Interview with Clive Pinnington of the European Panel Federation (EPF)

By David Hayes, Associate Editor

In 2015 the European Panel Federation (EPF) welcomed plywood members to its association, and thus became the single voice for Europe's wood-based panel manufacturers. Now preparing for its 20th anniversary, this landmark is coming at an important time for the Federation which represents the wood-based panel industry in dealing with European Union institutions, politicians and other organizations including wood panel associations in North America, Japan and other regions of the world.

Formed in January 1999 through the merger of the Euro MDF Board (EMB), founded in 1986), and FESYP, the former European particleboard association founded in 1958, EPF has grown steadily over the past decade through subsequent additions of other European wood-based panel types that have created a larger, more influential and representative industry body which now includes all wood-based panel categories.

"A lot of OSB manufacturers also make particleboard and MDF, so they joined EPF organically as there was not an OSB association in its own right. Hardboard and softboard manufacturers joined us in 2012 and by 2015 plywood makers had joined as well," explained Clive Pinnington, Managing Director of the European Panel Federation.

"FEIC was the previous plywood association, they dissolved and the members joined EPF, so by the end of 2015 we were pleased to speak with one voice for the European wood panel industry; it was a hugely important development."

The timing of EPF's enlargement has proved to be fortunate for the wood panel industry which today has a number of major issues including the EU's proposed Renewable Energy Directive Recast 2020-2030 (RED2) legislation, biomass supply issues and other important challenges to deal with to ensure the long term prosperity of Europe's wood-based panel industry.

The decision by other European wood-based panel types to join EPF has given the Federation greater authority in dealing with EU officialdom, politicians and other organizations.

"We are more influential and more credible now. We represent 5,000 companies and 100,000 employees with a turnover of 22 billion Euros across more than 25 countries," Pinnington said.

"Politicians don't want 10 meetings with 10 associations; they want to talk to one association. We can say that we talk as the European wood-based panel industry; that's important for us.

"To EU officials dealing with the car and steel industries our wood panel industry's 22 billion Euros annual turnover is a drop in the ocean but our industry's 100,000 employees are significant, especially when jobs are at a premium in Europe."

EPF's growing membership now numbers over 100, including 24 direct members, while the majority hold membership through the 12 national wood panel associations that belong to the Federation.

EPF also has more than 50 associate members; these are companies and organizations with strong connections to the wood-based panel industry.

"We have the critical mass to be credible. We estimate that 90% of the European wood-based panel industry is covered by EPF in the 28 EU member countries and our membership now

extends into Russia, Belarus, Ukraine and Turkey," Pinnington remarked.

"We have members who are members through their national wood panel associations or who have joined our Federation direct.

"This year we have welcomed Sveza Group of Russia, the world leader in birch plywood manufacturing, as a direct EPF member."

EPF's workload has grown significantly since appointing its current chairman several years ago. The development reflects the Federation's growing responsibilities since becoming the single voice for Europe's wood-based panel industry.

"Our members' expectations have increased; in 2015 we appointed a new chairman: Paolo Fantoni of Italy's Fantoni SpA. Since then EPF's five new objectives have expanded to ten, and these keep us busy," Pinnington commented.

"E1 Compulsory" is one of EPF's key original 2015 objectives and remains an important target as the Federation continues with efforts to ensure that all wood-based panels used in the EU are of a minimum E1 formaldehyde emission standard.

Although the EU has set E1 as the minimum panel emission standard for Europe, Pinnington noted that only eight of the 28 EU member states currently require E1 panels to be used.

EPF would like to see this situation changed so that all EU member states enforce the same E1 minimum standard requirement.

"E1 broadly corresponds to the WHO guidelines for safe indoor air," Pinnington said.

"Our Federation members have made only E1 panels since 2007; we don't like the current loophole allowing non-E1 panels into Europe.

"We don't want people getting a bad image of panels. Our target is to get E1 as the minimum enforced standard in the EU."

Closely linked to EPF's "E1 Compulsory" target is the Federation's ambition to help in setting a global low emission standard for wood-based panels, a development that could provide the international wood-based panel industry and national safety standards agencies with a common worldwide enforceable standard.

"We want to establish a global standard to give clarity to consumers, but it's easier said than done," Pinnington said.

"I think everyone wants more clarity about low emission standards, and that's where EPF comes in.

"We have produced our internal E.LES standard which has an emission level below E1. Now we are talking to our international partners, such as the United States, to see if we can find commonality.

