

Swedish Forest Industries (SFIF) welcomes ambitious 2040 climate target

Summary

The Swedish Forest Industries Federation (SFIF) welcomes ambitious climate targets in line with the communication. This is aligned with [SFIFs priorities for a greener, stronger Union](#). The communication establishes the importance of all climate mitigating contributions from the forest-based economy, with substitution of fossil-based products at the core, and industrial carbon removals as an additional element.

SFIF gives the following recommendations to reach the indicated climate target:

1. Focus primarily on reducing fossil emissions
2. Put the circular bioeconomy at the heart of the climate transition
3. Ensure that climate and energy policies consider industry competitiveness and a well-functioning common market
4. Base natural carbon sink policies on balanced and realistic assessments of the forests natural dynamics and consider other sustainability dimensions
5. Define a framework for bio-CCS that is supported by financial guarantees and market-based mechanisms for voluntary investments from the industry
6. Acknowledge the full climate mitigation contribution from forest-based value chains

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Background

The communication starts the process of preparing the 2040 target. The Commission has published an Impact Assessment (IA) on possible pathways to reach climate neutrality by 2050 which will inform this debate and the future legislative and policy choices. Based on the IA and the advice of the European Scientific Advisory Board on Climate Change (ESABCC), the Commission recommends a 90% reduction in net GHG emissions by 2040. However, the legal proposal will be the responsibility of the next Commission.

Position by SFIF: Main Arguments

1. Focus primarily on reducing fossil emissions

Climate change is caused by fossil emissions released into the atmosphere, and the union remain dependent on coal, oil and gas in all parts of society. **The focus of 2040 climate policy must therefore be to remove these emissions as soon as possible, instead of compensating them in other ways.**

The possible emission reductions from complementary efforts such as increased technical and natural carbon sinks are small compared to the large fossil emissions in the union. Moreover, such efforts come with high direct and indirect costs. **Carbon sinks should not be seen as compensation for continued fossil emissions, and biogenic carbon should always be separated from fossil emissions and not mixed in the same policy instrument.**

2. Put the circular bioeconomy at the heart of the climate transition

SFIF shares the ambition of “*An industrial revolution with competitiveness based on research and innovation, circularity, resource efficiency, industrial decarbonisation and clean tech manufacturing at its core.*” The circular biobased economy must be the core of this revolution. Fossil materials and energy can increasingly and swiftly be replaced with renewable and circular products from the forest-based bioeconomy.

SFIF urges the EU-institutions to present an ambitious strategy for growing the circular bioeconomy at the rate needed to reach the ambitious climate goals. The foundation for a growing bioeconomy is a predictable and long-term framework for forests and raw material and recognition of forest-based products as sustainable. This should be combined with targets for growing the bioeconomy, for example regarding substitution of fossil materials and renewable raw material supply, and policy instruments for a quick phase-out of fossil materials.

3. Ensure that climate and energy policies consider industry competitiveness and a well-functioning common market

Swedish industries are pioneering the green transition, but necessary investments will only be possible if the competitiveness can be maintained within the Union and globally.

With the majority of greenhouse gas emissions in the emission trading system, now ETS1 and ETS2, the national targets are made redundant. The removal of national targets would restore fair competition on the common market and provide a more cost-effective climate transition.

In addition, the global competitiveness of EU industry must be secured. The industry is affected by increasing costs in the actual production and indirect costs of the climate transition in energy and transport systems. This should be considered in the design of the emission trading and the burden sharing between sectors. So far, the connection between energy and competitiveness has been made obvious, but the competitiveness aspects of transportation is often forgotten.

For the whole union, access to fossil-free energy at competitive cost is an enabler for reaching climate targets. This must guide the development of the renewable energy directive. There is a need to

increase the total use of renewable energy use in the union. Nevertheless, excessive national targets for renewable energy can hamper the climate transition, or at least make it less cost effective for the union as a whole. Moreover, there is a need to reduce the policy risk for investments in sustainable biomass, for example biorefineries for advanced biofuels. The risk reached an all-time high during the attempts to restrict biomass in the RED III negotiations, which delayed or cancelled necessary climate investments.

4. Base natural carbon sink policies on balanced and realistic assessments of the forests natural dynamics and consider other sustainability dimensions

Maintaining natural carbon sinks in the long term is a crucial part of reaching climate goals, also beyond 2050. This should, however, not be compromised by focusing on short term targets or unreasonable burdens on specific Member States. Fossil emissions or a declining carbon sink in one Member State cannot simply be compensated by carbon sink in another Member State.

Sweden has a large carbon sink from maintaining and restoring large forest areas over time with active and sustainable forest management. The potential to maintain the sink is connected to the possibility of continued active management. Ensuring and increasing forest growth is a determining factor for sustaining a long-term carbon sink.

Policies for natural carbon sinks must consider the natural variations year to year but also larger trends like the age structure and health of the forest and the long-term development of the forest carbon sink. For example, more restrictions on forest management could lead to a higher average forest age, resulting in lower growth and carbon sink as well as increased risks of forest damages from storms, fires, and pests.

Most importantly the potential carbon sink in each Member State should be estimated by forest experts and forest managers with a bottom-up approach. This should include the specific forest dynamics in the Member State as well as basic parameters such as site productivity and forest management. The policies need to be balanced in relation to the dynamics of forests as well as other climate and sustainability aspects of the forest-based bioeconomy, including forest-based products and technical carbon sinks, and take a long-term view.

5. Define a framework for bio-CCS that is supported by financial guarantees and market-based mechanisms for voluntary investments from the industry

Bio-CCS is an important climate mitigation solution, and it is only available as part of a thriving circular bioeconomy. The technology is available, and the costs are reasonable, at least compared to direct air capture (DACCS).

At the moment, negative emissions are not a product or business in itself. **The challenge in the up-scaling of bio-CCS is to find a market-based solution to secure long-term financing for big investments, and a stability in EU-policies affecting biomass.** There is most likely also a need for guarantees from public financiers to reduce the investment risks, and a stable policy framework including accounting of the negative emissions.

Carbon capture and usage (bio-CCU) will also play a role in the circular bioeconomy. Although the development can be more market driven compared to bio-CCS, there is a need for a framework that defines and supports it and clearly separates it from fossil alternatives.

6. Acknowledge the full climate mitigation contribution from forest-based value chains

As discussed in the sections above, the full climate mitigation potential of forest-based value chains must be better incorporated in the 2040 climate policy to reach the ambitious targets. This includes reduction of fossil emissions with products from the circular bioeconomy, which needs to be made visible and governed by effective policy instruments, to incentivize biobased products over fossil alternatives.

THE SWEDISH FOREST INDUSTRY is an essential contributor in the green transition to a more circular and biobased economy. The industry refines wood resources to bio-based products, such as pulp, paper, board, packaging material, sawn timber, refined wood products, biobased electricity and heat and advanced biofuels. The core business is industrial activities based on wood sourced from sustainably managed forests, but among the industry are also some of the largest private forest holdings in Europe. Any forest, climate, environmental, energy and product related European Union policy is of high importance.

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