

# Timber Regulation Enforcement Exchange China's Papermaking Fiber Resources

Import /Export Analysis

Jeremy Williams

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# Overview

- This presentation updates a 2014 Forest Trends report looking at the environmental aspects of China's papermaking fiber supply
- Covered import data up to 2012
- Concluded that China's use of waste paper in 2012 alone was equivalent to the use of up to 85.5 million tonnes of green timber

# Overview

- Also concluded that 11% of virgin fiber used in 2012 came from questionable source countries (Russia and Indonesia)
- Equivalent to 4% of total fiber usage

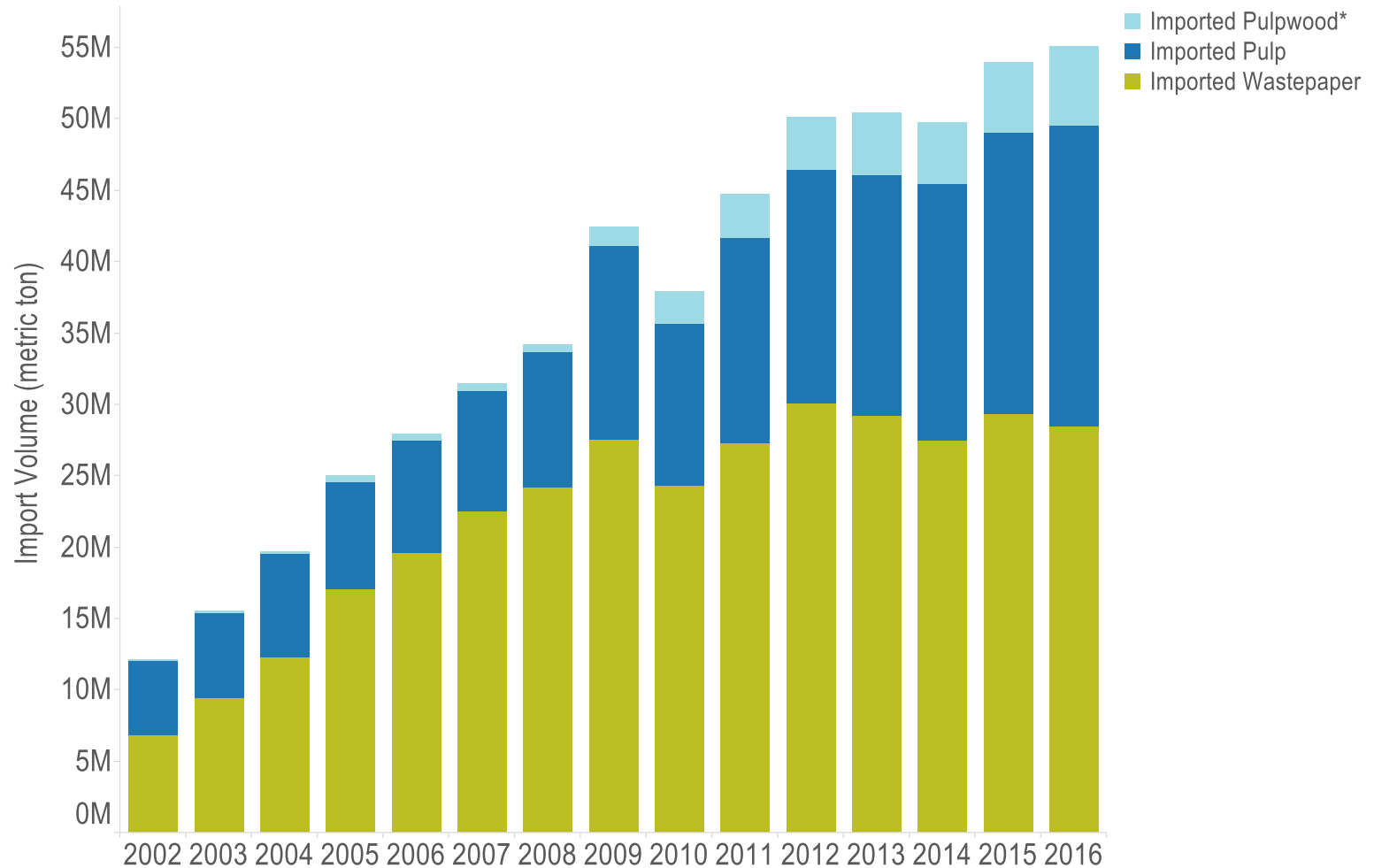
