

Swedish Forest Industries' position on the proposal for a Nature Restoration Regulation

Summary

The Swedish Forest Industries (SFIF) supports and welcomes the overall objective of the EU Nature Restoration proposal to contribute to the recovery of biodiverse and resilient nature across the EU by restoring degraded ecosystems. For the Swedish forest industry, ensuring biodiverse, healthy and resilient forests is an essential goal. Our forests are key in addressing the global challenges of climate change and biodiversity loss and contribute in multiple ways to the UN Sustainable Development Goals and the EU Green Deal. With active sustainable forest management, the climate contribution from forests and forest-based industries can increase, while also protecting biodiversity and other vital environmental and social values. A key question going forward will be how to combine the objectives of this proposal with the need to transform our society in the face of climate change. For society to become less dependent on fossil fuels, we will need renewable and recyclable raw materials. This must be carefully assessed in the legislative process going forward, also considering the risk of increased dependency on imports from outside the EU.

Recommendations by SFIF:

1. **Enable nature restoration targets that are balanced towards other societal targets and based on national and local conditions and needs.**
 - a. **Ensure efficient use of a scarce land resource, including for production and biodiversity protection.** As society needs to replace fossil-based materials and energy with biobased ones, we need to carefully consider how we use forests to both maximize renewable raw material availability and safeguard biodiversity. The targets of Article 4 should allow for a balance between societal targets and ensure that in suitable areas forest management can be conducted after restoration.
 - b. **The 'no deterioration' requirement should consider natural variability and apply to protected areas to avoid legal ambiguity.** As ecosystems are in constant change and are impacted by events outside human control, the deterioration requirement should consider habitat's and species' natural variability, and to avoid legal ambiguity and risk it should apply to protected areas only.
2. **Strengthen the approach of overarching EU targets combined with Member State lead on nature restoration.** SFIF welcomes that the proposal sets overarching targets for enhancing nature restoration but leaves it up to the Member States to decide how to reach those targets. This approach should be strengthened.
 - a. **Member States should consider broad national impact assessments, balancing of various interests and cost-efficiency in the National Restoration Plans.** In line with this, the plans should not be subject to assessment, approval, and revision by the European Commission.
 - b. **Favourable Reference Areas should be fit for the purpose of this regulation.** Member States should be able to set nationally the most suitable reference area, as realistic and time-bound targets, based on their national and local conditions and needs.
 - c. **Refrain from setting EU-level forest indicators for all forest land as this goes beyond the focus on restoring degraded nature.** Forest criteria for all forest land in the Member States goes beyond the aim of restoring degraded nature and ensuring protection of species and habitats under the Nature Directives, and thereby does not seem proportionate. Defining common indicators at EU level that are relevant to the varying forest ecosystems in the Member States is difficult. Furthermore, the inclusion of forest indicators pre-empts the upcoming policy proposal for EU Forest Monitoring, planned for early 2023. SFIF therefore recommends excluding forest indicators from the legislation on nature restoration.

For the Swedish forest industry, ensuring biodiverse, healthy and resilient forests is an essential goal

3. Delegated acts should not be used to change essential elements of the Regulation. The proposal sets out delegated acts for revision of essential elements of the legislation, which could have fundamental effects on the whole legislation with far-reaching consequences. This also limits Member States' possibility to develop restoration measures best suited to their conditions. Therefore, SFIF suggests that the revision of annexes should be done through the normal legislative process. This would ensure a democratic, transparent, and inclusive approach and a more predictable legislative environment.

Background

In June 2022, the European Commission presented a proposal for a regulation on nature restoration, including legally binding EU nature restoration targets. The aim is to restore EU's ecosystems and help to increase biodiversity, mitigate and adapt to climate change, and prevent and reduce the impacts of natural disasters. The proposal includes targets for habitats under the Habitats Directive and obligations to achieve improving trends for a set of indicators for forest ecosystems.

Position by SFIF

The Swedish Forest Industries (SFIF) supports and welcomes the overall objective of the EU Nature Restoration proposal to contribute to the continuous, long-term, and sustained recovery of biodiverse and resilient nature across the EU by restoring degraded ecosystems. For the Swedish forest industry, ensuring biodiverse, healthy and resilient forests is an intrinsic goal and strategic interest. The industry's objective is to manage the forest so that all naturally occurring species can survive in the forest landscape.

