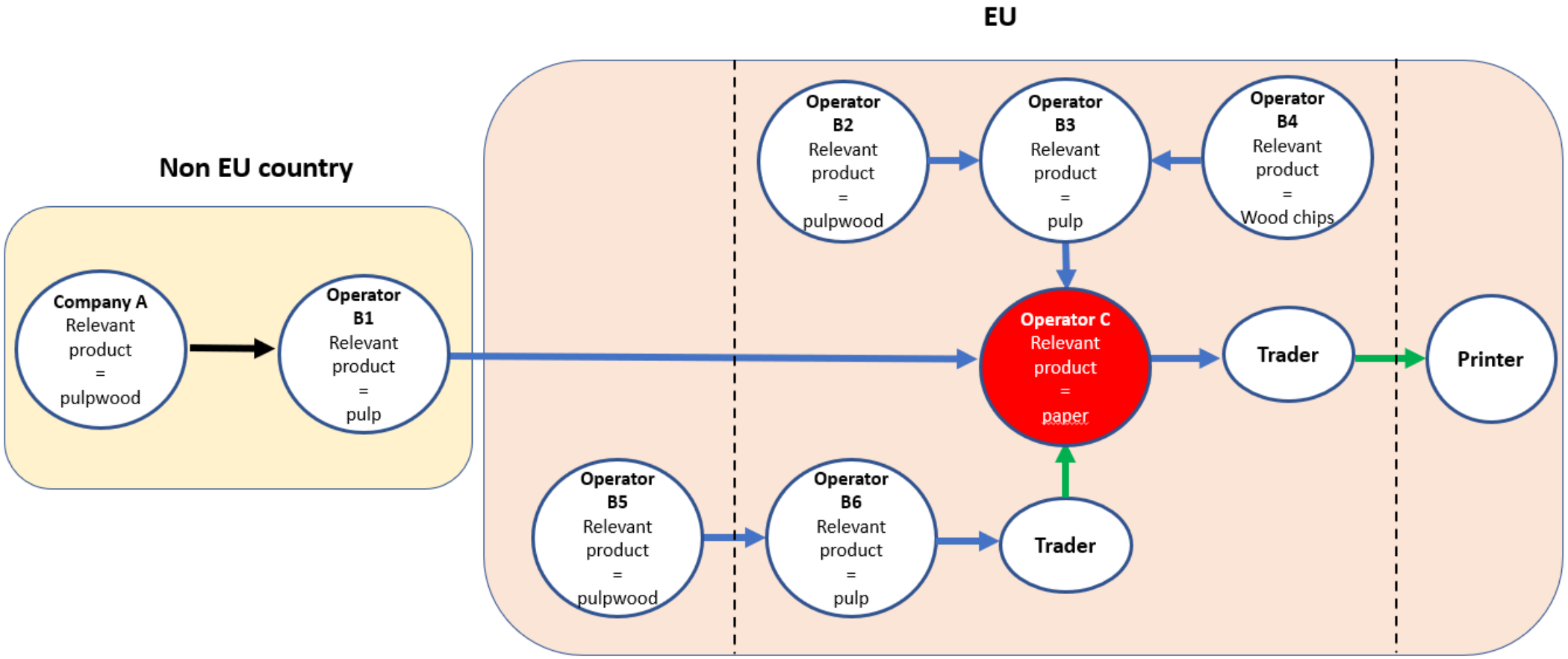
- Operators shall verify and analyse information collected
- Risk assessments shall be conducted and documented, reviewed at least on an annual basis and made available to the competent authorities upon request.
- The EC will develop a central database of risk assessments and will publish list of low and high-risk countries, based on delegated regulations (to be developed)

Risk mitigation

- Operators shall have in place adequate policies, controls and procedures to mitigate and manage risks.
- The operator shall adopt risk mitigation procedures and measures that are adequate to reach no or negligible risk prior to placing on the market or exporting.
- Certification or other third party verified schemes could be used but they should not substitute the operator’s responsibility.

- Due Diligence Statement must be made available to competent authorities **<u>via online information system</u>** prior to placing on the market

Special Subject Dossiers/EU Deforestation Regulation (EUDR)



« placing on the market »: first making available of a « relevant product » on the EU market
« making available on the market »: supply of a relevant product
national border within the EU

