SUBMISSION BY WOOD PANEL INDUSTRIES FEDERATION

Targets

Are the 2020 renewables targets (for electricity and heat) achievable? If not, why not?

What contribution will achievement of the 2020 renewables targets make to meeting Scotland’s CO2 emissions targets (a reduction of at least 42% by 2020 and an 80% reduction target for 2050) under the Climate Change (Scotland) Act 2009?

Will increase in demand from electric heat and transport be offset by efficiencies elsewhere?

Has the Scottish Government made any estimation of the overall costs of achieving the targets, and identified which parties will bear them?

The Scottish Government has recently moved away from support for large-scale electricity only biomass and has stated that it is essential that any incentivisation of biomass energy generation considers the needs of existing wood users. The WPIF is pleased that the Scottish Government has recognised the impact that current incentivisation is having on our industry and the importance of our work both economically and environmentally.

Our main area of concern regarding renewable energy policy is the Renewables Obligation (RO). The RO’s subsidising of energy companies to buy wood to burn for biomass energy has led to a significant distortion of the wood market. In the past five years the price of standing timber has risen by 59%. This is a direct result of RO subsidies as the only new entrant into the market during this time has been the energy sector. We welcome the Scottish Government’s moves away from supporting large-scale electricity only biomass plant, however we urge the Government to go further and oppose the UK Government’s plans to increase subsidy support for conversions and co-firing.

The WPIF is very concerned about the RO for a number of reasons. Firstly we have significant concerns about the sustainability of current biomass energy proposals. We welcome the Scottish Government’s statement in the Routemap for Renewable Energy that ‘biomass policy and support need to encourage the most efficient and beneficial use of this finite resource.’ Wood is a finite resource and current DECC estimates state that by 2030 8000-10000MW of electricity will be generated from biomass. This represents demand for 80-100 million green tonnes of wood, at least 8 times the 2010 UK domestic roundwood harvest of 10.2 million green tonnes. DECC forecasts that 90% of this demand will be met through imports, but even meeting 10% of this demand from domestic sources would see the entire UK wood harvest diverted to biomass generation. Even with better management of forests the Forestry Commission estimates that potential increase in production will only be 2-3 million green tonnes. Given current planting rates and growth cycles, wood production in the UK is due to peak around 2020 and steadily decline up to 2050.

1. 2020 Routemap for Renewable Energy in Scotland (June 2011), Section 3.5 Bioenergy and Energy from Waste.
The UK wood market will not be able to meet the demands of large-scale biomass developments.

It is far more environmentally sound to process wood than it is to burn it for energy generation. Processing wood locks carbon into wood products and produces only 378kg of CO2 per tonne of wood. In contrast burning wood for electricity generation produces 1,905kg of CO2. Burning UK softwood will not achieve carbon neutrality for 35 to 40 years. The majority of products produced by the wood panel industry will store carbon for at least this period, meaning that processing wood provides an essential carbon sequestration function.

If current market distortions continue the wood panel industry is at serious risk of displacement. Displacement of the wood panel industry (and its contribution to carbon sequestration) by wood fired electricity generation, would see a net increase in CO2 emissions by six million tonnes per annum. This would be more than 1% of the UK’s reported emissions in 2008.

The Committee on Climate Change has already recognised that it is more environmentally sound to use wood in construction rather than for energy production. The Committee has stated ‘the use of woody biomass in construction (rather than as an energy source) should be a high priority, given that this generates negative emissions through a very efficient form of carbon capture’ and that there is ‘scope for significant emission reductions through the use of woody biomass in construction.’

In addition to carbon sequestration benefits the wood panel industry is also the UK’s largest industrial generator of renewable heat. This is generated almost entirely from process-derived residues, wood that is produced during panel processing but is unsuitable for use in the panels themselves. The sector generated 2.4TWh in 2008; installed capacity within the industry exceeds 3TWh. However, under current proposals the industry will not benefit from the Renewable Heat Incentive. We welcome the Scottish Government’s recognition that there is a ‘need to ensure that the interests of early adopters of renewable heat in Scotland, notably the wood panel sector, are not put at a disadvantage by the introduction of the initiative’.

Unless changes are made to the RO and other renewable energy policies the industry will be displaced and the valuable contribution made to Scotland’s 2020 renewables targets will be lost.

Challenges

(a) Technology

Is the technology to meet these targets available and affordable? If not, what needs to be done?

Are electricity generating or heat producing technologies compatible with the need for security of energy supplies?

3 Ibid., p.11.
4 Routemap for Renewable Energy, Section 3.4 Renewable Heat.
Are our universities and research institutes fully geared up to the need for technological development, innovation and commercialisation?

