

Notes from the TAPPI PEERS Conference

Delegates to the 2010 TAPPI PEERS Conference convened October 17-20 in Norfolk, Virginia. The meeting was keynoted by Terry McAuliffe, a longtime business and political leader. In the political arena, his posts have included chairmanship of the Democratic National Committee, candidacy for the office of governor of Virginia and chairmanship of President Clinton's election campaigns. He is currently chairman of GreenTech automotive, a U.S.-based company dedicated to developing and producing affordable, environment-friendly, and energy-efficient vehicles.

McAuliffe's address to the PEERS audience reflected his view that what the Internet was to the 90s, green technologies are to the future. In addition to having committed to the production of electric and hybrid vehicles – the diminutive electric “MyCar” will debut in the U.S. in 2011 – McAuliffe is interested in repurposing of facilities for biomass utilization. He appealed to any among the PEERS delegates who were owners of shuttered mills to contact him about the possibility of a partnership in this regard. His remarks included observations about the economic crisis (“private equity is being hampered by regulatory uncertainty”) and the current administration (“the cabinet has too many academics and not enough business people”).

The keynote session was followed by Jacquelyn McNutt's remarks on the “State of the Industry – New Directions.” She noted that, although shipments are currently good and price initiatives have succeeded, the markets are getting shaky, producer inventories are high, and price concerns are increasing; there is a growing need for the industry to transform itself. An unprecedented plethora of internal and external change agents guarantees that the future industry will look very different. Aging assets, increasing energy costs and security considerations, altered global trade patterns, the

growing importance of carbon management, opportunities for development of markets for nontraditional products such as biofuels and silvichemicals – all are increasingly coming into play.

In a follow-on presentation, Ben Thorp (President, Bioenergy Deployment Consortium) addressed the question, “Is the Biorefinery for Real?” He pointed out that the need for business transformation, driven by the offshoring of pulp and paper production, can be met by transitioning to bioenergy and biochemical production, a move that is supported by the 2007 Energy Independence and Security Act. Thorp then outlined the various pathways available, and the characteristics of each. They include (1) the thermal biomass biorefinery, in which biomass is gasified to produce heat and saleable feedstocks and reclaimed heat is used to power the adjacent pulp and paper mill; (2) extracting value prior to pulping, by which valuable noncellulosic wood components are extracted from wood prior to its conversion to pulp; and (3) capturing new value from spent pulping liquors by gasification and conversion to saleable chemicals and using reclaimed heat for pulp and paper production. He then concluded by outlining the financial challenges and opportunities presented by these alternatives, as well as some additional ones.

Recent Forestweb Headlines

Forestweb publishes a weekly news report tracking recent developments in and around the paper and forest products industries. Subscription information is at <http://www.forestweb.com/Corporate/index.cfm>

Below is a small sampling of headlines from recent issues, together with brief synopses.

November 15

West Fraser's Hinton, Alberta, pulp mill to receive C\$37.9M from Canada's Green Transformation Program to upgrade boiler, pulp machine to increase energy efficiency, renewable electricity generation

In order to receive the credits from the GTP, mills must invest capital in projects that focus on energy and environmental improvements.

Minnesota-based Dovetail Partners evaluating opportunities and threats to existing biomass-based industries of bioenergy policies and incentives, rising energy prices

The project, "Incentivizing Bio-energy While Protecting Established Biomass-Based Industries." is supported through a grant awarded by the Wood Education and Resource Center, Northeastern Area State and Private Forestry, U.S. Forest Service. Final results will be available in mid-2011.

November 8

More than 65% of average containerboard mill's energy use comes from biomass, Corrugated Packaging Alliance reports among other findings in first U.S. corrugated life cycle assessment

Other key findings: Transportation has little impact; high (81.2%) recovery rates mean less material goes to landfills, which results in fewer greenhouse gas emissions from their disposal.

Southeast U.S. has tremendous potential to develop strong wood pellet industry, especially through exports to meet growing European demand, but there are hurdles to overcome, says biomass conference panel

The EU aims to source 20% of energy from renewables by 2020. According to one panelist, the challenges in meeting this demand include "location; long-term off-take and feedstock agreements; management of currency and shipping risks; and optimization of plant design to match project-specific requirements."

November 1

Norampac's proposed 750 tons/day recycled linerboard mill in Niagara Falls, New York, receives approval from city's planning board; first phase of demolition work might start by end of year

The new mill would be located next to the company's current corrugating medium mill, and would bump up containerboard production at the site to about 2,250 tons/day.

K-C rolls out greener, tube-free Scott bath tissue in pilot testing in Northeastern U.S., may introduce line nationally and globally if product sells well at Walmart, Sam's Club stores

The U.S. produces 17 billion paper tubes a year for bath tissue, accounting for 160 million pounds of trash, according to K-C estimates.

North American newsprint exports continue to prop up overall shipments with 37.7% year-over-year advance in September, as domestic demand falls 3.7%

Total shipments through the first three quarters of 2010 were up 60.9% from a year earlier, but total North American demand through the first nine months was 5.6% less than a year ago.

October 25

GP to invest more than US\$500M in its Port Hudson, Louisiana, and Crosssett, Arkansas, mills for advanced, proprietary tissue-papermaking technology

Start up of the upgraded and new equipment is scheduled for 2012.

Biomass power in the U.S. faltering due to high costs, increased pressure from environmentalists; executives say industry will continue to struggle unless Congress adopts national renewable-energy policy

Biomass power costs more to produce than power derived from fossil fuels. Also, environmental groups say that biomass power plants are releasing air pollutants and that they could lead to excessive logging, claims that the industry denies.

