Swedish Forest Industries' (SFIF) position on the revised LULUCF Regulation in the "Fit for 55"-proposal

Summary

Forests are one of the most important solutions to addressing the effects of climate change as they provide important carbons sinks absorbing and storing large quantities of CO_2 and supplying raw materials to substitute fossil resources. Approximately 2.6 billion tonnes of CO_2, one-third of the CO_2 released from burning fossil fuels today globally, is absorbed by forests every year[1] . With an active sustainable forest management this absorption capacity can increase considerably, while also protecting biodiversity and other vital environmental values.

SFIF supports the Green Deal, its over-arching goal of climate neutrality 2050 and the importance attached to forests as carbon sinks. To maximize the contribution by our forests to the climate challenge, we believe, however, that a number of changes need to be made to the proposal for a revised LULUCF-regulation presented in July 2021 as one part of the "Fit-for-55"-package;

1. **Widen the scope** from only focusing on carbon sinks in forests to also include targets for increased substitution – i.e., including the climate effects of forest-based products replacing fossil-based ones. This is in line with the EU Circular Economy action plan.
2. **Harmonise assessment of target fulfilment** and make targets for 2030 indicative. This is needed to reflect methodological improvements so that carbon sinks become more comparable, considering the natural fluctuations and uncertainties attached to the land sector and avoiding unproportionally high or low targets.
3. **Ensure burden sharing** reflects potential to increase carbon sinks.
4. **Maintain the pressure on reducing fossil emissions by aligning the LULUCF-proposal** with the EU Climate Law, which only allows 225 Mt CO_2 from the LULUCF sector to be taken into account in the 2030 emission reduction target.
5. **Maintain the pressure on reducing emissions from agriculture** by refraining from merging the emissions from forestry with those from agriculture from 2031 in an AFOLU sector.

Forests and forest-based products are key to addressing climate change

Background

What is the proposal for a revised LULUCF-regulation about?

The amended LULUCF-regulation (Land Use, Land Use Change and Forestry) is part of the "Fit for 55" package from July 2021 and a follow up of the European Climate Law (climate neutrality by 2050) and the target of at least 55% net emission reduction by 2030 compared to 1990. It aims to strengthen the LULUCF sector's contribution to the increased overall climate ambition. It sets an overall Union target of net greenhouse gas removals in the LULUCF sector at 310 million tonnes (Mt) of CO_2e in 2030 (15% increase compared to today) and also determines the Union target of climate neutrality for 2035 in the land sector through combining emissions from forestry and the agricultural sector. It should be noted however that the EU's Climate Law states that only 225 Mt from the LULUCF sector can be taken account to reach the 2030 net emission reduction of 55%.

The overall Union target of 310 Mt of CO_2e is suggested to be distributed between Member States as annual targets for the period from 2026 to 2030 and be based on the emissions and removals reported in the greenhouse gas inventories and the areas of managed land. Sweden is allocated the highest national target of 47.3 Mt CO_2e. Thereafter comes Spain 43.6 Mt, Poland 38.1 Mt, Italy 35.6 Mt, France 34 Mt, Germany 30.8 Mt, Romania 25.7 Mt and Finland 17.7 Mt.

[1] According to IUCN – International Union for Conservation of Nature

Swedish Forest Industries

Position by SFIF: Main arguments

1. Widen the scope from only focusing on carbon sinks in forests to also include targets for increased substitution – i.e., including the climate effects of forest-based products replacing fossil-based ones. This is in line with the EU Circular Economy action plan.

Every year, 42 million tonnes of fossil CO^2 can remain in the ground thanks to the use of wood products, fiber-based products and renewable energy from the Swedish forests instead of corresponding products of oil and coal[2].

A reduction in Swedish forest harvests by 15 percent, which would be the consequence of the current LULUCF-proposal, would mean that about 6 million tonnes of extra carbon dioxide would be released into the atmosphere each year, if forest-based products were replaced by fossil products.

A report on the contribution of the EU forest-based sector estimates the overall climate change mitigation effect to 806 million tonnes of CO_2e annually[3]. This corresponds to 20 percent of all fossil emissions in the European Union. Roughly half of this mitigation benefit comes from the displacement of fossil-based emissions.

Hence, products and energy from forests are just as central to climate change mitigation as large and growing forests that absorb and store carbon. The way the proposal is designed leads to a prioritisation of carbon storage in forests over the production of renewable raw materials for products and bioenergy. This means less climate benefit already in the short term as less renewable and sustainable raw materials would be available to make products that we need in our every-day lives helping us use fewer products made of oil and coal[4]. It would also be in contradiction with the EU strategy on a Circular Economy which aim as increasing the use of renewable and recyclable products.

In contrast to narrowly focusing on carbon sinks, we propose an effective and long-term sustainable climate policy that focuses on sustainably increased growth in the forest combined with targets for increased substitution of fossil materials. Measuring and annually reporting the substitution effect from the forest-based value-chain would shed light on the forest's entire climate benefit. The proposal to enlarge the scope of the Harvested Wood Products categories is a step in the right direction. Developing stronger policies for Bioenergy Carbon Capture and Storage (BECCS) would be another.

