

Prates: Given the challenge of maintaining its competitiveness, Europe's pulp and paper industry will undergo a growing search for new higher value-added products

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BIOREFINERY CONCEPTS TO BECOME THE NEW PARADIGM IN THE PULP AND PAPER INDUSTRY

The need to explore wood potential to the maximum shall intensify in various industrial segments over the next years. With the pulp and paper industry things will be no different, particularly due to the privileged position players in the sector hold for leading the development of biorefinery concepts.

The trend of maximizing the utilization of natural resources is even more apparent in mature markets, such as Europe, where the pursuit of higher value-added products is even greater. "Leadership of this biomass transformation process is the guarantee of survival for the pulp and paper industry," believes António Prates, President of the Portuguese Association for Technicians of the Pulp and Paper Industry (Tecnicepa).

With over 20 years of experience in the sector, Prates answers with authority questions posed in this month's Interview, providing an analysis of the Portuguese industry's performance this past year and revealing future perspectives, including expansion of production units to beyond making pulp and paper.

O Papel – How would you describe the performance of Europe's pulp and paper industry in 2012?

António Prates – Not just in Europe, but also in the United States, paper consumption has been stagnating and even dropping. Players in the Uncoated Wood Free (UWF) segment, for example, stopped producing the equivalent of 2 million tons in the United States and 2.7 million tons in Europe. In addition to the consumption stagnation, particularly in South European countries, the main dimension of the crisis is visible when looking at the difficulty to access credit for new projects.

O Papel – Were Portuguese players very affected by the economic recession?

Prates – First of all, it is important to point out that the Portuguese pulp and paper industry presents two distinct realities: one is represented by the traditional paper industry, composed of small units, most of which are outdated industrial mills that fundamentally work with recycled paper and cater to the Portuguese and/or Iberian markets; the second is represented by an industry of greater dimension, mature and highly competitive in the global scenario, manufacturing higher value-added products. The industry that works with recycled paper has faced bigger problems. Over the last two years, including 2012, some of these older, smaller units stopped producing, while the main and more competitive industrial units in the country continue operating. These units operate in a mature market and did not suffer major surprises in the last year.

O Papel – Is it possible to say that printing paper was one of the most affected segments in Europe recently? Why is that?

Prates – I would say that all paper segments as a whole were affected, but I would place more emphasis on Uncoated Ground Wood (UGW) and Uncoated Wood Free (UWF) paper. In these cases, we have seen a reduction in consumption due to a change in habit among consumers on account of technology advancements. On the other hand, in parallel with the stagnation and recession of this segment in Europe, we have observed a consumption increase in Asia. The continent has been the main driver of development for the paper market.

O Papel – What are the expectations for 2013? What paths do you envision for Europe's pulp and paper industry?

Prates – I believe that the recession in southern Europe shall reach the rest of the continent, with no changes foreseen in the short and medium term. Since the European industry is mature, I do not expect major changes in comparison to 2012. Due to the challenge of maintaining competitiveness, what I do see is greater

pursuit for new higher value-added products – a characteristic typical of mature markets.

O Papel – Do you believe that, in the next years, pulp and paper production in Europe will increase, such as from the manufacturing of products stemming from biorefinery? Could this be an alternative to leverage this industry in more mature markets?

Prates – In pursuing the sustainable development concept, I believe that the industry will evolve in the sense of maximizing the utilization of natural resources. I think this will be the path to be pursued by this industry and I see that a new paradigm will be created in the medium-term. I consider natural that these concepts surface preferably in developed countries and more mature markets, since they are pressured by the competitiveness of their units. The development and strengthening of biorefinery concepts, however, can also be pressured by factors external to the pulp and paper industry, such as oil prices, which may stimulate and expedite the development of certain biorefinery-based products.

O Papel – At what stage is biorefinery research development in Portugal? Are concepts already a practice in the country?

Prates – Without a doubt, biorefinery concepts are followed by all players looking to remain competitive for a long period of time in this industry. Consequently, the Portuguese industry has pursued these developments and also carried out specific work that fundamentally characterizes the potential of pulp and paper players within this scope, but one cannot say that these concepts are already a practice in the country.

O Papel – How would you assess the consumer markets of products generated at European biorefineries?

Prates – In view that these are innovative products, consumer markets will certainly be developed and mature markets avid for environmentally sustainable products derived from natural products.

O Papel – What is your opinion regarding the development of biorefinery concepts in Brazil? The fact that Brazil's industry is highly oriented on producing and exporting pulp, could this make biorefinery research and practical application take a longer time to evolve?

Prates – Brazil's industry is one of the most competitive, particularly in terms of eucalyptus pulp production. Within this context, the pressure for developing such concepts is different from what exists in developed but less competitive markets. Nonetheless, I believe that Brazilian players will follow the path of the best global players, maintaining their competitiveness and survival always under focus. ■