

The European Forest Coalition's input on

The Clean Industrial Deal and the New EU Bioeconomy Strategy





Executive summary

Decarbonisation, competitiveness, economic growth, and increasing the sustainable use of natural resources are among the urgent challenges facing Europe today. Representing forest owners, forest cooperatives as well as forest and wood industries, we know that **European forests and wood products play a key role in addressing all of these challenges.**

At the same time, geopolitical tensions and global developments such as the war in Ukraine are underscoring Europe's need to build resilience and increase our open strategic autonomy. **Our forests are a prime example of a valuable European resource – one that we are fortunate to have on our European soil.** To optimise ecological, social and economic benefits, we need to care for and maintain our resources in a sustainable way.

Forests look different across Europe, and a one-size-fits-all approach is never effective.

We need active sustainable forest management that allows for variety and diversity, giving each individual forester the capacity and flexibility to take the final detailed management decisions. We support overarching European objectives, but believe that detailed regulatory specifications should be decided by Member States.

Our coalition, our manifesto and this report reflect our commitment to being an active part of the solution. We are optimistic that, through continuous collaboration and engagement to identify constructive policy solutions, **we can help build a sustainable European bioeconomy that benefits future generations.**

With this in mind, we support the proposal for a Clean Industrial Deal as well as a new Bioeconomy Strategy, and we look forward to working closely with EU policymakers to develop these.

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Promote the use of renewable materials in products and lead markets, such as timber construction, via:

- carbon footprint labels
- greener public procurement
- a price on fossil content in products

2

Update the climate and environmental legislation to recognize and promote:

- the substitution effect
- forest growth
- an increase in the supply and use of wood products

3

Improve the regulatory business framework, via:

- reduced regulatory burden
- increased funding for scaling up
- defining sustainably managed forests and the use of wood as a strategic resource



Opportunities and challenges for the forest-based bioeconomy

A robust European forest-based bioeconomy can accelerate decarbonisation by replacing fossil-intensive products and materials with bio-based products. An increased supply of wood from Europe also secures the supply of raw materials and reduces dependence on fossil-intensive imports. Most bio-based products can be sourced, produced, used and recycled in Europe, **increasing Europe's resilience to global disruptions**.

The forest-based bioeconomy faces many of the challenges outlined in the Draghi report on European competitiveness, such as increased regulatory burden and inconsistencies, lengthy and costly permitting processes, energy grid bottlenecks and skills shortages.

Therefore, **we support the Commission's intention to propose a Clean Industrial Deal**. The deal can significantly boost the forest-based bioeconomy, as sustainable forest management, wood solutions in products and buildings, and circular business models can be highly instrumental to Europe's green transition and economic growth. Our sustainable forest-based bioeconomy needs to be integrated into EU climate and industrial policy. This will strengthen the bioeconomy's capacity to replace fossil materials in products and buildings, and boosting European self-sufficiency.

As leaders in fostering a fully circular and renewable economy, **the forest-based bioeconomy must be central to the upcoming Clean Industrial Deal** and Bioeconomy Strategy including the legislation that follows, such as the Circular Economy Act, the Industrial Decarbonisation Act, the Biotech Act and the European Competitiveness Fund.

Forest-based products that emerge from our circular value chain – ranging from timber, battery components and sustainable aviation fuel to packaging materials– **should be the first choice** for individuals, companies and public authorities seeking sustainable options.

We know that a one-size-fits-all approach does not work for forests and nature. Nature consists of complex and dynamic ecosystems, often regionally specific. We know that forest management and harvesting operations have different impacts on nature and biodiversity. As a sector, **we strive for more sustainable forest management**, using various certification schemes and adhering to the sustainability criteria specified in the Renewable Energy Directive. For us, caring for our forests is essential because forests and forestry are the foundation of our way of life.

► The substitution effect

We plant trees, we grow trees, and we enable the use of wood by thinning out, harvesting and replanting trees. After some years, young trees absorb more CO₂ than older trees, and the harvested trees are used in wooden solutions. We substitute fossil products and materials, such as oil and fossil plastics, with wood products and we secure carbon storage in trees and products. The substitution of fossil-energy intensive products by wood-based alternatives such as timber constructions, packaging and biofuels produces annual EU emissions reductions of 390 Mt of CO₂ equivalents annually.¹ By 2050, increased utilisation of harvested wood could further reduce emissions in the range of 100 Mt - 272 Mt, resulting in total CO₂ savings of 490 to 662 Mt across the EU, exclusive of carbon stored in the products.

