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Amidst strong demand, thermal paper producers feel squeeze of rising costs

EU sanctions and anti-dumping measures influence paper supply

Demand is extremely strong on the European market for thermal paper, say both paper mills and converters. But besides the spiralling costs of raw materials, auxiliary materials and logistics, energy costs have now become an existential issue in the paper industry. Against this backdrop, paper producers are pushing through price hikes. Rising costs in all key segments, such as POS, labels and tickets, are weighing on business.

Strong demand and rising prices were seen on the thermal paper market in April. Soaring energy prices forced paper mills to implement energy or raw material surcharges in April, in addition to the regular price hikes. The surcharges, which could reach €300/t in some cases, were introduced across the board. Although these are evaluated monthly, they are necessary for now and in the near future to keep up with the increasing costs of production, say representatives of the paper industry.

Meanwhile, converters say supplying customers is their top priority – but only if customers accept their price hikes. Players are making great efforts to ensure reliable deliveries, EUWID was told. There was no alternative but to fully pass on to customers the price hikes announced by the paper industry, converters said.

Market experts warn that buyers must be prepared for higher paper prices going forward. The price changes for thermal paper started one year ago, say market experts, noting that significant mark-ups were applied to all contracts by the second half of 2021 at the latest. And ever since, prices for thermal paper have moved higher in large steps. Industry experts describe the price demands put forth by producers in 2022 as massive.

According to representatives of the thermal paper industry, paper producers in other segments have raised prices for their products by 50-100 per cent within a year. Suppliers of thermal paper say they are nowhere near such levels, so they have a real need to catch up. They expect that another round of double-digit percentage hikes will be implemented widely in the market by the second half of the year.

Demand supports price increases

Representatives of the paper industry unanimously report full capacity utilisation at European paper mills. Converters also say their order books are full. In the meantime, it appears that thermal paper imports are having minimal to no influence on the market, so experts are detecting a trend towards tight supply. Nevertheless, industry experts question whether there is actually specific demand behind every order for paper deliveries placed by converters, or whether buyers are building up inventories. One motivation for inventory build-up could be the desire to secure future orders. Another motive could be the ongoing intensive price developments, players suspect.

Other industry experts, however, say there is little opportunity to build up stocks. Supplies are only being provided by European producers and demand is truly high, they say. Following the massive collapses in the pandemic year 2020, the POS (point of sale) and label segments already experienced positive catch-up effects in 2021. Although the steep declines – of more than 20 per cent in some cases – could not entirely be offset, the recovery in business was clearly noticeable, EUWID was told. The current business year started off with

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full order books and the good trend continues, according to market players.

The POS segment, the largest application area for thermal paper, is even stronger than expected. By contrast, the tickets segment is still a cause of concern. Although there is some recovery in sectors such as aviation and events, demand is shrinking noticeably due to digitalisation. This ongoing trend suggests that the tickets segment will never reach its pre-crisis levels again, industry observers believe. Meanwhile, the development of the labels segment is perpetually positive, players agree.

EU starts expiry review of anti-dumping measures

Experts say there are two factors shaping the development of supply. Because of the EU sanctions, volumes previously delivered to Russia – which were significant in some cases – are now staying within the EU. Experts also point to potential shifts in the market: Southeast Asian producers are now reportedly taking over the deals previously done in Russia by European companies, since Russia does not have any thermal paper production of its own.

Another issue is that the European Thermal Paper Association (ETPA) has requested that the European Commission review the upcoming expiry of anti-dumping measures against imports of lightweight thermal paper originating in the Republic of Korea. As part of these measures, deliveries from Hansol Paper were subject to a duty of 10.3 per cent. According to the Official Journal of the European Union, the Commission launched a review in early May. In its review request, ETPA said the expiry of the measures would result in the continuation of dumping and injury to the EU industrial sector or the recurrence of dumping and injury. ◻

Demand in packaging segments returning to normal levels in Germany

Prices for cartonboard and RCCM unchanged in May

Things have quieted down again on the market for corrugated case material in Germany. As of early May, it appears that prices will remain unchanged. Demand is also returning to normal. But amidst declining consumer sentiment, there are fears that demand for packaging could drop off significantly and thus lead to lower order intake in the corrugated case material segment as well. This could put pressure on paper prices in the near future.

The market for fresh-fibre based cartonboard remains very tight in Germany. The price trend for GC board nevertheless calmed down as of May. Supplies of recycled board are even scarcer and additional volumes are not available. Yet even cartonboard producers are seeing a slight slowdown in incoming orders. For now, volumes are still heading out to customers, but there have recently been increasing reports of an uptick in inventories.

Demand for CCM remains good despite high inventory levels

Observers do not expect much price movement for recycled corrugated case material (RCCM) in May in Germany. After prices surged by another €100/t following the explosion of energy costs set off by the war in Ukraine, unchanged prices are expected in the current month for both brown and white recycled corrugated case material grades. The kraftliner substitutes might be the only segment to see price changes, since an additional adjustment of €50/t was negotiated for brown kraftliner to complete the total mark-up of €100. But it appears that this second step is already off the table in many cases, according to industry insiders.

Paper mills continue to have good activity levels, though the corrugated industry complains about declining order intake and generally has well-filled paper warehouses. Still, most corrugated case material grades are definitely more readily available than they were in the past.

Nevertheless, RCCM producers report that the majority of their customers are ordering their usual volumes. This raises the question of whether the orders for paper actually correspond to consumption. EUWID respondents suspect that converters are trying to keep their inventories high in light of the uncertain conditions, especially with regards to energy supplies, and that some of the orders are attributable to supply chain effects. However, it appears that economic growth is slowing and consumer sentiment is deteriorating. The true level of demand might then become apparent in June/July.

If it becomes clear that packaging demand is falling significantly – a few customers, for example in the automotive industry, are already not producing at full capacity – the price trend could reverse quickly. Back in March, some converters believed that prices had peaked, but then the outbreak of war in Ukraine changed everything. "We see dark clouds, but it is not raining," commented one EUWID respondent.

Players still see good export opportunities, but the availability of containers and freight capacity remains challenging and could worsen. Respondents expect the supply chain problems could intensify and plague the industry for a long time. Forecasting is more difficult than ever and companies must conduct business cautiously and day by day.

Consumer demand is the unknown factor in cartonboard market

The volume of virgin-fibre board that can no longer be delivered to Russia due to the war in Ukraine is becoming apparent on the domestic market – but not at every converter. Interviews with market participants revealed that larger buyers are more likely than smaller converters to get their hands on volumes. The assessments of the market thus vary accordingly: While some producers of folding cartons see better opportunities for sourcing spot volumes and thus take a more positive view of the situation on the GC board market, other producers still describe the market as tight with very long delivery times. Nevertheless, none of the players reported any real easing in the GC board segment. Following the adjustment in April, prices have stabilised for now. All respondents surveyed in early May said there were no new announcements on the market.

There are also no new price announcements in the recycled board segment, but this is always subject to change based on future developments. Players were unable to gauge whether these developments would cause prices to rise or fall. There was not enough clarity about the factors recovered paper and energy, not to mention the unpredictability of consumer behaviour.

