



June 2008

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[Russia] **Stora Enso** has started a feasibility study for an integrated pulp and paper mill in the Nizhny Novgorod region of Russia. The firm expects the feasibility to be completed by April 2009. It will evaluate the profitability of the project, which aims to produce paper for Russian customers from Russian wood in Russia. The study will examine the questions of which paper grade the mill should produce and where precisely it would be located. (PPI this Week, June 5, 2008).

[UK] The Spanish corrugated packaging producer **SAICA** hopes to build a new containerboard mill in Partington, Greater Manchester, in northern England. The plant would cost £250 million (\$494 million) and manufacture some 400,000 tonnes/a of recycled containerboard, Messenger Newspapers reported. If the scheme goes ahead, the mill would start-up in 2010. The plant's output would supply the 20 or so converting plants in the UK and Ireland and the company recently agreed to buy from SCA. These facilities have a corrugated packaging capacity of 60-70 million m²/a. (PPI Europe, June 26, 2008)

[France] French biomass research organisation **Compagnie Industrielle de la Matière Végétale (CIMV)** and **Champagnes Céréales**, a European agriculture group, are forming a joint venture to build a pulp mill in Vitry-le-François, central France, that will run exclusively on straw. The mill, which is slated to start-up in October 2009, will consume 140,000 tonnes/a of straw and employ about 130 people. Local media estimated that the mill output would be around 60,000 tonnes/a. (PPI Europe, June 26, 2008).

[Indonesia] **Fajar Suya Wisesa** is weighing plans to invest in a new containerboard machine for its Bekasi mill in West Java, Indonesia. The firm is considering installing a 300,000 tonne/a unit, PM5, which would produce corrugating medium. Negotiations with suppliers are underway and a decision should be finalized in the third quarter. Start-up is penciled for mid-2010. The cost of the project is expected to total some \$85 million. The Bekasi plant currently houses four PMs with a total capacity of 700,000 tonnes/a of kraft paper, recycled linerboard, corrugating medium and cartonboard. (PPI Asia, June 16, 2008)

[Australia] **Gunns** is seeking deadline extension for its pulp project for another five months to begin construction of the 1.1 million tonnes/a bleached softwood and hardwood kraft pulp mill in northern Tasmania, Australia. The Barlett government said that it will not be rushed into a decision based solely on a letter from Gunns requesting a time extension. Gunns recently lost the lead financier for its pulp mill scheme. (PPI Asia, June 30, 2008)

Implementation/Start-up Phase

[Russia] **International Paper (IP)** is gradually starting-up a new 200,000 tonnes/a bleached chemi-thermomechanical pulp (BCTMP) line at its Svetogorsk mill in the Leningrad region of Russia. The unit was originally planned to come on stream in the fourth quarter of 2006, but difficulties in procuring approval from the relevant authorities forced IP to reschedule the start-up for the middle of 2007. A further delay, due to labour availability issues, pushed the date back to the end of 2007. The BCTMP line's output will be split between IP's operations and open market



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The project is part of a \$250 million investment at the Svetogorsk plant that also covered the 2005 overhaul of the site's PM1 and PM4. PM4 has a capacity of 280,000 tonnes/a of uncoated woodfree paper, while PM1 can produce up to 120,000 tonnes/a of liquid packaging board. The mill can currently produce 380,000 tonnes/a of bleached and unbleached kraft pulp. (PPI this Week, June 5, 2008).

(Finland) **Stora Enso** has picked the suppliers for the conversion of PM2 at its Anjala mill in eastern Finland. **Voith** will be the main supplier for the upgrade, while **ABB** will provide online measuring. **Metso** has been contracted to supply machine and drive controls for the overhauled machine, as well as upgrade to the monitoring system. The 155,000 tonne/a coated magazine paper machine will be overhauled to manufacture 185,000 tonnes/a of coated and uncoated book paper. The project, which should be completed by November 2008, will cost approximately Euro 29 million (\$46 million). (PPI this Week, June 12, 2008).

(Austria) **SCA** has signed up **PMT Italia** to upgrade PM9 at its Ostmann tissue mill in Austria. The Beloit unit will be converted to a crescent former configuration, and the existing stock preparation system will be integrated with the supply of new refiners. The order also includes the supply of auxiliary components. The aim of the revamp was to increase the machine's speed from 1,450 m/min to 1,700 m/min and thus raise capacity from 34,000 tonnes/a to 38,000 tonnes/a. Tissue quality will also be improved as a result of the investment. (PPI this Week, June 12, 2008).

(Italy) **MC Tissue** has started-up a new 85 tonne/day tissue paper machine at its mill in Lucca, Italy. The **Recard**-supplied PM is a crescent former unit with an operating speed of 1,500 m/min and a reel width of 3.15 m, which uses virgin fiber as its raw material. It replaces a sloped wire 40 tonnes/day tissue machine at the site, PM2, which MC Tissue shut down at the end of last year. (PPI this Week, June 12, 2008).

