



# Asia Pacific Forest Industries - Climate Change Conference



Australian Paper

August 2008

GO GREEN WITH  
**ENVI**

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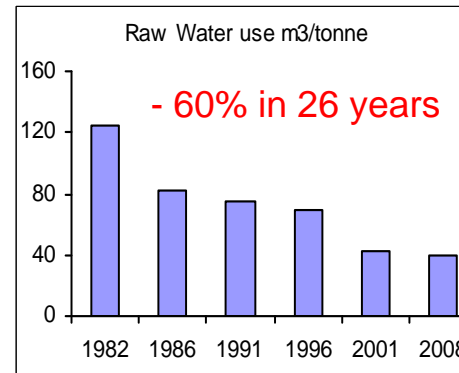
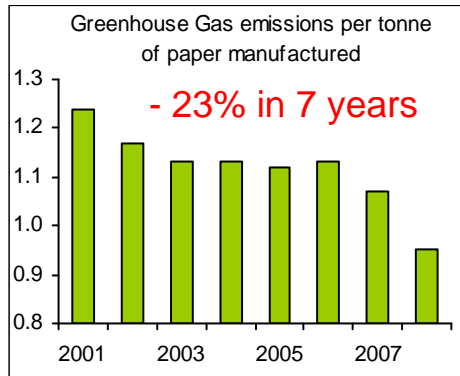
# 1. Australian Paper Today

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- Only Australian manufacturer of printing, publishing and office paper (including recycled and carbon neutral)
- A leading Australian manufacturer of packaging papers
- A manufacturer that produces and sells over 1 million tonnes of paper and packaging (20% export)
- Key regional employer
  - 2,000 direct staff at 4 mills across Australia
- Significant contributor to the economy
  - Largest industrial gas customer in Victoria
  - Largest single customer for VicForest
- Responsible for significant investment in Australia
  - over \$1 billion over the last 10 years
    - M5 paper making machine - direct
    - Pulp Mill Project - Maryvale – direct and ongoing
    - Woodyard – processing facility indirect
    - Plantations – Eucalypt – indirect and ongoing

## 2. Environmental Highlights

- Improving trend for CO<sub>2</sub> and water per tonne of paper manufactured



- Maryvale pulp mill upgrade will provide positive environmental outcomes
- Launch and growth of environmental brands (Reflex 100<sup>®</sup>, Envi<sup>®</sup>)
  - ENVI is Australia's first DCC certified carbon neutral paper
  - Department of Climate Change official certification for all printing and publishing grades
  - Recycle around 60,000 tonnes of Australian waste paper pa
- A member of The WWF Australia Forest and Trade Network
- All fibre used in manufacturing has environmental certification (FSC or PEFC)
- Participated in the Carbon Disclosure Project
- Parent PaperlinX a Member of the FTSE4Good Index for 3<sup>rd</sup> consecutive year

# Environmental Highlights

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- Australian Paper continues to improve its environmental performance
  - EPA approval to divert 60ktn of waste per annum for beneficial re-use as a soil additive
  - Elemental Chlorine Free - Pulp mill upgrade
  - Gippsland Water Factory to provide recycled water. Further 14% reduction.
  - Increasing supplier of recycled paper using Australian de-inked waste
- A key differentiator against import competition

### 3. Government Policy Intent - Emissions

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The Federal Government wants;

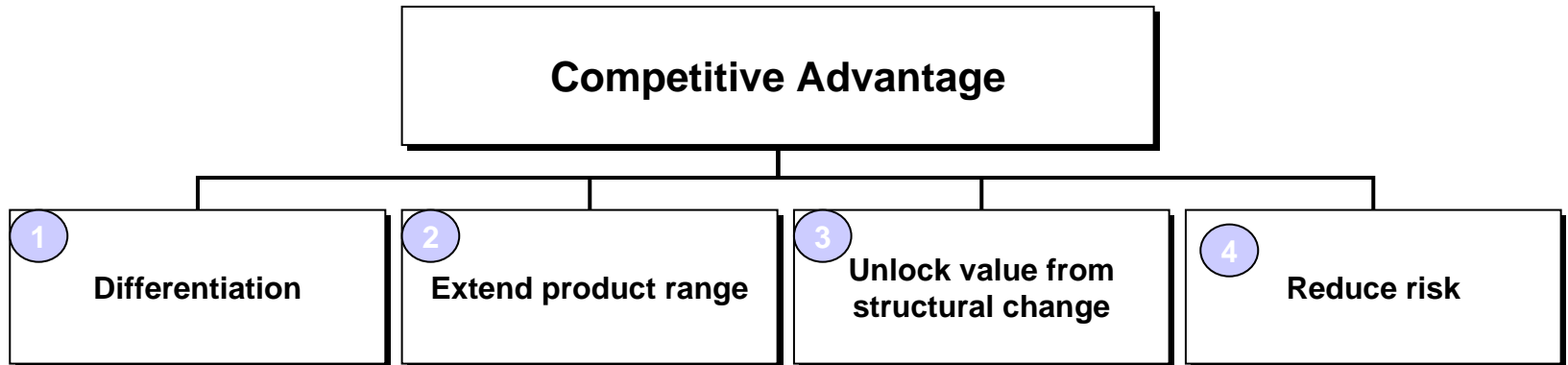
- To create policy only after a robust consultative process.
- Lower emissions (60% by 2050) and more renewable energy (20% by 2020)
- Simplicity
- To avoid leakage of jobs, assets, production and carbon to countries with no carbon cost.
- Work with industry to avoid large distortions and inappropriate reductions in asset values.