At the moment, the ongoing extremely tight supply of GD and greyboard are supporting price stability on the market in Germany, respondents say. There are still no additional volumes available and suppliers cannot even consider taking on new customers – even though "numerous inquiries" have been received. Various cartonboard producers are said to be fully booked for the rest of the year.

Since April, however, some cartonboard producers are seeing a slight slowing in order intake, which they attribute to their customers' long planning horizons and corresponding disposition. A few respondents from the folding cartons industry believe the reduction in incoming orders is not due to a change in ordering behaviour but rather a result of high inventories throughout the supply chain. For now, volumes are still moving out, but even during the previous market survey, players were reporting an uptick in inventory levels. Overall, respondents reported in early May that the market is still moving sideways at a high level.

The industry is currently struggling with other problems disrupting the supply chain. One of these is tight freight capacity, which is a regular cause of customer complaints. In addition, there are problems with non-deliverable printing plates and shortages of auxiliary materials. ◻

Cepi calls for measures to secure energy supply for the European paper industry

Alternative fuels, storage, flexibility: position paper outlines options

In a position paper, the European paper industry association Cepi has published proposals and demands to the European Commission on how the supply of energy to industry could be guaranteed. In order to avoid a shortage of gas in the short term, it is necessary to switch to other types of energy so that the storage quantities can be increased for the next winter, the association explains in the paper. It is necessary that the paper industry has unrestricted access to gas in the event of shortages in order to be able to maintain its production. Temporarily, it could also make sense to make energy supply more flexible and to use less environmentally friendly types of energy such as oil or coal in order to avoid acute bottlenecks in the gas supply. Switching to liquified natural gas (LNG), liquified petroleum gas (LPG) or hydrogen could also contribute to this. For the association, minimum storage obligations for gas are another important point in securing gas supply for the near future, supplemented by joint gas purchases by the EU.

Currently, paper mills in Europe are having to make the difficult decision whether to continue or temporarily stop production due to the extreme energy prices following Russia's invasion of Ukraine, Cepi says. The association sees this restriction of activity as a threat to its competitiveness on the world market. The pulp and paper industry has been experiencing high energy costs since summer 2021 and the cost pressure intensified towards the end of 2021 and in the first quarter of 2022. "Over the months we have seen energy prices increasing even up to eight times," the Confederation of European Paper Industries stressed.

And forecasts show that the situation will not improve in the coming months, and the longer-term effects of the current crisis and the recent collapse of the energy system are very worrying. They threaten the existence of the paper industry in Europe and also the ability to invest in further industrial transformation before 2030 in order to meet climate targets, the association's statements said.

Cepi appreciates the Commission's efforts to discuss with member states policy options to ensure energy security and address high energy prices and advocates that the European policy framework promotes solutions.

Natural gas supply for industrial production must be ensured

In order to prevent a shortage of natural gas in Europe, European and national policy-makers should explore all options to reduce current gas consumption and increase storage volumes, Cepi suggests. This could be done by reducing gas consumption for conventional or separate electricity generation without affecting base load generation and security of electricity supply.

Cepi points out that the International Energy Agency (IEA) concludes in its "10-Point Plan to Reduce the European Union's Reliance on Russian Natural Gas" that an additional 70 TWh of electricity generation from existing operational low-emission sources, such as nuclear power plants, could reduce gas consumption for electricity generation by 13 billion m^3. Furthermore, according to the IEA, switching from gas to coal would further reduce gas demand in the power sector: an additional 120 TWh of coal-fired power generation can reduce gas demand by 22 billion m^3 in one year.

The association stresses that in case of possible gas supply shortages, the industry should have unrestricted access to gas to maintain its production levels. All types of products made from pulp and paper, including packaging and essential hygiene products, are dependent on natural gas supplies. This also applies to the transport and supply of food and medicines, according to Cepi.

Flexibility in complying with environmental laws can bring relief

One of the ways to maintain operations despite energy shortages is to temporarily switch from natural gas to less environmentally friendly energy sources such as oil or coal, Cepi suggests. In such emergencies, national authorities should be able to grant flexibility to industry to comply with environmental legislation. It should not go unmentioned that a temporary switch from gas to coal or oil combustion could reduce gas demand but also increase energy-related emissions in the EU, the association says.

Another way to maintain operations in the event of a natural gas shortage would be to switch to LNG, LPG or hydrogen. This would also require quick decisions by the licensing authorities to ensure that these solutions are available to industry.

Security of supply through sensible minimum storage obligations

As explained by the IEA, gas storage plays a key role in meeting seasonal demand fluctuations and hedging against unexpected events leading to price spikes. Against the background of the current geopolitical situation, the role of strategic gas reserves becomes even more important, the association explains. Cepi welcomes the swift action of the European Parliament, which has expressed its support for a commitment to a minimum storage of 80 per cent of possible gas reserves by 1 November 2022. However, it must be ensured that the effort to accelerate the replenishment of gas reserves will not lead to rising energy prices or reduce the availability of gas for the manufacturing industry. In the redesign of gas flows and storage, it must be ensured that industry is not burdened with higher transmission tariffs.

Common gas purchases for the EU

Access to affordable clean energy is one of Cepi's key policy demands in the context of the 2030 policy framework, and the Commission is right to point out that "the EU should act together to harness its market power through negotiated partnerships with suppliers", the association says. Europe should ensure that gas supply remains affordable for industry by establishing a process for joint gas procurement.

Industry should be involved in discussions with the possible task force for joint gas purchases at the EU on pooling demand bundling, Cepi urges. The pursuit of an affordable gas price with a significant diversification of gas supplies and contracts in the EU should take precedence over solutions that interfere with market mechanisms.

In Cepi's view, a cap on retail and wholesale prices for electricity and gas can be considered if the market does not react adequately to unusual and unforeseen developments. In the current exceptional circumstances, it could be considered to look at emergency measures. However, if such a temporary measure were ever introduced, it would need to be coordinated at EU level so that it took into account specific national circumstances and did not distort the European market. □