"This is a five to 10 year project – all our members agree with this and we have their mandate to try to harmonize emission standards; those discussions are active."

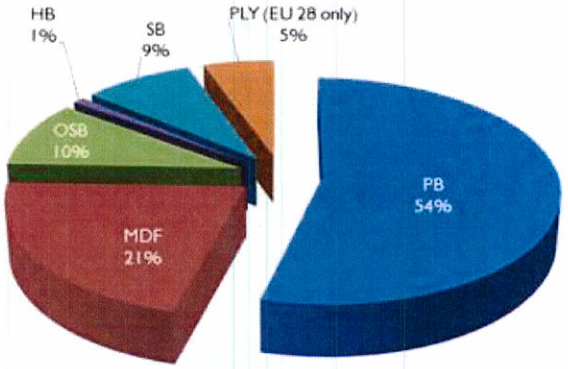
Since EPF's formation 20 years ago, current issues such as sustainable living, environmental protection and global warming have become topics of concern worldwide.

Public concern over deforestation and related issues has created a major public relations challenge for all wood-based industries including the wood panel, furniture and paper manufacturing sectors along with wood-fired power plant operators and others.

As part of efforts to change public opinion to view the wood-based panel industry as a sustainable sector, EPF in 2015 joined the EU's European Study on Cascade Use of Wood project looking at the optimized cascading re-use of wood.

"We were worried that consumers have a negative image of wood panels. We want people to see wood-based panels as a solution, so this led to our "Image/Cascade" objective as making panels can involve the re-use of wood and this does a lot to prevent climate change," Pinnington explained.

SHARE OF PRODUCTION PER TYPE IN EU28+EFTA, 2017



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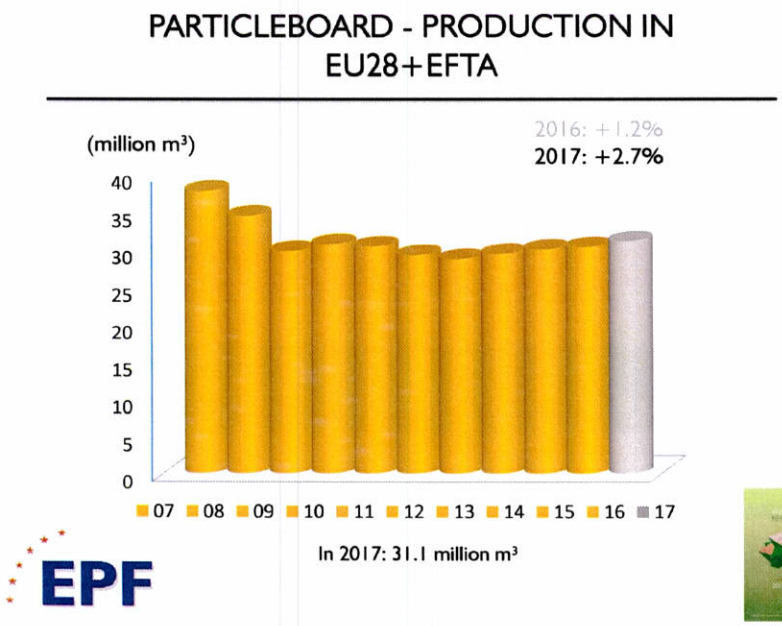


"In 2016 we co-signed the Venice Declaration with the European Furniture Industries Confederation (EFIC) to promote the use and re-use of wood."

"Wood-based panels allow wood to be re-used multiple times, so this objective is about generating a positive image, as well as using a natural resource efficiently."

Wood and re-used timber supplies vary widely across Europe depending on local material availability.

Wood panel makers in Finland with its large forests use little recovered wood, for example, while Italy, which lacks forestry resources and needs to use other materials sources, relies on recovered wood for 75% of its wood-based panel industry needs.

"Wood-based panels are a perfect example of Europe's circular economy - one industry's waste is another industry's raw material," Pinnington commented.

"Only 29% of our industry's raw material is virgin trees while 39% is saw dust and chips from saw mills and 32% is recovered wood – it's a brilliant story."

"EPF in Construction" is another of EPF's five key objectives set in 2015.

According to the Federation's estimates some 47% of its member's total wood panel output is used to manufacture furniture while a further 33% or one third of members' output is supplied to the construction industry.

Most of the other panels that members produce are used to make packaging, fruit boxes and various other items.

