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Contribution to stakeholder consultation

## **Future climate and energy policy - A Strategy for long-term EU greenhouse gas emissions reductions**

The forest-based industry can play an important role in the EU that aims to e.g. tackle climate change, promote sustainable economic growth and improve energy security. Developing the production of climate friendly products from sustainably produced wood will play an essential role when achieving these targets. Forest resources have been increasing in the EU. Our industry is committed to sustainable forestry that ensures increasing forest resources also in the future.

To address the targets of the EU and to design a sustainable climate policy framework for the post 2030 period, we emphasize the following issues:

- 1. Solutions from circular bio-economy based on wood processing - EU needs to look after industrial competitiveness**
- 2. Renewable raw material from sustainably managed forests together with increasing carbon storages - EU needs a holistic long-term perspective on forests**
- 3. Further decreasing industry's CO<sub>2</sub> emissions - EU needs to promote cost-efficient solutions in low carbon technologies in energy production and transport**

Finnish forest industries have published sustainability commitments 2025 showing our desire to further develop our business. Commitments include e.g. following statements:

We provide safe and ecologically sustainable products made of renewable raw materials. We continue to develop our current products and methods of operation, and we create new innovations to utilise wood in increasingly diverse ways to benefit people and society.

We contribute to achieving the UN sustainable development goals. We contribute to the transition to a carbon neutral society by offering climate-friendly products and supporting achieving the Paris climate agreement goals. We are committed to the continuous improvement of energy efficiency. We increase the share of renewable energy production as a part of the emerging forest industry. Our aim is to increase the share of renewables in our energy production to 90 per cent by 2025.

We verify the lawful origins of the wood we consume and promote the use of forest certification systems. Our aim is to ensure that at least 90 per cent of the wood and fibre used by the forest industry is certified by 2025. We promote the nature management of commercial forests and the voluntary

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protection of forests and peatlands with the aim of reversing the decline of endangered forest species.

## 1. Solutions from circular bio-economy based on wood processing

Forest-based industry lives the circular bio-economy starting with wood from sustainably managed forests and subsequently reaching very high recycling rate, utilizing various by-products efficiently and developing new bio-based products - a benchmark model of resource efficiency.

Global megatrends such as climate change and population growth are drivers to develop sustainable products and solutions. The world's growing population requires much more e.g. food, water and energy. On top of our traditional products (pulp, paper, packages, timber) for example textiles, fertilizers, medical devices are being made from wood. We can substitute many products currently made non-renewable and fossil raw materials.

We have a long experience in manufacturing products that offer sustainable solutions to global challenges, for example:

**Wood construction.** In Europe, construction consumes more raw materials than any other industry. Construction is currently mainly based on non-renewable resources. Wood as construction material store carbon for a long time.

**Fiber-based packaging.** Due to shopping from internet the packaging has become more important than before. Packaging needs to be light and sustainable. Our industry has also been active in solving plastic waste problem by developing completely recyclable packaging solutions.

**Renewable solutions for transport.** Wood-based solutions such as biogas, renewable diesel and electricity significantly decrease greenhouse gas emissions compared to fossil fuels.

**Wood fiber textiles.** The growing world population means scarcer water resources. Wood fiber textiles provide alternatives for e.g. cotton that is very water intensive. Wood fiber textiles have other good qualities too since their production does not require pesticides or intensive cultivation of soil.

**Wood composites.** Combinations of wood and other materials are increasingly being used to replace oil-based materials. Wood-based composites are recyclable and have a considerably lower carbon footprint than plastics.

The relative importance of how different materials impact the climate will increase as energy and transport systems are de-carbonized in Europe. The move away from products produced from fossil raw materials or products to renewable solutions with

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lower climate impact therefore need to speed up. As a consequence, substitution should be a key element in coming EU climate strategy.

Wood is an excellent raw material to contribute to the development of sustainable growth in the EU and globally. The impact is broader than just within our industry as the products serve wide range of consumers. However, to be able to do so even better in the future, we must secure continuous wood mobilisation for the forest industry.

