

**November 2013**

Forest Industry News

NEW PROJECTS ANNOUNCED

Planning Phase

[China] Asia Pulp & Paper (APP) has modified its ongoing tissue paper capacity expansion plans in China and Indonesia, aiming to erect five more large machines that each has a capacity of 60,000 tonnes/a. The firm initiated the ambitious tissue expansion scheme late last year. It was unveiled that 42 machines would be installed at facilities in China and 15 units in Indonesia. These 57 machines, which include 41 large 60,000 tonne/a units and 16 medium-sized 27,000 tonne/a PMs, have a combined capacity of 2.892 million tonnes/a. With the five additional large PMs added, the total planned increase in capacity is now a whopping 3.192 million tonnes/a. All 62 machines are planned to come on stream by 2016. At that point APP's total tissue capacity will skyrocket to 4.548 million tonnes/a, towering over the current top global tissue producer **Kimberly-Clark (K-C)**. (PPI Asia, November 22, 2013)

[Brazil] Brazilian pulp and paper producer **Eldorado Brasil** released the details of its pulp capacity expansion project last week to the local press at Três Lagoas city, Mato Grosso do Sul state. The company currently operates a 1.5 million tonnes/a bleached eucalyptus kraft (BEK) pulp line at the Três Lagoas mill and has plans to build a second 2.3 million tonnes/a BEK pulp line to start up in 2017. Eldorado also aims to expand the existing pulp line No. 1 capacity to 1.7 million tonnes/a. Eldorado also presented the findings of the environmental impact study for the pulp mill expansion, which is being conducted by **Pöyry**. According to the study, the project's viability has been approved. It showed, for instance, that nitrogen dioxide pollutant levels would rise from the current 16 $\mu\text{g}/\text{m}^3$ to 17.4 $\mu\text{g}/\text{m}^3$, well below the 190 $\mu\text{g}/\text{m}^3$ which put the region in state of attention. In São Paulo, for instance, the state of risk would only be declared if these levels were to reach 2,260 $\mu\text{g}/\text{m}^3$. (PPI Latin America, November 05, 2013)

Implementation/Start-up Phase

[Finland] Stora Enso has chosen **Metso's** pulp, paper and power business, the future Valmet, to supply a **LignoBoost** lignin separation plant for the biorefinery it will build at its Sunila pulp mill in Kotka in southeastern Finland. The price tag of the deal was not revealed. Stora Enso announced that it will invest Euro 32 million (\$43 million) in building a biorefinery at the site in July. The plant, which is due to start up during the first quarter of 2015, will reduce the mill's CO₂ emissions by replacing a significant amount of natural gas with dried lignin, extracted from black liquor, and fired in the lime kilns. It is supposed to be the first step towards building a new business selling lignin to external customers. The LignoBoost plant will produce 50,000 tonnes/a of dried lignin. It is the second commercial LignoBoost plant in the world, after the first one started up this year at Domtar's Plymouth mill in the USA. (PPI Europe, November 07, 2013)

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(Algeria) Metso's pulp, paper and power business, the future **Valmet**, will supply a complete tissue machine to Algeria's **Faderco**. The tissue line will be installed on Faderco's site in Setif, in the northeast of the country. The startup of the machine is scheduled for the second quarter of 2015. The value of the order was not disclosed. According to Metso, the tissue line will have a design capacity of around 30,000 tonnes/a of facial, toilet and towel tissue. The raw material for the machine will be 100% virgin fiber. Metso's scope of delivery will comprise a complete tissue production line featuring stock preparation systems and an Advantage DCT 100+ tissue machine. Moreover, Metso will supply the complete electrical systems and effluent treatment of the waste water coming from the process. The delivery also includes an automation package with a Metso DNA machine and process controls and Metso IQ quality controls. Faderco is active in the industrial hygiene field, making cotton-derived products and hygiene items with absorbent pads. The firm produces baby diapers, adult diapers and paper products at the industrial complex, opened in 2012, at Setif that will house the tissue line. (PPI Europe, November 07, 2013)