¹ Study by AFRY commissioned by FAM: <https://futureforestry.se/report-substitution-effect/>

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Promote the use of renewable materials in products and lead sectors

► Put a price on fossil content in products

The EU Emissions Trading Systems (ETS) is the most effective climate tool globally, putting a price on fossil carbon and encouraging decarbonisation.

It is now time to extend this concept to the fossil carbon embedded in products. Similar to ETS II, we propose a measure that targets refiners that sell refined fossil oil as input in products such as plastic. A price on the fossil content in materials would significantly accelerate the transition to renewable or recycled inputs.

We therefore propose that the Commission put forward legislation under the Clean Industrial Deal that prices fossil carbon going into products.

► Create bio-based lead markets via greener public procurement

To accelerate the substitution of fossil-based feedstocks and stimulate demand for bio-manufactured products, we recommend revising public procurement rules, as we believe that public authorities must lead the way in the climate transition. **The updated public procurement rules should include rules on green procurement that take into account product parameters and the Ecodesign criteria defined in ESPR (Ecodesign for Sustainable Products Regulation),** establishing lead markets in sectors such as construction and housing and stimulating demand for forest-based products such as timber and bio-based chemicals.

► Carbon footprint labels on products and alignment of product environmental footprint

Consumers consider a range of factors when making purchasing decisions, including price, origin, and environmental impact. But it is often difficult to gain a complete understanding of a product's overall climate impact. Indicating on the label a product's climate footprint would enable consumers to make more informed choices and select products with low fossil-CO₂ emissions.

Requiring carbon footprint labelling on certain products under the Ecodesign regulation would not only enable consumers to make more informed choices, it would also create a more level playing field, as more products – green as well as non-green – would be required to declare their climate impact. Forest-based products, which store carbon and substitute fossil alternatives, would benefit from such transparency.

We also call for alignment of the methodological approach of the Product Environmental Footprint (PEF). This should consider the physical processes whereby biogenic carbon is created through plants' uptake of CO₂ from the atmosphere during photosynthesis, stored in the plant or a product during its active life or use, and finally returned to the atmosphere at end of life, creating a natural cycle. This approach will ensure a fair comparison between fossil-based and bio-based products, allowing consumers to make informed purchasing decisions.

We propose that the Commission, when drafting delegated acts for different product groups under the Ecodesign Regulation, exercise the option of including carbon footprint as a minimum requirement. This should apply in particular to products for which bio-based options exist, such as construction materials, textiles, furniture and chemicals.

► Redefine long-lived products

EU legislation needs to fully recognise the climate value of sustainably sourced renewable content and raw materials as circular inputs. **To achieve this, definitions and accounting rules for long-lived products must be updated and adapted to innovations in wood products.** For example, lignin in asphalt and adhesives used in glulam and construction should be classified as long-lived carbon storage, rather than short-term carbon uptake as they are today.

Update the climate and environmental legislation

► Revise the climate architecture

We fully support the EU's climate transition and ambition, but we believe that the climate framework requires adjustments in some respects. To fully utilise the benefits of the bioeconomy and forestry's contribution to the climate, we need policies that enhance the use of sustainable wood products and increase the climate benefits of bio-based products, rather than policies that reduce the availability of biomass. Simply put, we need more wood products from sustainably managed forests to achieve our climate ambitions. We therefore propose the following:

- **Taking the substitution effect into account:** The substitution of fossil-based products and energy with renewable alternatives must be acknowledged, facilitated and prioritised. The quicker the transition from fossil- to bio-based products, the greater the impact on the climate. Conversely, the LULUCF assumes an increase in the forest carbon sink to achieve its target, which leads to the non-use of trees for timber products and to forest over-ageing. Older trees are unstable and thus very susceptible to insects, fires, storms and drought, which increases the risk of forest damage. **We therefore propose that the substitution based on forest products and energy should be calculated and considered as a trade off towards LULUCF-goals.** This will give incentives for countries to increase the forest growth, by increasing the stored carbon in the forest as well as increasing the wood harvest for climate effective products.
- **Consider including BECCS in the LULUCF:** The Commission should provide guidance on whether Member States can account for negative emissions – created through bioenergy with carbon capture and storage (BECCS) and certified through the Carbon Removal Certification Framework (CRCF) to guarantee additionality, to ensure it does not create new demand for bioenergy and the use of sustainable forest biomass in line with RED sustainability criteria – toward the 2030 LULUCF target. As the EU Climate Law defines “sinks” as both natural and technical, and since the LULUCF already recognises BECCS as a potential future sink, clear guidance would provide stability and predictability for Member States.
- **Zero rating of sustainable biomass:** It is crucial to maintain key elements of the current climate architecture, particularly the zero-rating of sustainably sourced biomass under the Renewable Energy Directive (RED) and the Emissions Trading System (ETS).