## **2. Renewable raw material from sustainably managed forests together with increasing carbon storages**

Both industry and consumers are keen to reduce the world's dependency on fossil-based raw materials. And keen to shift towards products that are manufactured from renewable and recyclable materials. Climate change mitigation and efforts to reduce greenhouse gas emissions are the key drivers behind this trend.

Forest policy in the EU is under Member States' competence. EU common policies should also enhance continuous and increasing mobilization of wood raw material from sustainable sources, industrial side-streams and forest residues that benefit the development of circular bio-economy.

Secured and increased availability of raw material is the building block of thriving forest-based industry. We continuously work to improve resource-efficiency of our operations. Member states should not support but further even avoid the use of biomass in power plants with the low efficiencies.

Increasing forest area is always a **"no regret option"** as it promotes carbon storages and in time will provide raw materials to local communities and businesses.

There is also definitely a **"regret option"**. If forests are seen as a tool to avoid the phase-out of fossil emissions, we would be on the totally wrong track. The EU should not keep on pumping up fossil carbon into atmosphere and try to compensate it by pumping it down into forests. As we all know forests are not stable long-term carbon storages. Especially in times of climate change when different forest damages are increasing (pests, diseases, fires, extreme weather).

It is clear, that forest related activities or political targets should not undermine environmental integrity. By ensuring forest regeneration after harvesting and active and timely management of forest we enhance production of wood and other ecosystem services at the same time and over tree generations.

## **3. Further decreasing industry's CO<sub>2</sub> emissions**

The EU is heading towards eco-friendly production, where products with a low environmental impact and low carbon production technology are becoming mainstream. Forest industries in Finland has decreased its fossil emissions almost 70 percent compared to 1992 level and work continues. The role of fossil free electricity is growing in our consumption.

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At the same time, European industry faces increased global competition. The competitiveness of the existing bio-based industry is the starting point for new investments to manufacture bio-based products.

Climate change is a global challenge, which demands worldwide action. Unilateral measures by the EU will not solve a problem that first and foremost calls for a reduction in global greenhouse gas emissions. The EU must focus its efforts on international level to achieve a balance that binds all parties equally. We need to ensure competitiveness and a global level playing field for the European industry in all decision-making.

The processing industry needs stable flow of electricity 24/7 and competitive price level of electricity compared to rivals such as USA and Asian countries. The reliable supply and reasonable price of energy has always formed and will form the key cornerstone of long-term energy and climate policy. Thus, the EU should pursue cost-effectiveness when further electrifying the consumption.

The emissions trading is the EU's key steering mechanism that burdens European industry with additional costs, which do not affect manufacturers outside the EU. The price signal of the emission allowance is already today strong and the market stability reserve (MSR) will ensure that there won't be any surplus in the future, meaning that the price signal will stay high. At the same time the amount of emission allowances will be reduced annually within ETS-sector. Therefore, the risk of carbon leakage and sufficient protection will be more and more crucial for the energy intensive industry in the future.

The by-products from the forest-based industry are increasingly used into new products but also in other industries, leading to industrial symbiosis. In order to speed up the industry's development EU Funds for Research, Development and Innovation (RDI) should be used to trigger new technological solutions in processing industries.

As for logistics, it is essential for forest industry to ensure the transport chain efficiency and competitiveness. As the local sourcing of raw materials will dominate also in the future and customers' delivery requirements will remain high it is very likely that the road transport will retain its role as the industry's dominant transport mode.

The following policy instruments are in key role in supporting the efforts to minimize forest industry related fuel consumption and road transport emissions: policies to improve fuel efficiency of lorries (including increased truck weights and dimensions), physical and data infrastructure development to enable the more eco-efficient movement of goods in Europe, strong focus on transport decarbonisation in the EU R&D roadmap, harmonizing the rules and regulations that support fluent logistics across the EU and ensuring the potential of digitalization can be exploited (e.g. Digital Single Market).