By **MONICA SHAW,** Editor

An environment of change

Carl Gagliardi, International Paper's director of environmental business services, talks about an explosion in customer interest and demands regarding paper's environmental impacts

Carl Gagliardi is a very busy man these days. As International Paper's (IP's) director of environmental business services, Gagliardi manages a range of programs that support the company's environmental performance and reputation. His group also provides environmental support to the company's product, sales, and marketing operations (see sidebar, p. 41).

Part of this support involves closely working with IP's customers to help them reduce the impacts of their businesses on the environment, as with the recent partnership to develop a 30% post-consumer recycled content paper for FedEx Kinko's (see article, p. 32). In addition to recycled content and sustainable forestry issues, many customers have become interested in the actual environmental performance of mills, requiring Gagliardi's group to respond to a myriad of questionnaires, surveys, and other requests.

Before joining IP in 1993 as the company's director of external affairs, Gagliardi was associate administrator in charge of the U.S. Environmental Protection Agency's (EPA's) office of communications, education and public affairs. He has also served as director of public affairs for the U.S. Bureau of Reclamation, special assistant in the Office of the Secretary of the Interior, and special assistant at EPA.

To gage how much customers are concerned about the environmental performance of those who produce paper for them and how this is impacting IP, *Pulp & Paper* spoke with Gagliardi about the recent changes in interest and attitudes surrounding environmental topics. Whether this interest originates in reaction to external consumer and non-governmental organization (NGO) pressures or whether it is an internal evolution within customer companies, Gagliardi describes that no less than an "explosion" has occurred during the last seven years.

P&P: Have you seen IP's large corporate customers becoming more concerned about their environmental performance?

Gagliardi: It's a huge trend. As a matter of fact, it's practically a new environmental movement, going back in earnest to 1998 when the NGO marketplace campaigns began almost simultaneously with the maturation of a number environmental programs at larger corporations.

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It seems as if most of our more sophisticated customers with regard to the environment tend to be very large organizations such as McDonald's, Time, or Nike, which have had social responsibility commitments written into their charters for a long time. Many of them began to grapple with sustainability issues in the mid-to-late 1990s.

At the same time, the NGO marketplace campaigns began in December 1998, when the then Coastal Rainforest Coalition ran a full page ad in the *New York Times*, kicking off campaigns to affect forestry practices as a large part of the sustainability question, particularly in North America. This effort spawned a number of organizations heavily funded by the foundations, which led to groups like the Rainforest Action Network and Forest Ethics, who work to put pressure on our customers.

P&P: How have these NGO efforts and new customer policies impacted IP with regard to the amount of recycled content papers you are running at the mills? Does it appear that the new customer policies are more than lip service?

Gagliardi: I think the policies to use more recycled content are serious and more than lip service, but their impact just gets swallowed in the sheer amount of paper production in North America. Basically, over the long term, producers will be getting as much recovered fiber as possible, feeding it into their recycling capacity at mills, and selling as much as possible. However, there is extra capacity.

In terms of uncoated freesheet, IP has more internal recycling capacity than any other company in this industry at our Franklin, Va., and Selma, Ala., mills. Since we make more than anybody else, we obviously want to sell as much of it as possible.

Despite the fact that companies like FedEx Kinko's are making environmental commitments [see article, p. 32], which can locally have a great impact on a particular supplier, if you look at the situation on a Northern American basis, the needle's just not moving. To a certain extent, you would think that the pressure being put on customers to use more recycled content papers would help, but it really hasn't had a big impact thus far. We're not seeing a dramatic increase in the sales of our recycled content products, and we make over 200 different grades. It may show up at some point, but we're not seeing it now.

P&P: Although you are not yet seeing an increase in recycled content tonnage, is IP

running more higher recycled content papers — say 30-35% post-consumer content? Is there pressure to run any higher recycled content than that?

Gagliardi: We're not seeing a dramatic difference in how much we sell, but we are seeing more recovered fiber in the paper. President Clinton's Executive Order 13101 set the bar at 30% in 1998 for federal agencies, but we're not hearing of any dynamic to move that higher.

From an environmental and economic point of view, everyone appears to agree that 30% is the optimum for cut-size papers. You're getting the maximum amount of useful virgin fiber out of the landfill, and that's really what the environmental benefit is all about.

With recycled content much higher than 30-35%, both the economics and the environmental lifecycle begin to work against you for the whiter cut size sheet. Obviously, with corrugated board or browner sheets of paper, you can use more recovered fiber and still achieve the economics.

P&P: We continually hear about the fluctuation in wastepaper pricing and the impacts from the Asian markets on this. How does this impact IP's strategy for its recycled grades?

Gagliardi: For at least the last decade and a half, IP has been consistently developing better recycling, repulping, and cleaning technologies in order to increase the use of lower quality recovered grades such as SOP. Essentially, we are trying to use less white grades in the hydrapulper. There's no question we're going to have to continue developing such technology, since China and other Pacific Rim countries will continue to use more and more of this finite commodity.

The other thing we're doing is going further and further out within the North American sources to get the higher quality recovered fiber, such as the kind that comes out of office buildings and schools. For example, at our Riverdale mill in Selma, Ala., we might have gone to Memphis or St. Louis to get recovered fiber in the past, whereas we're now going to Denver. For the Franklin mill, we used to go to Richmond and Washington, D.C., and now go as far as New England to get recovered fiber.

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P&P: In addition to demands for higher recycled content from certain customers, is IP also finding that customers have a growing interest in the actual environmental performance of IP's mills, such as emissions and energy consumption?