(Germany) Germany's **Fripa – Papierfabrik Albert Friedrich** is poised for growth. The family-owned tissue specialist has commissioned **Voith** with the delivery of a new production line for its mill in Miltenberg, Bavaria. According to Voith, the new PM 7 will be designed for an operating speed of 2,100 m/min and will produce 36,000 tonnes/a of high-quality toilet and towel paper from 100% virgin fiber. The new line will have a working width of 2,700 mm and will produce paper in a basis weight range of 15.8-17.8 g/m². Startup is scheduled for late 2014. The value of the order was not disclosed. At present, Fripa produces around 70,000 tonnes/yr of tissue on three machines at the Miltenberg facility. (PPI Europe, November 14, 2013)

(Indonesia) Indonesia's **Sopanus Tissue & Packaging Saranasukses** is set to bring two tissue machines on stream. They will double the tissue capacity at its mill in Mojokerto city, about 55 km east from East Java's capital of Surabaya. The two virgin fiber-based units, each having a capacity of 100 tonnes/day or 25,200 tonnes/a, will be operated by Sopanus's subsidiary **Sun Paper Source**. One of them being erected at the subsidiary's facility, PM 1, is near completion. PM 1 was initially planned to be commissioned in November. But the startup has been pushed back to December due to a slight delay in equipment delivery, said a spokeswoman for Sopanus. She indicated that output on the machine will be tissue and machine-glazed (MG) paper, which can be converted into napkins or other finished products used in delicate goods packaging. The other unit, PM 2, came from **Metsä Tissue's** mill in Poland. Sopanus has signed up **PMP Group** to rebuild the second-hand machine. Startup is scheduled for April next year. Sopanus currently operates six machines making tissue and MG paper with a total capacity of 54,000 tonnes/a at the Mojokerto site. (PPI Asia, November 01, 2013)

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(China) APP China has stayed on course with its plans for tissue paper expansion, bringing six machines online at its Haikou mill on the Chinese island of Hainan. The new units have a combined capacity of 200,000 tonnes/a. They include two 60,000 tonne/a A Celli machines, PMs 23 and 24, which each have a width of 5.6 m and a design speed of 2,400 m/min, and four 2.8 m wide machines assembled by APP China's subsidiary, **Jinshun Machinery**. Each has an individual capacity of 20,000 tonnes/a, according to a company spokesman. The smaller Jinshun units feature headboxes, 16-foot yankee dryers and hoods imported from Europe, while the remaining parts of the machine were sourced in China to keep costs down. "These four machines are the upgraded versions that Jinshun managed to build using the knowledge and experience it had gained from assembling similar types of tissue production lines previously. They are designed to be operated at a higher speed", said the contact. With a maximum speed of 1,800 m/min, these units are capable of running at 1,600 m/min soon after startup. All six PMs came on stream following the commissioning of two 60,000 tonne/yr, 5.6 m wide A Celli units earlier this year at the Haikou complex. Prior to that, the facility housed 12 tissue machines with a combined capacity of 288,000 tonnes/a. With the eight PMs being commissioned this year, the mill will have twenty tissue machines with a total capacity of 608,000 tonnes/a. (PPI Asia, November 08, 2013)

(China) Shandong Chenming Paper Holdings has commissioned a 60,000 tonne/a tissue PM at its mill in Wuhan city, Hubei province. Trial runs started last week. The unit, supplied by **Metso Paper**, has a width of 5.6 m and a design speed of 2,000 m/min. It is Shandong Chenming's second tissue machine. In late 2010, the firm started up a 60,000 tonne/a **Andritz** machine at its flagship site in Shouguang city, Shandong province. It has also been reported that the firm is mulling over three more tissue PMs at its sites in Zhanjiang city, Guangdong province; Nanchang city, Jiangxi province; and Jilin city, Jilin province. (PPI Asia, November 15, 2013)

(Brazil) CMPC Celulose Riograndense's new 1.3 million tonnes/a bleached eucalyptus kraft (BEK) pulp mill, located in Guaíba city, Rio Grande do Sul state, already has an exact date to kick off: May 3, 2015. According to its CEO, Walter Lídio Nunes, the entire organization is working to meet this deadline and avoid any delays. "We are strictly following the planned calendar and have 2,400 people working on site at this moment". The new BEK line is being built beside the company's 400,000 tonnes/a pulp line, taking advantage of all existing facilities, logistics and forest management. (PPI Latin America, November 26, 2013)