(Sweden) **Södra** is set to install a new evaporation plant at its pulp mill in Värö, Sweden. The unit will replace the plant's three existing evaporation lines and further improve its energy efficiency. Through this investment, bark with an energy content of 200 GWh/a will become available for sale, which corresponds to a carbon dioxide emission reduction of 75,000 tonnes/a. **Andritz** will supply the new evaporation plant. The equipment is scheduled to start-up during the fall of 2009. The project is part of the firm's SEK 500 million (\$82 million) investment program at the Värö mill to boost energy efficiency and make the plant virtually independent from fossil-based energy as well as enhancing its productivity. (PPI Europe, June 19, 2008).

(Germany) **Steinbeis Temming Papier** has started the construction of a new power plant at its Glückstadt mill in Germany. The refuse-derived fuel (RDF) facility, which will supply Glückstadt with both steam and electricity, represents an investment of about Euro 100 million (\$153 million). It should come online in 2010. **Austrian Energy & Environment** received the contract for the 95 MW RDF facility. It will run on paper fiber sludge, coal and light fuel oil. (PPI Europe June 26, 2008)

(Russia) **Rusprinco** has pushed back the construction of a new 180,000 tonne/a containerboard mill facility in the Lipetsk region of western Russia, from 2008 to 2009. According to a spokesman, the firm is in the final stage of negotiations with potential investors. "The project is evolving slower than we expected, but it has not been stopped", he added. (PPI Europe June 26, 2008)

(Thailand) **SCG Paper** has started trial runs on a new uncoated woodfree paper machine at a greenfield mill in Thailand's Khon Kaen province. Commercial production on the 200,000 tonne/a PM is expected to follow within three months. The unit, which was supplied by Voith Paper, has a wire width of 5.85 m and an operating speed of up to 1,300 m/min. It can produce copy and offset paper in a basis weight range of 55-140 g/m². The Baht 6.6 billion (\$199 million) investment scheme also included a pigment plant producing precipitated calcium carbonate (PCC). It is located next to the 235,000 tonne/a bleached hardwood kraft and nonwood pulp plant of SCG Paper's subsidiary Phoenix Pulp & Paper, which is providing the furnish for the new machine. (PPI Asia, June 16, 2008)



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(Vietnam) SCG Paper has also started taking delivery of equipment for its new containerboard facility in southern Vietnam, **Vina Kraft Paper**. The mill, located at a greenfield site in Binh Duong province, near Ho Chi Minh City, will house a 220,000 tonne/a Voith machine. Installation is due to begin next month. Trial runs are penciled for late 2008 or early 2009, with commercial production expected to begin in April next year. (PPI Asia, June 16, 2008)

(Vietnam) Samsung Corp. has completed preparation work for its \$240 million pulp mill project in Vietnam, according to the Vietnam Pulp & Paper Association. The South Korean conglomerate has joined forces with the Vietnamese firm **Nghe An Pulp** for the scheme. All the site clearance and earth works have been concluded, the association said, and the joint venture has already established a new seedling nursery and plantation in neighbouring Laos for the pulp plant. (PPI Asia, June 16, 2008)

(China) Shandong Chenming has started construction work at the greenfield site at Zhanjiang City, Guangdong province, China. Start-up of the 1.1 million tonne/a BHK pulp line is scheduled for the first half of 2010. The firm has chosen several of the main equipment suppliers, including Metso Paper and Andritz, and is in the process of finalizing the deals. Its subsidiary **Zhanjiang Chenming Pulp & Paper** has inked an agreement with five Chinese banks, led by the Chinese Development Bank, for two 15-year loans to help finance the RMB 9.4 billion (\$1.36 billion) project, one for RMB 3 billion and the other for \$386 million. (PPI Asia, June 30, 2008)

(North America) North American Pulp and Paper Industry capital spending is expected to remain flat in 2008 compared with 2007 as more companies focus on selected projects to improve profitability and product mix, and curb energy costs. Most of the projects are focused on trying to reduce energy costs, restructuring paper machines for more value added grades, or changing grade mix where there are declining markets for certain grades like newsprint. The 10 largest US companies are expected as a group to capital spend about 3% less in 2008 versus 2007. Total capital spending in the US was \$4.099 billion in 2007 and is expected to decrease slightly to 3.955 billion in 2008. (Pulp & Paper Week, June 13, 2008).

MERGERS, ACQUISITIONS & PLANT CLOSURES

(Germany) WEPA has announced that it is looking into taking over **Kartogroup**. The German tissue producer is carrying out due diligence on the acquisition and hopes for a final decision in the next few weeks. WEPA owns six plants in Germany, Poland and Spain. The company manufactures over 310,000 tonnes/a of tissue on nine paper machines. Meanwhile, Kartogroup owns seven mills in Germany, France, Italy and Spain, which produce around 310,000 tonnes/a of tissue on 10 PMs. (PPI this Week, June 5, 2008).

