
Wood Panel Industries Federation

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Make Wood Work

“This is a precious resource which must not be squandered”

Alastair Kerr, Director General,
WPIF

www.makewoodwork.co.uk

An industry under threat



by Alastair Kerr,
Director General,
WPIF

Make Wood Work is a national initiative aimed not just at securing the long-term future for wood panel manufacturing in the UK – but a fight for the very survival of an industry under threat.

Our member companies have been significantly affected by the cumulative effects of the Renewables Obligation regime. We are extremely concerned about the huge increase in the number of planning applications for biomass power stations that generate electricity by burning wood. These power stations source the same wood that the wood panel industry uses to manufacture its products.

By subsidising energy companies' purchasing of UK wood, Government has significantly distorted the already fragile supply and demand balance for this limited resource. This market distortion is not just a threat to those companies manufacturing wood panels – two independent studies show how the loss of the wood panel industry would cost thousands of jobs across the country – but would also generate a net increase in UK CO₂ emissions.

The Department of Energy and Climate Change has said that at least 90% of the predicted wood requirements of the energy sector will be sourced from overseas. We think this is a serious over-estimation, given that imported wood is about three times the price of UK-sourced material.

Statements made in the environmental returns of some large-scale wood energy proposals support our view that they would seek to secure significantly more than 10% from the national wood resource. There is growing evidence – forest purchases and negotiations for long-term contracts – that the energy sector is intent on acquiring as much UK-sourced wood as possible.

Even 10% of biomass requirements for energy would translate to around 4 million tonnes of UK-sourced material – or 40% of the UK harvest – and it is clear that this country will struggle to support even a fraction of the total expected demand from the energy sector.



Political support - the All Party Parliamentary Group for the Wood Panel Industry

Supported by the Renewables Obligation, and from next year the Renewable Heat Incentive, the energy sector will have the purchasing power to exclude our members and other wood processors from the market. This is an unacceptable distortion of the market and should be addressed through reform of both mechanisms.

Backed by MPs and a wide range of other organisations and individuals, our campaign calls for a more responsible use of wood – one of our most precious natural resources. But, importantly, we are not anti-biomass or asking for special treatment – just a level playing field.

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In the workplace and at home

Wood panels are everywhere. They are used in the construction industry for floors and roofs, in furniture, in kitchens, in bedrooms, in shops, in offices and factories. Sometimes they are out of sight and sometimes they are decorated. But they are all around us.

The term 'wood panels' covers a wide range of board types such as chipboard, OSB (oriented strand board) and MDF (medium density fibreboard). Although very different products, they share the same basic raw material – albeit in differing forms – ie small roundwood, recycled wood, woodchips and sawdust.

“an industry which directly employs 2,343 people”

In most applications, they are a vital component that could only be replaced by a more expensive and less sustainable product.

Wood panel manufacture is a worldwide business, which operates in most developed countries which have their own forestry resources. In the UK, the market is dominated by four companies – Egger, Kronospan, Norbord and Sonae – all subsidiaries of large multi-nationals.

There has been a wood panel manufacturing industry in the UK since 1898. But its main growth was in the 1960s, driven by a demand for mass market furniture and building solutions – and, more recently, thanks to the increasing interest in DIY fuelled by the popularity of home-improvement TV programmes.

It is an industry which directly employs 2,343 people, with the main centres of employment highly concentrated in rural and urban areas of high unemployment such as North Devon, the Shropshire/North Wales border, on Merseyside, in Northumberland and at three locations in rural Scotland.

The demand for wood-based panels in construction and furniture-making has created a £520 million pound business in the UK. Taking into account jobs in forestry, sawmilling, recycling, haulage, and those employed by the industry's customers, it is estimated that 8,700 people depend on a vibrant wood panel industry for their livelihoods.

Market distortion threatens our industry

In simple terms, the sector is under threat because electricity generators supported by subsidy can afford to pay more than double the price currently paid by the UK wood panel industry for its primary raw material.

The blame lies with the introduction of the Renewables Obligation, which has distorted the market and resulted in WPIF members seeing an average wood price increase over the last four years in excess of 30%.

Biomass is unique amongst renewable technologies in that its feedstock is finite and has many other current uses. According to the WPIF's Director General Alastair Kerr, the situation can only get worse as more of these new energy projects go ahead.