Exports and imports of US pulp, paper and paperboard

January - March 2022

1,000 metr. t	Total		Europe		Canada		Asia, excl. China		China		Latin America, excl. Mexico	
	2022	% 2022/2021	2022	% 2022/2021	2022	% 2022/2021	2022	% 2022/2021	2022	% 2022/2021	2022	%
Exports												
Wood pulp	1,706	- 2.8	436	+ 12.1	51	- 6.0	522	+ 6.6	391	- 25.1	58	+ 4.1
Recovered paper	3,881	- 1.1	146	+ 23.8	190	- 12.8	2,762	- 1.0	85	- 40.7	132	- 29.6
Recycled Pulp	110	+ 36.3	1	+ 3.8	11	+ 35.0	1	+ 55.5	96	+ 36.1	1	+ 112.4
Paper & board	2,529	+ 7.0	312	+ 12.5	630	+ 12.6	273	- 11.8	137	- 26.2	519	+ 25.3
Newsprint	11	- 43.2	0	+ 105.5	1	- 82.1	1	+ 345.6	0	- 100.0	2	+ 56.3
Printing and writing paper	252	- 14.7	57	- 6.9	82	+ 12.5	21	- 54.7	8	- 21.1	28	- 7.1
Unbleached kraftliner	990	+ 11.7	138	+ 10.1	93	+ 10.0	92	+ 4.0	88	- 24.0	313	+ 32.3
Imports												
Wood pulp	1,693	+ 23.9	104	+ 9.6	913	+ 15.6	1	- 7.2	-	-	675	+ 40.3
Recovered paper	227	+ 20.6	0	-	221	+ 20.5	0	-	0	- 6.6	0	+ 65.0
Recycled Pulp	16	+ 111.6	0	+ 55.0	6	+ 171.6	-	-	10	+ 86.2	-	-
Paper & board	2,045	+ 0.1	544	- 3.2	1,182	+ 1.7	174	- 4.6	10	+ 0.9	46	+ 4.0
Newsprint	262	+ 2.6	0	- 91.9	261	+ 2.8	0	- 55.9	0	-	0	- 89.8
Printing and writing paper	852	+ 4.8	245	- 1.7	455	+ 5.2	114	+ 12.8	3	-	29	+ 5.6
Coated woodfree	183	+ 30.0	96	+ 33.4	3	- 10.4	82	+ 25.8	2	-	0	+ 17.6
Coated mechanical	140	- 15.6	59	- 37.0	78	+ 15.4	2	- 30.9	0	- 60.7	0	- 68.9
Uncoated woodfree	228	+ 1.2	65	+ 32.0	99	- 14.3	30	- 8.9	1	-	28	+ 8.7
Uncoated mechanical	301	+ 7.0	25	- 26.4	274	+ 11.8	1	- 15.3	0	- 53.6	0	-
Unbleached kraftliner	77	+ 15.3	22	+ 39.2	49	+ 8.3	0	- 95.7	0	-	0	-

Source: American Forest & Paper Association, Inc.

Luxembourg's action on postal ads draws criticism from outside its borders

Environmental group expects law will also spur debate in Germany

In May, Luxembourg became the first European country to adopt new waste legislation banning the postage and distribution of commercial printed advertising materials without the recipient's express consent. EUWID asked a variety of associations and bodies about whether Luxembourg might become a model for other European countries with these opt-in rules, the status of the discussion in Germany and the environmental benefits and economic consequences of this move.

By revising its waste legislation, the Grand Duchy of Luxembourg has committed itself to the cause of reducing waste arisings. Under the new rules, sending unaddressed postal advertising and informational mailings will only be permitted if the recipient has given their explicit consent, for instance, by putting a sticker to this effect on their letterbox, starting in 2024. The move affects commercial advertising, including supermarket and retail chain flyers, menus, and other pamphlets offering different services. Anybody infringing these provisions ran the risk of fines of up to €10,000, according to the wording of the law. Newspapers and magazines, even those containing advertising, are explicitly excluded from the scope of the rules.

Industry associations in Luxembourg and other European countries disparaged this decision. For instance, the Luxembourg printers group Association des Maitres Imprimeurs (AMIL) criticised the law as "serious interference in the free movement of goods in the advertising sector." In particular, the industry association lamented the lack of dialogue between the government and market players affected by this law. AMIL warned that this action might put 200 jobs at risk in the printing industry, which had already been hit hard by crises in recent years.

And in actual fact, the first repercussions are already visible today – 18 months before the legislation actually takes effect. At least one company in Luxembourg has said that it will cease operations because of the ban: the publisher Mediahuis Luxembourg plans to shut its printing plant by the first quarter of 2024 at the latest. In particular, this decision had been made in response to the adoption of the new waste legislation, the firm said. "All other arguments, such as stigmatising people who want to receive this advertising and excluding small companies reliant on this type of advertising, are simply dismissed," the association added. AMIL also points out that the legislation might contravene EU rules on the free movement of goods – so it would not be in compliance with EU rules.

Criticism from German quarters too

Any decision by the German Federal Government to enact a similar ban on advertising magazines and all kinds of printed advertising would come as a heavy blow for publishers and printers. Therefore, German industry associations representing printers and advertisers like BVDM (Bundesverband Druck und Medien), BVDA (Bundesverband Deutscher Anzeigenblätter) and ZAW (Zentralverband der deutschen Werbewirtschaft) expressed their regret and confusion about Luxembourg's decision.

Lena Peltzer from the BVDA described the move as a step towards a climate hostile to advertising that particularly affects local brick and mortar shops in Luxembourg. A shift to online advertising activity could not replace printed communications about the products and services offered by local companies. This step would clearly benefit online giants and further strengthen their market power, the BVDA spokesperson added. Yet, the associations do not believe that developments in Luxembourg raise the need to take action in Germany. “At any rate, the new legal situation in Luxembourg cannot be viewed as trailblazing or anything of that kind,” Anne Grote from the association ZAW told EUWID. As a small country, Luxembourg is a special case that cannot easily be replicated, according to the BVDA. There were significant structural differences between Germany and Luxembourg, noted Julia Rohmann, the BVDM’s consultant on environmental protection and occupational safety issues.

Unlike the Grand Duchy, which has a unique urban environment, Germany was home to consumers – especially in rural areas – who were still very interested in the information that they received through household advertising, the associations noted. This was also reflected in the fact that just 28.5 per cent of people did not want to receive postal advertising in 2021 (percentage of households with a ‘no advertising’ label). Representative surveys regularly found that about 60 per cent of consumers consistently use postal advertising and informational mailings as a relevant source of information when planning their purchases. These door drops were a key source of information for people 60 and older and less internet-savvy consumers, in particular, the associations said. At the same time, no other form of advertising providing such universal, targeted and low-cost contact with regional consumer groups was conceivable for merchants, especially local retailers, they added.

In the view of the BVDA, an opt-in for unaddressed postal advertising in Germany would also harm free weekly newspapers. A move of this kind would have negative repercussions where joint distribution structures were in place and could cause uncertainty among retailers about leaflets. Leaflet inserts account for almost 50 per cent of free weekly newspapers’ advertising revenues, according to the BVDA.

Therefore, the ZAW believes that “switching to an opt-in model is not appropriate given the situation facing the German market from the perspective of consumers, companies and the environment.” This view was echoed by other industry associations contacted by EUWID.

DUH backs German rules modelled after Luxembourg’s approach

Germany has witnessed very similar efforts to those afoot in Luxembourg over the past few years. For years now, the association Letzte Werbung and Environmental Action Germany (DUH) have been lobbying, including with petitions, to introduce rules requiring that unaddressed letterbox advertising could only be delivered at consumers’ explicit request. Letzte Werbung and DUH want to reverse the current opt-out principle. Letzte Werbung also advocated the introduction of an environmental duty of at least €0.20 on every piece of printed advertising put in letterboxes as door drops, which would be paid by retailers as the companies ordering these leaflets.