Our forests are key in addressing the global challenges of climate change and biodiversity loss. Forests host the majority of terrestrial biodiversity, and they are one of the most important solutions to addressing the effects of climate change as they provide important carbon sinks absorbing and storing large quantities of CO₂ and supply renewable and recyclable raw materials to substitute fossil resources. With an active sustainable forest management, the climate contribution from forests and forest-based industries can increase considerably, while also protecting biodiversity and other vital environmental and social values.

This can be seen in the achievements of sustainable forest management in maintaining biodiversity today.

The State of Europe's Forests 2020 report¹ shows that over the years, sustainable forest management has led to improving or stable trends for many biodiversity indicators, such as deadwood volumes, tree species diversity and forest bird species, alongside an increase in the forest area and growing stock. Today in Sweden, 25% of the forests – an area corresponding to the size of Belgium and the Netherlands combined – are set aside from forestry and Sweden has some of the highest areal shares of strictly protected forests in the EU. At the same time, we acknowledge that a relevant share of specific vulnerable forest types listed in the Habitat Directive is not in good condition, and that action is needed to restore those areas which are "biodiversity hotspots".

1. Enable nature restoration targets that are balanced towards other societal targets and based on national and local conditions and needs

Forests and forest-based products contribute to the UN Sustainable Development Goals (SDGs) and European Green Deal objectives in multiple ways. To assure that this contribution can be maximized, it is essential that a good balance is found between environmental objectives, such as nature restoration, the need to manage forests to produce wood-based products, and social aspects, such as rural development and recreation.

SFIF welcomes that the proposal indicates that restoration needs should also consider climate and energy needs. This approach should be strengthened to allow Member States to balance restoration needs with important societal goals, for example renewable raw material availability, jobs and economy. We are concerned that the current level of detail in the proposal's target formulations limits these possibilities.

A key question going forward will be how to combine the objectives of this proposal with the need to transform our society in the face of climate change. For society to become less dependent on fossil fuels, we will need more renewable and recyclable raw materials. This must be carefully assessed in the legislative process going forward, also considering the risk of increased dependency on imports from outside the EU. SFIF regrets that this was not adequately considered in the Commission Impact Assessment, as one risk of the proposal is that it results in an increased EU environmental and climate footprint outside the Union.

The current geopolitical situation has put the EU's dependence on imports of different raw materials in the spotlight. At the same time, the European

¹ https://foresteurope.org/wp-content/uploads/2016/08/SoEF_2020.pdf

forest and forest-based sector is almost completely self-sufficient in this regard. While implementing high standards for sustainable management, the forest sector delivers around 80% of the total consumption of wood and wood products in the EU². This should not be taken for granted and should be acknowledged in ongoing policy developments.

- a. **Ensure efficient use of a scarce land resource, including for production and biodiversity protection.** SFIF fully supports the view that an area that has been managed for production should still be able to be managed after restoration. It will be important to find forms where restoration can be combined with active forest management in the same landscape. At the same time, priority should be given to restoration efforts to improve the health and biodiversity values of already existing protected areas to ensure these set-aside areas are delivering their maximum environmental value and that values are not lost. In line with this, it should be clarified that the targets of Article 4 allow for a balance between societal targets and that in suitable areas forest management can be conducted after restoration.
- b. **The 'no deterioration' requirement should consider natural variability and apply to protected areas to avoid legal ambiguity.** Art 4.6-4.7 specifies that Member States shall ensure that habitats that have been restored to good condition, do not deteriorate. As ecosystems are in constant change and are also impacted by events outside human control, it should be specified that the deterioration requirement considers habitat's and species' naturally occurring variability. Due to the vagueness of the concept, it risks creating legal uncertainty to sustainable forest management. To avoid legal ambiguity it should therefore apply to protected areas only.

