

## **SFIF:s feedback on the draft report on preliminary recommendations for technical screening criteria for the EU taxonomy**

SFIF acknowledges the importance of sustainable financing as part of a sustainable transition and the achievement of the objectives of the EU Green Deal. The six environmental objectives established by the Taxonomy Regulation (EU 2020/852) are all important and relevant. We also recognize that criteria should be ambitious, and science based and that biodiversity objectives are an important and integral part of all forest management operations.

However, after analyzing the proposal it's our conclusion that the proposed criteria cannot be adopted in their current form. After the consultation, there is a need for a thorough revision by the technical working group. We would like to stress the importance of involving the forest-based sector and forestry-related researchers across Europe in this work to get a broader perspective.

### **The transition to a circular economy**

Circularity of renewability needs to be acknowledged

The unique circularity of renewability needs to be acknowledged. The level of details, targets and proposals need to include this circularity and encourage the use of fossil-free materials. The current proposal is worded in a way that it opens up for unforeseen consequences, such as the very stringent targets for recyclability that do not encourage the development of new packaging innovations.

Overall, the taxonomy should help encourage investment in new solutions that will contribute to the transition into a circular economy

Further development of material footprint (RME) is needed

The ambition to decouple the economic growth from extraction of resources by 2030 using the measure of material footprint (RME) of the EU27 (t/capita) needs to be further developed before it is suggested as a measure.

The method of raw material equivalent (RME) is by default giving advantages to members states with less natural resources and larger populations, and therefore give disadvantages to member states such as Sweden, that have natural resources and smaller population. It is crucial that the condition of member states is taken into account in order to provide a competition neutral use of the taxonomy within EU. Furthermore, the concept of converting product flow into raw material equivalents need to be fair and encourage member states to export more refined products.

There is little to no link between technical screening criteria and the goals

There is a lack of information on how the considerably number of technical screening criteria (TSC) activities are contributing to the goals. The goals of 50 % reduction by 2030 and 75 % by 2050 needs to be clarified. Clarification of how the TSC contribute to achieve the goals, how monitoring and supervision will be applied, are vital basis.

Furthermore, the ambition level should be proposed when initiatives, legislation and definitions are set within the circular economy package. There is still more development work needed for appropriate

methods and impact assessments need to be completed before quantifiable targets should be applied in the taxonomy.

## Forestry logging

The narrow perspective and the one-size-fits-all approach are inappropriate for forest biodiversity and not in line with how forest policy is to be handled within the EU

For the taxonomy to achieve its aims, the criteria must be workable and clear, so that they can be implemented and used as intended. Criteria for forest management can't be generalized across the widely varying ecological and management situations of European forests - encompassing numerous forest ecosystem types, inhabited and managed with local traditions, conditions and knowledge. Criteria and indicators for Sustainable Forest Management must be adapted to local, regional, and national conditions. The proposed criteria are quantitative and contain thresholds where relevant thresholds cannot be set because there are no one-size-fits-all solutions for the global or European forests.

The current criteria represent an attempt at centralized regulation that will inevitably lead to widespread suboptimization of forest management. It also goes against how forest policy is to be handled in the EU – as a national competence, adapted to local conditions and considering a broad set of sustainability goals.

### Lack of scientific evidence

There are several shortcomings in the science-based references. Some of the claimed scientific evidence and references used in the report are disputed, unknown and not peer reviewed. Therefore, the proposed approach, criteria and references should be reviewed and revised. As an example, the criteria and approach should be based on the widely known, accepted and commonly used forest classification systems by FAO and Forest Europe.

### Lack of a balanced view on the current situation

The starting point for the proposal is a biased perspective on biodiversity being severely threatened by current Forest Management practices in Europe. In reality, an overall decline in biodiversity of European forests cannot be verified according to existing European assessments reports (i.e. EEA 2020, Forest Europe 2020, Maes et al. 2020, IPBES 2018). These reports show that in terms of average functional diversity European forests are doing well, e.g., forest birds mainly show a stable or improving trend, and deadwood and tree species diversity have been improving. Europe's forests are increasing in area and the timber stocks are growing. In order to ensure further development of Sustainable Forest Management, the technical screening criteria need to be based on a true picture of the current status regarding forests and forest biodiversity in Europe.

The proposal is promoting forest management methods with a high risk.

As for any other activity, there is room for continuous improvement of forest management practices. But there is no scientific support for such drastic changes as the proposed criteria would lead to. Instead, handling risks related to climate change, such as increasing forest damages caused by storms, insects, fire, and pathogens calls for precisely the former. The recommendations regarding "close-to-nature-forestry", which in practice would result in massive selective logging of old forests, would trigger more storm-damages, bark-beetle infections and reduce the ability of the European forest sector to manage the consequences of such a development. If massive selective logging in old forests also should be avoided, the result would be a sharp decline in wood supply blocking the transition to a circular economy. The

suggested management methods - selective or gap harvesting methods without replanting - do not take into account that natural regeneration is unreliable in most boreal forest types. There is a biological basis for the clear-cutting practice related to the ecological structure and function of boreal forest ecosystems, being characterised by slow growth, i.e., low productivity, and nitrogen deficiency. To promote forest growth, nitrogen needs to be mobilised, which happens via disturbance to the soil and the ecosystem. Clear-cutting is one such way of disturbing the ecosystem and thus, a way to promote tree growth in boreal forests.

*The Swedish forest Industries are essential contributors in the green transition to a more circular and biobased economy. The industries refine 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 industries 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.*