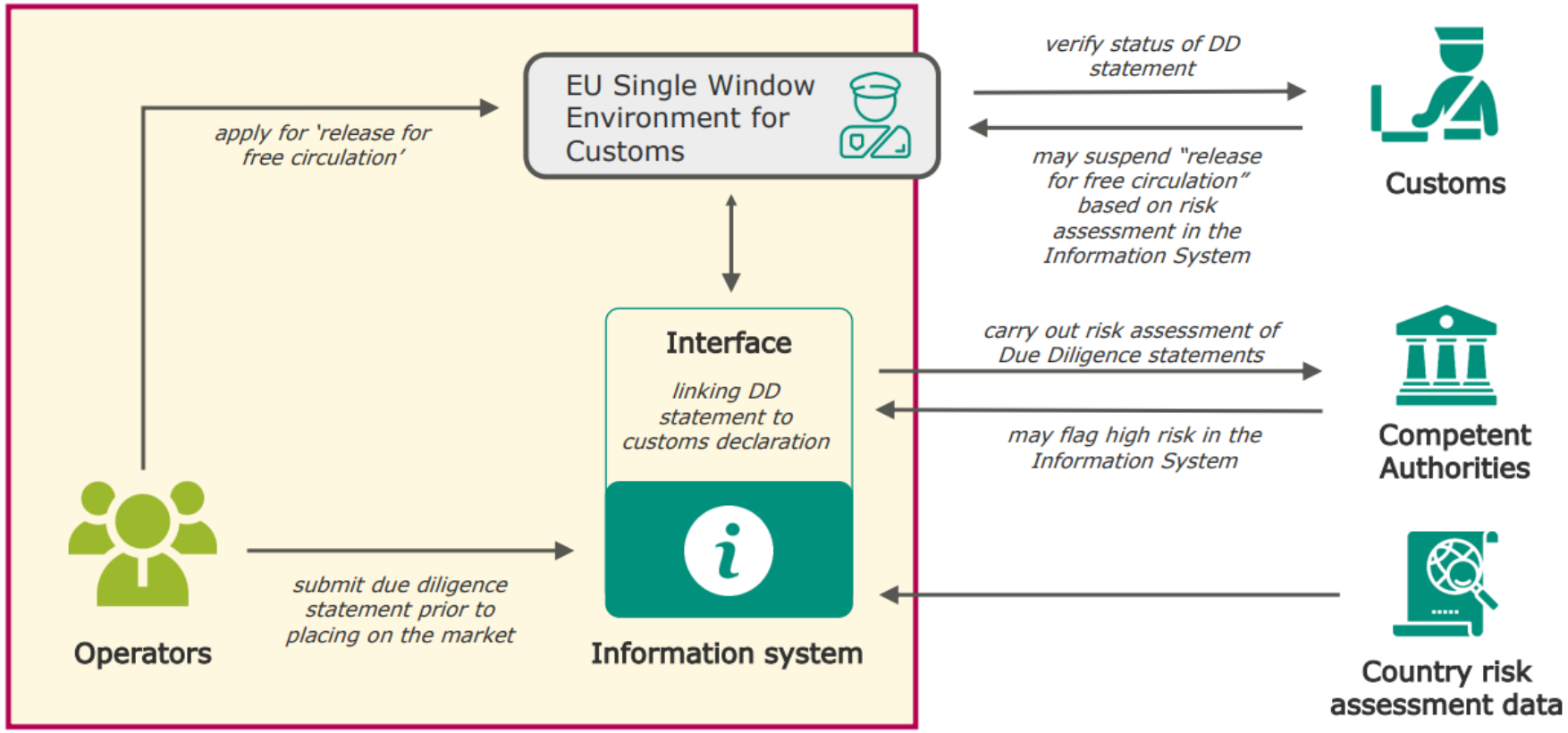
Operator: places on the EU market or export from the EU market
Trader: makes available on the EU market

Commodity: cattle, cocoa, coffee, oil palm, soya and wood

Products: products derived from the commodities

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Information system : it will be the tool used by companies to fulfill their obligations



Special Subject Dossiers/EU Deforestation Regulation (EUDR)

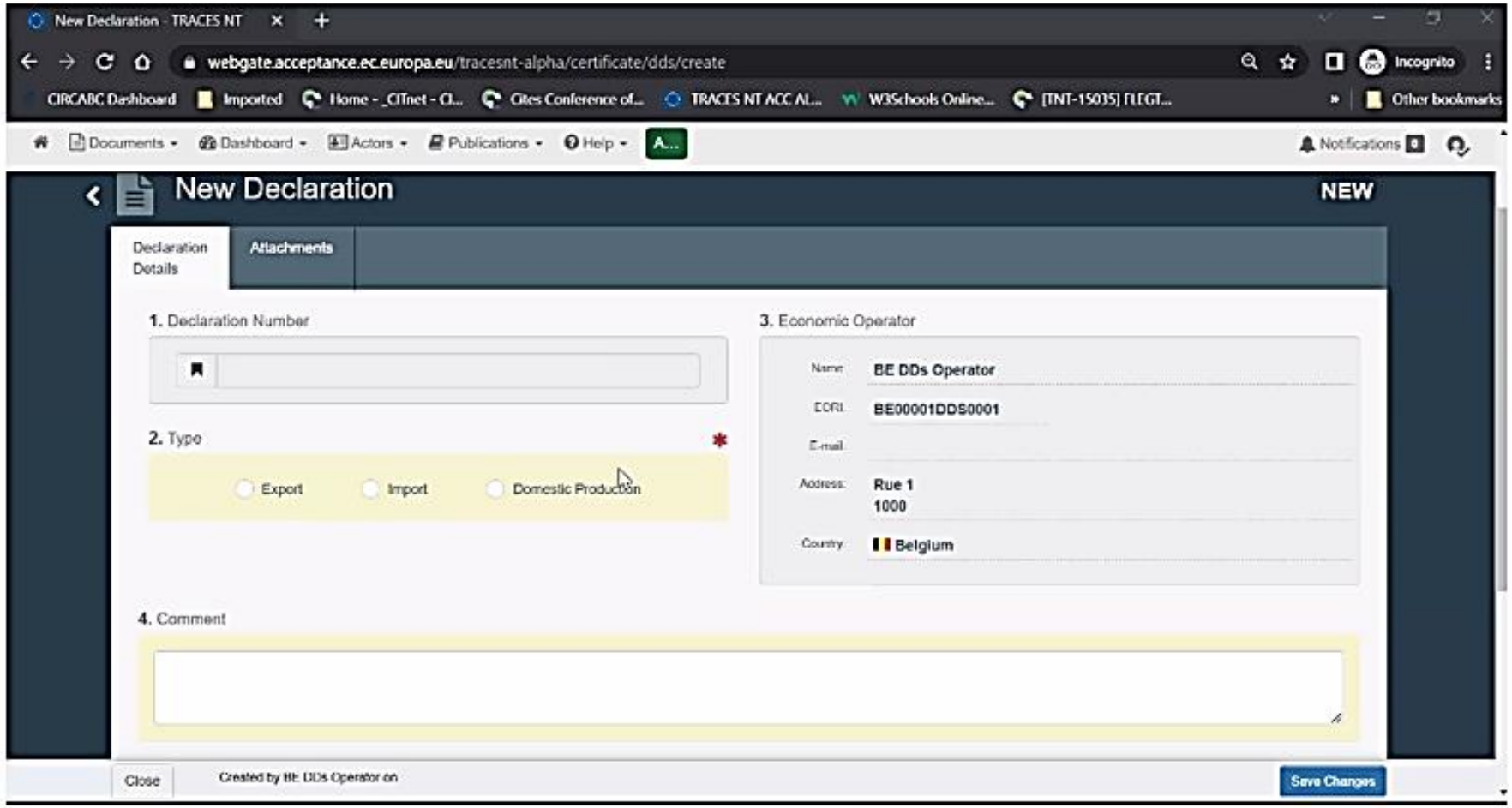
- Penalties: Member States shall lay down rules on penalties. The penalties provided for shall be effective, proportionate and dissuasive (fines up to 4% of turnover)