## 4. Australian Paper's Response and Exposure

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- Continue to positively engage with Government on producing the fairest and most effective scheme.
- Continue to increase our renewable energy production.
- Continue to reduce our carbon footprint beyond the initial 23% over the past 7 years. Adaptation.
- Continue to seek opportunities in a carbon constrained world eg carbon neutral paper – ENVI.
- Continue to work with Non Government organisations whose engagement lifts our environmental standards.

# Transferring Climate Change Cost into an Opportunity



	1 Differentiation	2 Extend product range	3 Unlock value from structural change	4 Reduce risk
<b>Australian Paper</b>	<ul style="list-style-type: none"> <li>•WWF endorsement</li> <li>•Waste Management</li> <li>•Forest certification</li> </ul>	<ul style="list-style-type: none"> <li>•Reflex 100%</li> <li>•ENVI</li> <li>•Revive 50/50</li> </ul>	<ul style="list-style-type: none"> <li>•Renewable energy credits</li> <li>•LCA offsets to decrease liability</li> <li>•Maximizing intensity</li> </ul>	<ul style="list-style-type: none"> <li>•Reduced electricity consumption by 1.5%</li> <li>•Lobbying</li> <li>•Adaptation</li> </ul>
<b>Toyota Prius</b>	Toyota seen as market leader in low emission vehicles.	Taking market share from SUVs	Benefiting from high oil prices	Preparing for a carbon constrained future
<b>BP – Beyond Petroleum</b>	The only “green” petrol company – with PV panels on forecourt roofs to prove it	<ul style="list-style-type: none"> <li>•More efficient petrol,</li> <li>•Carbon neutral petrol</li> </ul>	Benefiting from PV technology cost reduction and double benefit from higher oil prices (higher oil revenues and even more attractive PV economics)	Preparing for a carbon constrained future