In light of this situation, Thomas Fischer, the DUH’s circular economy director, described the revised legislation enacted by Germany’s small neighbour as “a role model.” “The implementation of these rules in Luxembourg spurs on debate not only in Germany but also in other EU member states,” he said. In Germany, however, retailers were among those “stonewalling,” he added. A recent DUH survey of big German retailers found that they wanted to keep using postal advertising as a key marketing tool. An estimated 28 billion printed advertising leaflets are sent in Germany each year, using more than 1 million t of paper. Until now, just a few companies like Woolworth and KIK were not using door drop, the association said.

Political solutions were therefore needed, Mr Fischer urged, adding “now that the internal restructuring of the German Environment Ministry has been completed, it’s time to roll up sleeves and solve the problem of unwanted postal advertising.”

Legal hurdles are not the only thing in the way of similar rules in Germany

Indeed, the Alliance 90/The Greens party spotlighted this issue at the last German elections. In its election manifesto, the party called for “unwanted advertising, which is often even packaged in plastic film,” to be kept out of letterboxes. “Our goal is for unsolicited advertising only to be received by people who are interested in it,” noted Germany’s Foreign Minister Annalena Baerbock before the election. Different options, from raising awareness of the current legal situation to the general public to an opt-in model like the one used in Amsterdam, were to be reviewed and discussed in partnership with affected environmental and consumer protection groups.

This issue was ultimately not incorporated into last year’s coalition agreement between German political parties. The associations contacted by EUWID did not know of any draft legislation to this effect – neither on avoiding “unwanted” advertising nor on “opt-in stickers.”

In any case, implementing such provisions would not be straightforward from a legal perspective. Marie-Christine Fuchs, the spokesperson for the German Federal Ministry of Justice, told EUWID that opt-in rules might impinge on the freedom of advertising guaranteed in the German constitution under Article 5 (1) I and Article 12 (1) of the Basic Law. “In the case of weekly newspapers with editorial content, there are also questions about interference in the freedom of the press protected by Article 5 (1) II of the Basic Law. Therefore, a comprehensive evaluation of the economic interests of publishers and the interests of environmental conservation considerations would have to be performed before amending the law,” the spokesperson remarked.

What is more, industry associations contacted by EUWID expressed doubts about whether national regulations would be compatible with applicable EU law on closer examination. In this regard, Ms Fuchs from the Federal Ministry of Justice noted, “if any such rules were to fall under the scope of Directive 2005/29/EC on Unfair Commercial Practices (UCP Directive), they would not be permissible since the UCP Directive is based on full harmonisation under Article 4.” The European Commission was taking a very close look at the accurate implementation of the UCP Directive by member states, she added.

There are not only doubts about whether opt-in rules are permissible under European law. There was also a lack of evidence showing a significant environmental benefit that could be used to justify the related restriction on the freedom of advertising, Ms Fuchs said. Therefore, there were no plans for a legislative initiative to enact rules of this kind, the Ministry spokesperson confirmed.

Similar draft legislation in Denmark has foundered

Similar national efforts as those in Luxembourg – which have so far gone nowhere – have been staged and are in progress in other European countries. For instance, Denmark was supposed to introduce similar legislation to Luxembourg. Initiatives of this kind have been underway in the Nordic country since 2020. Interestingly enough, this endeavour has received the backing of the Coop retail group. However, the draft legislation has failed to come to pass. Within Denmark, doubts have been raised about whether the rules are consistent with European law. Moreover, Danish politicians did not want to risk harming free local media sources in this way, noted Julia Rohmann from the BVDA.

The European Commission had recently rejected a petition calling for harmonised rules on unsolicited advertising sent by post. The Spanish lawyer Javier Sánchez Moro had called for the introduction of penalties for failing to comply with notices refusing unwanted advertising on letterboxes. He called for “more responsible distribution of physical advertising” and more environmentally sound advertising practices, citing consumer protection considerations.

On 7 March 2022, the European Commission announced that it would not put forward any new legislation in response to the petition. There were no EU consumer protection rules limiting or banning printed advertising, the institution said by way of explanation. Each member state could regulate and restrict the distribution of printed advertising under strict conditions while taking account of national conditions. In light of this, the Commission did not intend to ban or limit printed advertising at an EU level for consumer protection reasons, the EU body added. ◻

Austria: Business upswing limited by higher costs in 2021

Austria's paper industry recorded a clear upswing in business activity in 2021, which, however, was limited due to high raw material and energy costs. In addition, the Ukraine crisis gives the industry reason to worry about gas supplies, which makes decarbonisation and renewable energies all the more important. Austropapier, the association of the Austrian paper industry, underlines that the bio-based economy is the industry's vision for the future.

After the pandemic-related slump in 2020, demand for paper increased again in 2021. In line with that development, total production rose to more than 5 million t (up by 7.3 per cent compared to 2020), while pulp production remained stable at 2 million t (down by 0.9 per cent). This development benefitted graphic paper in particular, whose production increased by 14 per cent to 2.2 million t.

The continuing trend towards online shopping and environmentally friendly packaging was reflected in a 2.1 per cent increase in packaging papers. With production totalling 2.5 million t, they now take first place among all paper grades.

Speciality paper, which includes hygiene paper, grew by 6.7 per cent to a production volume of 325,000 t. Higher demand made the industry's sales rise by 15.2 per cent to more than €4bn.

However, the bad news was that the economic upswing last year was dampened by higher costs for raw materials and energy, said Austropapier President Kurt Maier. Energy accounts for 20 per cent of the total costs of a paper mill, making the industry one of the most energy-intensive sectors, reports the association. As early as 2021, costs for gas, electricity and CO_2 certificates, as well as the prices of recovered fibre and pulp increased significantly. With the Ukraine war, the energy situation has worsened to such an extent that the first companies have had to temporarily discontinue production.

Gas accounts for 35 per cent of industry's total fuel consumption

Although, with a share of 60 per cent of renewable energies, Austria's paper industry is a pioneer in green energy production, 35 per cent of its energy consumption still depend on gas. According to Mr Maier, in the event of a gas embargo, production could no longer continue. Not only food and medicine packaging but also sanitary and household paper would quickly cease to be available. Likewise, district heating and electricity could not be provided any longer. The paper industry therefore calls for intensifying the promotion of decarbonisation efforts and unbureaucratic approval procedures to gradually reduce the demand for gas. □

Austria's pulp and paper industry
2019 - 2021

		2021	2020	2019
Industrial structure				
Companies		21	21	21
Plants		23	23	24
Capital expenditure	million €	218	189	319
Sales				
Total	million €	4,125	3,581	4,167
Domestic	million €	758	682	726
Export	million €	3,367	2,899	3,441
Total employees		7,614	7,899	8,020

Source: Austropapier

Austria's paper deliveries

tonnes	2021	2020	% 2021/ 2020	2019	2010	2000
Graphic paper	2,254,025	1,993,740	+ 13.1	2,274,240	2,791,505	2,624,060
Packaging paper	2,464,119	2,448,895	+ 0.6	2,400,515	1,949,779	1,621,296
Specialties	354,537	338,841	+ 4.6	348,209	295,821	186,356
Total deliveries	**5,072,681**	**4,781,476**	**+ 6.1**	**5,022,964**	**5,037,105**	**4,431,712**
Export rate (%)	88.8	86.6		87.7	85.2	82.8

Source: Austropapier

Austria's paper consumption

tonnes	2021*	2020	% 2021/ 2020	2019	2010	2000
Graphic paper	597,425	645,523	- 7.5	684,283	945,115	1,022,138
Packaging paper	1,167,714	1,040,115	+ 12.3	994,365	1,033,841	814,399
Specialties	235,189	228,634	+ 2.9	251,149	221,993	143,793
Total consumption	**2,000,328**	**1,914,272**	**+ 4.5**	**1,929,797**	**2,200,949**	**1,980,330**
Consumption per capita (kg)	223	214	+ 4.0	217	262	244

From 2011 Consumption = Production + Import - Export
* preliminary

Source: Austropapier

Valmet to supply new PM to Eren Paper Shotton

Eren Paper Ltd., the UK subsidiary of Turkish packaging group Modern Karton, has placed an order with technology group Valmet for the delivery of an OCC and a stock preparation line as well as the new containerboard machine (PM 3) for the group's mill in Shotton, Wales.