"Wood prices could potentially rise to a point where they meet that paid by generators for imported material, currently between £75 and £90 per wet tonne. This will put thousands of jobs in the UK wood panel and associated industries at risk and has the

potential to escalate costs for the construction and furniture industries. Consumers of UK-sourced products, who are already paying for the subsidy through their electricity bills, cannot escape the impact of this distortion," he said.

"The Government is putting too great an emphasis on large scale wood-fired electricity and, by subsidising generators' ability to pay for fuel, they are threatening to destroy an industry that adds economic value and brings environmental benefit through carbon storage.

"We are not anti-biomass and, indeed, as an industry we have pioneered the burning of our process-derived wood waste to generate heat and power, which is then fed back into our own manufacturing process.

"The industry has provided to Government, in confidence, financial data independently collected by SKM Enviros which demonstrates the serious impact of increased UK wood prices, as a result of the RO and the upcoming Renewable Heat Incentive.

"We believe this proves categorically that the Government's renewable energy policies – specifically support for biomass – are directly damaging the competitiveness of the wood panel industry in the UK, which is wholly reliant on domestically-sourced wood.

"If nothing is done to amend this policy, I fear the wood panel industry will continue to shrink and could eventually disappear from the UK altogether," added Alastair Kerr.

"Yes, it may still be possible to get wood panels from abroad – but with a much longer supply chain, bigger carbon footprint and certainly at a higher cost for consumers. Production of wood panels in Western Europe is also under threat because of a growing imbalance in wood supply.

"Critically, we will have sacrificed an entire industry for the very small contribution to the UK's targets for reducing greenhouse gas emissions that wood-fired power stations represent."

Our contribution

The industry occupies seven UK manufacturing sites (three in England, three in Scotland, one in Wales) and supplies approximately 60% of UK demand for wood-based panels.

Each of these sites is a major player in the local economy, most with workers from within a small catchment area, and in many cases provide employment to a number of members of the same family.

These companies take their responsibilities to the communities in which they operate seriously, and as well as contracting with dozens of small local businesses they are regular supporters of local charities and good causes.

Importantly, the wood panel industry is contributing towards the environmental goal of carbon reduction through both its products and its manufacturing processes.

By introducing recycled material into the production process, the industry has further enhanced its sustainability credentials. The industry has increased its use of recycled wood, from a standing start in 1997, to consumption approaching one-third of its total wood input by 2009.

Advanced manufacturing techniques are used by companies that allow them to produce chipboard using, in some instances, 100 per cent recycled wood. Quite simply, the UK would not come close to meeting its recycling targets for wood were it not for the UK wood panel industry.

Likewise, the industry has spent a significant amount of time and money in developing lightweight panels that look the same as conventional board. As well as using less material, these lightweight panels are easier to handle and save on fuel costs when transported by road to the customer.

Long before other UK companies jumped on the Greenwash bandwagon, the wood panel industry was putting its money where its mouth is and was pioneering responsible stewardship of the nation's forestry resources and minimising its carbon footprint.

Our industry is also one of the largest generators of renewable heat in the UK. Currently approximately 55% of our industry's heat demand is satisfied by our own renewable process-derived fuel. Under favourable conditions this could be increased to 90% or more. The UK Government has committed to significantly increasing renewable heat production in the UK.

Moreover, the industry's environmental contribution in terms of carbon storage should not be underestimated. Wood stores carbon throughout its life. The more lives any piece of wood is given, from solid timber to wood chip and sawdust, the longer it safely stores its carbon content.

To burn it is to lose it and so recovering energy from wood through incineration must be established as a last-resort practice.

Call to action

The WPIF calls on Government to:

- Modify the ROC banding in such a way as to remove its distortion of our market. We support subsidy for capital expenditure in the UK biomass sector but not subsidy for its use of domestic wood as a feedstock
- Ban wood – an increasingly precious resource – from landfill and maximise the lifespan of all wood in the UK
- Focus the subsidy on the expansion of non-wood fuels and fast-rotation crops, as these have a greater potential to reduce CO2 emissions in the short term. In the long term, the amount of UK forest cover should be increased
- Only allow wood that has reached the end of its useful life, and after recycling opportunities have been exhausted, to be used by the energy sector in installations that maximise the heat potential of this valuable resource
- Recognise the wood panel industry's sizeable contribution to UK renewable heat generation under the Renewable Heat Incentive – and treat it as a special case by including its eligibility in the RHI and offer our industry an essential lifeline.