# Trends since 2012

- China's production of pulp and paper has ended its phase of rapid growth
- Asian paper demand increasing by 5% p.a. – packaging, hygiene and tissues are drivers
- China is no longer the low cost producer in SE Asia – Viet Nam has a lower cost structure and has targeted the paper sector as strategic

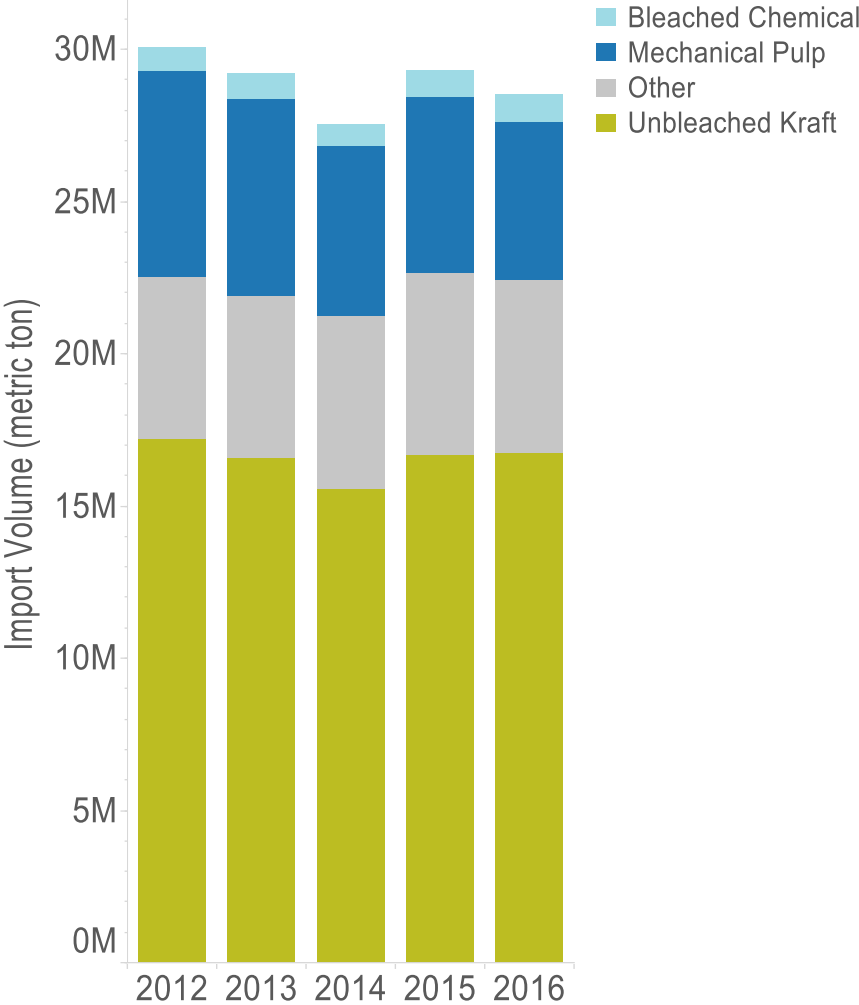
# Trends since 2012

- China is taking more aggressive steps to curb pollution and reduce industrial water use – state mandated closures of old mills
- In 2013, 6.21 million tonnes of capacity closed by government order; perhaps up to 1.7 million tonnes closed in 2015
- Much of this capacity used non-wood fiber sources

