# Welsh Carbon Budgets – Call for Evidence Response

**Organisation**

Confederation of Paper Industries

**Question 1: Does the Paris Agreement mean that Welsh emissions targets should keep open a deeper reduction in emissions than 80% by 2050? Are there implications for nearer-term targets?**

In principle, yes. However the existing target of an 80% reduction is going to be so difficult to achieve and potentially so expensive that aiming for a more challenging target may not be economically possible. For energy intensive industries, access to competitively priced energy is fundamental and – assuming foundation industries such as paper and steel are to have a long-term future in Wales – then policy makers must support investments to improve energy efficiency and ensure such installations can access competitively priced energy.

The key point is that the UK should achieve its carbon reduction targets at lowest cost to society and such principles work best when applied over larger areas. If an incremental reduction in Wales leads to greater costs than those associated with an equivalent reduction in another UK administrative area then this would be an undesirable move. A consequence could be that Wales becomes a more expensive place to do business in than, say, Scotland, which could influence future industrial investment decisions.

**Question 2: Do you think that leaving the EU has an impact on the targets or how they can be met?**

If the UK leaving the EU leads to a change in the UK's national decarbonisation commitment then this could impact Welsh targets and pathways depending on how the Welsh Government chooses to act in agreeing such a changed commitment. At a more immediate level CPI agrees that EU ETS actual emissions figures should be used in an administration's carbon accounting and so we support the Welsh Government's acceptance of this point.

**Question 3: In the area(s) of your expertise, what are the opportunities and challenges in reducing Welsh emissions in the nearer term (e.g. to 2030)?**

The paper manufacturing industry across the UK and in each devolved administration has reduced its carbon emissions significantly since 1990. This has been achieved by fuel switching (from coal and oil to gas and then from gas to biomass), investment in CHP, investment in energy efficiency measures and the closure of older, less efficient paper mills and their replacement with brand new factories using latest technology.

There is still scope to continue this improvement but the cost-benefit curve for energy efficiency projects is flattening off as the easy wins have been achieved and incremental improvements (in general) have progressively lower rates of return – such returns may be lower than companies' boards are willing to consider viable. Financial support from Government to allow marginally economic projects to cross an investment hurdle rate and therefore be implemented would help this situation.

Fuel switching to biomass is attractive with the right subsidy scheme in place but sourcing of suitable fuels can be challenging.

While it is possible to fully electrify a paper mill – with associated carbon savings if the electricity comes from low carbon sources – the current cost of electricity is such that investing in this option is completely unviable for paper companies at present.

Battery technologies should help make incremental switches from fossil fuels to electricity more viable and so Welsh Government involvement in advancing this solution is essential. With increasing amounts of intermittent renewable electricity coming onto the grid, such developments are becoming even more important. Indeed it seems likely that industry will have an increasingly important role to play in the managing of electricity demand which will be required as intermittent sources take up an increasing percentage of grid supply.

Heat pumps may have a role to play in the paper sector as we have a lot of low grade heat (warm, moist air and warm water) but paybacks are presently very poor and the thermal uplifts available with current technologies are not particularly useful for us. Further Government support in improving such technologies would be welcomed.

CCS is not viable for the paper industry as our scale of operation is too small.

Paper is a sustainable, recyclable, carbon-friendly product and so it is hard to see how product substitution might help reduce carbon emissions even if a suitable equivalent product is available in a particular market sub-sector.

**Question 4: What is required by 2030 to prepare for the 2050 target for an emissions reduction of at least 80% on 1990 levels, recognising that this may require that emissions in some areas are reduced close to zero? Is there any impact of the need to go beyond 80%, either in 2050 or subsequently?**

Electrification and biomass fuel switching are the key techniques that would deliver large incremental carbon reductions in our sector. Please see the answer to Q3 above for the current issues with these pathways. If these

routes are to be economically viable in the 2030-50 timeframe then by 2030 we would need policies in place that could deliver affordable renewable electricity and affordable sustainable biomass supplies to industry.

**Question 5: What are the respective roles of UK Government, Welsh Government, the wider public sector, business, third sector and individual or household behaviour in delivering emissions reductions between now and 2030? And, separately, between 2030 and 2050?**

Governments must put in place a business environment in which decarbonisation does not make industry uncompetitive with parts of the world which are less carbon constrained than the UK and Wales. The alternative is that industry leaves Wales – which would of course lead to carbon reductions but at a high economic and social cost.

**Question 6: As a business, as a Public Sector Body, or as a citizen, how do emissions targets affect your planning and decision-making?**

In our sector, companies tend to look at an ultimate planning horizon of perhaps 10 years. Targets for 2050 are so far away that they have only a slight impact on our companies – these high level targets inform industry of the policy framework in which it is likely to operate over the next several years and provide a steer on how to plan for the medium term future – and ultimately whether remaining in business in a particular location is the best option for a particular company. However, mandatory emissions targets at site level in the near time frame require positive action by industry – namely in assessing how it might meet such targets and remain competitive and then in implementing strategies to achieve this. Emissions targets also have to be seen to be achievable – it is no use having challenging targets that in reality cannot be met without – say – reducing industrial activity – as this does not provide a positive message for the future. For long-term investment decisions one of the key factors used in planning is the long-term expectation of energy costs – these costs, together with those of raw materials and that of staff, make up the three biggest operating costs that our industry is exposed to.

**Question 7: In your area(s) of expertise, what specific circumstances need to be considered when setting targets and budgets for Wales and how could these be reflected in the targets?**

Again, referring to Q3 above, for our sector the practicalities of providing competitively-priced renewable electricity and competitively-priced, sustainable biomass supply chains need to be addressed and suitable and realistic answers delivered.

**Question 8: The power and industry sectors in Wales are dominated by a small number of large emitters. What are the key challenges and opportunities that this presents in setting the levels of carbon budgets and how should the process of setting them reflect these?**

It should be noted that Welsh paper mills are not really large enough to be in this category – and the largest such mill is already almost entirely fuelled by renewable energy. Targets for industrial sub-sectors like ours must take into account the likely emissions reduction pathways of these large emitters to ensure equitable targets are set. Accounting measures should be put in place to account for large future expected emissions reductions (e.g. at Aberthaw) that occur just AFTER budget horizons – this might mean, for example, some sort of accrual process.

**Question 9: What evidence should the Committee draw on in assessing impacts on sustainable management of natural resources, as assessed in the state of natural resources report?**

No comment.

**Question 10: What evidence regarding future trends as identified and analysed in the future trends report should the Committee draw on in assessing the impacts of the targets?**

No comment.