"We think we can increase the amount of wood panels used in construction, such as structural applications; for example, OSB and plywood that are used in housing, as well as softboard that is used for insulation," Pinnington said.

"Timber frame houses have been very successful in Scotland as they enable quick build in bad weather.

"With this, you have to start with the architect and the materials – it's a long term project to grow our construction market materials share."

Among related developments, the EU's newly adopted Land Use and Land Use Change and Forestry (LULUCF) accounting standard could help increase the wood-based panel share of materials that Europe's housing construction industry uses.

Pinnington noted the new accounting standard recognizes the assistance that harvested wood products including wood-based panels are able to deliver in reducing the overall level of carbon emission.

The last of EPF's five cornerstone objectives from 2015 is "EPF in Africa" which calls on the Federation to increase European involvement in Africa's fledgling wood-based panel industry that is expected to see large growth in production and consumption in future.

"We believe that Africa will be a significant producer and user of wood panels; we want Africa to look to Europe for standards and other matters," Pinnington said.

"We want to build relations with Africa; we want to be Africa's best practice partner. Our advice to African wood panel producers is to adopt E1 and set up national wood-based panel associations."

Meanwhile, total European wood-based panel production is increasing at a low single digit annual growth rate. According to official figures for the 28 EU countries and EFTA members Norway and Switzerland, total production of wood-based panels in the combined 30 countries grew by 3.0% in 2017 to reach 57.6 million m3.

Particleboard is the largest product by volume accounting for 54% of total European wood panel output followed by MDF with a 21% share.

OSB accounts for a further 10% share of production followed by softboard used mainly for insulation 9%, plywood 5% and hardboard 1%.

In 2017 the 28 EU countries and EFTA members Norway and Switzerland produced 31.2 million m3 of particleboard, registering a 2.7% increase over 30.4 million m3 the previous year.

Production of MDF rose 1.5% to 12.3 million m3 in 2017 compared with 12.1 million m3 the previous year while OSB output climbed 3.3% to 5.6 million m3 in 2017, up from 5.4 million m3 the previous year.

Hardboard production by the 28 EU countries and EFTA members Norway and Switzerland dropped in 2017 by 3.0% reaching 0.53 million m3, down from 0.54 million m3 the previous year.

Softboard output rose by 6.9% in 2017, reaching 4.9 million m3, up from 4.6 million m3 the previous year.

Plywood production in 2017 for the 28 EU countries only, reached 3.2 million m3, registering a 7.8% increase up from 2.9 million m3 the previous year.

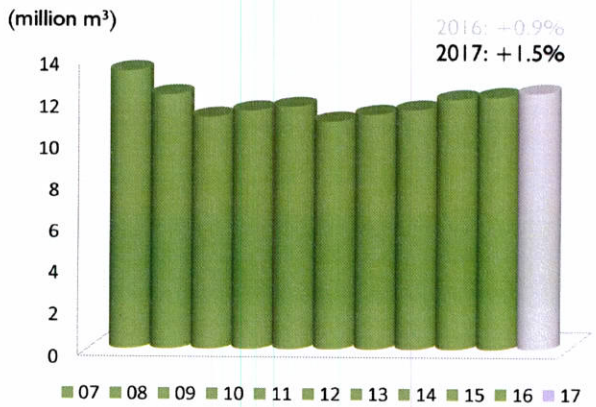
"Most wood panel production is consumed in Europe, a small amount is exported. MDF and particleboard are used mainly for furniture; most OSB is used for construction," Pinnington remarked.

"There have been no massive changes recently; OSB capacity has grown while PB and MDF capacity has been largely stable."

Europe's OSB production capacity is expected to reach 7 million m3/year by the end of 2018, after recording a 60% increase in capacity over the past decade from 4 million m3/year in 2007.

"OSB has grown every year for the past decade while MDF and PB are more mature industries," Pinnington commented. "Particleboard and MDF are growing at low single digit figures; OSB also grew by a low single digit percentage last year (but only because raw material supply was limited)

MDF PRODUCTION IN EU28+EFTA



EPF

In 2017: 12.3 million m³

"Many European countries are mature markets with steady growth; 2007 was the peak year and then in 2008 there was the financial crisis. Biomass became harder to obtain so particleboard production started moving out of the EU.

"OSB has been growing faster than others but in 2017 plywood accelerated significantly. There is still growth; we are not an industry in contraction."

Europe's particleboard manufacturing capacity, meanwhile, has fallen by about 16% from a peak of 43 million m3/year in 2007 to about 36 million m3/year at present.