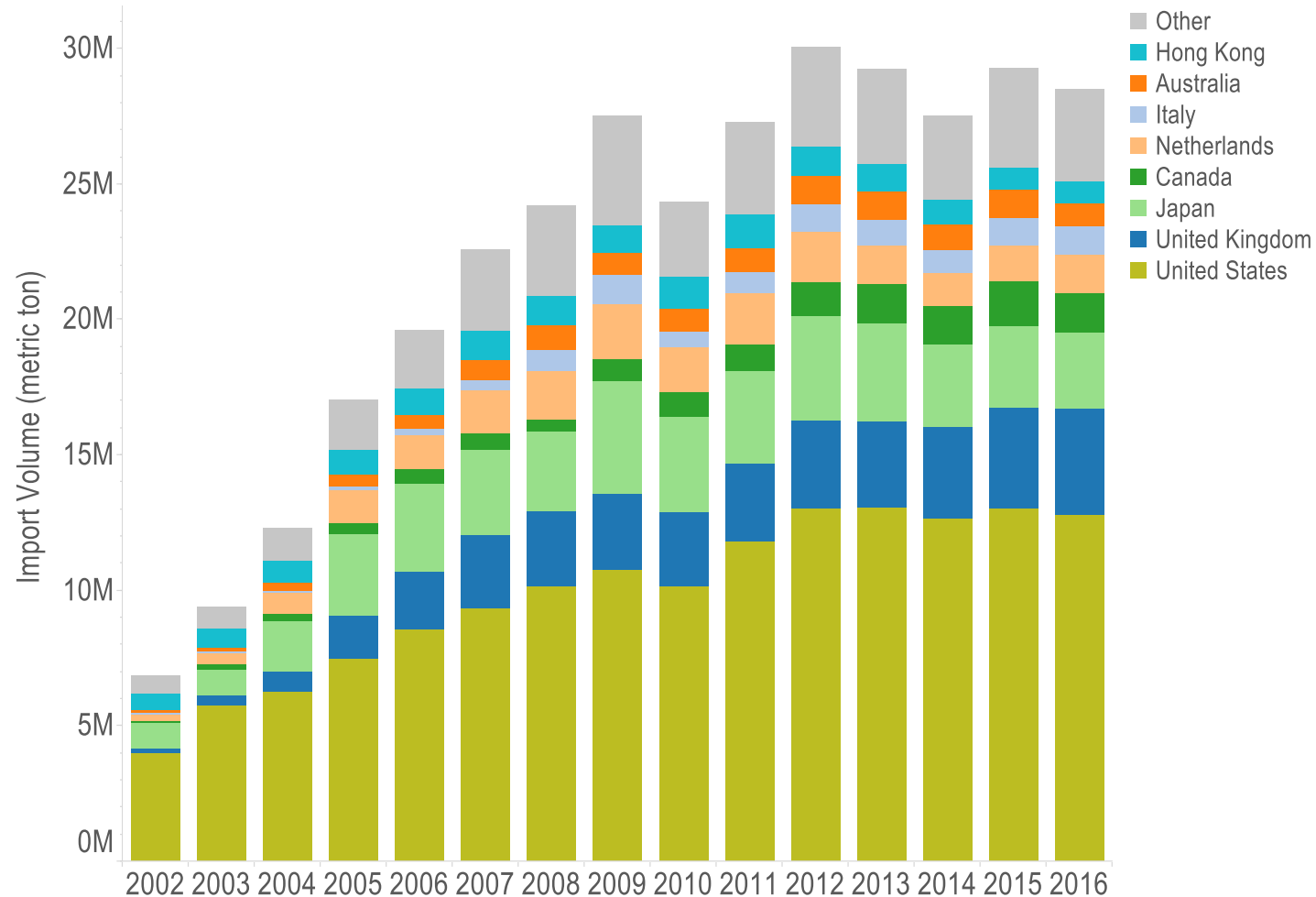
# China's Imported Papermaking Fiber Resources (2002-2016)