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

- The preliminary version of the information system is presented hereafter.
- Screenshots coming from a meeting organised by the European Commission in June.

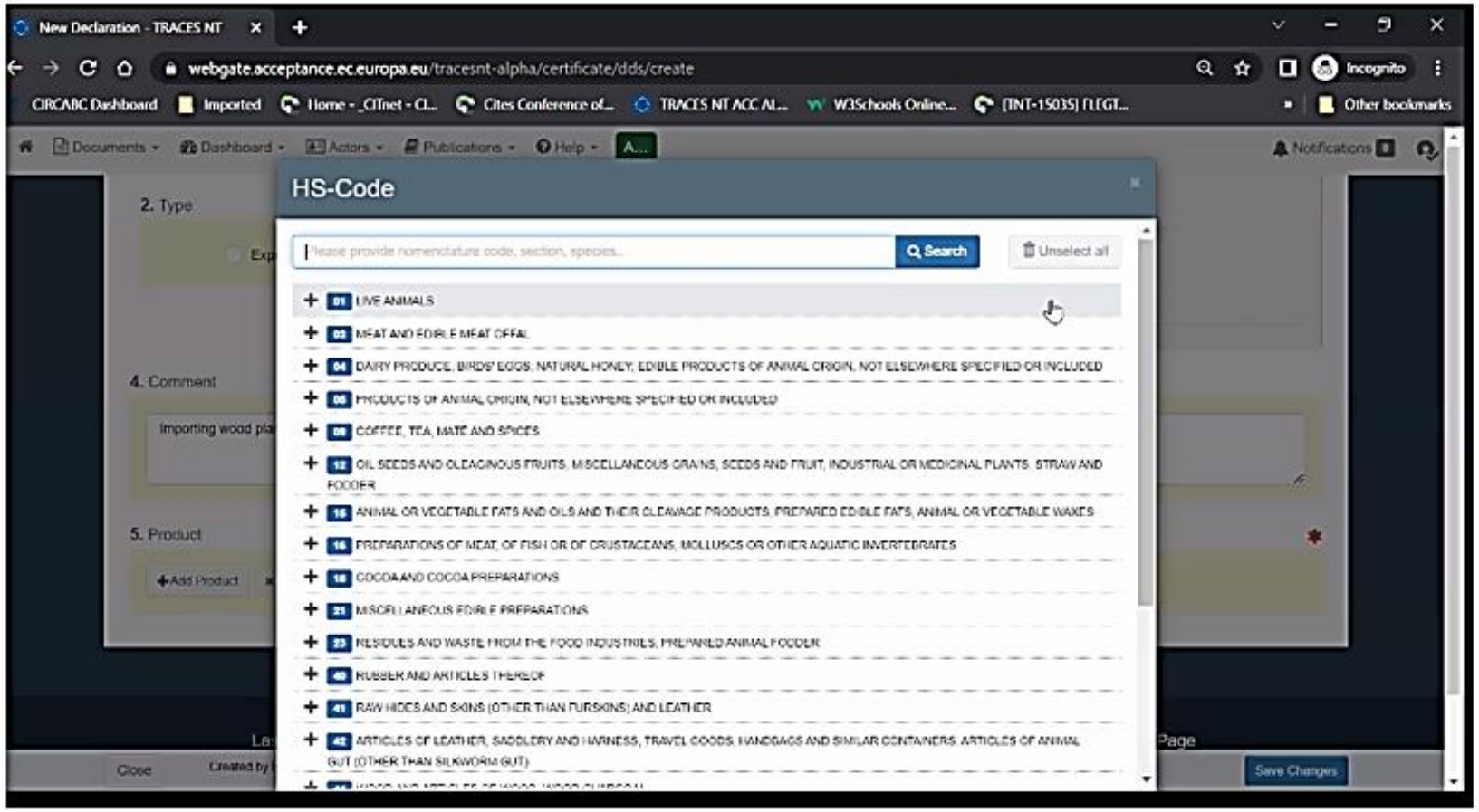
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