In short, we must Make Wood Work

The environmental cost

A new study by consultants Carbon River has shown that to subsidise the purchase of wood for incineration – as the current ROC scheme does – is to encourage the most carbon-intensive use of that resource.

Its findings reveal that CO2 emissions from processing wood into wood panels equates to 378kg of CO2 per tonne of wood processed. In comparison, the CO2 emissions from wood into electricity generation equates to 1.9 tonnes of CO2 emissions per tonne of wood processed.

WPIF members' current consumption is relatively stable at between 3.5 - 4 million tonnes of timber per annum. If the ROC subsidy continues to distort the market such that panel manufacture is displaced by the biomass industry – as trends suggest that it might – there would be an increase in net CO2 emissions equivalent to 1.5 tonnes of CO2 per tonne of wood, a total increase of 6 million tonnes or 1% on the UK's total net CO2 emissions each year.

Carbon River co-founder Dan Girdler said: "To put that 6 million tonnes into context, that's more than the total CO2 emissions of UK agriculture in 2009, more than the 2008 CO2 emissions of UK buses and nearly three times the total emissions of domestic civil aviation.

"Biomass advocates would say that the wood used is replaced by replanting making it carbon neutral. The reality is that the burning of wood for energy is only carbon neutral once the replacement tree is fully-grown, in other words after 30-40 years or even longer in some instances. The world has an emissions issue now.

"You can think of the wood panel industry as a means of storing carbon, locking it away for an average of 40 years rather than emitting CO2 into our atmosphere. The wood panel industry

could make a significant contribution to ensuring low emissions from the UK and worldwide over the critical next 40 years.

"With a typical 40 year lifespan of a coniferous tree, combined with a 40 year average lifespan of a wood panel product, the role the industry is playing in ensuring timber-use that delivers carbon abatement in terms of sequestration and sinkage is hugely significant," he added.

The industry's considerable contribution as one of the largest generators of renewable heat in the UK – 1.6TWh in 2009, despite the effects of the recession – is also at risk.

Existing heat generation plants are excluded from receiving payments made under the Government's proposed Renewable Heat Incentive regime. As it currently stands, the RHI will increase competition for the UK's wood, thereby driving up the cost of the wood panel industry's primary raw material even further and yet – by stipulating 15 July 2009 as a subsidy watershed – will penalise the wood panel industry for its early-adopter status in terms of renewable heat generation.

It is perverse that, unless an exception is made, the introduction of legislation aimed at stimulating renewable heat generation in the UK should jeopardise one of the best sources of renewable heat in British industry.

Evidence submitted to the Department of Energy and Climate Change makes a convincing case for an exception to be made. Excluding this industry from the RHI would not only destroy its already much-eroded margins but would be self-defeating in terms of renewable heat generation.

Economic impact

The total gross UK employment attributable to wood panel manufacture amounts to 8,700 full-time equivalent jobs.

The quantities of wood input likely to be required by power generators are extremely large. If the UK is to achieve its 2020 greenhouse gas emissions targets in power generation, wood consumption will have to rise to about 50 million tonnes per annum. The current biological availability of wood from all sources in the UK is around 16.5 million tonnes. In contrast, wood panel industry consumption is steady at between 3 million and 4 million tonnes per annum.

If the generators' insatiable demand for UK-sourced wood is encouraged to develop unchecked, the sawmilling sector, too, could fall victim to a structural change in which generators will buy the whole tree and invest in forest properties and product preparation.

The employment effects will thus not be confined to wood panel manufacturing but could extend to the 12,000 or so employees who are estimated by the Forestry Commission to work in sawmilling and related activities.

Possible moves towards oligopoly ownership could create a degree of control over suppliers and result in pernicious abuse that might require a Competition Commission inquiry, a new and more rigorous Supply Code of Practice, and the prospect of an Ombudsman to enforce it.

The recent Clegg report on wood supply & demand in Britain forecasts that there will be significant shortages of UK-supplied product and the price paid could increase to about the level paid for imported chips and pellets – currently between £75 and £90 per tonne.

If it did, buying the whole tree would be the cheaper option – and, against that background, the sawmilling sector shares the concerns of the WPIF as regards future availability of product to process. Investment in forest properties by the large vertically-integrated generators – which has already started – will effectively lock out other users. If wood inputs cease to be available to sawmills, they will close as surely as will wood panel plants.

In our view, curtailing the subsidy to a level where generators and wood panel manufacturers would at least compete on level terms for available UK and imported inputs would be the right economic solution.

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