# China's Imports of Wastepaper by Grade (2012-2016)

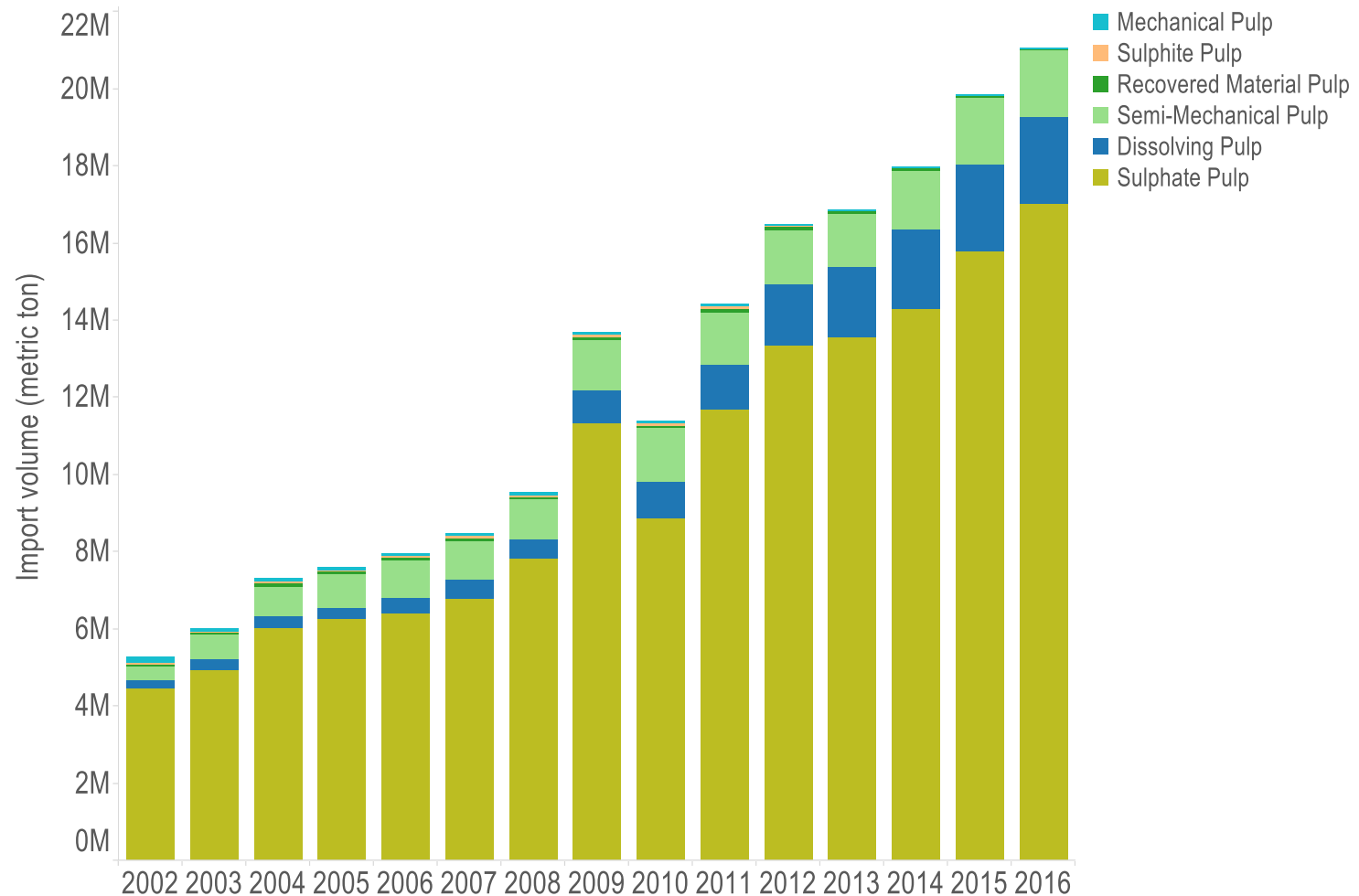