(Czech Republic) Norske Skog has shut down its Steti mill in the Czech Republic on May 29, 2008. The site houses one 130,000 tonne/a newsprint machine, which the company does not plan to dismantle at this time. The firm is prepared to sell the plant but insisted that it would be an absolute prerequisite of any sale that the mill will not produce newsprint. (PPI this Week, June 12, 2008).

(UK) SCA has unveiled plans to divest its loss-making “conventional corrugated business” in the UK and Ireland to Spanish producer **SAICA** as well as to close the New Hythe mill in the UK by mid-2010. The company has signed an agreement to sell 65% of its packaging assets in the UK and Ireland for Euro 125 million (\$192 million), in cash. The deal includes around 20 factories: 10 box plants and 10 other converting sites. The facilities represent approximately 60-70 million m²/a of corrugated capacity. SCA also announced plans to close the New Hythe containerboard mill, which produces 240,000 tonnes/a of testliner and fluting only by mid-2010 as the company continues to supply the divested businesses with containerboard. (PPI this Week, June 19, 2008).



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(Sweden) **Södra, Preem Petroleum**, the largest oil firm in Sweden, and **Sveaskog** have signed an agreement to acquire around 60% of the shares in **Sunpine**, a company that is to set to focus on pine diesel production. Sunpine will produce pine diesel from tall oil, which is a by-product of the timber industry's pulp process. The pine diesel will be processed to high-quality diesel that fits all diesel motors. All materials come from the forest and consequently the process will not compete with food production. "Sweden will be the first country in the world to produce green diesel from timber raw materials on an industrial scale" Södra said in a statement. (PPI this Week, June 19, 2008).

(South Korea) **Norske Skog** has agreed to sell its two newsprint mills in South Korea to **Morgan Stanley, Private Equity Asia** and **Shinhan Private Equity**. The buyers will pay NOK 3.2 billion (\$0.6 billion) in cash for the assets and assume some NOK 1.1 billion in debt, including a \$130 million inter-company loan. The deal is due for completion in late July or early August 2008. The plants comprise the 190,000 tonne/a Cheongwon mill in North Chuncheong province and the 825,000 tonne/a Jeonju facility in Jeollabuk province. The firm shut down two newsprint machines, PMs 1 and 4, at the Jeonju site at the end of 2006. The move reduced the plant's capacity from 1 million tonnes/a to the current level. (PPI Asia, June 30, 2008).

(Canada) **Ableco Finance's** bid for bankrupt **Pope & Talbot's (P&T)** shuttered 185,000 tonnes/a northern bleached softwood kraft (NBSK) market pulp mill in Halsey, OR, was rejected by a US bankruptcy court judge in Delaware on Monday, June 9, 2008, leading to a second auction that **Wayzata Investment Partners** won with \$31 million bid, becoming the second company in a week to win the auction. It was believed Halsey is the only one out of the three P&T NBSK mills likely to resume production in the near term. If the other P&T pulp mills in BC are not sold, the government would be responsible for their maintenance and any environmental costs that could exceed C\$500,000 a month. (Pulp & Paper Week, June 6 & 13, 2008).

(USA) **Smurfit-Stone Container (SSCC)** will cease operations of its 135,000 tons/a recycled corrugating medium machine at the Snowflake, AZ, mill no later than Oct. 15, 2008, the company announced on Thursday, June 26, 2008. **Catalyst** said that closure of the medium machine was anticipated in its purchase earlier this year of the Snowflake mill from **AbitibiBowater**. While the medium machine is high cost, the mill is one of the lowest cost mills in North America for producing newsprint, Catalyst said. (Pulp & Paper Week, June 27, 2008).



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PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2001	2002	2003	2004	2005	2006	2007	2008E	2009E	Current Price
NBSK Pulp (N.E.)	m. ton	547	462	525	617	611	681	800	897	949	900
BEKP (N.E.)	m. ton	485	458	502	520	587	642	707	817	858	840
Newsprint 48.8 g/m ² (US East)	m. ton	585	465	503	547	610	668	585	687	756	672
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	715	692	628	676	727	815	832	924	1,016	905
LWC 34 lb (US)	sh. ton	1,017	867	829	859	997	978	923	1095	1,155	1,090
Linerboard 42 lb (US East)	sh. ton	430	391	371	418	428	488	517	560	607	540
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	286	270	278	394	353	296	250	228	251	238
OSB 7/16" (N-C US)	Msf	159	160	380	369	319	218	160	168	185	186
Canadian Dollar	US\$	0.65	0.64	0.72	0.77	0.83	0.88	0.93	0.985	0.947	0.98

E = estimated

Sources: RISI Monthly Commentaries (June 27, 2008), Wood Markets Monthly (June-July 2008) & Foreign Exchange Consensus Forecasts (June 9, 2008)