(Canada) Nova Scotia Power's Point Tupper biomass plant was officially opened in October, after being in commissioning since July. The 60MW plant, near Port Hawkesbury in Canada, will use 650,000t of dead wood, chips, bark and residues per year. Twenty percent of the required fuel will be supplied by **Port Hawkesbury Paper**. The majority of the biomass is expected to be sourced from within the province. Although some local groups had been concerned that the \$200 million project may lead to increased clearfelling in the region, the project team has stated its commitment to sustainable sourcing and the use of waste and residual wood. Investment in bioenergy is just one of the ways in which Nova Scotia Power is seeking to decarbonise its energy supply. It is also conducting tests of woodchip and pellets at its coal-fired power stations as well as investing in other renewables such as wind, hydro and tidal. However its fuel mix remains dominated by fossil sources which in 2012 comprised coal and petcoke (59%), natural gas (21%), renewables (wind, tidal, hydro, biomass) (18%) and other (imported power, oil etc) (2%). (Forest Energy Monitor, October 2013)

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MERGERS, ACQUISITIONS & PLANT CLOSURES

(Spain) Domtar has signed a definitive agreement for the acquisition of privately-held **Laboratorios Indas**, a leading branded incontinence products manufacturer and marketer in Spain. Domtar will acquire all the outstanding capital stock of Indas for Euro 285 million (\$385 million). The business is expected to have some Euro 140 million of debt, net of cash, at closing. The majority of the debt will be repaid by Domtar in connection with the closing of the transaction, which is expected by the end of the year, subject to customary closing conditions, including the notification required by the Spanish antitrust authorities. With a primarily branded product offering, Indas has a leading market position across a number of adult incontinence segments in Spain, including heavy incontinence and underpads as well as branded light incontinence. The firm also produces a wide range of absorbent-related hygienic and medical products. (PPI Europe, November 21, 2013)

(China) Antidumping duties on dissolving pulp (DP) imports from Brazil, Canada and the USA to China have been given company-specific duties by the Chinese Ministry of Commerce. Brazil's Bahia Specialty Cellulose, a Sateri Holdings subsidiary, will get a 6.8% tariff, while all other Brazilian DP producers will face a 49.4% fee. AV Cell, AV Nackawic (both Aditya Birla subsidiaries), Fortress Specialty Cellulose, and Tembec in Canada face tariffs of 13% while all other Canadian firms have been hit with 50.9%. The sole Canadian exception is Neucel Specialty Cellulose, a subsidiary of China's Fulida Group Holdings, which will face no tariff at all. In the USA, Cosmo Specialty Fibers's tariff stands at 18.7%; Georgia-Pacific's, Buckeye Technologies', G-P Cellulose's and Weyerhaeuser's at 20.2%, and Rayonier's at 21.7%. All other US DP exports face a 29.8% tariff. A final ruling on the tariffs is expected by February next year. (PPI Asia, November 15, 2013)

(Brazil) Brazil's **Fibria**, the largest bleached eucalyptus kraft (BEK) pulp producer in the world, informed the market that on Nov. 15 it executed a binding agreement with **Parkia Participações S.A.** for the sale of 210,000 ha of lands located in the states of São Paulo, Mato Grosso do Sul, Bahia and Espírito Santo. The deal totals Real 1.65 billion (\$710 million), of which Real 1.4 billion is to be paid immediately and the rest in three installments seven years apart. In the deal, Fibria enters into forestry partnership agreements with Parkia for a period of up to 24 years, during which the company will continue to manage forests in the transaction areas. The contract states that 60% of the wood produced in those lands belongs to Fibria and 40% to Parkia, which also agreed to sell all the wood produced for a fixed price. Fibria also holds, depending of the situation, rights of first-offer and matching to mitigate the advance of competitors in those areas. According to Fibria's CEO, Marcelo Castelli, this kind of transaction is new for the Brazilian pulp market, where companies used to own the majority of land needed for wood production. "Our goal is to reach a 50/50 equation between areas owned by us and partners". The lands negotiated are spread between the regions where Fibria has mills, in order to reduce risks. According to the company's CFO, Guilherme Cavalcanti, the area sold comprises 135,000 ha of planted forests and represents 32% of the total area fully owned by Fibria before the deal. Fibria detailed that the transaction follows its strategic alignment to reduce the company's exposure to real estate risk. (PPI Latin America, November 19, 2013)