2. Harmonise assessment of target fulfilment and make targets for 2030 indicative. This is needed to reflect methodological improvements so that carbon sinks become more comparable, considering the natural fluctuations and uncertainties attached to the land sector and avoiding unproportionally high or low targets.

The land sector carbon sink is prone to natural fluctuation outside human control as well as uncertainties in exact measurements of carbon flows. It is therefore important that Member States continuously aim to improve methodologies for measuring carbon flows and that these improvements are reflected in the assessment of target fulfilment.

When assessing LULUCF target fulfilment against the baseline, the same methodology should be used so as not to compare apples and oranges. For this reason, it would be appropriate to make the national targets for 2030 indicative and refrain from setting yearly targets for 2026-2029, keeping in mind the natural fluctuations and uncertainties that characterize the land sector carbon sink.

The proposed target for Sweden is unproportionally high because the proposed increase of Sweden's sink with approximately 4 Mt CO_2e is added to a baseline value based on data from 2020 that severely overestimates Sweden's carbon sink. In the 2021 national inventory report the statistical basis was improved and the numbers adjusted accordingly. Sweden's target should therefore be revised to reflect the more complete statistics that is now available.

According to the most recent and best available data, Sweden's LULUCF carbon sink was 35 Mt CO_2e in 2019. The proposed 2030 target for Sweden of 47 Mt CO_2e would mean an increase of around 30 percent to be achieved in less than 10 years. This is a very short time in the context of a slow-growing forest ecosystem with a life cycle that can be more than 100 years in Northern Sweden. Achieving the target by increasing forest growth is not realistic at this scale in this time frame. Therefore, in practise achieving the target would require a reduction of the forest harvest level of 15 percent.

Reducing forest harvests means reduced use of forest-based products and energy and increased use of fossil-based ones (see above under 1 what this would mean in reduced climate benefits).

[2] https://www.forestindustries.se/siteassets/dokument/rapporter/swedish-forestry-sectors-climate-contribution.pdf
[3] https://www.cepi.org/wp-content/uploads/2020/07/Cepi_-study.pdf
[4] https://www.skogsindustrierna.se/siteassets/dokument/rapporter/report-the-forest-carbon-debt-illusion2.pdf

Furthermore, unpredictable and sharp increases in national targets must in general be avoided. Forests need a predictable and stable policy framework. Already today, the amount of carbon stored in Swedish forests is very large. This is the result of a stable political framework and long-term investments in active forest management. During the last one hundred years, both the volume of timber and the growth in Sweden's forests have doubled. This increase equates to 2 billion tonnes of CO_2, equalling half of EU's total emissions at today's level. And during the same time, we have taken out four times that amount of wood from the forests, creating welfare and renewable products and energy.

3. Ensure burden sharing reflects potential to increase carbon sinks.

It is important that all EU Member States contribute with carbon sinks according to their capacity. The proposed increase of the overall EU carbon sink with 42 Mt CO_2e to 2030 is suggested to be distributed between Member States based on each country's share of managed land area in the Union.

The actual potential to increase carbon sinks, however, depend on a broader number of factors than area of land. Historical development of the carbon sink is one important factor. Another important factor determining the potential to increase carbon sinks is the productivity of the land. With higher productive capacity comes higher potential to capture carbon.

Considering these aspects would lead to a distribution that better reflects the capacity of Member States to improve their performance.

4. Maintain the pressure on reducing fossil emissions by aligning the LULUCF-proposal with the EU Climate Law, which only allows 225 Mt CO_2 from the LULUCF sector to be taken into account in the 2030 emission reduction target.

The EU needs long-term sustainable carbon sinks to achieve carbon neutrality in 2050. However, all policy measures must be carefully designed to ensure a strict climate mitigation hierarchy, where reducing GHG emissions must be clearly at the heart of policy. This is the reason why the EU Climate Law put a cap on the uptake from the LULUCF sector.

According to EU Climate Law, only an uptake of 225 million tonnes of CO_2e from the LULUCF sector can be credited to the EU's common 2030 target of 55 percent net emission reductions. This restriction maintains the integrity of the system, ensuring continued pressure to reduce fossil emissions - not letting the forest sector's absorption capacity be an excuse not to reduce emissions.

A cap on the carbon sinks contribution to the overall emissions targets also enables a transition to a circular bioeconomy with an increased use of forest-based products.

The LULUCF-proposal should support these goals of the EU Climate Law and not exceed the limit of 225 Mt CO_2e.

5. Maintain the pressure on reducing emissions from agriculture by refraining from merging the emissions from forestry with those from agriculture from 2031 in an AFOLU sector.

Merging emissions from the agricultural sector with LULUCF to an AFOLU (Agriculture, Forestry and Other Land Use) sector and setting a climate-neutrality target for 2035 entails a clear risk of suboptimization. It risks leading to a prioritisation of building up large and uncertain carbon stocks in forests, instead of doing a real transformation where fossil products and energy are phased out.

A climate-neutrality target for the AFOLU sector should be set at national level so as not to suboptimize and restrict the Member States ability to decide over their natural resources. Forests in one country should not compensate continued emissions from other countries with large agricultural sectors.

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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