(b) Supply chain and infrastructure

Is the supply chain in Scotland in place to meet the targets?

As already discussed the WPIF has serious concerns about the sustainability of domestic wood feedstock supply should current forecasts for feedstock demand be realised. The UK wood harvest will not be able to meet these demands even with increased tree production. The supply chain is therefore not in place to meet Scotland’s renewable energy targets and a continued focus on large-scale biomass is putting them in jeopardy.

What further improvements are needed to the grid infrastructure or heat supply networks both at a national and a local level? Additionally, are we confident that the necessary infrastructure can be developed and financed so that Scotland can export any excess electricity generated to the rest of the UK and/or the EU? What is the role for the Scottish Government here?

(c) Planning and consents

Is the planning system adequately resourced and fit for purpose?

How can national priorities be reconciled with local interests?

(d) Access to finance

Will sufficient funds be available to allow investment in both the installation and the development of relevant technologies? What can the Scottish Government do to influence this?

What will the impacts be on consumers and their bills?

(e) Skills and workforce development

Will Scotland have sufficient home-grown skills to attract inward investment? Are current policies producing the desired move towards Science, Technology, Engineering and Maths subjects at schools and universities? Is the skills transfer from the oil and gas sectors being realised?

(f) Energy market reform and the subsidy regime

Are the reforms of the energy markets and subsidy regimes at both UK and EU level sufficient to meet the challenge of the Scottish Government’s renewable targets?

The WPIF appreciates the Scottish Government’s proposed removal of support from the Renewables Obligation for large-scale electricity only biomass energy
generation. However is it essential that the UK and EU also address this issue otherwise Scotland’s renewables targets will be at risk.

The Routemap recognises that using biomass for electricity only is inefficient as well as being environmentally unsound. Electricity only biomass has an efficiency rate of only 30% whereas heat only schemes have an efficiency of 80-90% and CHP has an efficiency of 50-70%. The WPIF therefore encourages the Scottish Government to consider these alternative, and more efficient, uses of biomass.

However, unless the UK and EU Governments also recognise the need to support these alternative biomass technologies, the Scottish Government’s reforms will not have the necessary impact to meet its renewable targets. Wood is traded across borders within the UK, and much of Scotland’s timber harvest is transported to England. If the UK Government fails to address the problems in its policy, the wood processing sector will be at serious risk of seeing its timber supply sold to energy companies located elsewhere in the UK. This will ultimately damage Scotland’s capability to meet its renewable energy targets.

**Executive Summary**

The WPIF represents all UK manufacturers of wood based panels. The sector has an annual turnover of over £650m and directly employs 2400 people. Taking account of related businesses upstream and downstream, there are 8,700 FTE jobs, the majority of which are in rural areas, dependent upon the wood panel industry.

There are seven manufacturing sites across the UK. There are three sites in Scotland (Inverness, Cowie and Barony), three in England (Hexham, Kirkby and South Molton) and one in Wales (Chirk).

The three principle wood based panel types manufactured by the industry are Chipboard (Particleboard), Medium Density Fibreboard (MDF) and Oriented Strand Board (OSB). The two principle markets for wood based panels are construction and furniture. If the wood panel industry were displaced these industries would be forced to import the panels they need to make their products, at a higher cost, which would be detrimental to the UK economy and to UK consumers.

Wood represents approximately one third of the direct material cost of wood panels. The industry is therefore extremely sensitive to wood price increases and those caused by RO subsidies pose a serious threat to the industry’s future.

The industry has evolved to process wood that has historically had no viable alternative use, and has effectively constituted waste material. The principle wood inputs are small roundwood, sawmill residues, recycled wood and sawdust. The industry has evolved the technology to reengineer these previously “unusable” sources into the chipboard, MDF and OSB products that the industry produces. This process supports the Waste Hierarchy by ensuring that the best use is made of wood. The RO undermines the Waste Hierarchy by encouraging the burning of wood before the end of its useable life. Continuing to support the RO in its current form is therefore environmentally unsound. If the wood panel industry is displaced the valuable carbon sequestration and renewable heat generation contributions it provides will be lost, adding to the detrimental environmental impact of the RO.
The wood panel industry welcomes the Scottish Government’s recognition of the impact that renewable energy policies are having on the wood panel industry, and their consideration of options to mitigate the impact of large-scale biomass demand on existing users of the limited woody biomass resource. We urge the Government to go further in addressing the concerns of our industry, not only to support the industry but also to protect Scotland’s 2020 renewable energy targets from the damaging impact of continued support for an inefficient and environmentally unsound biomass policy.

Wood Panel Industries Federation
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