The operator logs in



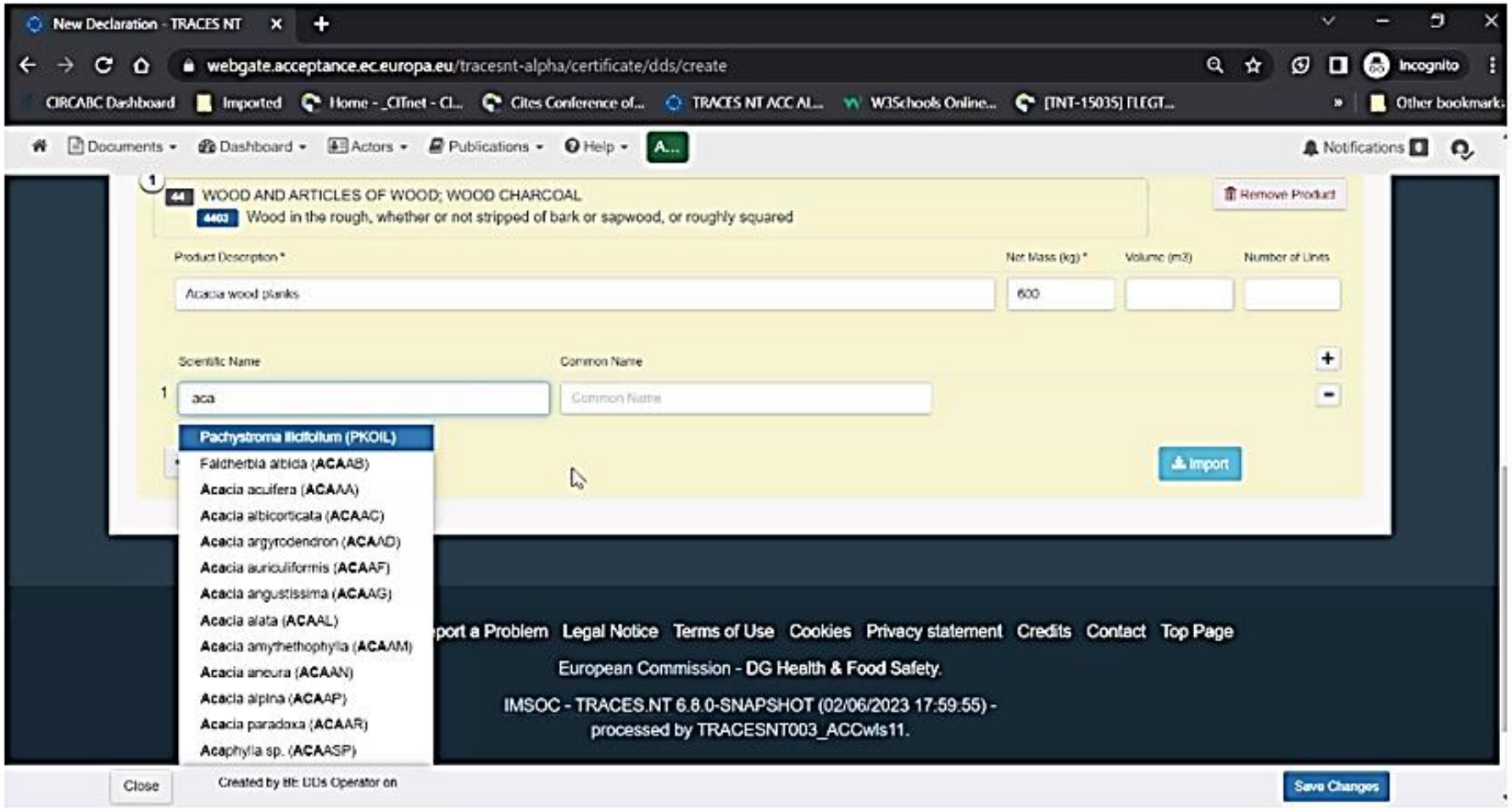
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Selection of a product



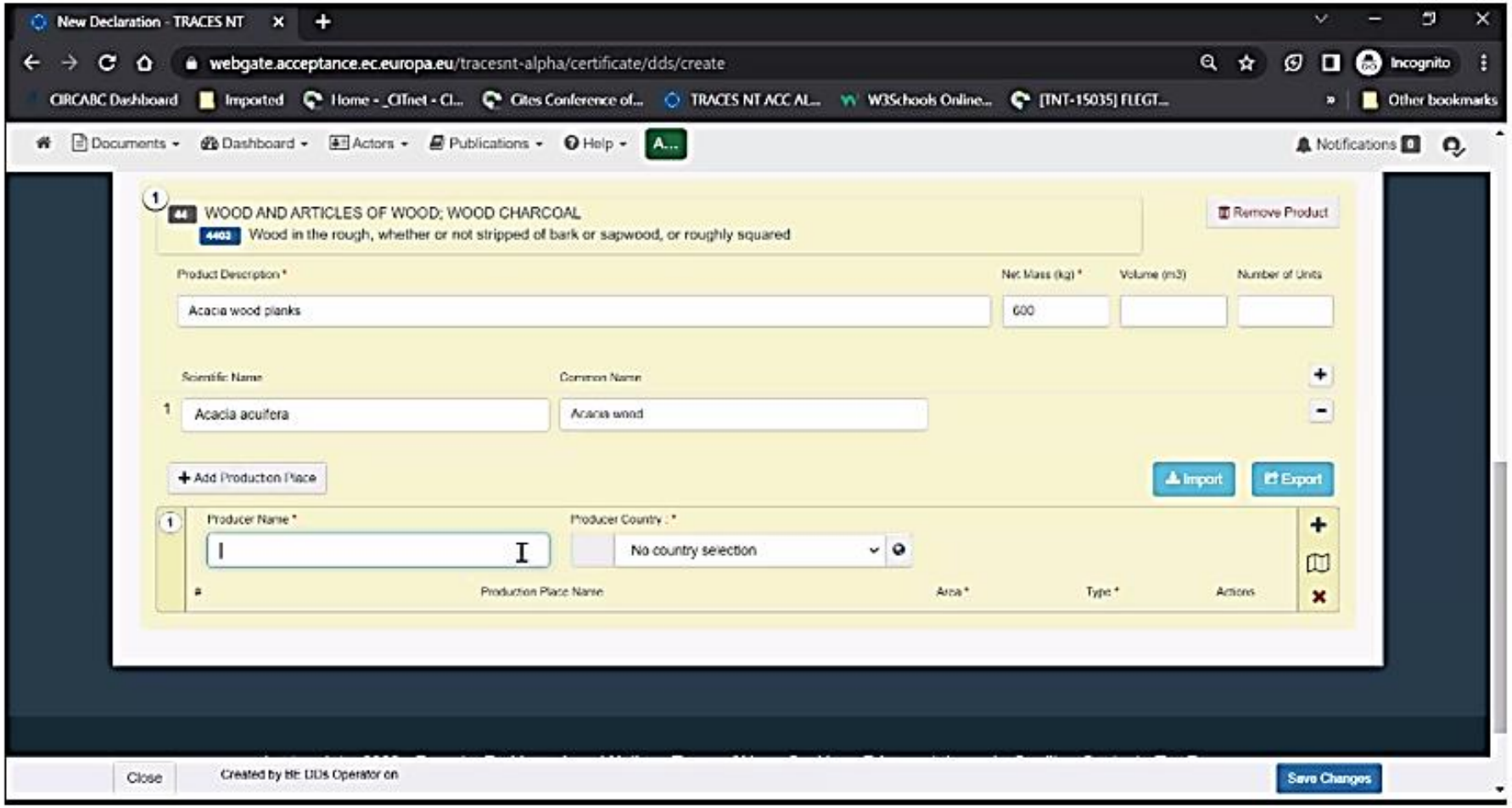
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Selection of the species