► Promote private investments in carbon removal and nature credits

The Carbon Removal Certification Framework and the upcoming nature credits framework have the potential to create new income streams for forest owners, managers and bioeconomy companies that are engaged in active sustainable forest management that increases the carbon storage in forests and products, as well as activities that support and improve restoration of biodiversity, such as restoration of rivers previously used for timber floating.

If done correctly, these frameworks can facilitate a large number of private investments in the forest-based bioeconomy. To do so, it is important that the frameworks and corresponding delegated acts are easy to comply with and do not impose additional administrative burden on forest owners and operators. The frameworks must take best practice, ongoing market developments and existing nature certification schemes into account.

Improve the regulatory business framework

► Define sustainably managed forests and the use of wood products as a strategic resource and clarify its role in the climate transition

Given the crucial role that forests, forestry and wood products play in climate action, economic growth and our strategic autonomy, we contend that these should be designated as a strategic resource essential to Europe's future.

Defining forests, forestry and forest-derived products as a European strategic resource in the Clean Industrial Deal and the Bioeconomy Strategy would encourage and incentivise forest owners to contribute to climate goals, biodiversity and Europe's future, while enhancing the status of the forest value chain in legislative processes.

In addition, it is **important that the Commission, the Council and the European Parliament integrate the substitution effect in the Clean Industrial Deal, the Bioeconomy Strategy, the Circular Economy Act and the post-2030 climate architecture.** As a substitution for fossil-based materials and a carbon storage solution, wood is best utilised in products such as building materials, battery components and clothing, as well as in the pharma industry and packaging – and not as a volatile forest carbon sink.

► Appoint a Forest Principal Adviser to the Commission President

A wide array of legislation affecting the bioeconomy has been adopted in recent years, often imposing restrictions on the flexibility and diversity of forest management. In many cases, legal instruments have been introduced without adequate impact assessments, nor have forest owners and managers been sufficiently involved as stakeholders to ensure practical relevance and applicability. In response to this, **we recommend establishing a Principal Adviser for Multifunctional Forest Use**, supported by a team of forest and bioeconomy experts in a cross-directorate team headed by the DG AGRI.

This adviser should report directly to the Commission President, oversee initiatives that affect forests, prevent conflicting policy approaches, reduce the administrative burden, ensure rural proofing and establish a permanent exchange between the Commission and the forest sector. The aim is to create favourable conditions for the conservation, management and use of forests and the ecosystem services they provide, such as timber production and nature tourism.

This appointment would ensure the Commission's consideration of the forestry and rural perspective, a viewpoint that has been overlooked of late and one that attracts inadequate attention in the current EU institutional set up.

► Predictable regulatory framework for forest owners and the forest-based bioeconomy

Europe's forest-based bioeconomy would cease to exist without the engagement of all types of forest owners and forest managers, depriving the continent of one of its most valuable allies for climate transition and strategic autonomy. Committed forest owners are by definition long-term oriented. Forest management is a generational undertaking that can only be achieved over time, and silvicultural responses to natural disturbances such as storms and droughts can only be implemented in the long term.

Accordingly, legislation that affects forestry and the bioeconomy needs to be predictable and stable. Legislation must also recognise the diverse nature of our renewable natural capital and understand that one size does not fit all. In northern Europe, for instance, deadwood in forests indicates biodiversity, whereas in southern Europe it poses a fire risk.

National and European legislation that influences forest owners and the forest-based bioeconomy must **uphold strong ownership rights, promote long-term decision making and facilitate investments in forests. The Forest Principal Adviser will play a key role in this respect, overseeing all legislation that impacts forest owners.**

National forest legislation regulating sustainable forest management, forestry and protection of vulnerable areas needs to be effectively implemented. We contend that no matter the legislative level or framework, it must always be clear that forest owners have the freedom to choose the most appropriate yet sustainable management practices for their specific forest.