The machine will have a web width of 10,1 m and will produce testliner and recycled fluting grades with basis weight ranges of 70 to 135 g/m^2, according to Valmet. The design speed of the machine will be 1,700 m/min and the annual capacity approximately 650,000 t of 100 per cent recycled containerboard.

While Valmet did not disclose the value of the order, the company stated that a project of this size and scope was typically valued at around €150-170m.

"Shotton's new containerboard machine will make our paper mill the largest and most technologically advanced paper mill in the UK. We chose a board-making line with high performance, high speed, and higher production rates," says Hamdullah Eren, Chairman of Board, Eren Paper/Modern Karton.

Eren Holding acquired the newsprint mill in Shotton from UPM in May 2021. □

NEWS IN BRIEF

Lecta will increase prices for its specialty paper grades by 8 to 10 per cent for all orders with delivery from 1 June. This price increase will be applied in thermal, carbonless, labels and flexible packaging papers and in addition to the previous increases already announced.

The world's largest hardwood pulp producer **Suzano** is set to implement a new price increase for bleached eucalyptus kraft (BEK) pulp. The company is asking for a $50/t price hike for BEK pulp on the European market for all deliveries as of 1 May, a company spokesperson told EUWID. According to Suzano, BEK pulp is currently selling at list prices of $1,250/t in Europe and will rise to $1,300/t for May deliveries.

Smurfit Kappa UK Limited (SKUK) has announced the acquisition of **Atlas Packaging**. The company, based in Barnstaple, North Devon, is an independent corrugated packaging provider with a strong presence in shelf-ready packaging, gift boxing and the e-commerce sector. They offer a broad range of innovative products, said Smurfit Kappa, adding that this acquisition will further strengthen the company's ability to service the UK market.

David Richardson will join the **Logson Group** as Chief Executive effective 1 September 2022. Mr Richardson is currently Group Managing Director of VPK Packaging in the UK & Ireland. He will replace **Alex Kelly**, who is retiring following ten years in the role of CEO. Mr Kelly continues as CEO until September, and will support Mr Richardson through to the end of 2022 to ensure a smooth transition for the business.

Philipp Kosloh will leave the executive board of German **Progroup** and the management of its subsidiaries with immediate effect for personal reasons and by mutual agreement. Mr Kosloh will continue his activities for the group to a limited extent until mid-2022 and then take on a new professional challenge. Until a new appointment is made, his duties will be assumed on an interim basis by Maximilian Heindl, Deputy Chairman of the Executive Board, and Volker Metz, CFO of Progroup.

The supervisory board of Austrian fibre producer **Lenzing** announced the appointment of **Stephan Sielaff** as new CEO of the group. Mr Sielaff succeeded Cord Prinzhorn on 1 April 2022 after assuming the position on an interim basis in the fourth quarter of 2021. The company's CFO **Thomas Obendrauf** informed the advisory board that he would not be available for an extension to his contract, which will expire in June 2022. However, he will continue to serve the company on an advisory basis until his successor is appointed. Lenzing's executive board will then shrink from five to four members.

Metsä Board examines expansion of fresh-fibre cartonboard capacity

Metsä Board is currently examining possibilities for an expansion of its folding boxboard capacity in Sweden or Finland. The company says it is currently evaluating the options of the project, and evaluation is expected to be completed by the end of this year.

A spokesperson for the company said that the amount of additional capacity and the timing of the potential investment would only be determined after the full evaluation of the project options. However, it is already clear that the new FBB capacities will probably be geared to the market for consumer packaging. Possible options include new capacity at existing sites or at a newly built site, the spokesperson said. Metsä says that global demand for high-quality fresh-fibre cartonboard has grown by about 2-3 per cent per year in recent years and the company expects to see at least the same rate in the future.

Currently Metsä Board is already investing in its integrated mill in Husum, Sweden, to increase annual folding boxboard capacity by about 200,000 tonnes. The investment is expected to be completed in the second half of 2023, and the additional capacity will be available to the market by the end of 2025. Metsä Board's current annual capacity is around 2 million tonnes of paper and board, of which 1.3 million tonnes are folding boxboard and 0.7 million tonnes white kraftliner. The company operates a total of eight sites in Finland and Sweden. □

Billerud Korsnäs posts record Q1 results thanks to price increases and energy hedging

Continued growth and record profitability marked Swedish Billerud Korsnäs' performance in the first quarter of the 2022 financial year. Operating result and net profit for the period more than doubled compared to the first quarter of 2021, while sales rose by SEK877m to SEK7.4bn. Thanks to rising prices, an improvement in the product mix (driven mainly by the ramp-up of production at the Gruvön plant) and successful energy hedging, the company was able to absorb sharp cost increases, CEO Christoph Michalski reported at the presentation of the results. "It was a good quarter despite adverse circumstances," he said.

Both major divisions, Board and Paper, contributed equally to Billerud Korsnäs' positive performance. While deliveries in the Board division fell slightly to 495,000 t, the division's turnover increased and operating profit almost doubled.

The Paper Division recorded an increase in sales and a quadrupling of operating profit. Deliveries fell to 219,000 t.

The company's Solutions division did not perform as well, with sales down and an operating loss of SEK119m. Managed Packaging within the division, however, increased its sales to SEK188m.

Billerud Korsnäs' production in Pietarsaari was restricted throughout the quarter as the mill is usually supplied with pulp, purified water, steam and compressed air from the nearby UPM mill, which was on strike. Although new suppliers were found, the strike had a negative impact of SEK15m on Billerud Korsnäs' Q1 results.

During the reporting period, the company invested SEK556m, compared to SEK200m in the same quarter last year. Most of this was spent on the construction of a new recovery boiler at the Frövi mill. Assembly and construction of the steel structure began in April, the company said.

Significant cost inflation expected

For the second quarter, CFO Ivar Vatne expects a significant acceleration in cost inflation for pulp, chemicals, logistics and energy. Overall, costs are expected to increase by SEK250m compared to the first quarter of 2022, even though 80 per cent of the energy used is still being hedged. At the same time, demand for the company's products will remain strong, as many of the segments served are rather crisis-resilient.

