



March/April 2010

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

(Spain) Ence has unveiled plans to invest up to Euro 525 million (\$715 million) on biomass projects in Spain. The company intends to start-up biomass power plants with a total output of up to 210 MW by 2014. The first step will be the inauguration of the biomass facility Ence is building in Huelva. The company did not reveal details of the remaining biomass projects. However, it said that it intends to start-up facilities with a capacity of 60 MW in 2012, followed by plants with a total of 80 MW in 2013 and the final 20 MW site in 2014. (PPI Europe, Mar. 11, 2010)

(Sweden) An appeal will delay **SCA** and **Statkraft's** plans for a wind farm in Jämtland and Västernorrland, in the north of Sweden, by about one year. SCA and the Norwegian energy company were planning to build six wind farms consisting of 460 wind turbines with a combined electrical production of 2,400 GWh. The first wind farm was scheduled for start-up in 2011. The wind farm scheme is part of SCA's plan to reduce its carbon dioxide emissions by 20% by the year 2020, with 2005 as a reference year (PPI Europe, Mar. 11, 2010)

(Sweden) Södra Vind, a subsidiary of **Södra**, has ordered six wind turbines from Enercon to be installed at its Mönsterås pulp mill in southeastern Sweden. The turbines will be delivered mid year and the wind farm is scheduled to start-up in November 2010. The investment amounts to some SEK 200 million (\$28 million). The company expects the Mönsterås turbines to produce 30 GWh of electricity, which will be sold to the grid, as the pulp mill is already energy self-sufficient. This is the first of three wind turbine projects in the area around the bleached softwood and hardwood kraft pulp mill. Södra intends to build four wind turbines in Åserum, just north of the mill, and 10 turbines in an area near Torp and Kråkerum, to the east of the factory. (PPI Europe, Mar. 11, 2010)

(Finland) Stora Enso has signed an agreement with **Metso** and the US firm **Domtar** with the aim of developing advanced pulp mill technology. The aim of the project is to develop a more efficient pulp production process, with lower costs and reduced fiber usage, while maintaining or improving fiber properties. They hope for higher quality by-products, such as tall oil, terpenes and lignin, and expect to implement the new techniques within four or five years. (PPI Europe, Mar. 11, 2010).

(Poland) GDF Suez has commissioned **Foster Wheeler** to build the world's largest power station fuelled entirely by biomass. The new power station will be located in Polaniec, in south-east Poland, about 240 km south of Warsaw, at the site of GDF Suez's 1800 MW co-fired power station, and is scheduled to come on-stream by the end of December 2012. The boiler will use a Circulating Fluidized Bed (CFB), the first of its kind capable of burning only biomass fuels. Foster Wheeler will design and supply the steam generator and auxiliary equipment, and will carry out the civil works, erection and commissioning of the boiler island. The cost of the project has not been announced. (Forest Energy Monitor, March 2010).



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(Canada) Nova Scotia Power Inc. (NSPI) and NewPage Port Hawkesbury Corp. (NewPage) today announced agreements to develop a new 60 MW biomass co-generation facility. The development entails an NSPI investment of \$200 million. This includes \$93 million in construction costs for new facilities, \$80 million to purchase assets from NewPage, and other related costs. NewPage will be responsible for the construction and operation of the co-generation facility and be completely responsible for fuel supply. This project remains subject to regulatory approval from the Nova Scotia Utility and Review Board and is targeting an in-service date of late 2012. (NSPI press release, Apr. 5, 2010).

(Russia) Ilim Group's board of directors has approved an investment to build a new pulp line at its plant in Bratsk, in the Irkutsk region of eastern Russia. The \$700 million project will see the construction of new equipment including a cooking, washing and bleaching line, a pulp drying machine, a recovery boiler, a bark boiler and a woodyard. The new pulp line will produce around 500,000 tonnes/a of bleached softwood kraft market pulp, which will boost the plant's overall pulp capacity to over 1 million tonnes/a. Ilim intends to start engineering and construction work immediately, and is currently in the process of selecting equipment suppliers for the project. The new pulp line is expected to start-up in the second half of 2012. (PPI Europe, Apr. 8, 2010)

