



EUROPEAN COMMISSION

Directorate-General for Trade

Directorate E - Neighbouring countries, USA and Canada
USA and Canada

Brussels,
USA and Canada

Meeting Report

Meeting with the American Forest & Paper Association (AF&PA) and US paper companies, 8 June 2015, 16.30-17.30

US paper industry:

- Paul Noe, Vice President, Public Policy, AF&PA;
- Jacob Handelsman, Senior Director International Trade (AF&PA);
- Christopher J. Brescia, Vice President of Government Affairs, RockTenn;
- Thomas M. Dubois, Managing Director, International Government & Public Affairs, Koch Companies Public Sector LLC;
- Ned W. Massee, Vice President Corporate Affairs, MeadWestvaco Corporation (MWV);
- Tangui van der Elst, Director Government Affairs Europe, MWV;
- Andrew Johnson, Vice President Government Affairs & Sustainability, Graphic Packaging International, Inc.

DG TRADE: [Art. 4.1 (b)] (both G.3)

Constructive meeting with a large delegation from the US paper industry, organised on industry's request. Industry outlined important market developments such as notably the increasing competition of the US paper sector with wood pellet production which apparently drives up raw material prices and endangers the sustainability of paper production in the US. In this context, the US industry is very concerned about subsidies of the UK Government to the Lynemouth power station biomass conversion project – here an EU competition case has been launched and industry is in contact with DG COMP – as well as to Drax. The US paper industry supports the ongoing TTIP negotiations, but did not have very clear ideas how this could affect the US paper sector. The industry indicated they will also meet CAB-ARIAS CAÑETE.

- Industry claimed that the way in which Member States implement the EU's Renewable Energy Directive (RED) would give too many incentives for the consumption of wood biomass, and in particular wood pellets. This has resulted in very substantial exports of wood pellets from the US South to the EU, and namely to the UK (and to a lesser extent to

Belgium and the Netherlands). In industry's view, the subsidies of the UK Government for the Lynemouth power station biomass conversion project and for Drax have very negative consequences for the US paper industry in terms of increased competition and prices for softwood pulpwood (which is used both for paper and wood pellet production). The Commission has launched an investigation in February 2015 to review if the subsidies granted by the UK Government for the Lynemouth station are compatible with EU state aid rules. See also enclosed AF&PA issue paper on European biomass subsidies and a letter the association has sent to DG COMP in May 2015 concerning the ongoing state aid investigation.

- US industry claims that EU GHG reduction policy together with MS support (Lynemouth, Drax) leads to an unfair competition for higher quality wood feedstock as the pellets are no longer produced from the residues only. This is a result – on one hand – of an increasing demand for biomass driven by EU climate policy, and on the other hand, of the state aids that subsidise the cost of the feedstock for the EU buyers. The US industry questions the existing model under EU state aid rules but also raises a question on trade aspects. In addition, industry questioned the credibility of the national sustainability criteria, the compliance with which is a prerequisite for granting of these subsidies, taking into account the negative effect they create in practice (i.e. burning trees rather than residues for energy).
- The US paper industry supports the ongoing TTIP negotiations and has put forward a joint statement with the EU paper association CEPI in November 2013 (see enclosed – this is more a general statement of support, with rather little actual substance). We welcomed their interest in TTIP and pointed to areas of particular interest for the US wood and paper industry, namely horizontal regulatory cooperation, energy and raw materials, as well as competition policy including subsidies. We also clarified that there are no specific sectoral negotiations on wood and paper in TTIP, but the sector could certainly benefit from strong rules on horizontal regulatory cooperation.

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