Competition for wood waste kills Pristine Power's planned C\$225M Green Energy Centre in Mackenzie, British Columbia

The project is deemed unlikely to succeed because it was developed using free wood waste as a fuel. Now many companies are competing for that wood waste.

October 18

Citing higher producer inventories, pulp buyers in key global markets accelerating push for lower prices, with some success

Buyers have stepped up their efforts to get price reductions for both softwood and hardwood pulp this month.

Hengan contracts Andritz to supply four 60,000 tonnes/year tissue machines to its mills in Chongqing and Jinjiang, China

Andritz will supply four PrimeLine high-speed tissue machines, each with a width of 5.6 m and a capacity of approximately 60,000 t/a.

Statistics Corner: E-Book Sales Up Exponentially

Last December, we reported that, according to the International Digital Publishing forum (IDPF, <http://www.idpf.org/>), wholesale electronic book sales were increasing at an unprecedented rate. The latest statistics show that the exponential increase in sales has continued unabated. The Association of American Publishers, in a November 8 press release,

(<http://www.publishers.org/index.html>) stated that “E-book sales continue to grow, with a 158.1 percent increase over September 2009 (\$39.9 million); year-to-date E-book sales are up 188.4 percent. Downloaded Audio Books also saw an increase of 73.7 percent over last year, with sales of \$7.7 million this September; and

the category was also up 34.1 percent year-to-date.” This has obvious implications for producers of book papers and signals a trend that has broader implications. Figure 1 below shows data on wholesale e-book sales collected by IDPF and the Association of American Publishers. ■

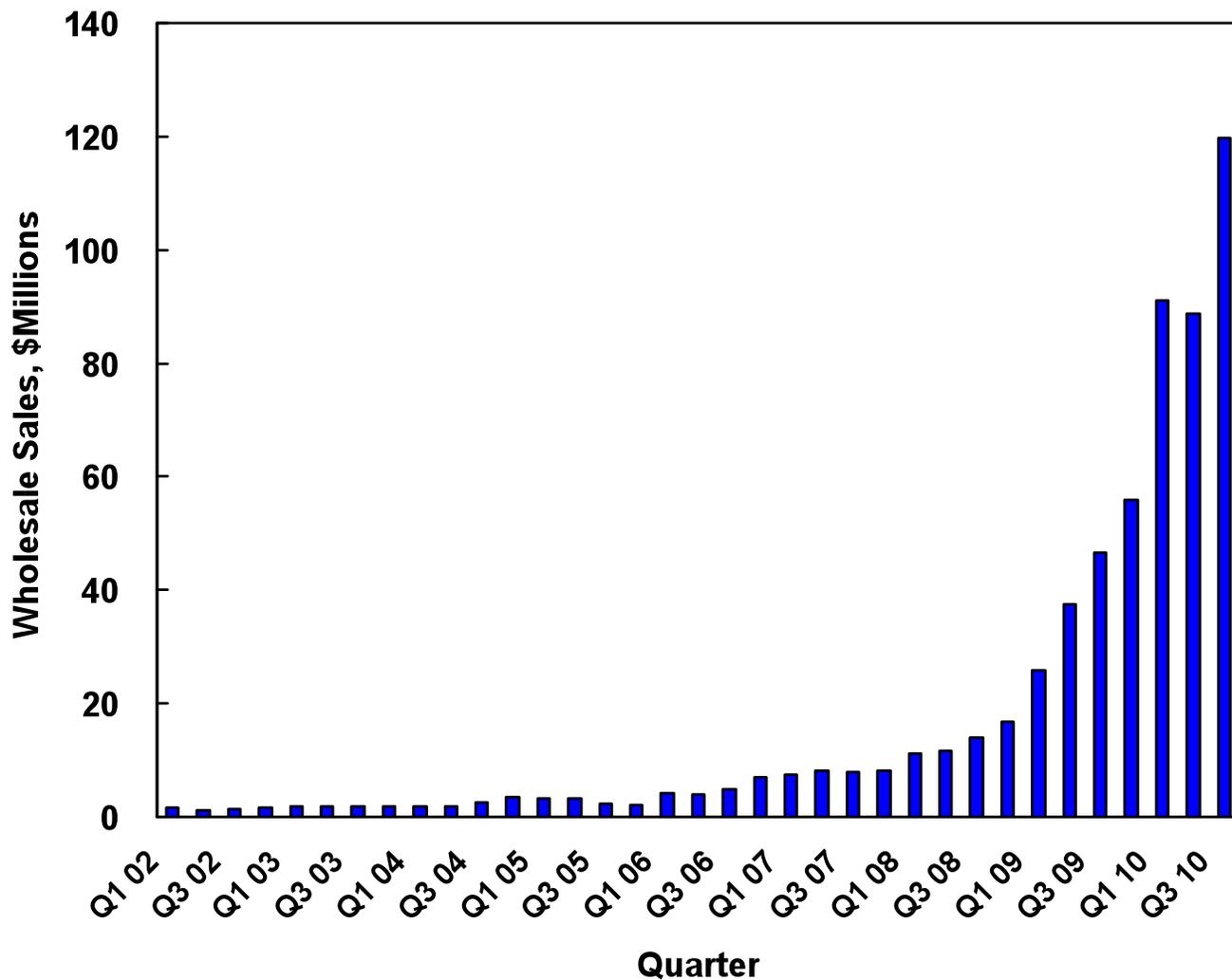


Figure 1. Wholesale e-book sales 2002 – present