(Sweden) Korsnäs will install a new biomass boiler at its Gävle mill on the east coast of Sweden. Together with Gävle Energi, an energy company owned by the municipality of Gävle, it has formed the venture Bomhus Energi, which will run the boiler. There is no date set for construction, but Korsnäs' CEO said that suppliers will be chosen by July 2010. The boiler is scheduled for start-up at the end of 2012 or in early 2013. It will be able to produce 125 MW of heat from biofuels, but its capacity can be further increased by 25 MW from oil. The turbine will have an electricity production capacity of 80 MW. The investment will cost SEK 1.8 billion (\$249 million). (PPI Europe, Apr. 15, 2010)

(UK) International Paper's (IP) shuttered Inverurie mill in Scotland will be turned into a green energy center. Integrated Energy Systems International, a firm in the energy industry, will lead a consortium seeking to create the £60 million (\$92 million) energy center. It will have a capacity of 17 MW and also include an integrated wood pelleting plant capable of processing 250,000 tonnes/a of locally sourced timber. (PPI Europe, Apr. 15, 2010)

(China) Chinese containerboard giant Nine Dragons Paper has unveiled a plan to bring nearly 3 million tonnes/a of new capacity online by the end of 2011. Six new PMs and three machine upgrades will take the company's total production capability to 11.1 million tonnes/a – an increase of around 26% from its current level. Two new machines - PM 29, able to produce 400,000 tonnes/a of linerboard, and PM 30, with a capacity of 300,000 tonnes/a of lightweight high performance corrugating medium - are due to come online by the end of December. Two new machines are opening at the firm's Dongguan base in Guangdong Province – PM 27, which will be able to produce 550,000 tonnes/a of coated board, and PM 28, which will produce recycled printing and writing paper and have a capacity of 250,000 tonnes/a, are scheduled to start-up in February 2011. At Nine Dragons' Tianjin facility in northern China, two machine installations are scheduled for 2011. PM 32, with a capacity of 400,000 tonnes/a of linerboard, is set for a March start-up, and PM 34, able to produce 550,000 of coated board is scheduled to come online in October 2011. (PPI Asia, Apr. 19, 2010)

(China) Guangxi Jindaxing has announced a second phase in the establishment of a greenfield mill in Liujing Industrial Park, Nanning city, Guangxi province. It is part of plans to build 1 million tonnes/a worth of printing and writing paper and 600,000 tonnes/a of pulp capacity at the site in the next five years, within a total investment project worth up to RMB 5.43 billion (\$795.5 million). (PPI Asia, Apr. 19, 2010)



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(Canada) Howe Sound plans evaporator upgrades that are to boost electricity production and reduce reliance on natural gas at its Port Mellon, BC, pulp and paper mill. The upgrades are to produce 8,200 MWh of surplus electrical power that will be sold to BC Hydro. The C\$6 million project is funded from the Canadian government's Green Transformation Program. (Pulp & Paper Week, Apr. 23, 2010)

(Brazil) Celulose Nipo-Brasileira (Cenibra)'s new CEO Paulo Brant said the company will resume studies for a third pulp line at its Belo Oriente mill, in Minas Gerais state, Brazil, by the end of this year. The \$1.8 billion investment includes forestry expansion and a new 800,000 tonnes/a bleached eucalyptus kraft (BEK) pulp line, which would raise the company's capacity to 2 million tonnes/a. Cenibra has expanded its forest base from 2,000 ha/yr to 6,000 ha/yr since 2008. The company currently owns 255,783 ha of lands, with 129,387 ha comprised of eucalyptus plantations. (PPI Latin America, Apr. 28, 2010)

(China) Nine Dragons Paper, the world's second largest containerboard producer by capacity, plans a shift in the next 1½ years to producing, uncoated freesheet (UFS) printing and writing papers, the company said. The firm specifically wants to make 100% recycled content "environmentally friendly" office/copy paper, with a goal of running 450,000 tonnes/a of capacity in China by December 2011. For furnish, the firm will buy pulp and recovered paper as well as deinked market pulp. (Pulp & Paper Week, Apr. 30, 2010)

Implementation/Start-up Phase

(France) Vertaris has restarted production at Papeterie de Voiron in Voreppe, a former Matussière & Forest (M&F) woodfree paper facility in southwest France. The plant was re-opened under its new ownership late last month. The mill, which could produce 130,000 tonnes/a of woodfree paper in its heyday, is now producing A4 and offset paper from recovered fiber. Within the present year, Vertaris also plans to begin producing building insulation materials from recovered fiber at the site. (PPI Europe, Mar. 25, 2010).