European MDF production has remained largely stable over the same period and stands at 15 million m3/year annually.

"The particleboard capacity shrinkage is because of a lack of biomass raw materials for panels, the shift of production to non-EU Eastern Europe and it has coincided with the rise of Turkey's wood panel industry," Pinnington explained.

"The rise of Turkish wood-based panel manufacturers has been remarkable. We would like Turkey to be in the European Panel Federation too."

Although some particleboard production has moved out of the EU, total wood-based panel production is likely to rise in Europe in future stimulated by new demand in eastern EU countries.

"Particleboard's had its shift out of Europe. Particleboard is heavy and freight rates are high so I don't see dramatic changes coming and more shifting out," Pinnington said.

"There will be steady production growth as construction in Europe is growing, so there should be a bright future.

"OSB is growing - recent figures show steady growth, why shouldn't it continue?"

EPF estimates that about 5% of the EU's total wood-based panel production is exported. This is equivalent to about 3 million m3 annually based on current production of 57.6 m3/year.

In contrast, imports of non-EU wood-

based panels currently amount to about approximately 8 million m3 each year, according to EPF's estimate.

Russia is the largest source of imported wood panels and supplies about 1.5 million m3/year, most of which is plywood.

China is the second largest source supplying about 1.4 million m3/year, most is plywood.

The EU's other important sources of imported wood-based panels are: Belarus, which supplies about 1.4 million m3/year, mostly particleboard, and Brazil which supplies about 1 million m3/year, also plywood.

"Belarus has seen the biggest growth in particleboard exports to the EU," Pinnington said. "Russia has a lot of wood and is supplying high quality plywood used for concrete shuttering and for furniture.

"China is supplying lower quality construction materials, while Brazil also supplies plywood for construction use and furniture."

The growth in particleboard imports is due partly to European furniture makers' search for cheaper materials.

According to furniture industry statistics, Western Europe's furniture industry comprises about 85,000 companies that produce furniture worth over 60 billion EUR annually and which accounts for about 18% of world furniture production.

By comparison, the Asia-Pacific region produces about 57% of world furniture output and North America 13%.

Italy and Germany are Western Europe's largest furniture manufacturers, together accounting for about 50% of total furniture output.

France, the UK and Spain combined produce a further 27% while Scandinavian countries (Sweden, Denmark, Norway and Finland) account for a further 10% of production.

Furniture production in Western Europe is lower than before the global economic crisis struck in 2008.

Western Europe's furniture market also is smaller than during pre-crisis days for various reasons; competition from low cost Asian furniture imports is one.

Western European furniture makers have responded to increased competition by developing products targeting different consumer age groups.

Kitchen furniture, for example, is designed to assist elderly people use the various specially designed wood panel sheets.

SUMMARY 2017

Production (million m3)	Countries	2017	2016	2017 v 2016	2016 v 2015
Particleboard	EU28 + EFTA	31.2	30.4	2.7%	1.2%
MDF	EU28 + EFTA	12.3	12.1	1.5%	0.9%
OSB	EU28 + EFTA	5.6	5.4	3.3%	6.9%
Hardboard	EU28 + EFTA	0.5	0.5	-3.0%	-5.6%
Softboard	EU28 + EFTA	4.9	4.6	6.9%	4%
Plywood	EU28	3.2	2.9	7.8%	3.9%
TOTAL	**Total**	**57.6**	**55.9**	**3.0%**	**1.9%**

EPF

Other furniture makers have responded by offering functional and appealing furniture that young children find attractive.

Currently Germany, UK, France and Italy account for about 66% of total furniture demand in Western Europe, while other smaller countries account for a far smaller share of furniture sales.

Meanwhile, since becoming the voice of Europe's wood panel industry in 2015, EPF's sphere of interest and activities have expanded under the current chairman, Paolo Fantoni, and with the recent addition of five important new objectives to the Federation's 2015 list of five.

"Communications" was chosen as one of the new objectives in recognition of the importance the wood panel industry places in improving communications with EU institutions, politicians and wood-based panel users.

"We are planning to launch a new EPF website before the end of 2018. We want to develop our Federation's profile which will face more towards EU institutions," Pinnington said.

"We also want to provide readily accessible information to consumers and tell more of the good story about wood-based panels."

"Certification" is another of the Federation's new objectives. This involves encouraging Europe's wood-based panel makers to use wood from certified forest resources and demonstrate the industry's commitment to sustainability.