"We will address inflationary pressures through price management, product mix adjustments as well as efficiency improvements," explained Mr Michalski, who expects full compensation for cost inflation in the second quarter.

The impact of the war in Ukraine on Billerud Korsnäs was rather indirect, Mr Michalski added. Only 1 per cent of the group's sales was generated in Russia and Ukraine last year. However, the company expects rising costs and negative effects due to the loss of timber imports from Russia, rising costs for energy (and thus also chemicals), as well as a further strain on the already disrupted supply chains.

Verso consolidated as of 31 March 2022

On 3 March, Billerud Korsnäs and the Norwegian forest owner group Viken Skog announced to jointly investigate the possibilities of building a BCTM pulp mill at the Viken Skog site in Hønefoss. A feasibility study is expected to be available in the first half of 2023. A possible investment will likely amount to NOK600-800m.

An important step in the implementation of the group's strategy, which includes a focus on packaging paper and board and growth in the North American market, was the completion of the acquisition of US paper producer Verso on 31 March 2022. That date also marked the consolidation of Verso into Billerud Korsnäs – as part of the Paper division.

Billerud Korsnäs' plan is to expand Verso's pulp production during 2023 and 2024 and make the company's mills self-sufficient in pulp. The conversion of certain Verso assets from graphic to packaging grades is to start in 2025, initially with one machine. A second machine is to follow in 2029. The two machines will have a total capacity of 1.1 million t of board. A detailed study on the measures will be completed in 2023 and will serve as the basis for a final investment decision. □

Billerud Korsnäs results

million SEK	January - March 2022	2021
Key figures		
Sales	7,397	6,520
Operating result	1189	528
Net result	884	377
Business area review		
Board		
Sales	4,375	3,785
of which liquid packaging board	2,218	2,073
cartonboard	775	529
containerboard	1,296	1,077
Operating result	725	380
Deliveries, 1,000 t	495	521
Paper		
Sales	2,219	1,903
of which sack paper	827	628
kraft paper	877	836
pulp	504	426
Operating result	583	145
Deliveries, 1,000 t	219	255
Solutions		
Sales	803	832
of which Managed Packaging	188	144
Operating result	-119	3
Verso*		
Sales	2,981	n.a.
of which graphic paper	2,127	n.a.
specialty paper	546	n.a.
pulp	278	n.a.
Adjusted Ebitda**	738	n.a.

* derived from Verso's internal reporting systems, not audited by the company's auditors
** excluding transaction costs and severance payments

Source: Billerud Korsnäs

Strikes and protests in Chile: CMPC announces production stop at three pulp mills

Against the backdrop of ongoing protests and blockades in the southern and central parts of Chile, pulp producer Empresas CMPC has stopped production at its three Chilean pulp mills. Pulp lines with a total capacity of 2.3 million t are currently at a standstill.

According to the company, operations at the largest Chilean CMPC mill, Santa Fe in Nacimiento, were suspended on 7 May because normal passenger traffic and the regular import of raw materials became impossible. The mill has a capacity of 1.5 million t of bleached eucalyptus pulp.

On 9 May, the plants at the Pacifico site in Angol and in Laja were also stopped. At the Pacifico mill, CMPC can produce 500,000 tpy of bleached softwood sulphate pulp and at Laja 260,000 tpy of bleached and unbleached pulp and 70,000 tpy of sack kraft paper.

Chilean truck drivers have been on strike since the end of April in protest against crime and the increase in road tolls. They are demanding more road safety, better working conditions and a reduction in fuel and toll prices.

"There is an urgent need for the representatives of the truckers and the authorities to reach a quick agreement to effectively end this industrial action, which affects the population in general and, in the case of CMPC, more than 3,000 workers in the above-mentioned plants," CMPC explained.

The production disruption also affects sawmills and plywood plants that the group operates in Chile. □

Mondi to sell Syktyvkar paper mill in Russia

After examining all options for several weeks, paper and packaging manufacturer Mondi has decided to sell its assets in Russia. In a statement on 4 May, Mondi said: "The divestment process for these significant assets is operationally and structurally complex and is being undertaken in an evolving political and regulatory environment. Accordingly, there can be no certainty when a transaction will be completed or as to the structure of any possible transaction. As of 31 December 2021, the net asset value of the Russian operations was €687m."

Mondi operates an integrated pulp and paper mill in Syktyvkar in Russia's Komi Republic. The Syktyvkar mill can produce 1.2 million t of market pulp and paper, including containerboard, woodfree uncoated paper and newsprint. The company declined to provide details on the share of each product in total output. Mondi had earlier said that the mill produced 300,000 t of kraftliner, 200,000 t of fine paper and 180,000 t of newsprint.

In addition, Mondi also runs three converting plants in the country. The group employs 5,300 persons in Russia.

"The Russian businesses have, to date, managed supply chain constraints. However, the situation remains fluid, with interruptions to pulp and paper production possible going forward," the company informs.

Mondi suspended all key investment projects in Russia when war broke out. The company's activities in country accounted for roughly 12 per cent of group sales by site and generated close to 20 per cent of the group's underlying EBITDA in the last three years. Mondi has been active for 22 years in Russia. The group had first announced a possible divestment of its Rusian operations on 10 March.

Mondi posts strong results in the first quarter of 2022

Mondi reported strong results for the first quarter 2022. Results for the quarter were driven by high demand in all segments and higher average selling prices. Input costs in the first quarter were significantly higher compared with the previous year as well as the previous quarter, resulting from higher costs of energy, resins, transport, wood and chemicals. However, the higher average selling prices more than offset continued cost pressure, Mondi explained in its trading update on 4 May.

Mondi's adjusted EBITDA for the first quarter 2022 amounted to €574m, 63 per cent higher than in the same quarter of the previous year (Q1 2021: €353m). Under the current circumstances, the group's adjusted EBITDA excludes Russian operations, which amounted to around €460m, representing an increase of roughly 70 per cent compared with last year's first quarter.

Uncoated fine paper markets in Europe remain tight in Europe due to good demand and limited supply, Mondi informs. Average uncoated fine paper prices were reportedly higher as a result of price increases implemented during 2021 and 2022. The Richards Bay mill (South Africa) is performing well following the recent upgrade of the energy and chemical plants. Operations at Mondi's Merebank uncoated fine paper mill in South Africa are currently suspended due to

▸ continued on page 10

▸ continued from page 9
severe flooding around Durban in mid-April, Mondi reports. The group does not expect its performance to be significantly impacted.

Growth in demand for corrugated packaging normalised during the quarter from the high levels seen last year. Mondi adds that it is implementing further price increases across its portfolio of containerboard grades.

Mondi's Flexible Packaging business performed well in the reporting period, driven by strong demand for sustainable packaging solutions and the positive effect of higher prices for kraft paper and paper bags. The group is reportedly implementing further price increases in view of tense markets.

Mondi continued its investment programme in the reporting quarter to secure growth in packaging businesses in structurally growing markets. The pipeline reportedly includes expansion projects worth around €1bn that are already approved or under advanced evaluation. "We continue to actively consider further capital investment opportunities," Mondi writes in its report.