MERGERS, ACQUISITIONS & PLANT CLOSURES

(Canada) Atlantic Packaging's 160,000 tonnes/a newsprint PM 3 at their mill in Whitby, ON, was closed indefinitely on March 2, 2010. The mill makes 100% recycled-content newsprint, and consumes more than 200,000 tons/a of old newspapers and magazines. (Pulp & Paper Week, Mar. 5, 2010)

(Finland) Stora Enso has idled PM8, a 210,000 tonnes/a uncoated woodfree (UWF) paper machine at its Imatra complex in Finland. The move, which was outlined in the company's 2009 results, is intended to balance supply and demand on the UWF market. (PPI Europe, Mar. 11, 2010)

(Canada) Fortress Paper Ltd CEO Chadwick Wasilenkoff outlined a plan for the new Fortress Specialty Cellulose Inc. to run the 250,000 tonnes/a Thurso mill. His plan calls for a C\$150 million project, with C\$30 million in equity funding from Fortress Paper, a capital conversion loan from the Quebec government for C\$102.4 million, and C\$25.1 million in Canadian government "black liquor" and Green Infrastructure funds. The mill will be converted to dissolving pulp production with a capacity of 200,000 tonnes/a, with an expected completion date of mid-2011. During the interim it will make NBHK. They will also install a biomass-fed 25 MW cogeneration plant (C\$62 million), including a new turbo generator and new high-pressure biomass boiler. The expected completion of the cogen project is the fourth quarter 2012. Output from the mill would go to the rayon textile industry, where the use of rayon is on the rise in place of cotton. (Pulp & Paper Week, Mar. 19, 2010).



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(Canada) Supercalendered paper (SC) producer **St Marys Paper** ceased operations on March 12, 2010 and shuttered its 240,000 tonnes/a mill indefinitely. Papermaking stopped at the Sault Ste Marie, ON, facility with the shutdown of the mill's 127,000 tonnes/a PM 5. Its two other machines, PM3 and PM4, have both been closed since Dec. 11, 2009. "The company will be managing the curtailment process so that paper production can continue when market and business conditions warrant," a company statement said. (Pulp & Paper Week, Mar. 12, 2010)

(Canada) **AbitibiBowater** plans to idle one of the twin 210,000 tonnes/a newsprint machines at its Thorold, ON mill, on Apr. 12, the company said. The move will result in 100 layoffs. Abitibi blamed the shutdown mainly on the decline of the North American newsprint market, but said the 100% recycled content mill had also been impacted by the high price of recovered paper. (Pulp & Paper Week, Mar. 12, 2010)

(USA) **Smurfit-Stone Container (SSCC)** has indicated it plans to close three more corrugated box plants in the central Atlantic region and will build a large new "super" plant as part of its multi-year box plant transformation program. The company plans to spend \$32 million consolidating two existing box plants in eastern Virginia near the Richmond International Airport into a new state-of-the-art corrugated box plant, which would start-up late this year at a new undisclosed location, according to local officials. SSCC will also close its corrugated box plant in Wilson, NC, by April 30, resulting in the layoff of 110 workers (Pulp & Paper Week, Mar. 12, 2010).

(Chile) The 8.8 magnitude earthquake that hit Chile on Feb. 27, damaged many pulp, paper and wood products mills and had a significant effect on global pulp demand. Chile's major producers – Empresas CMPC and Arauco – had to suspend a combined 3.7 million tonnes/a of market pulp capacity, mainly located in Maule and Bío Bío regions. Arauco's Valdivia pulp mill initiated its restart process on March 21, 2010 with other producers expected to resume operations in April or May 2010. Chile's overall pulp and paper capacity totals 4.445 million tonnes of pulp and 1.254 million tonnes of paper and board capacity. (PPI Latin America, Mar. 24, 2010)

(Canada) In early June, **SFK Pulp Fund**, which operates a market pulp mill in St Felicien, QC, and two deinked pulp mills in Fairmont, WV, and Menominee, MI, will convert financially from an income trust to a corporation and name change to **Fibretek Inc**, the firm said. The conversion occurs due to changes in Canadian tax terms on distributions for publicly traded income trusts. (Pulp & Paper Week, Apr. 2, 2010)

