

# Wood Panel Industries Federation

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RHI team  
Department of Energy and Climate Change  
Area 4A  
3 Whitehall Place  
London, SW1A 2AW

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Dear Sir or Madam

## **WPIF response to Renewable Heat Incentive consultation**

The Wood Panel Industries Federation (WPIF) represents all UK manufacturers of wood-based panels, all of whom have been consulted in the formulation of this response. Total gross UK employment attributable to wood panel manufacture amounts to about 8,600 FTE jobs; the sector in the UK has an annual turnover of £520m (2009).<sup>1</sup> The industry occupies seven UK manufacturing sites (three in England, three in Scotland, one in Wales) and supplies approximately 60% of UK demand for wood-based panels.

The wood panel industry is the second largest processor of UK-sourced wood, annually consuming some 4.5m tonnes. This includes 1.1m tonnes of recovered wood, making it the largest consumer of that material. Consequently, any disturbance in wood flows has a major impact on this industry sector. The industry is already the largest single-sector generator of renewable heat in the UK – 1.6TWh in 2009, despite the effects of the recession.<sup>2</sup> Of the industry's total heat demand, approximately 55% is currently satisfied by renewable sources. The wood panel industry has made great strides towards low-carbon energy but potential remains for further reducing its fossil fuel intake. Inclusion in the RHI could increase the industry's use of renewable fuel for its heat demand to at least 90% as well as safeguarding existing heat generation. This would make a substantial contribution towards the UK meeting its renewable heat obligations.

The wood panel industry has been significantly affected by the cumulative effects of the Renewables Obligation (RO) and the increase of dedicated biomass plants and co-firing. Both of these processes currently source the same wood that the wood panel industry uses to manufacture its products. The industry has repeatedly demonstrated the un-level and unfair playing field created by subsidising energy companies' purchasing of UK wood, thus distorting significantly the already fragile supply / demand balance for this limited resource.

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<sup>1</sup> Europe Economics, *The Wood Panel Industry in the UK* (to be published in Apr/May 2010)

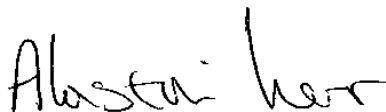
<sup>2</sup> SKM Enviro, *WPIF Timber Price Tipping Point Analysis* (2010) - sent to DECC on a commercially-in-confidence basis.

DECC has estimated that at least 90% of predicted biomass (wood) demand from the energy sector will be sourced from abroad. We think this is a serious over-estimation, considering the massive price differential between imported and UK-sourced wood, the latter being somewhere in the region of a third of the price. Statements made in the environmental returns of some large-scale wood energy proposals support our view that they would seek to secure significantly more than 10% from the national wood resource. There is growing evidence – forest purchases and negotiations for long-term contracts – that the energy sector is intent on sourcing as much UK timber as possible. Nevertheless, 10% of biomass requirements for energy would translate into more than 4 million tonnes of UK sourced material – or 40% of the UK harvest and it is clear that the UK will struggle to support even a fraction of the total expected demand from the energy sector.<sup>3</sup> Supported by the RO and, from next year, the RHI, the energy sector will have the purchasing power to exclude our members and other wood processors from the market. This is an unacceptable distortion of the market and should be addressed through reform of both mechanisms.

The Department has requested confidential financial data to demonstrate the impact on the industry of increased UK wood prices, as a result of RO support for biomass energy generation. We believe that this data (collated by independent third-party experts and delivered to DECC commercially-in-confidence and NOT for placement on the public record) categorically supports our claim that renewable energy policy is undermining the competitiveness of our industry to such an extent that the Government is obliged to act. This unbearable pressure has been recognised by the European Commission in its decision to include the industry on the list of those significantly at risk of “carbon leakage”.<sup>4</sup>

One way in which the situation could be improved would be inclusion in the RHI of the wood panel industry’s existing generation of renewable heat. Exclusion, as indicated by this consultation paper, would destroy the UK wood panel industry, put over 4,000 people out of work (even with typical re-absorption rates)<sup>5</sup> – with a disproportionate impact at a local level – and wipe out the UK’s largest tranche of renewable heat generation.

Yours faithfully



Alastair Kerr  
**Director General, Wood Panel Industries Federation**

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<sup>3</sup> John Clegg Consulting, *Wood fibre availability and demand in Britain, 2007 to 2025* (2010)

<sup>4</sup> 2010/2/: Commission Decision of 24 December 2009 determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage (notified under document C(2009) 10251)

<sup>5</sup> Europe Economics, *The Wood Panel Industry in the UK* (to be published in May 2010)