# China's Wastepaper Imports by Country (2002-2016)

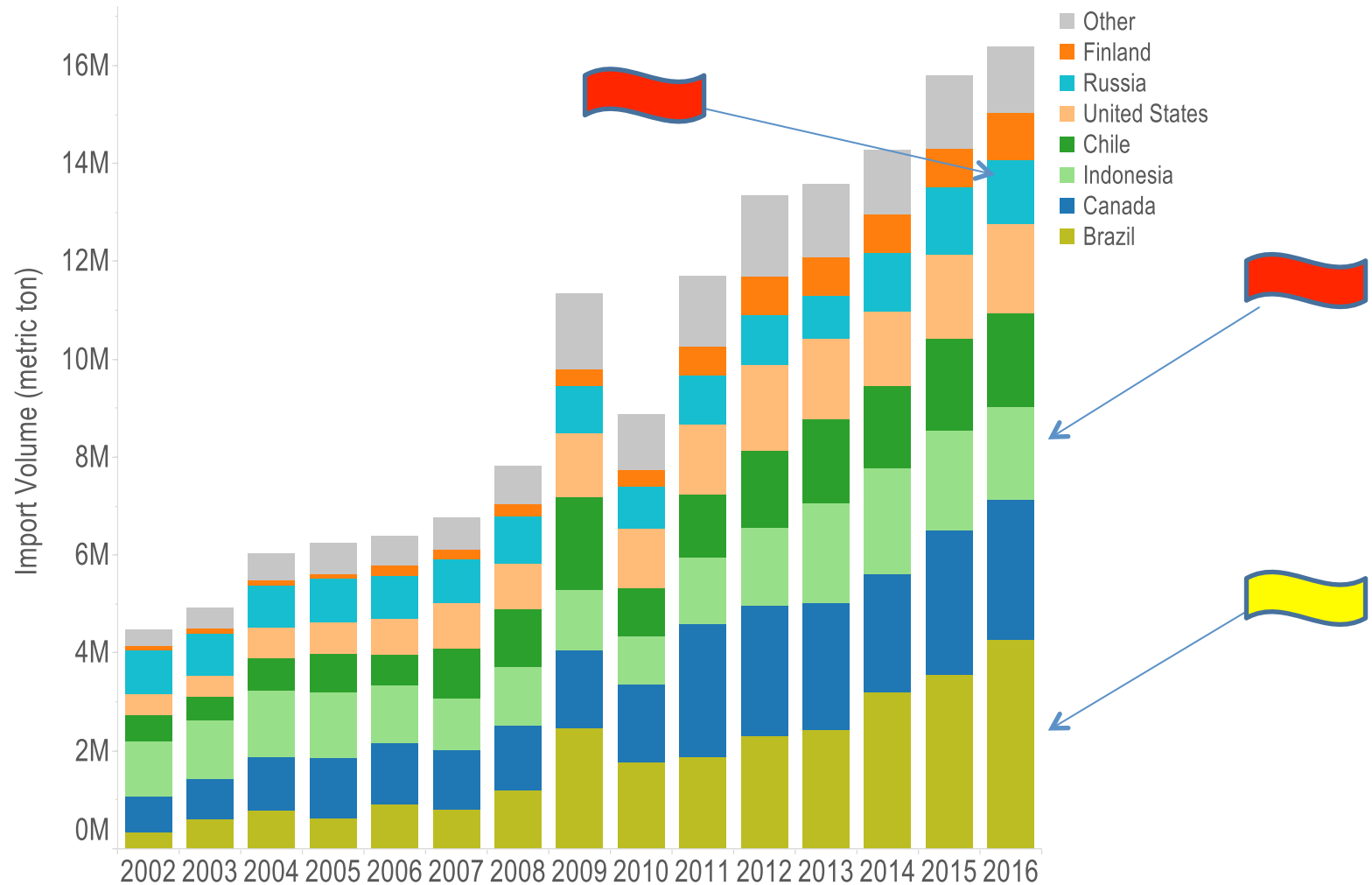