► **Reduce regulatory burden and conflicting policies**

The EU has introduced and updated several pieces of legislation to align EU policies with the Paris Agreement and the Kunming-Montreal Protocol. Some of these well-needed laws place conflicting demands on forest owners and the sector – examples include the Nature Restoration Regulation (NRL), the EU Taxonomy, the Regulation on Deforestation-Free Products (EUDR), the Regulation on land use, land use change, and forestry (LULUCF), the Forest Monitoring Law (FML) and the Carbon Removal Certification Framework (CRCF).

LULUCF provisions are in clear conflict with other policies. To meet LULUCF targets for increased carbon stocks, the use of fertilisers (e.g. bio-stimulants) can potentially boost growth, but fertilising is unlikely to be certified under the CRCF or the EU Taxonomy. As a result, forest owners are left without key tools.

In the FML, the Commission proposes applying a range of indicators such as tree cover density and forest connectivity. The proposal is rendered extremely complicated due to the level of detail, the reporting intervals and the administrative burden, which is likely to result in misinterpretation.

We call on the Commission and the Forest Principal Adviser to conduct cumulative impact assessments of all regulations that affect forest management, the availability of woody raw materials, and the forest-based bioeconomy, with the aim of simplifying regulations and enhancing competitiveness while maintaining the pace of decarbonisation. Where necessary, legislative changes should be proposed to clarify regulations and reduce the administrative burden.

► **Increase funding for innovation, upscaling and facilitate the digital transition**

While the forest-based value chain offers numerous solutions to Europe's challenges, these solutions can only be realised by addressing the innovation gap in Europe. Europe excels in fundamental research, but more emphasis is needed on scaling research into commercial applications. This is especially true for our sector, given that piloting, demonstration and upscaling are costly and risky phases of innovation. The entire innovation chain needs to be considered in the allocation of the EU's R&D funding. Additional RDI funding is required, especially in pilot/demo and flagship-level projects, to close the innovation gap.

Digitalised processes have been used in factories for decades. Our sector is becoming increasingly digital – examples include the use of digital forest management plans with high quality maps and long-term planning tools, UAVs for precision harvesting, high-performance computing, and AI to assist researchers in developing bio-based products in biorefineries. Embracing the biotech revolution, supported by AI and digital tools (e.g. BIM in timber construction), will maintain the momentum of modernisation in the bioeconomy and increase its productivity and sustainability.

We propose that the Commission make the circular forest-based bioeconomy – and upscaling in particular – a key feature in EU funding programmes, in the upcoming EU Competitiveness Fund and the European Biotech Act. Moreover, public-private partnerships such as the Circular Bio-Based Europe Joint Undertaking (CBE JU) should continue to promote public-private RDI to ensure that academic research is available to companies.

► **Phase out fossil subsidies and end the fossil era**

In order for the EU to succeed in its climate transition, we need to decarbonise our entire economy and bring an end to the fossil era. Member States must phase out subsidies to the fossil economy, not only to speed up the climate transition but also to put bio-based alternatives on a more equal footing. Unfortunately, the latest data show that we are heading in the wrong direction: Fossil fuel subsidies in the EU amounted to €56 billion in 2021 and €123 billion in 2022.²

The sooner Member States stop subsidising the fossil economy, the better. Viable alternatives exist, such as biodiesel and electric vehicles, climate-friendly energy sources and timber construction.

We call on the Commission to propose, and Member States to agree upon, a revision of the Energy Taxation Directive that includes a phase-out of fossil subsidies.

² European Commission, The Clean Transition Dialogues – stocktaking: https://commission.europa.eu/publications/clean-transition-dialogues-stocktaking-strong-european-industry-sustainable-europe_en



Signatories

- AGDW (die Waldeigentümer), Germany
- Association of Forestry and Wood Processing Enterprises in Czech Republic
- Association of the Wood and Furniture Industry in Slovenia
- Estonian Forest and Wood Industries Association
- FAM, Sweden
- Holzindustrie, Austria
- SITLiD, Poland
- The Association of Wood Processors of the Slovak Republic
- UCFF – Forestry Cooperatives Organization, France