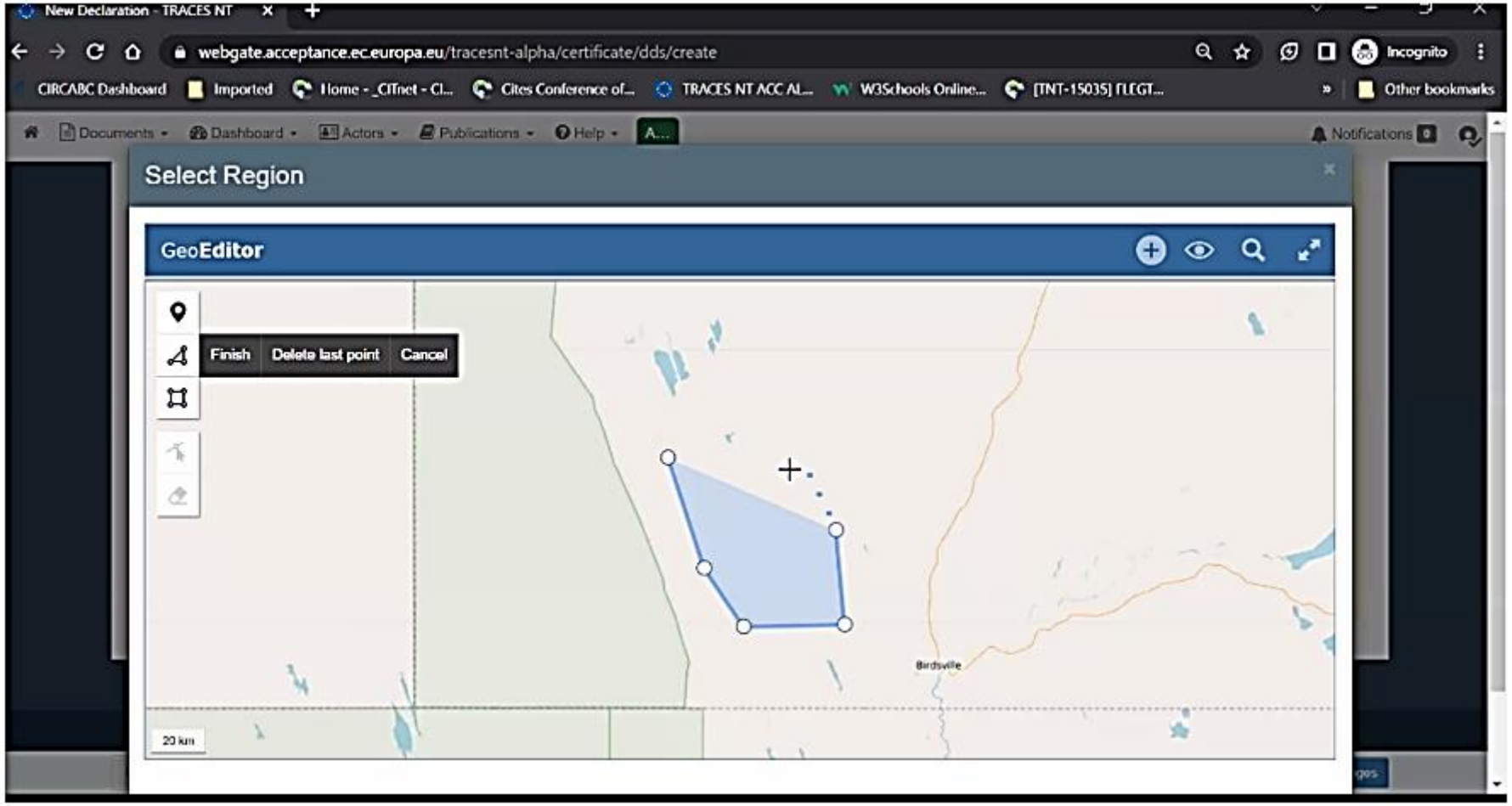
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Selection of the producer/country



