

Andrew Large

Challenges Ahead

Good afternoon ladies and gentlemen.

Firstly, I would like to add my thanks to you all for your attendance today at the Biennial CPI Conference. This is the second such conference since I joined CPI and I am sure we can all agree that it is going from strength to strength. The CPI Biennial Conference is now well established as the premier opportunity for the UK's Paper-based Industries to engage with their key regulatory stakeholders. As the UK moves into an uncertain new, post-EU regulatory regime, these close connections and the support of the CPI will be more important than ever to businesses in our industry.

These events do not organise themselves. None of this would be happening without the dedicated support of the team at CPI. They are all deserving of our appreciation, but I would like above all to record my thanks to Andy Braund and Emma Punchard, whose unstinting efforts over the last few months have been very largely responsible for the success of today. So, thank you both.

CPI is a trade association with policy rather than politics at its heart. We are apolitical and certainly would not endorse a candidate or party.

But there are times when our focus on policy inevitably takes us into the political arena.

Now is one of those times.

In about two weeks, the UK will have a new Prime Minister. Either Boris Johnson or Jeremy Hunt will take office in a country that continues to wrestle with the crisis caused by the Brexit referendum, in the context of a hung Parliament, and where political forces to right and left of the Government are resurgent. This new Prime Minister may very well find themselves forced into a General Election this autumn. At the very least they will be appointing a new Cabinet and new Ministers that will challenge the existing policy direction.

Just as the Conservative Party is trying to find a new direction, so the Labour Party, Liberal Democrats and others are struggling with the political challenge of being internally unified, having coherent policies and being electable across the country.

A political trilemma if you will.

In this volatile environment, businesses such as yours must take investment decisions and manage their operations from day to day. Is it any wonder that in the absence of a secure political and policy footing, investment and confidence have leached away from the UK business community?

And without strong businesses, where will the jobs, the taxes and the community regeneration come from that the country so clearly needs?

So, I would like to set out three challenges for the New Government, but equally for all the political class.

These are the challenges of Brexit, of climate change, and of sustainable materials.

On Brexit, the three-year long limbo since the referendum cannot be allowed to continue. We have got to the stage where the uncertainty of the current situation is causing tangible damage to the real UK economy. British businesses and their employees are extremely resilient, but there are limits!

My challenge to Westminster and Whitehall is to find a way out of the maze that does not make things worse. The UK's Paper-based industries are hugely integrated across Europe so for us Brexit was only ever going to be about damage limitation.

The first and most important objective here is to ensure that we do not leave the EU without an agreement. A so called No Deal Brexit would risk significant economic contraction for the UK. Anything that makes trade more difficult adds to the friction that business must overcome and erodes competitiveness. Avoiding no deal is the number one priority for the UK's Paper-based Industries, as it is for many other industries too.

I am deeply concerned about lack of clarity from all political parties on how they will either manage a no deal Brexit or avoid no deal altogether.

Those who would embrace no deal seem to have a faith-based approach to policy. If only the British people would believe a little more in Brexit, then all will be well!

Conversely, those who would avoid no deal seem to believe that they miraculously will be able to secure changes to the Withdrawal Agreement and

a majority in Parliament by the end of October, despite all evidence to the contrary.

For both these sides using constitutional trickery to either precipitate or stop Brexit will only add to the disengagement that the general public feels – whatever is eventually decided needs the informed consent of the people.

Worst of all, Brexit is sucking the life out of the policy making process. There are other longer term and bigger challenges ahead and we all desperately need government to focus on them.

Perhaps the biggest of those challenges ahead of us is climate change.

The UK Government recently signed into law a commitment to net zero carbon emissions by 2050. The discussion therefore moves from “if” to “how”.

We need to build a partnership with the Government for the next 30 years to reduce the carbon intensity of manufacturing to zero while at the same time improving the attractiveness of the UK as an investment location for higher value manufacturing industry. I welcome schemes such as the Industrial Energy Transformation Fund and I look forward to working with the Government on innovative energy efficiency projects. But we need a sustained commitment to policy over 30 years, that matches the investment timelines of our industry, and not a series of short-term initiatives that do not themselves support investment decision making. Decisions which incidentally are largely taken outside the UK. We won't support UK manufacturing industry for the price of 3 Premier League strikers.