The company expects to complete the sale of the Personal Care Components business in the second half of the year. The divestment would simplify the group's portfolio and deliver greater focus on other business segments, according to Mondi. □

UPM Raflatac's Tampere plant production returns to normal

The Finnish Paperworker's Union's strike at UPM's Tampere factory in Finland ended on 22 April, and employees returned to work on April 25. Production ramp-up at the mill has proceeded as planned, and production volumes reached normal levels during the first week after the strike, UPM informed.

"We are pleased that a new business-specific agreement is now reached with the Finnish Paperworkers' Union, enabling us to better serve our customers in the future. The agreement allows for additional production flexibility at our Tampere factory and gives us the ability to better respond to demand peaks. Increased capacity utilisation also opens future opportunities for employment," says Antti Jääskeläinen, Executive Vice President, UPM Raflatac.

UPM says that the agreements made between the Paperworkers' Union and other UPM businesses will result in improved supply security for the global label industry. However, the company also expects that the tight raw material and logistics situation, which has been constrained since early 2021, will continue impacting the global label industry supply chain. □

West Fraser to shut down one fibre line at Hinton pulp mill

Canadian forest products company West Fraser Timber will permanently curtail production capacity of its Hinton pulp mill in Canada's Province of Alberta by the end of the year. The company will shut down production on one of the two fibre lines and switch the second fibre line at the site from northern bleached softwood kraft (NBSK) pulp to unbleached kraft pulp (UKP). Production capacity of the mill currently amounts to 420,000 tpy of NBSK.

"As the world moves away from single-use plastics, UKP is now used increasingly in a wide variety of everyday items including cardboard packaging, grocery bags, fibre-cement board and specialty products," West Fraser Timber explained its decision.

According to the company, the capacity reduction will trim the staff size from 345 to 270. West Fraser believes that the negative impact on employees will be softened by transfers, retirements and job offers at other units run by West Fraser.

The company expects to post an impairment charge of roughly \$13m in the first quarter of 2022 by way of asset depreciation when one pulp line will be permanently idled and the other is switched to produce UKP.

Hinton Pulp has been in operation since 1956. West Fraser acquired the mill in December 2004 when it purchased International Paper's Canadian pulp and timber business. □

Saica Pack's new Livingston facility nears completion

Saica Pack's new manufacturing facility at Livingston, Scotland, is progressing at pace, with installations nearing completion and operator training underway. In Q1 2020, Saica announced plans to invest £50m in a new plant which would replace two smaller facilities in Edinburgh and Milngavie, Scotland. The new plant will have long-term capacity of over 200 million m^2, which corresponds to a capacity increase of 66 per cent compared to the existing plants, according to an earlier statement by Saica. Completion was originally planned for the end of 2021.

Construction of the site's Fully Automated WIP (Work In Progress Storage System) is progressing well, said Saica. Installation of a new 6-colour high quality post-print flexo folder gluer is almost complete, and training of operators of the machine has commenced.

Work is also underway to deliver a new customer collaboration facility. In the coming weeks, installation of numerous machines including a corrugator, rotary die-cutter, and gluers will be completed, said Saica. □

NEWS IN BRIEF

Automation technology supplier **ABB** has been awarded a new contract by British containerboard and packaging company **DS Smith** to deliver an automation solution for the company's Kemsley mill in the UK. ABB's scope of delivery comprises a distributed control system (DCS) and upgrades to paper machine drives at PM 3, PM 4 and PM 6, the company announced. The upgraded DCS will be integrated across the mill to connect the entire machinery for more automated functionality and easier maintenance. ABB will also deliver two new Virtual Measurements for PM 4, which will provide online calculations for strength and weight. System delivery is expected in the third quarter of 2022.

Technology group **Andritz** has received an order from **Stora Enso** to rebuild bleach plant 4 at the Skutskär mill in Sweden. The investment in new bleaching technology will increase the capacity of the mill and support Stora Enso's climate targets. In addition, it will improve operational performance, enhance the overall efficiency of mill maintenance and thus reduce the site's carbon footprint. Start-up is scheduled for the second quarter of 2023. The Skutskär mill has a production capacity of 540,000 tpy of fluff, hardwood and softwood kraft pulp. After the upgrade, capacity will rise from 890 ADt/d to 1,140 ADt/d, an Andritz spokesperson told EUWID.

Andritz has signed an agreement with the **Sofidel Group** to upgrade tissue machines TM 3 and TM 4 at the Kisa tissue mill in Sweden, enabling the company to use bio-syngas in the drying process. In order to be able to burn bio-syngas instead of LPG (Liquefied Petroleum Gas) in the heating process, the burners at TM 3 and TM 4 will be replaced and the combustion chamber in the hood of TM 3 will be upgraded. Once the upgrade has been completed, TM 3 will use 100 per cent bio-syngas for paper drying, while the TM 4 burner will be partially fuelled by bio-syngas. Andritz said. The bio-syngas will be generated in a thermochemical conversion plant at the Kisa site, using locally-sourced woodchips as biofuel, according to Andritz. Start-up is planned for the first half of 2023.

MM Kotkamills is investing about €30m in two cross cutters with automated core and waste handling. The project will start immediately in terms of engineering and procurement, MM Kotkamills announced. The first cutter is scheduled to be operational in late 2023 and the second about six months later. The investment will create employment in several areas during construction and, once completed, MM Kotkamills will create several new jobs in board production.

SCA posts earnings growth thanks to cost control and price hikes

Although SCA's financial results for the first quarter 2022 are lower than for the last quarter of 2021 due to revaluation of the company's biological assets, the company's earnings show a considerable increase against the same period last year.

Commenting on the first quarter results, the company says that it owes the surge in operating profits to SEK2.22bn (Q1 2021: SEK1.05bn) to higher selling prices and its integrated business model as well as to the fact that SCA is self-sufficient in renewable energies. The impact of higher energy prices on the company has therefore been limited. SCA also says it runs its own logistics company and operates its own ships, which reportedly allows the company to control costs until its products reach end users. SCA posts a net profit of SEK1.76bn (SEK0.80bn) for the first quarter against higher sales of SEK5.02bn (SEK4.17bn).

Demand in target markets was stable on the whole against limited supply, SCA writes, and production was on a good level.

SCA's pulp deliveries receded slightly due to lower inventories after a scheduled maintenance break at the end of last year, the company adds. Demand and output were healthy and SCA's CTMP project is reportedly on track.

Kraftliner production from the Swedish Obbola mill is reportedly also on track as regards time and cost planning, SCA adds. The company registered strong demand for kraftliner due to growth in international packaging markets, which pushed prices higher.

Sales from the company's four business divisions. Forest, Wood, Pulp and Containerboard were comparable with the containerboard division generating the highest operating earnings of SEK678m (SEK215m).

