

Review of LULUCF Regulation

FEEDBACK FOR INCEPTION IMPACT ASSESSMENT

The path to climate neutrality and the role of forests, forestry and forest-based products

The Swedish Forest Industries Federation (SFIF) supports a strengthened 2030 climate target and climate neutrality by 2050. For the objectives to be reached, it is, however, of uttermost importance that a holistic and inclusive approach is applied when defining the contribution from forests, forestry and forest-based products. It's all about the three S's: *sequestration* of carbon in growing forests, *storage* of carbon in wood-based products and *substitution* when forest-based products replace fossil-based alternatives. To exemplify, the Swedish forest-based sector has a positive effect on the global climate equivalent to 93 million tons of carbon dioxide per year¹. For the European forest-based sector, the corresponding number is 806 million tons annually². In both cases, the sectors own fossil emissions are included in the calculations. Furthermore, and also in both cases, substitution by using forest products corresponds to roughly 50 per cent of the total mitigation effect – in other words, the substitution effect is considerable and must not be overlooked.

In EU policy discussions, some stakeholders argue that forests' primary role in climate policy are to be carbon sinks. For several reasons, such a narrow perspective is extremely risky. Firstly, it disregards the climate benefit from storage and substitution, thereby reducing the overall climate benefit. Secondly, it opens a loophole for large emitters of fossil greenhouse gases (GHG) to be excused and offset their emissions versus forests sinks instead of addressing the emissions. Thirdly, forest sinks are affected by natural disturbances, such as fires, droughts and pests, meaning that a sink that has been built over years can quickly be diminished. Consequently, EU climate policy must refrain from focusing on forests as carbon sinks and instead creating incentives for as high *flow of carbon* as possible from the atmosphere, into trees and further into products. Additionally, EU climate policy must stretch outside of the climate area and include the importance of the forest-based sector for jobs and green growth, not at least in rural areas.

It is only by actively managing forests that the overall climate mitigation effects are maximized. By active management, sinks, storage and substitution can be achieved simultaneously. Contrary to claims made by some EU climate policy stakeholders, the carbon sequestration of old trees declines. In other words, active management, i.e. planting, growing, harvesting and so forth, is more beneficial for the climate than increased preservation and protection. In this context, closer-to-nature forestry, a concept which presently is often highlighted in EU policy discussions, has clear limitations in boreal forests, due to the combination of harsh climate, specific soil conditions and a limited number of appropriate tree species.

Experiences of the present LULUCF Regulation

SFIF welcomed the LULUCF Regulation (hereinafter the Regulation) when it was adopted, as it incorporated forests and forest-based products into EU climate policy. Furthermore, SFIF supports that emissions from wood harvesting is accounted for in the Regulation, thereby allowing use of biomass in other parts of EU climate policies to be accounted as climate neutral. The Regulation reporting level is by Member State, which SFIF sees as the only accurate solution. At the same time, as a result of years of negotiations under the UNFCCC Convention, the

¹ <https://www.forestindustries.se/siteassets/dokument/rapporter/swedish-forestry-sectors-climate-contribution.pdf>

² https://www.cepi.org/wp-content/uploads/2020/07/Cepi_-study.pdf

Regulation is very complicated. This results in very few experts being able to fully grasp the Regulation, thereby reducing engagement from stakeholders. SFIF would also like to highlight that the degree of complexity hides in-built elements intended to stimulate increases in forest growth. In this context, most Member States do not seem to recognize the possibilities that substitution offers in their national climate policy frameworks.

Comments on the Roadmap

SFIF agrees that to reach an increased 2030 climate target and climate neutrality by 2050, more GHG emissions must be sequestered than today. As stated above, active forest management and increased flow of carbon - not increased set asides – are key in achieving this. SFIF also agrees that replacing fossil-based materials and energy with bio-based ones will be imperative. SFIF supports further inclusion of substitution effects in the LULUCF reporting beyond today's Harvested Wood Products categories.

Concerning methods to incentivize further sequestration, for instance certification for carbon removals, SFIF would need further information before being able to fully evaluate effects. It is presently hard to grasp how such a system would be designed and therefore also difficult to value its pros and cons. To exemplify, if a forest owner has sequestered carbon and is awarded certificates for this, harvesting of the biomass must still be possible, otherwise the forester's main economic driver is at risk.

SFIF questions several parts of the description of the problem the initiative aims to tackle. Firstly, it is stated that "... European forests ... are projected to sequester less and less carbon in the next decade due to ageing forests, increasing biomass harvests and events such as droughts, forest fires and pest outbreaks ...". It almost sounds as if this is a predetermined development that cannot be changed. The Swedish example, however, shows that it can be turned around. During the last 90 years, active management of Swedish forests have doubled the standing volume while increasing storage and biomass production for substitution. Secondly, it is stated that "... foresters do not take sufficient climate action" and also to this, SFIF strongly disagrees. By focusing on the three S:s, SFIF members make positive climate contributions on a daily basis. Furthermore, by adapting their forest management practices addressing climate change effects, SFIF members assure that the contribution to climate change mitigation can be upheld also in the future.

Concerning taking into account synergies between the LULUCF sector and other land-related sectors, such as agriculture, SFIF opposes this. As agriculture already today is a net emitter and is projected to continue to be so, a merger of sectors will by definition result in an increased emissions load. This would have to be balanced by higher forest removals, which could lead to demand for reduced harvesting rates in existing forests. So, while perhaps the issue of non-removable agricultural emissions would be conjured away by merging sectors, limitations could instead be incurred on forests with negative effects on mitigation potentials, green growth and jobs in Europe. Even some leakage effects can be foreseen due to increased imports from outside of the EU.

As regards the policy options under investigation, SFIF refrains from having a preference at this point in time, as analysis and clarifications are needed on how each option would influence the overall climate change mitigation contribution from forests, forestry and forest-based products. SFIF believes that all three options risk having negative impacts on harvesting levels and raw materials availability for the bioeconomy. SFIF would instead like to see an additional option developed, which focuses on how active forest management can be further stimulated within the existing policy framework, thereby positively affecting sinks, storage and substitution.

An important and much debated element of the existing Regulation is the use of historical intensity to define future harvesting rates, at which debits or credits may occur. The Roadmap does, however, not define that this

element is up for review. SFIF argues that it should be, since the present reference to historical intensity is limiting the overall climate contribution from the forest-based sector. Instead, SFIF suggests that the Regulation is amended to focus on maintaining or enhancing the forest standing stock over time.

Concerning using satellite imagery to strengthen the monitoring, reporting and verification requirements for the LULUCF sector, SFIF is very reluctant to support this. Satellite imagery methods are not yet enough developed to be used as the only method, instead data must be verified by land-based methods. A JRC study presented earlier this year clearly demonstrates the shortcoming of using satellite data as means of verifying harvesting levels. JRC reported a strong increase in harvesting in Sweden built on analysis of satellite images, when many different Swedish data sources showed that the harvesting level has been unchanged. Another study from Global Forest Watch interpreted newly reforested areas in Sweden as deforested. These examples show the importance of accurate verification. Member States national forest surveys and data on industrial use of wood must also in the future be used as basis for LULUCF reporting.

About the Swedish forest industries

SFIF represents the Swedish forest industries, which refine wood resources to bio-based products, such as pulp, paper, board, packaging material, sawn timber, refined wood products and advanced biofuels. The core business for SFIF members is industrial activities based on wood sourced from sustainably managed forests. Among SFIF members are some of the largest private forest holdings in Europe. Climate and forest related European Union policies are of high importance to all SFIF members.