(Canada) **Domtar** agreed to sell its forest products business with seven sawmills to **EACOM Timber Corp** for C\$80 million plus working capital estimated at C\$30 to C\$40 million, the companies said. As part of the transaction, Domtar would retain a 19% interest in the shares of EACOM. Domtar operates five sawmills in Ontario and Quebec, and also two non-operating sawmills in Ontario and Quebec, with 900 million bd ft of capacity. Also included in the deal is a Sullivan remanufacturing facility in Quebec and Domtar's interests in two investments: Anthony-Domtar Inc. and Elk Lake Planing Mill Ltd. (Pulp & Paper Week, Apr. 2, 2010)

(Czech Republic) Austria's **Heinzel Holding** is selling a 75% stake in its Czech pulp mill, **Biocel Paskov**, to Austrian fiber producer **Lenzing**. Heinzel Holding will keep the remaining 25% and the group's global trading company, Wilfried Heinzel, will continue to be responsible for the marketing and sales of the pulp manufactured in Paskov. The price is in the range of six to seven times the EBITDA of Biocel Paskov, which was Euro 13 million (\$18 million) last year. The mill has a capacity of approximately 280,000 tonnes/a of softwood sulfite pulp and employs some 380 people. (PPI Europe, Apr. 8, 2010)



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(Canada) Sinar Mas' Paper Excellence B.V. unit acquired the former **Pope & Talbot (P&T)** bleached softwood mill in Mackenzie, BC, for almost \$20 million and moved closer to acquiring **Tembec's** Tarascon and Saint-Gaudens mills in France for about \$134 million. In total, for about \$155 million, Sinar Mas would gain three mills with roughly 800,000 tonnes/a of combined market pulp capacity. The 230,000 tonnes/a northern bleached softwood kraft (NBSK) Mackenzie mill is to restart this fall. Paper Excellence is a Netherlands based company associated with Asia Pulp & Paper (APP) brands. Sinar Mas is the corporate parent of APP, which operates pulp and paper mills in Indonesia and China. (Pulp & Paper Week, Apr. 16, 2010)

(Canada) AbitibiBowater seeks bankruptcy court approval to sell four permanently closed mills in Thunder Bay, ON, Beupré and Donnacona, QC, and Dalhousie, NB, to Montreal-based **American Iron & Metal (AIM)** for \$8.7 million. Under a proposed sale agreement, AIM would pay Abitibi 40% of the proceeds from selling the mills' equipment and would assume environmental liabilities associated with the mills. AbitibiBowater would receive at least \$5 million even if the machinery were sold for scrap. The paper maker would also receive \$100,000 from AIM as part of a land swap with the Fort William First Nation Development Corp. The mills sit on a combined 200 acres of land. (Pulp & Paper Week, Apr. 23, 2010)

(Finland) Stora Enso has announced its decision to shut down two newsprint machines at its Varkaus mill in Finland. It also intends to sell off its Kotka publication paper facility in the same country to private equity firm OpenGate Capital. The company will shut down PMs 2 and 4 at the Varkaus mill, which have a combined capacity of 290,000 tonnes/a, by the end of September 2010 (PPI Europe, Apr. 29, 2010)

PRODUCT PRICE SUMMARY (US Dollars)

Product	Units	2002	2003	2004	2005	2006	2007	2008	2009	2010E	Current Price
NBSK Pulp (N.E.)	m. ton	462	525	617	611	681	800	839	667	949	930
BEKP (N.E.)	m. ton	458	502	520	587	642	707	782	564	873	840
Newsprint 48.8 g/m ² (US East)	m. ton	465	503	547	610	668	585	695	560	578	565
Uncoated. Freesheet No.3 Offset 50 lb (US)	sh. ton	692	628	676	727	815	832	912	863	903	890
LWC 34 lb (US)	sh. ton	867	829	859	997	978	923	1,085	935	897	870
Linerboard 42 lb (US East)	sh. ton	391	371	418	428	488	517	569	545	635	640
Lumber #2&Btr. (W-SPF 2x4, FOB)	Mbf	270	278	394	353	296	250	220	181	273	279
OSB 7/16" (N-C US)	Msf	160	380	369	319	218	160	171	163	247	233
Canadian Dollar	US\$	0.64	0.72	0.77	0.83	0.88	0.93	0.942	0.880	0.999	0.991

E = estimated

Sources: RISI Monthly Commentaries (Apr. 2010), Wood Markets Monthly (Apr. 2010) & BMO Capital Markets Economic Outlook (Apr. 30, 2010) and spot rate of May. 1st, 2010