Gagliardi: I don't think explosion is too strong a word for the growth in such interest, which really began to pick up between 1998 and 2000. The growth from year to year has been unbelievable in that it almost doubles every year. It has gone from being around 50% of what IP's environmental business services group did five years ago to about 100% of what we do now, which is work with customers in hands-on partnerships on things IP can do regarding the environment and our footprint. We look at the partnership from the standpoint of one lifecycle that is composed of International Paper and its customer. IP responds to questionnaires, surveys, and requests regarding that lifecycle and reports on as much of it as we can.

Essentially, IP and its customers have a continuous dialogue on environmental issues — how they work, what the footprints are, and how the mills actually perform. We look at performance from the management and harvesting of the forests through the transportation of fiber and into the manufacturing. IP provides customers with information on what we are doing to reduce emissions and the use of energy, raw materials, and chemicals.

Then, of course, there are the product characteristics themselves, such as how much recycled content is used, what kind of brighteners are in the paper, as well as their availability in lower basis weights.

Customers are also interested in what we are doing to promote recycling as opposed to landfill. These are just some of the issues we wind up talking to customers about virtually incessantly.

P&P: What percentage of IP's major customers really wants that much detail? Do you think such interest is in any way a fad?

Gagliardi: I would guess that about half of our major customers want some detail. About 25% actually want what I would consider very high levels of detail.

I don't think this interest is in any way a fad. Each year in the program planning for my group, I predict work will grow and I am never disappointed. More and more companies are being pulled into the discussion, either by increasing marketplace NGO efforts to move into new solid wood and paper grades or by the maturation of social responsibility and sustainability programs.

Suddenly, customers find themselves calling us or having us visit them at their headquarters, so we're shuttling all over the country and all over the world to discuss these issues, in many cases for the first time. We provide yearly, sometimes quarterly, reports for certain customers where we visit and respond to their specific environmental scorecard. Multiply that activity times dozens of customers, and you realize we're pretty busy.

P&P: Do you find that IP's customers understand the fiber supply and quality issues associated with recycling? Do they also understand how this impacts the cost of recycled content products?

Gagliardi: The cost is higher because raw materials are increasingly scarce, and the lower wastepaper grades cause us to deink, repulp, and clean more, which can add cost. While technologies and initiatives to reduce energy consumption and improve efficiencies may bring down costs, they will never bring it down to the point where a high-quality virgin cut size sheet is going to cost exactly the same as a 30% post-consumer content sheet. We can get close, and our sales and marketing folks work with customers to try to get the cost down, but in the end the fundamental higher cost of recycled content paper is just a fact of life, except for certain, much darker brown grades.

As I mentioned before, due to its growing scarcity, wastepaper is a highly disbursed raw material that's usually several hundred miles away from a mill as opposed to virgin fiber, where a single log is a compact source that's usually within 50 to 100 miles of the mill. You're not transporting that log as far, and what's left over of it becomes your energy source. You're using most of the cellulose, whereas in a recovered source, you're losing 10-50% of that ton.

P&P: Could aggressive marketing of 'environmentally preferable papers' — ones with high recycled or post-consumer content, virgin content that is certified from sustainable forests, and produced in an environmentally sensitive way — create a profitable niche market in North America?

Gagliardi: This brings up the trend of eco-labels for paper, which we are seeing a lot more of internationally, especially in the last five years. Customers in Europe — particularly Scandinavia — and Canada, as well as some customers in the Pacific Rim, such as

environmental services

IP assists major customers with environmental policy development

International Paper's Environmental Business Services (EBS) group develops and packages special environmental and sustainability services for customers using IP's expertise in the environment, health, safety, sustainability, and forestry. EBS makes the package available in one stop to major corporate and prospective customers.

For example, EBS frequently helps customers design their own environmental programs and purchasing policies, as well as approaches to recycling policy, ISO 14001 environmental management systems, and forest certification. Its business partnership service assists corporate customers in developing their own market environmental initiatives, such as a recycling project EBS created on behalf of a major paper customer that is trying to raise the national recycling rate for magazines.

EBS also helps IP customers anticipate environmentally related market trends and answers literally hundreds of customer environmental inquiries and questionnaires every year. The group offers certification and life-cycle inventory modeling of IP's products, especially for consumer packaging. For example, EBS functions as IP's centralized source for product certifications, which document that IP's packaging grades and, in turn, its customers' containers meet growing food contact, safety, federal, state, and private sector requirements.

Additionally, EBS applies for eco-labels and certifications on its customers' behalf. It also helps businesses respond to increasing environmental pressures from campaign-oriented groups and other stakeholders.

Korea, have very sophisticated environmental programs. Many of these customers request eco-labels, which are rarely seen in the U.S.

The label itself is basically a stamp you would put on ream wrap or carton, or perhaps it's just a document that's on file with a company, but it signifies specific preferences with regard to the fiber source, as well as environmental performance of the producer, and other factors. A paper distributor or merchant may only do business with a producer if they can supply a specific eco-label, since certain customers will only use that distributor for its paper purchasing if they can meet this requirement.

I was just recently in Germany working with customers who wanted to see what the possibilities were for us applying for more eco-labels. To address such demands, Finnish paper producers, for example, have gotten together and created what they call a 'paper profile'.

A similar 'scorecard' is being developed in the U.S. by a group called Metafore [see sidebar, p. 33], which is comprised of forest products companies like IP, large customers, and some NGO groups. Such a scorecard may keep paper producers from being overwhelmed by customer requests and surveys regarding environmental performance.

It also helps customers understand what their definition of 'green' paper is, because there are as many different definitions and methods of getting at that as there are stars in the sky.

With a group like Metafore, you realize just how much cooperation is going on between the NGOs and forest products companies like IP. IP is also partnering with NGOs on a number of efforts to help define what a sustainable forest is, and that doesn't get talked about very often, although many of the more activist NGOs that talk us down a lot of the time are happy to be involved. P&P