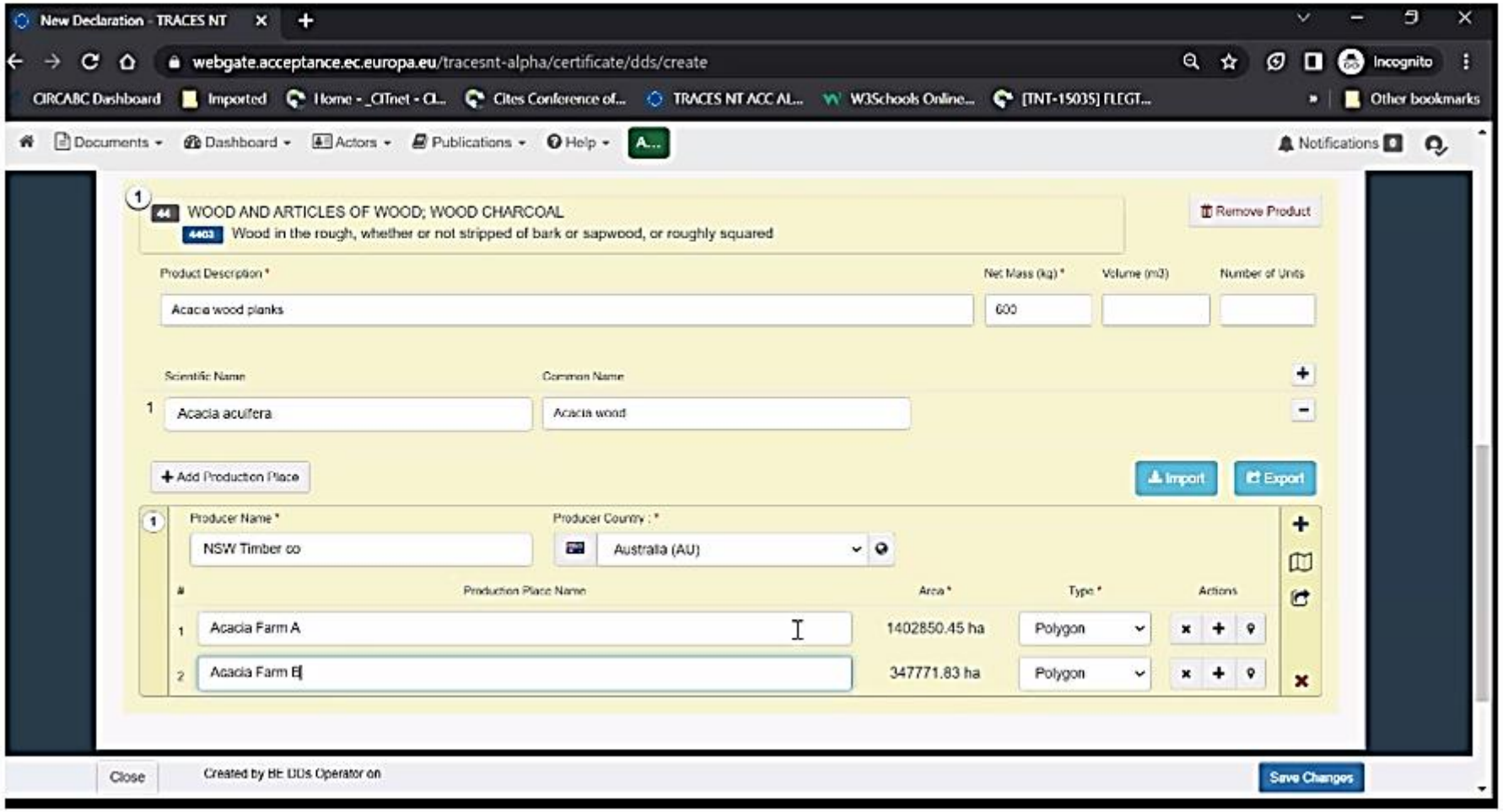
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Geolocation of the polygons



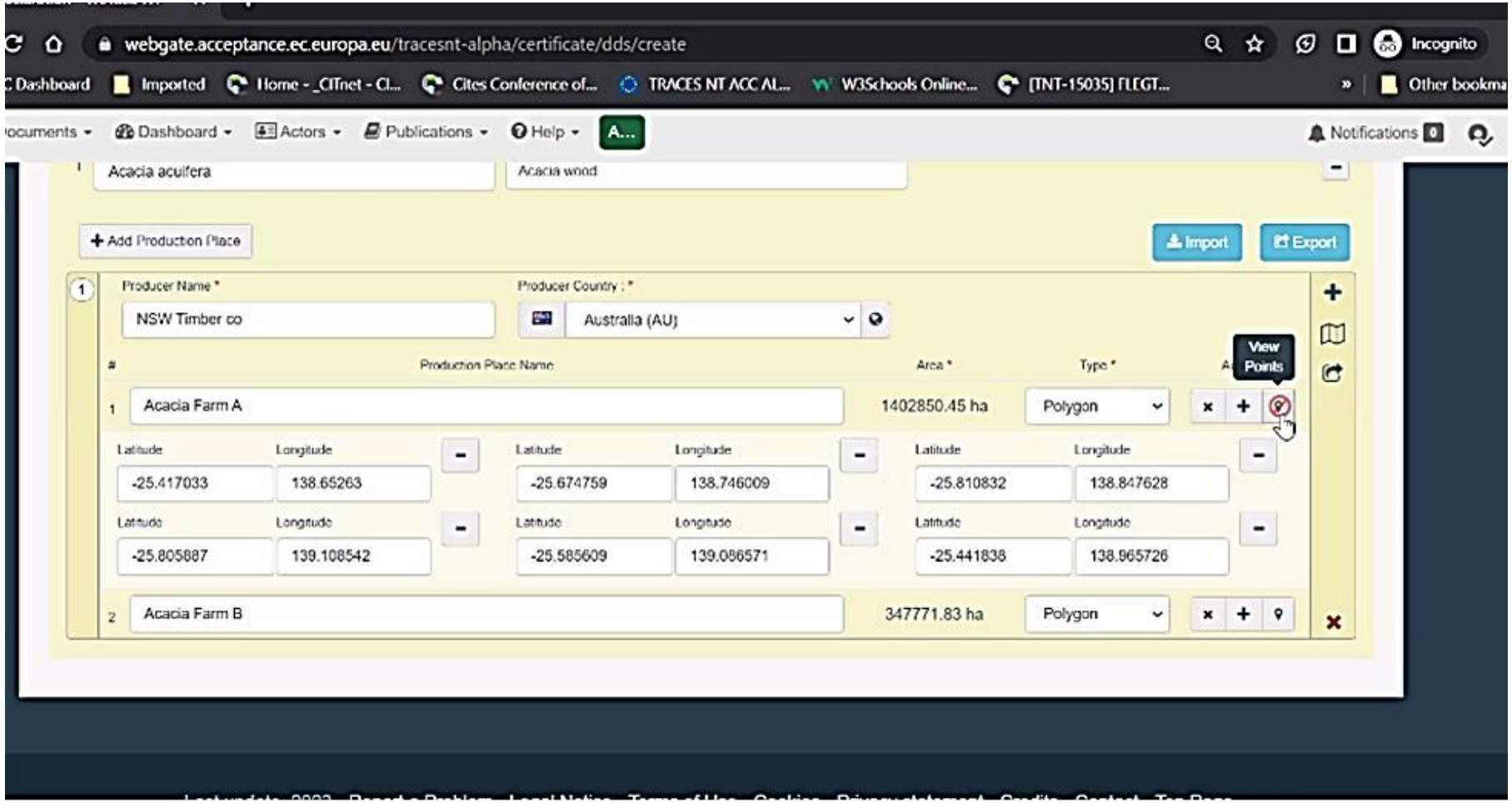
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Two Accacia farms (= two polygons) are considered