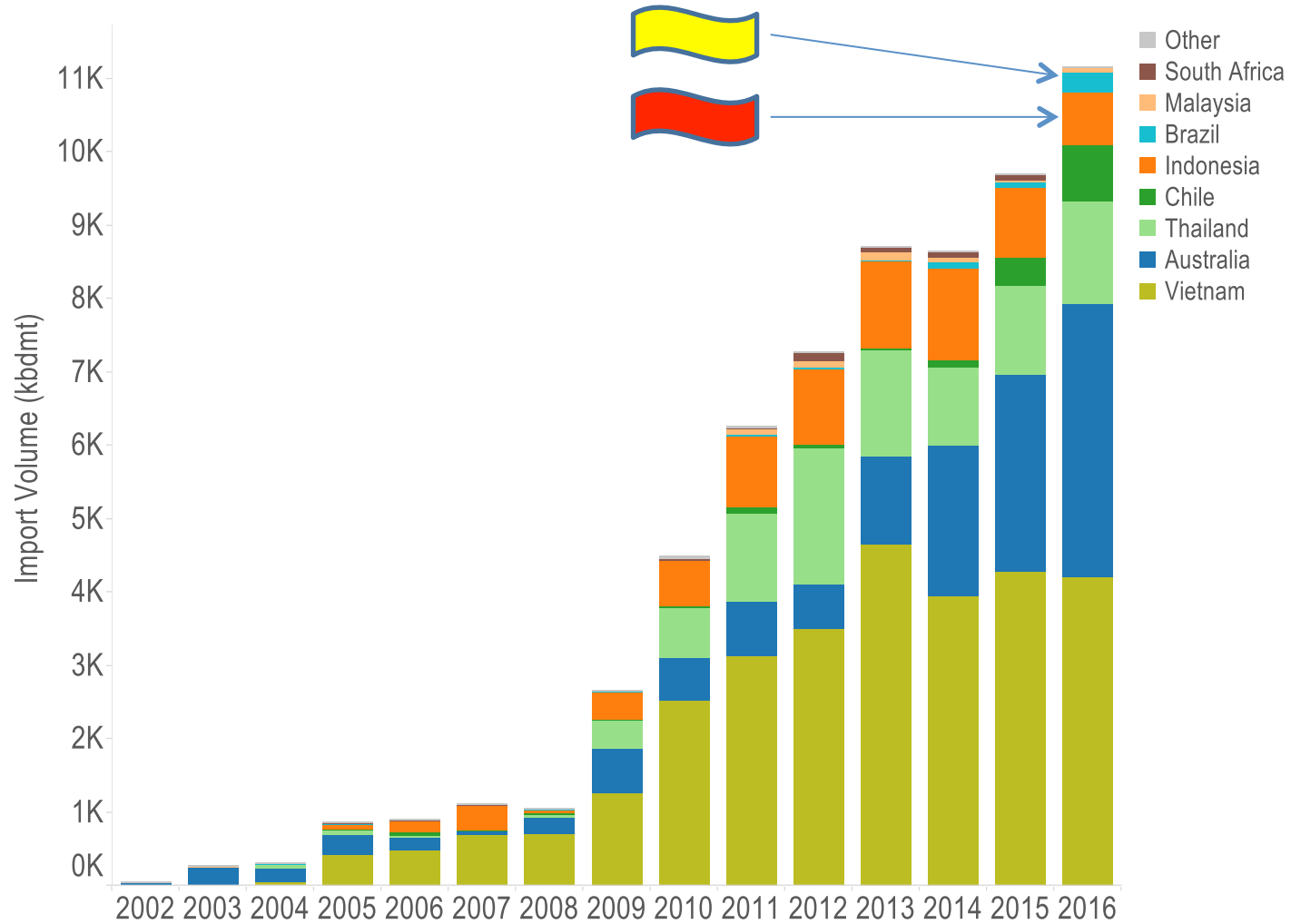
# China's Pulp Imports (2002-2016)



