

Lake States TAPPI Energy Forum

Wisconsin Paper Council
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Wisconsin Paper Council

- 21 member companies
- 120 associate members
- Major production grades
 - Printing & writing
 - Tissue



Wisconsin's Paper Industry

- #1 papermaking state in nation
- Over 5 million tons of paper produced
- Over 1.1 million tons of paperboard produced
- Over 2.5 million tons of wastepaper consumed



Wisconsin Paper Industry

- 37,000 employees
- Average annual wage - \$59,000
 - Highest paid manufacturing workers
- \$2.1 billion in total wages
 - \$3.6 billion economic impact
- Active community support



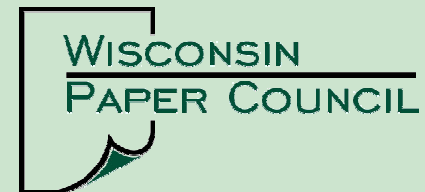
Paper Industry Today

- Fundamental change
 - Globalization
 - Supply-demand imbalance
- Tough decisions
 - New competitive dynamics
 - Cost cutting



Industry Drivers

- Globalization
 - North America v. The World
 - High v. low cost structure
 - Technology
 - Fuel, fiber, folks
 - Paper industry
 - Commodity
 - Capital intensive
 - Cyclical
 - Bad timing
 - Capacity expansion
 - Economic slowdown
 - Global competition



Changes

- Supply & Demand
 - Remove excess capacity
 - Machine shutdowns
 - Mill closures
 - Employment reductions
 - Develop new markets
 - Cut costs



Challenges

- Slow demand growth
 - Varies by grade
- Manufacturing cost increases
 - Fiber
 - Chemicals
 - Transportation
 - Health care
 - Energy



Energy

- Along with labor and fiber, one of the top three costs in paper production.
- Paper production is a highly energy intensive process.



Paper Industry Energy Profile 1972 – 2002 (Billions on Btu's)

Fossil Fuels	1972	2002	%Total	% Change
Coal	38,036	38,612	34.1	+1.5
Electricity	5,896	17,389	15.4	+295
Natural Gas	27,898	26,189	23.1	-6.1
Other	5,366	2,641	2.3	-50.8
Sub-Total	77,196	84,831	74.9	+9.9



Industry Energy Profile 1972 - 2002

Renew	1972	2002	%Total	% Change
Liquors	12,241	16,758	14.8	+36.9
Wood/Bark	2,609	7,117	6.3	+272.8
Hydro	1,369	1,267	1.1	-7.5
Other	245	3,361	2.9	+1,271
Sub-Total	16,464	28,503	25.1	+73.9



Industry Energy Profile 1972 - 2002

	1972	2002	% Change
Total Energy Use	93,660	113,333	+21.0
Production (Tons)	3,568,000	6,206,000	+73.9
Consumption per Ton of Production (Million BTU)	26.25	18.26	-30.4



Wisconsin Energy Prices by Type of Fuel (2005 Dollars per million Btu)

	Natural Gas	Coal	Electricity
1970	\$2.32	\$2.69	\$16.11
2005	\$9.41	\$2.55	\$15.62

What's Next?

- Energy Efficiency Projects
- Continued Renewable Energy Use
- Industry Move to Energy Independence?
- Increased Capital Investment?



Thank You!