(Thailand) Norwegian producer **Norske Skog** has divested its ownership of the Singburi newsprint mill in Thailand to the **Charoen Aksom Holding Group (CAS Group)**. According to the bank overseeing the sale, it was completed on November 21 for a consideration of \$33 million. The mill, which can produce 125,000 tonnes/yr of the grade, is the only significant newsprint manufacturing site in the country. According to market contacts, it allows the Thai market to be substantially self-contained. As a generality, the market sees some of the lowest newsprint prices surveyed in Asia. Sources close to the deal confirmed that the buyer committed to continuing to produce newsprint there during the bidding process. (PPI Asia, November 29, 2013)



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(Canada) A week after it posted a third-quarter loss, **Fortress Paper** began talks with Chinese officials with hopes of reducing the duties the firm's viscose grade dissolving pulp (DP) imports to China have faced since Nov. 7. In an apparent opposite approach this week, **Paper Excellence** said it plans to make fluff pulp at the Prince Albert, SK, mill it acquired from **Domtar**. China's **Ministry of Commerce (MOFCOM)** slapped 13% duties on imports of cellulose pulp from Fortress, AV Nackawic, AV Cell (both owned by **Aditya Birla**), and **Tembec**. The duties apply to viscose DP, the grade Fortress makes, but excludes acetate. Sources believe other specialty grades such as ethers are also exempt, though MOFCOM hasn't officially made a statement on high-alpha grades beyond acetate. The MOFCOM duties were implemented just before Fortress posted a third quarter adjusted net loss from continuing operations of C\$15.6 million on sales of C\$53.2 million versus a second quarter net loss from continuing operations of C\$20.6 million on sales of C\$59.9 million. Fortress said its second quarter was hampered by depressed market prices, delays in the cogeneration facility's completion at its Fortress Specialty Cellulose mill at Thurso, QC, and operational and maintenance issues. The Thurso mill had run well below its listed capacity of 250,000 tonnes/a as a DP mill, while the cogeneration facility project was completed on Oct. 2, months after its target date. (PPI P&P Week, November 22, 2013)

PRODUCT PRICE SUMMARY (US Dollars)

| Product | Units | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013E | 2014E | Current Price |
|--|---------|------|------|-------|-------|-------|-------|-------|-------|-------|---------------|
| NBSK Pulp (N.E.) | tonne | 681 | 800 | 839 | 667 | 939 | 956 | 813 | 850 | 854 | 915 |
| BEKP (N.E.) | tonne | 642 | 707 | 782 | 564 | 849 | 802 | 757 | 792 | 732 | 777 |
| Newsprint 48.8 g/m ² (US East) | tonne | 668 | 585 | 695 | 560 | 607 | 640 | 640 | 608 | 615 | 605 |
| Uncoated. Freesheet 50 lb Offset Rolls(US) | sh. ton | 815 | 832 | 912 | 863 | 912 | 937 | 910 | 858 | 903 | 855 |
| LWC 34 lb (US) | sh. ton | 978 | 923 | 1,085 | 935 | 909 | 1,015 | 994 | 999 | 980 | 980 |
| Linerboard 42 lb (US East) | sh. ton | 488 | 517 | 569 | 545 | 625 | 640 | 657 | 728 | 760 | 740 |
| Lumber #2&Btr. (W-SPF 2x4, FOB) | Mbf | 296 | 250 | 220 | 181 | 254 | 255 | 299 | 356 | 362 | 360 |
| OSB 7/16" (N-C US) | Msf | 218 | 160 | 171 | 163 | 219 | 187 | 270 | 290 | 282 | 263 |
| Canadian Dollar | US\$ | 0.88 | 0.93 | 0.942 | 0.880 | 0.971 | 1.012 | 1.001 | 0.973 | 0.940 | 0.9439 |

E = estimated

Sources: RISI Monthly Commentaries (November 2013), Wood Markets Monthly (November 2013), BMO Capital Markets Economic Forecast (November 29, 2013) and Oanda historical rates (Oanda.com, November 30, 2013).