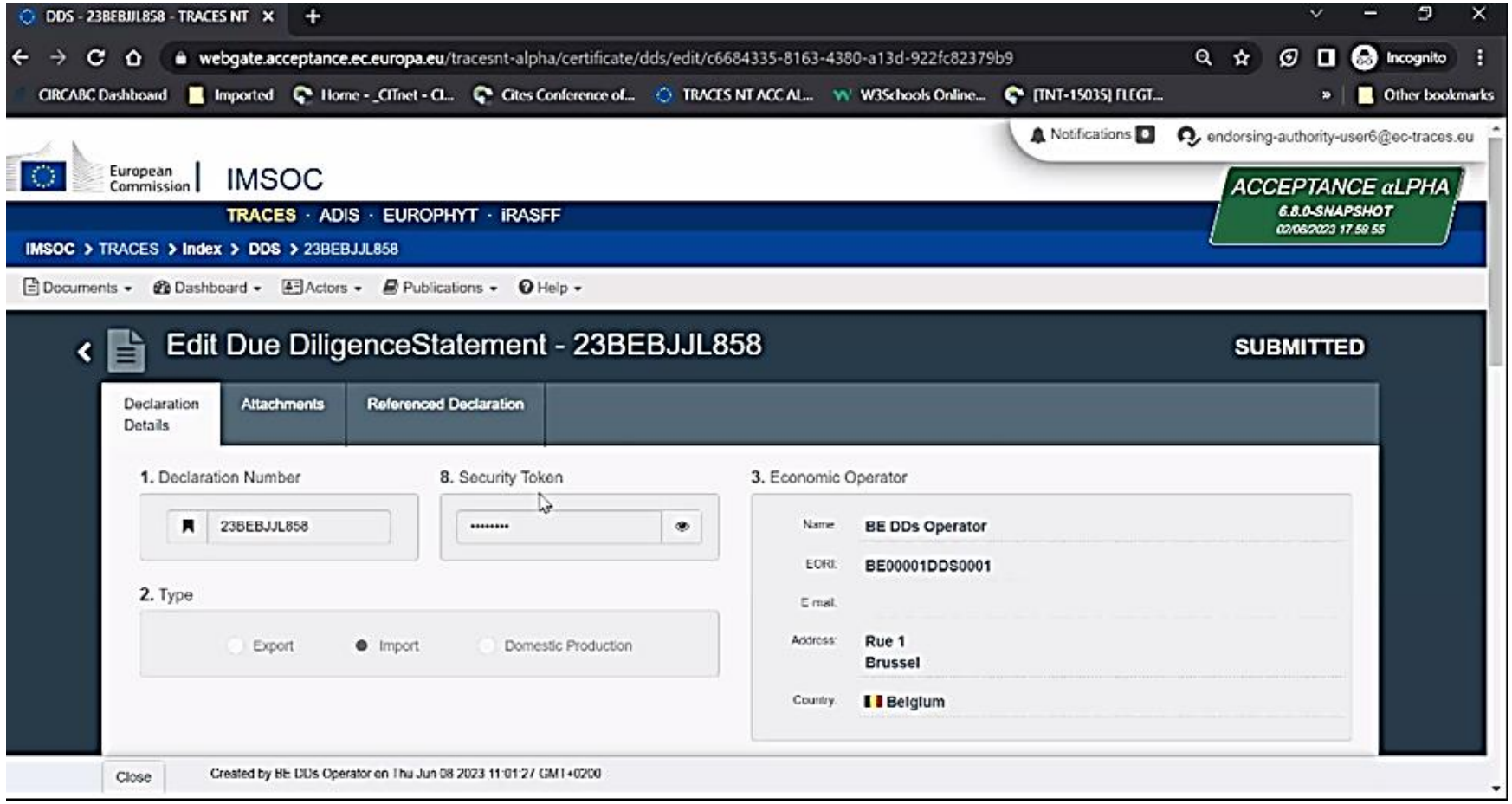
Special Subject Dossiers/EU Deforestation Regulation (EUDR)