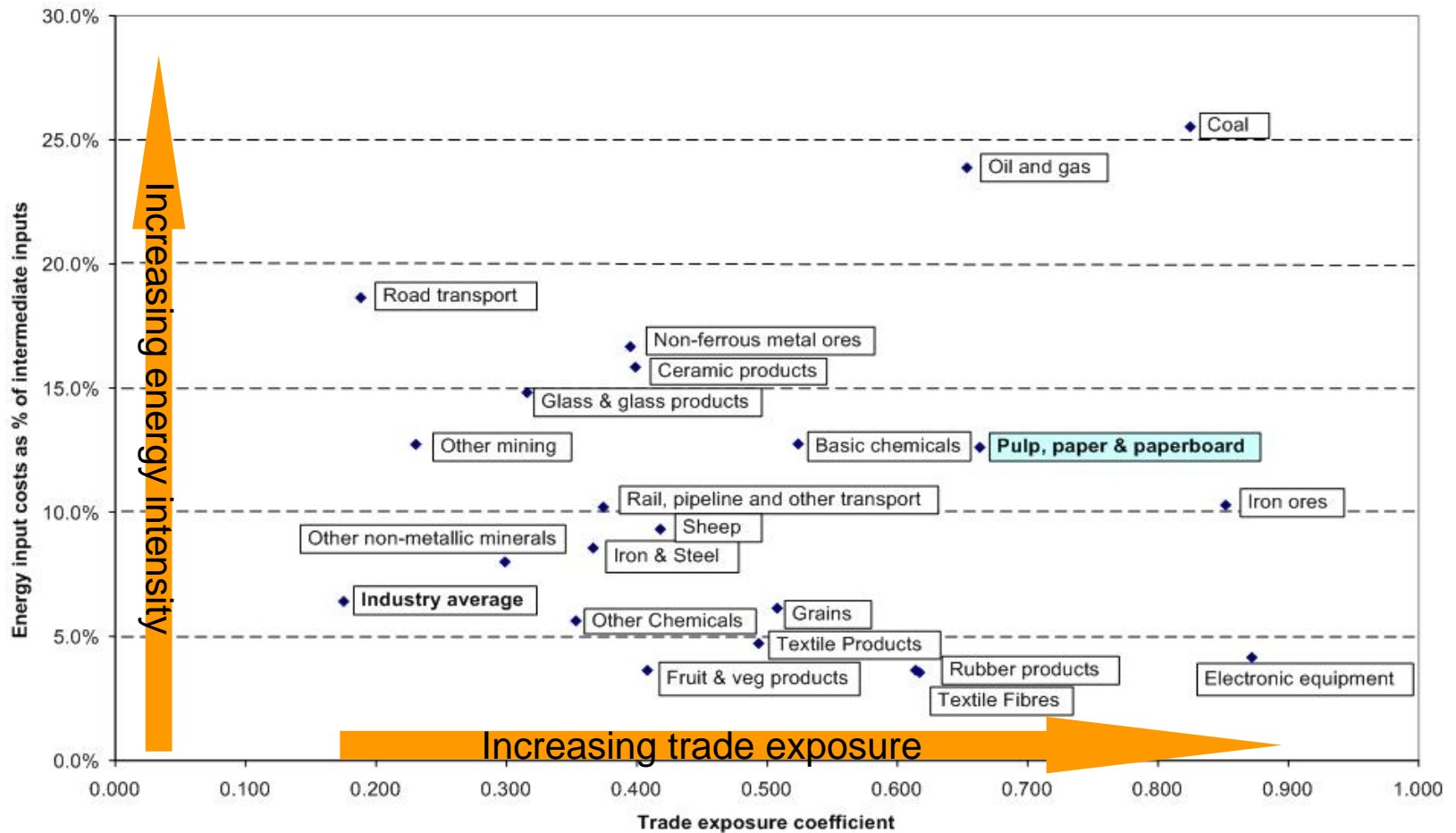
# Australian Paper Exposure

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- Our business remains internationally competitive
- Our heavy trade exposure constrains passing on of increased costs.
- Major step-change emission reduction projects beyond our in 'low hanging fruit' (23% reduction) require significant investment.

# Emissions Intensity and Trade Exposure

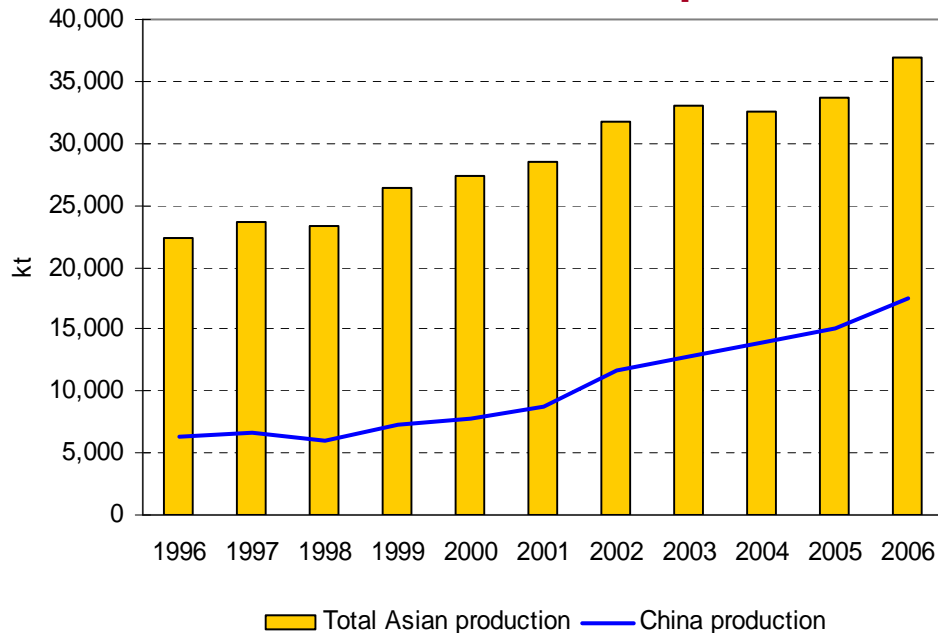
- While Australian economy is trade exposed, the extent varies among industries – ability to retain prices critical.
- Majority of Australian industries are not energy intensive or trade exposed.