"We support sustainable forestry," Pinnington said. "We support the use of certified material; we want to work with the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC).

"We are engaging with PEFC and FSC. We have said: 'Let's participate and let's give our view'.

"Our goal is to increase the availability of certified wood, to harmonize standards, and to simplify standards and methods."

"Biomass (RED2)" is a major topic for the Federation and the subject of a new objective intended to ensure security of supply of wood materials in sufficient quantities at reasonable prices.

Pinnington explained that EPF is lobbying EU politicians and officials to increase support and understanding for Europe's wood-based panel manufacturers who are faced with rising biomass costs, especially wood chip prices, as a result of competition for wood supplies from other industries, in particular the renewable energy sector.

"I'm optimistic about wood-based panels. It's a wonderful product with tremendous advantages – it's sustainable, resource efficient and helps with climate change absorbs carbon; and it's part of the circular economy, I can't think of a better story."

Subsidies paid to renewable energy companies to lower their biomass fuel costs is affecting the availability of biomass prices and supplies.

"Renewable energy is often wood-based and there is a lot of money sloshing around. What the wood-based panel industry doesn't like is the impact on raw material costs," Pinnington said.

"There are a lot of renewable energy subsidies and a lot goes on biomass subsidies for bio-energy. Our industry cannot compete with subsidized energy procurement; if renewable energy targets go up we are worried there will not be enough wood available."

The amount of electricity generated in Europe from burning biomass has more than doubled over the past three decades.

In 1990, for example, some 55% of Europe's renewable energy was generated from wood and other solid biofuels totaling 40 million tonnes oil equivalent (MTOE) that year.

By 2016, only 40% of European renewable energy was generated from biomass-fired power plants. However, the volume of biomass consumed generating electricity had more than doubled to 90 MTOE annually since 1990.

"We are not against burning wood but we believe it should be used as a material first for making furniture and other uses, and then burned at the end of its life," Pinnington said.

"If renewable electricity companies can do it without subsidies, so be it, but don't do it at our industry's expense."

The passage of EU's Renewable Energy Directive Recast (RED2) 2020-2030 through the EU legislative process is occupying EPF's attention as lobbying efforts continue opposing biomass subsidies for renewable power generation.

RED2's passage recently has moved from the EEC Commission to the European Parliament where the proposed legislation has entered the Trilogue, where EU member states input to the Council of Europe.

"We are lobbying at all three levels of the EU – the EEC Commission talks to us for background, RED2 has then

gone to the EU Parliament where we lobby on amendments, and these go to the Trilogue," Pinnington explained.

"We cannot do this on our own - we are doing this with the wood-based panel, paper and furniture industries, and the waste energy interest areas of NGOs. It's a strong ad hoc coalition.

"All of us are lobbying the final version of RED2, so it avoids subsidies that create unnecessary market distortions – the arguments are irreproachable.

"I don't think anyone can have a more compelling story, which is: as wood support wind, solar and hydropower development but don't subsidize biomass renewable energy."

EPF's two other new objectives concern to the Federation's own successful functioning.

The choice of "EU Federations" as an objective highlights EPF's aim of working together with other European industry associations, NGOs and interest groups that have similar goals to increase the impact of the Federation's own efforts.

"We are a voice on our own but we are more effective when we work with others such as furniture and paper industry associations, and NGOs. We have been very successful that way," Pinnington commented.

"Safe Finance" is the last of the new objectives and is intended to highlight the Federation's need to run its busy programme within its means.

"The Federation is taking on a lot but we need to keep within budget," Pinnington said.

"We have a full time staff of five people, but the success of EPF is through the mobilization of our members. EPF sets up working groups and our members send their experts to committees."

Meanwhile, demand for wood-based panels continues to grow in Europe driven by new housing construction and the furniture industry to meet the demands of the EU's growing young generation.

"I'm optimistic about wood-based panels," Pinnington commented. "It's a wonderful product with tremendous advantages – it's sustainable, resource efficient and helps with climate change absorbs carbon; and it's part of the circular economy, I can't think of a better story.

"Any concerns we have are about the availability of resources. Our members' big concern is fair and continued access to raw materials.

"Regarding safety concerns, we are convinced E1 is safe but we expect the EU safety requirement to sharpen and we will follow those changes.

"We think E1 is absolutely safe. We can go lower and with new consumer demands for lower emission standards we hope these can be globally harmonized."