SCA believes that it is only indirectly exposed to the consequences of the Ukraine war through the impact on the world economy. The company adds that it has no operations or direct exposure in the form of purchasing or sales in Russia, Ukraine or Belarus. □

SCA results

million SEK	January - March 2022	2021
Key figures		
Sales	5,015	4,172
Operating result	2,223	1,046
Net result	1,760	802
Business area review		
Forest		
Sales	1,691	1,627
Operating result	552	394
Wood		
Sales	1,717	1,264
Operating result	573	254
Deliveries, 1,000 m³	510	493
Pulp		
Sales	1,564	1,288
Operating result	468	243
Deliveries, 1,000 t	218	232
Containerboard		
Sales	1,731	1,272
Operating result	678	215
Deliveries kraftliner, 1,000 t	205	226

Source: SCA

Lenzing posts solid sales and earnings growth

Austrian fibre producer Lenzing was significantly exposed to extreme developments on the global energy and raw material markets in the first quarter of 2022. However, a largely favourable market environment and the company's strategic focus on speciality fibres fed into solid sales and earnings growth in the reporting quarter which for most part compensated for higher costs, Lenzing reports.

The company's first quarter sales increased 26 per cent compared with the same quarter of the previous year to €615m. Lenzing attributes the increase particularly to the sustained high demand for wood-based, biodegradable speciality fibres as well as higher selling prices.

Lenzing reports that the growth in operating earnings reflects the development in energy, raw material and logistics costs but that their impact was softened by the company's unwavering focus on making structural improvements to enhance earnings.

Investments in immaterial, material and biological assets (Capex) receded year-on-year by 14 per cent to €183m, out of which roughly 44 per cent was funded by cashflow generated from normal business activity, Lenzing adds.

The company's new 100,000 tpy Lyocell plant in Thailand was inaugurated in March. The new site as well as investments in existing production sites in China and Indonesia will reportedly enable the company to raise the share of speciality fibres in total fibre sales much beyond the envisaged 75 per cent target in 2023.

Implementation of the pulp project in Brazil will secure the company's self-reliance in wood pulp. Lenzing's joint venture LD Celulose was commissioned on time and ramp-up activities will be completed by the end of 2022, the company adds.

Implementation of the two key projects in Brazil and Thailand as well as investments of over €200m in existing sites in China and Indonesia will bring Lenzing closer to achieving group-wide climate neutrality.

Lenzing expects demand growth for environment-friendly fibres for the textile and apparel industry as well as the hygiene and medical industries. Cost increases for energy and raw materials as well as disruptions in logistics are currently creating a very challenging market environment. Visibility of the earnings horizon is therefore limited, Lenzing writes. □

Lenzing results

million €	January - March 2022	2021
Key figures		
Sales	615	489
Operating result	43	55
Net result	34	30

Source: Lenzing

Nordic Paper posts record results with kraft paper

Swedish kraft and greaseproof paper producer Nordic Paper declared significantly better year-on-year results for the first quarter 2022. Company CEO Anita Sjölander said Nordic Paper has achieved the best first quarter results in company history. Demand in both of the company's product segments was extremely strong and selling prices touched record levels in Swedish as well as in other national currencies, she observed.

Glassine Paper, a Canadian specialist in greaseproof paper which Nordic recently acquired, made a positive contribution to Nordic's first quarter sales and deliveries. However, the increase in the company's profit was mainly due to higher selling prices, which easily offset higher pulp and energy costs.

Nordic Paper owes the leap in earnings especially to its kraft paper business where figures for the reporting period increased significantly despite marginally lower deliveries. In order to cater to strong demand from the European market and sidestep expensive overseas freight costs, Nordic Paper switched some deliveries from North America to Europe. Demand for greaseproof paper also surged in the reporting period, helped by positive effects from the newly added Canadian business activities. Still, higher selling prices failed to offset historically high pulp prices and electrically costs, which impacted the company's operating earnings. More price increases are necessary to

▸ continued on page 12

Nordic Paper results

million SEK	January - March 2022	2021
Key figures		
Sales	1,052	772
Operating result	202	106
Net result	162	81
Business area review		
Kraft paper		
Sales	575	448
Operating result	212	77
Deliveries, 1,000 t	58	60
Natural Greaseproof		
Sales	494	345
Operating result	18	28
Deliveries, 1,000 t	22	19

Source: Nordic Paper

▸ **continued from page 11**

counter cost development, Nordic Paper says.

Before the Ukraine war, the company had no direct commercial relations with the country and generated less than 2 per cent of its sales in Russia. The company has ceased to serve Russian customers and has redirected its paper to other markets. The company has adapted its routines to secure alignment with sanctions, Nordic Paper said. □

Sappi abandons coal at Stockstadt mill in Germany

As part of its efforts to decarbonise its mills, Sappi Europe decided to stop using coal for energy generation at its German pulp and paper mill in Stockstadt. The company will reportedly shut down the existing coal-fired boiler and will power the mill by renewable biomass and natural gas only.

Sappi began the transition from coal in late 2021 and plans to conclude it at the end of September 2022. This fits into the company's large-scale projects to reduce CO_2 emissions as part of its decarbonisation roadmap, for instance, with the fuel boiler modernisation in Gratkorn, Austria, fuel conversion to biomass in Kirkniemi, Finland and the installation of a new electric boiler in Maastricht, Netherlands.

Sappi's decarbonisation targets for 2025 include reducing emissions of specific greenhouse gases (Scope 1 and 2) by 25 per cent and increasing the share of renewable energy in Europe to 50 per cent (compared to 2019).

Sappi Stockstadt runs one paper machine and a coating unit, producing up to 230,000 tpy of coated and uncoated fine and specialty papers. The mill also produces 126,000 tpy of bleached pulp for integrated paper production. □

Essity with declining profit in the first quarter of 2022

During the first quarter of 2022, Essity's operating and net profit declined, while sales increased compared to the first quarter of the previous year.

Sales went up thanks to higher deliveries and price increases in the reporting period. Margins were impacted by higher costs for raw materials, energy and distribution, which could not be fully offset by higher deliveries and selling prices as well as a better mix and cost savings, the company wrote.

Higher sales and a lower adjusted operating profit were also reported for the Health & Medical and Consumer Goods divisions, while the Professional Hygiene unit saw an increase in both sales and adjusted operating profit.

However, all business areas demonstrated high organic sales growth. Many countries have eased Covid-19 restrictions, which has rapidly led to increased demand for the company's leading hygiene and health solutions, Essity said.

Essity to exit Russian market

Essity's conditions to pursue business in Russia have worsened. As a result, the company's assets in Russia were impaired by approximately SEK 1.4bn. Furthermore, work has been initiated to exit the Russian market.

In 2021, Essity's net sales in Russia amounted to approximately SEK2.8bn, corresponding to about 2 per cent of total consolidated net sales in 2021. Essity has 1,300 employees and three production plants in Russia. Essity's net sales in Ukraine amounted to less than 1 per cent of total consolidated net sales in 2021. □

Essity results

million SEK	January - March 2022	2021
Key figures		
Sales	34,301	27,528
Operating result	1,150	3,478
Net result	521	2,552
Business area review		
Health and Medical		
Sales	5,822	5,004
Operating result *	635	742
Consumer Goods		
Sales	20,986	17,309
Operating result *	1,589	2,470
Professional Hygiene		
Sales	7,493	5,216
Operating result *	559	415

* Excluding restructuring costs

Source: Essity

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