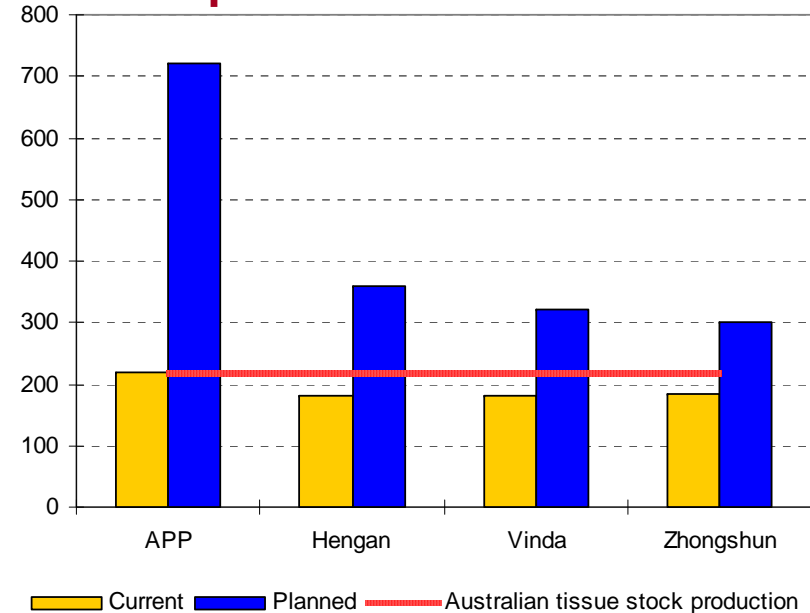
# Trade Exposure: Imports to Australia

- Significant growth in production capacity and exports of paper products from Asia, mainly Non-Annex 1 countries.

## Growth In Production of Printing and Communication Paper in Asia



## Chinese Tissue Company Expansion Plans to 2010



# 5. Contribution to Regional Economies

PaperlinX

Australian Paper's contribution to regional economies

July 16, 2008

Strictly Private and Confidential



PRICEWATERHOUSECOOPERS 

Economics

# Background of Report

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- The report provides an estimate of the economic contribution of Australian Paper's manufacturing operations to the 3 local economies in which we operate: Latrobe Valley, Northern Tasmania and Shoalhaven.
- The study reveals the loss of Australian Paper would result in significant economic dislocation from which the relevant regions would never fully recover.

# Regional Importance of Australian Paper

The following summary shows the long term impact on key regions if Australian Paper's manufacturing presence was to be withdrawn. Importantly, these are the impacts after long term adjustments have occurred, including some workers finding alternative employment and capital being re-deployed.

## Maryvale

Without the Maryvale mill, the long term effects on the Gippsland and McMillan electorates have been calculated as

- GDP down by 2.2 per cent or \$324 million
- Household spending down by 2.5 per cent or \$178 million
- Investment down by 1.5 per cent or \$69 million
- Real wages down by 1.3 per cent
- 1,028 long term job losses

## Shoalhaven

Without the Shoalhaven mill, the long term effects on the Gilmore electorate have been calculated as

- GDP down by 0.7 per cent or \$37 million
- Household spending down by 0.7 per cent or \$25 million
- Investment down by 0.8 per cent or \$13 million
- Real wages down by 0.4 per cent
- 158 long term job losses

## Burnie and Wesley Vale

Without the Burnie and Wesley Vale mills, the long term effects on the Braddon and Lyons electorates have been calculated as:

- GDP down by 3.4 per cent or \$253 million
- Household spending down by 3.2 per cent or \$157 million
- Investment down by 2.9 per cent or \$60 million
- Real wages down by 1.7 per cent
- 813 long term job losses

## Three regions combined

In the three regions combined, the effects of losing the four Australian Paper mills have been calculated as:

- GDP down by 2.3 per cent or \$614 million
- Household spending down by 2.3 per cent or \$360 million
- Investment down by 1.7 per cent or \$143 million
- 1,999 long term job losses.

## 6. Conclusion

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- The purpose of this presentation is not to link a carbon cost with mill failure. But rather to demonstrate the importance of Australian Paper to its relevant regional environment.
- We have been focussed on ‘Green energy’ and sustainability for decades.
- We know a ETS is coming and continue to support the Government to that end.
- However, every business and operation reaches an inflection or tipping point. That point is reached when senior management can no longer build a robust business case to generate funding.