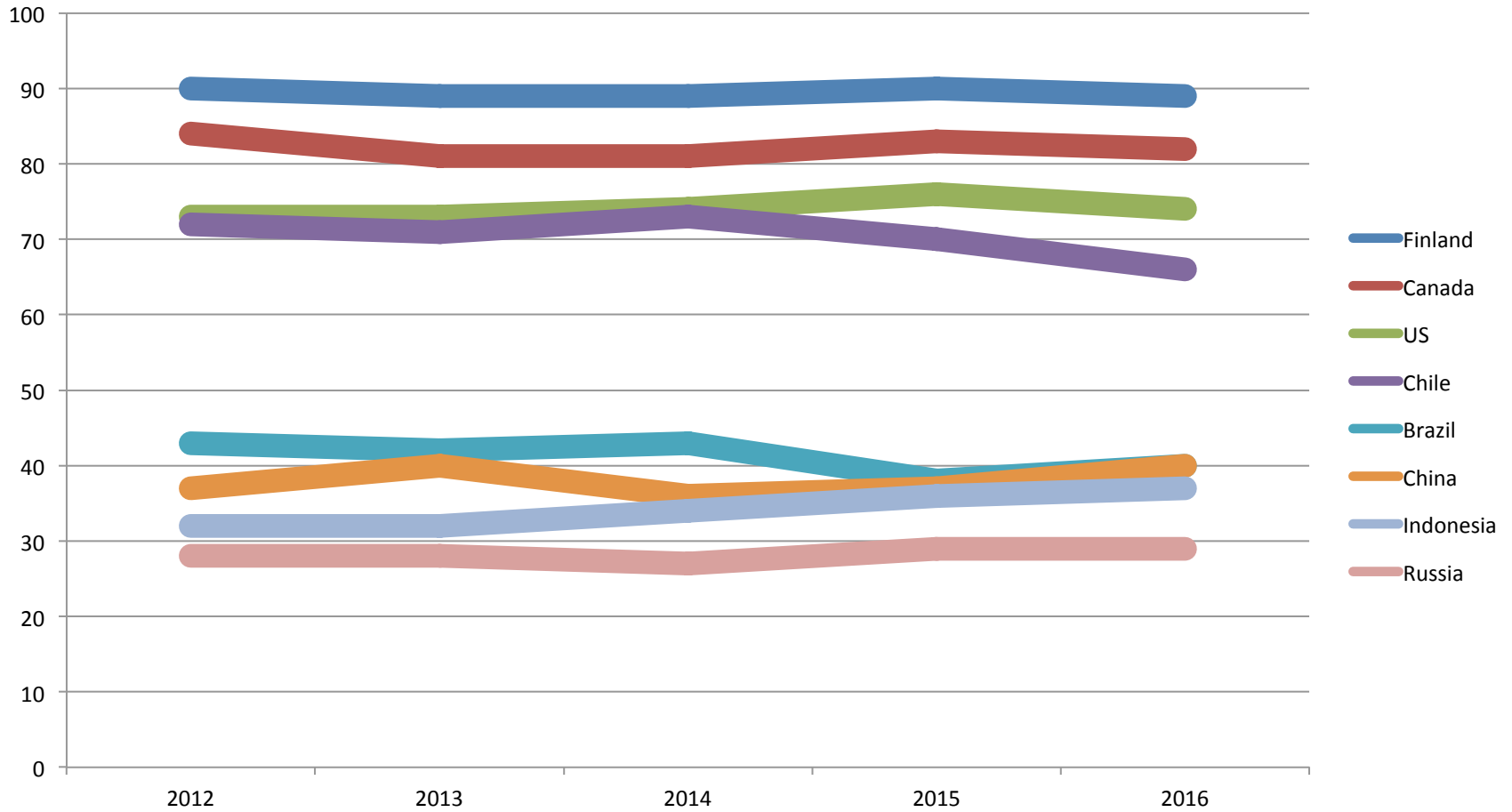
# China's Bleached Kraft Pulp Imports by Country (2002-2016)



# China's Imports of Hardwood Pulpwood by Country (2002-2016)



# Transparency Ratings



# Conclusions

- Imports of pulp and hardwood pulpwood have both increased since 2012
- Russia and Indonesia provided 6.5% of imported fiber supply in 2016 vs 6.2% in 2012
- Brazil may have become a questionable source since 2012 – rates of illegal deforestation have started to increase in 2015 & 2016
- If Brazil is considered questionable, then up to 14.5% of China's 2016 imported fiber supply is of questionable legality