Most importantly, we need a global approach to this global challenge. The UK emits about 1% of the world's carbon each year. Global emissions grew by around 2% in 2018 – so we are not able to save the world, however much we might wish to. In passing I must note with disappointment that the G20 Summit at the end of June did not go further than a discussion of clean energy. It just goes to show how much effort will need to be put into securing a global consensus and perhaps how unwise the UK and EU to hope for it, at least in the short term.

It would be a travesty if UK climate change policy led to factory closures and unemployment here, only for the goods to be manufactured elsewhere and imported to the UK instead. Lower UK growth, higher UK unemployment and

continued carbon emissions from other countries does not sound like a win-win situation to me.

I am proud of the efforts that the UK has made to decarbonise its economy. Overall emissions are down by 42% from 1990 levels and in paper by over 66%. I wish that other countries had similar degrees of zeal.

So, I want to lay down a challenge to the UK Government.

The UK has a strict regulatory environment for carbon emissions, one of the strictest in the world.

Reducing carbon emissions is a global priority, perhaps the global priority, so it makes sense to bring carbon emitting industries under strict regulatory control – such as that found in the UK

My challenge is this. If other countries will not act as we have acted, then the Government must push for carbon emitting businesses to re-shore to the UK, where they can be properly regulated, and their emissions reduced as quickly as possible. The alternative is that we import embedded emissions from jurisdictions where carbon control is less strict.

In other words, we export jobs and climate change continues unabated.

So, new Prime Minister, I call on you commit to reshoring manufacturing industry to the UK, even if in the short term UK carbon emissions go up, because in the longer term, our strict regulatory regime will mean faster global reductions and a greater benefit to all on planet earth as a whole.

A key part of our commitment to minimise climate change comes from the role of paper as a renewable, recyclable and sustainable material.

And it is recycling and materials policy that form my third challenge to Government.

The recent consultations from DEFRA herald the biggest change in UK recycling and packaging policy in over 20 years.

The new policies, whatever they may be, will set the scene for the ability of packaging to respond to the decarbonisation challenge – as well as the challenge of recycling and the substitution of plastics for easier to recycle materials such as corrugated cardboard and other fibre-based products.

So, there are two aspects here.

The first is that policy must incentivise the right behaviours. Designers and specifiers of packaging must have a clear incentive to design recyclability into their products. CPI's recently published Recyclability Guidelines send a clear signal to packaging designers about what they should do to make their packaging choices more sustainable. I know that our guidelines have provoked some controversy in some quarters, and we are open to revising them where new evidence on recyclability emerges. But the central thrust that packaging must be designed to be recyclable will not change – and we look forward to working with the whole supply chain to help to make that happen.

The Government's proposals on Extended Producer Responsibility are potentially very helpful. A system of modulated fees that creates a price incentive not to specify hard to recycle packaging would both act as motivation for recyclability and as a source of funds for paper mills that make the effort to recycle hard to recycle materials. These proposals need to find their way into the final policy position.

The second aspect is that of the quality of recycled materials. Recent upheavals in global markets, largely led by policy change in China, show just how vulnerable the UK is to changes in international trade flows.

While I would very much want UK paper production to increase such that it could recycle all UK recovered paper, in the real world the UK will be dependent on world markets as an outlet for its recovered paper for many years to come. So, it's vital that we have source segregation of paper at domestic households, and that there is proper enforcement to prevent illegal waste exports of the type that have hit the headlines in recent weeks. The quality of recovered materials is paramount – and the UK needs to be the best. We support the Government's proposals for separate collections of fibre based materials from households, and we look forward to implementing them as soon as possible.

I have set these three challenges to the Government, and indeed to all political parties, three challenges that if answered well would support the growth of the UK's Paper-based industries.

And this is an industry that should be supported by the Government.

Its sustainable, provides good jobs and creates growth outside the M25 in some of the most challenged parts of the country. What's not to like?

I'm very proud to be able to play my part, through CPI, in supporting this industry. And I hope that you are all also very proud both of your work and of how it is on the cutting edge of building a new sustainable economy.

Thank you again for your active participation in today's conference, and good luck for the future.