Crude Tall Oil (CTO)

& Harmful Environmental Subsidies

Position Paper

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Summary

Through the emissions trading scheme, biomass CTO is being encouraged to be burned as a fuel and thus reducing the greenhouse gas burden, yet jeopardizing supplies to the chemical industry and potential job losses. It would be better to apply the Lansink ladder approach first to obtain the benefits from processing rather than using it as a fuel.

The Issue

- CTO is the by product from the pulping of wood to make paper. It comes from a sustainable source (trees). The source is considered to be biomass. The trees used are specifically planted and harvested for the manufacture of pulp and paper.
- CTO is normally refined to distill its component parts, which are important basic raw materials for the manufacture of a wide range of products ranging from adhesives, chewing gum, metal working fluids, synthetic rubber, paints, printing inks, tyres, paper (paper sizing), etc.
- CTO has a unique value for the chemical industry and for the end users, as it is the base raw material for the production of unique resins as previously described.
- Annual production of CTO is approx 500,000 tonnes in Europe, and the companies distilling it have a combined turnover of 400 millions €.
- That amount of CTO would only be sufficient to supply one medium sized power station.
- It is considered to be an important source of bio-energy and can compete with fuel oil for energy production, especially by the producers themselves as a way of reducing their Greenhouse gas emissions. They can burn it instead of fuel oil without adding to the Greenhouse gas burden.
- CTO comes from a sustainable source. As a consequence it is better to first use the CTO as a green chemical raw material, and then to recycle or to burn the products made from it, according to the Lansink Ladder principle.
- The producers of CTO (the pulp mills) participate in the ETS (Emissions Trading Scheme), and add the CO_2 cost to the price. Total extra cost of CTO amounts to 12 millions € to the industry, based on 8 € per ton for the CO_2 cost and a recovery of 3 tons of CO_2 per ton of burned CTO. At a recent price of 30 € per ton of CO_2, the extra costs calculates to 45 millions € which represents more than 10% of the industry turnover in Europe.
- These extra costs lead to a reduction in profitability of the CTO Processors. This decline in profitability is endangering the capability of these companies to conduct further R&D and product development, and to ensure the competitiveness and sustainability of the European Tall oil Industry.
- This leads to a sharp increase of the CTO price, but more importantly to the potential shortage of CTO as a raw material.

The Way Forward

The Lansink Ladder principle states that material recycling and re-use, is preferable to incineration for energy production.
Thus we see it as a waste of valuable resources to burn CTO rather than to re-use it. There are countless examples show that good application of the Lansink's ladder is very beneficial.
The application of Lansink's Ladder appears to have been underscored by the Commission, as it forms the basis of many pieces of environmental legislation.

Conclusion

The production and further processing of CTO is clean green industry, refining green material from a sustainable source.
Burning this material is a waste of precious green chemical raw material, and is a typical example in our opinion of a harmful subsidy.

HARRPA, on behalf of CTO TF members