The polygon is characterized by several points



Special Subject Dossiers/EU Deforestation Regulation (EUDR)

When operation is completed, the operator can issue the DDS



Special Subject Dossiers/EU Deforestation Regulation (EUDR)

Milestones until the entry into application

Dates	Milestones	Notes
Q3 2023 - Q4 2023	Finalisation of the development of the DDS Information System	• Preliminary analysis and prototyping • Iterative development and testing
29 June 2023	Regulation Enters into force	• Publication on the OJEU on 9 June 2023 • Entry into force 20 days after the publication
Starting November 2023	Pilot Testing	• Realistic data testing, monitoring progress, collecting feedback, and bug fixing
Q2 2024 – Q3 2024	User Training	• Train-the-trainers training sessions • Dedicated training system environment access
Q4 2024	Entry into application of the Regulation (Entry into force + 18 months)	• Preparation for GO Live • System GO Live

Special Subject Dossiers/EU Deforestation Regulation (EUDR)

- Some open questions:
  - How will pulp makers collect the huge amount of data corresponding to the plots (pulpwood and sawmills chips) and time of harvest?
  - How will paper mills process the files received from their pulp suppliers?
  - Due to the mixture of raw materials at different stages (wood yard, stack of chips, digester) one pulp mill is associated to hundreds of forest plots. Similarly, one forest plot is associated to many pulp bales. If one plot is not meeting the EUDR requirements, how to avoid the dissemination of the risk?
  - Need to revise the General Trade Rules?

Special Subject Dossiers

PFAS/EU restriction proposal

- PFASs (per- and polyfluoroalkyl substances) are a group of about 10 000 substances.
- They are used in many different products where they can add a variety of useful properties(e. g. water, oil and dirt repellency).
- Some PFAS are used in the formulation of food contact materials. These substances are mainly used in paper/cardboard packaging as part of the barrier to food, especially liquid and fatty foods.
- All PFAS are either persistent themselves or degrade to other persistent PFAS. Persistence is due to strength of the carbon-fluorine bond. PFAS are called “Forever chemicals”.

Special Subject Dossiers

PFAS/EU restriction proposal

- On 7 February 2023, ECHA (European Chemical Agency) published a **PFAS restriction proposal**. This new REACH annex is the broadest restriction proposal in the history (about 10 000 substances are concerned).

- Observation: societal costs > restriction costs if nothing is done.

- Proposal: **ban the manufacture, marketing and use of PFAS**.
  Also as constituents of substances, in mixtures and articles above a certain concentration (25 ppb for any PFAS/ 250 ppb for the sum of PFAS).
  Obligation to provide information and management plan (if derogations).

- Exception: PFAS fully degradable under normal environmental conditions + fire-fighting foams.

- Timeline:

There is no derogation for paper / cardboard products (non-fluorinated alternatives exist, but they are more expensive).

Special Subject Dossiers

PFAS/EU restriction proposal

Next steps

At the beginning of September, > 6,400 contributions received as part of the consultation process!

Association Topics

EXCOM composition

Association Topics

Review of the monthly statistics report

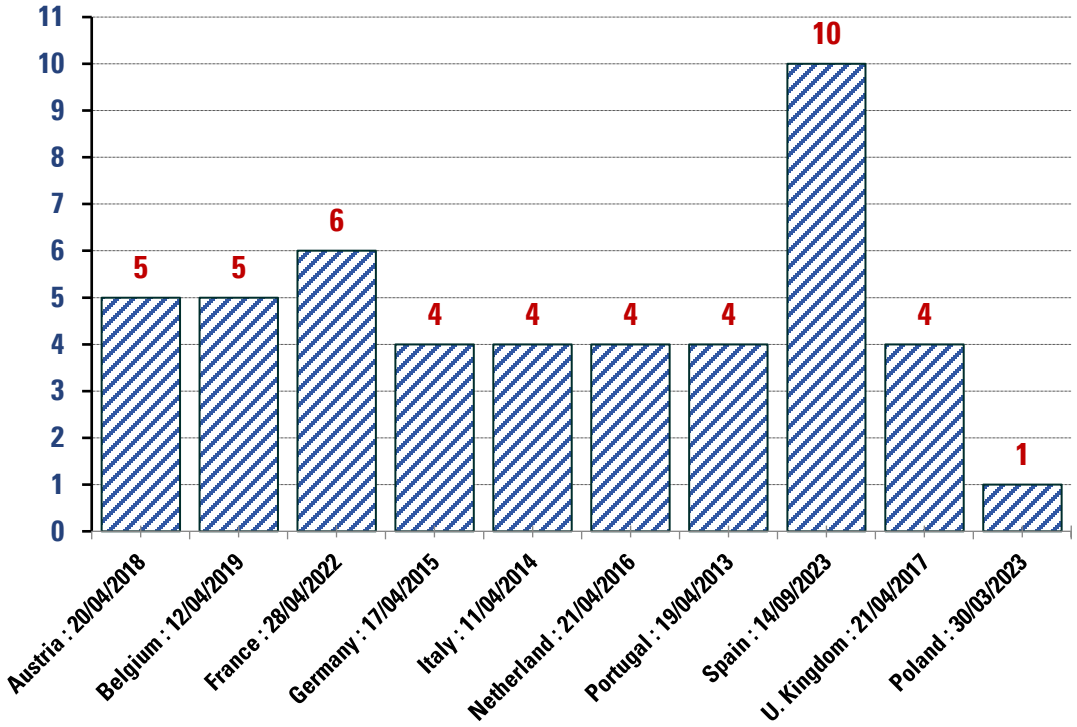
Any Other Business

Requests/questions from delegates ?

Close out

Date & location

- Lisbon, 18 April 2024



Close

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Thank you

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