2. Strengthen the approach of overarching EU targets combined with Member State lead on nature restoration

SFIF welcomes that the proposal sets overarching targets for enhancing nature restoration but leaves it up to the Member States to decide how to reach those targets, as they have the best knowledge about the national conditions. This approach should be strengthened. As ecosystems and biodiversity varies significantly across the EU, the same management and restoration practices cannot be applied across the Union. Detailed policy provisions could prove counterproductive as an approach that is beneficial in one area, could have a negative effect elsewhere.

- a. **Member States should consider broad national impact assessments, balancing of various interests and cost-efficiency in the National Restoration Plans** and when deciding which restoration measures to take. Assessments of the socio-economic impacts of the proposed measures should include the economic costs for the forest sector and the related industrial value chains, in terms of market value and employment. Assessing the impact on the provision of raw material supply is fundamental to evaluate possible trade-offs, for example considering that very stringent policies may have the unintended effect of shifting part of the production of forest products outside of the EU, with consequent impact on European jobs³. In line with Member State lead on restoration actions and developing their NRPs, the plans should not be subject to assessment, approval, and revision by the European Commission.

Furthermore, monitoring requirements should be cost-efficient, proportionate, and adapted to local conditions. The frequency requirements of monitoring should be decided by the Member States within the National Restoration Plans and thus moved into the contents section of the NPR. This will enable a cost-efficient monitoring that is adapted to the local conditions of the ecosystem at hand. For example, changes in boreal forests are slow and the proposed monitoring cycle of three years will in many cases not produce meaningful results

- b. **Favourable Reference Areas should be fit for the purpose of this regulation.** Art 4.2 requires Member States to increase the area of habitats listed in Annex I until the Favourable Reference Area (FRA) is reached. Member States should identify their FRAs for the habitats in their National Restoration Plans. The FRA-concept stems from the reporting under the Habitats Directive (Article 17-reporting), but most Member States have not identified and reported FRAs. While these gaps should now be filled, the FRA's developed under that Habitats Directive where not intended as targets. Therefore, SFIF believes it is crucial that Member States can re-evaluate their current reporting, including Favourable Reference Areas, to ensure they are fit for purpose in the context of the new restoration law, as realistic and time-bound targets, based on national and local conditions and needs. Member States should be able to set nationally the most suitable reference area based on their national conditions.

²<https://www.wur.nl/en/research-results/research-institutes/environmental-research/show-wenr/does-the-eu-depend-on-russia-for-its-wood.htm>

³Schier F, Iost S, Seintsch B, Weimar H, Dieter M. Assessment of Possible Production Leakage from Implementing the EU Biodiversity Strategy on Forest Product Markets. *Forests*. 2022; 13(8):1225. <https://doi.org/10.3390/f13081225>

c. **Refrain from setting EU-level forest indicators for all forest land as this goes beyond the focus on restoring degraded nature.** Any EU restoration policy development must be based on a deep understanding that we have a great variety of forests in Europe. A one-size-fits-all solution therefore does not exist; instead, adjustments for local and regional variations is a must and this is best done by Member States. Forest criteria for all forest land in the Member States (Article 10 and its related Annex VI) means that the proposal goes beyond the aim of restoring degraded nature and ensuring protection of species and habitats under the Nature Directives, and thereby does not seem proportionate. Defining common indicators at EU level that are relevant to the varying forest ecosystems in the Member States is difficult and impacts national forest policy. Furthermore, the European Commission is currently working on a proposal for Forest Monitoring which is planned for early 2023. The inclusion of forest criteria in the nature restoration legislation thereby pre-empts this policy process and proposal. SFIF therefore recommends excluding forest indicators from the legislation on nature restoration.

3. Delegated acts should not be used to change essential elements of the Regulation

The proposal sets out delegated acts for revision of many essential elements of the legislation. For example, essential elements such as Annex I of the list of habitat types and Annex VI of forest ecosystem indicators' description, unit, methodology and how to set the satisfactory level. These kinds of changes could have fundamental effects on the whole legislation and have far-reaching consequences. This also limits Member States' possibility to develop the nature restoration plan best suited to their conditions. Given the bearing importance of the annexes and the potentially large consequences of changing them, SFIF suggests that the revision of annexes should be done through the normal legislative process. This would ensure a democratic, transparent, and inclusive approach and a more predictable legislative environment.

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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