

# Increase the ambition but do not change the rules of the game

## RENEWABLE ENERGY DIRECTIVE (RED2) POSITION PAPER

### Executive Summary

The Swedish Forest Industries Federation (SFIF) supports the Green Deal and the important goal of a climate neutral society by 2050, as well as increased ambitions in the Renewable Energy Directive. We also acknowledge the importance of sustainable bioenergy practices, including maintaining and enhancing biodiversity.

The forest-based industry's contribution to a growing circular bioeconomy depends on a stable regulatory framework that allows the industry to be competitive on a global market with access to reliable and affordable energy and transports as well as sustainable biomass.

The SFIF urges the Commission to consider the following key messages in the revision of the RED2:

- Raised ambitions on the use of renewables are welcome but the number of targets for specific energy sectors or technologies should not be further expanded.
- Acknowledge the importance and potential of the forest-based industry's contribution to a circular bioeconomy and bioenergy.
- Sustainable forestry equals sustainable and carbon neutral bioenergy.
- Avoid detailed regulations on the use forest biomass for bioenergy. Instead, continue to rely on the market to optimize the use and on the national competence in forestry.
- Allow Member States to implement the agreed forest-based bioenergy sustainability and GHG criteria (Article 29-31) without delays caused by further revision.
- Do not disrupt advanced biofuel projects by changing the list in Annex IX.

The Swedish Forest Industries Federation (SFIF) represents the Swedish forest industry, which 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 for SFIF members is industrial activities based on wood sourced from sustainably managed forests. Among SFIF members are also some of the largest private forest holdings in Europe and forest, climate and energy related European Union policy is of high importance.

## **The forest industry provides all forms of renewable energy and integrates the energy system**

The Swedish forest-based industry is powered by renewable energy while also supplying the surrounding society with bioenergy (about 30 TWh per year), renewable electricity (about 9 TWh per year), residual heat for district heating (about 3 TWh per year) and liquid and gaseous biofuels (about 1.5 TWh per year). The forest-based industry and value chains are energy hubs that integrate the energy system. Electricity is produced from wind- and hydropower as well as surplus bioenergy in the industrial processes. Biofuels such as biogas and advanced biofuels are produced from wastes and residues.

Forest-based bioenergy is a key component of a sustainable and renewable Swedish energy system because it provides large amounts of renewable heat and power when and where it is needed. Forest-based bioenergy is the largest renewable energy source in the Swedish energy system.

## **Forest-based bioenergy is part of the circular bioeconomy**

Forest-based bioenergy is an affordable, reliable, and diverse energy source and an integral part of a sustainable and resilient society. Forest-based bioenergy is and will be the main option for fast reduction of GHG emissions.

Forest-based bioenergy consists primarily of wastes and residues from forestry and forest industry, such as tops and branches, sawdust, and bark. These are bioenergy pathways with low risks regarding climate, biodiversity and ecosystems according to the JRC report *The use of woody biomass for energy production in the EU* (2021).

In Sweden and many other Member States, there is an abundance of such wastes and residues that is not yet utilized due to high costs of handling and transport. Instead of providing renewable power, heat, fuel or chemicals, the biomass is decomposed releasing carbon dioxide back into the green carbon cycle without substituting fossil fuels. That is not a resource efficient or fully circular approach.

## **The forest-based circular bioeconomy builds resilience**

Access to locally sourced renewable materials and energy strengthens the resilience and competitiveness of the EU. The Swedish forest-based industry sources in Europe. We produce in Europe. We sell mainly to European consumers and we recycle in Europe. When comparing to other industrial value chains much more dependent on imports, our contribution to a resilient European economy is already very high.

## **The market economy decides how to best use forest biomass to create value for society**

The market for forest biomass and the value chains in the forest-based industry warrants that biomass is used as efficiently as possible to create value for climate, economy, and society. Bureaucratic interventions, such as attempts to define what different assortments of forest biomass can be used for bioenergy, will slow down the development of a circular bioeconomy and reduce the international competitiveness of European industry.

The Swedish forest-based industry take pride in using wood resources as efficiently as possible to satisfy customer demands and to generate highest possible economic added value. The best parts of a tree are used to produce sawn timber for construction and furniture. Smaller parts and diameters are used for pulp and paper production, while tops and branches generate bioenergy. No part of the tree is wasted. In addition, we have well developed markets for our side streams from the forest and the industrial processes. The side streams are either

recycled by us or become raw materials for other market actors. This way of utilizing wood efficiently has developed over more than a century and is completely market driven. Neither economic growth, nor innovations would benefit from introducing detailed regulations on how to use wood resources.

The JRC report on bioenergy (2021) preliminary concludes that the large majority of bioenergy in Europe consists of residues and waste. This indicates that the biomass is used as efficiently as possible. Moreover, the report mentions that it is too difficult to categorize specific wood assortments and their specific use and that previous attempts have been abandoned.

### **Sustainable forestry means sustainable bioenergy**

SFIF members take pride in managing their forest holdings sustainably. Historically, the focus was on reforestation and intensive silviculture, resulting in a successful doubling of the Swedish forest stock from the early 1900's until today. In the same period, an equivalent of four times the original stock in 1923 has been harvested. Since the early 1990s, a broader perspective on sustainability, also including biodiversity and social aspects, has been prevailing. Maintaining and enhancing biodiversity is today an integral part of SFIF members' forest management. By engagement in forest certification, Sweden has become one of the largest suppliers of wood from sustainably managed forests.

According to the JRC report on bioenergy (2021), the current LULUCF-legislation and RED2 sustainability criteria can handle risks related to climate, biodiversity and ecosystems, given a swift and efficient implementation in the member states. In addition, voluntary certification schemes also address several such risks effectively.

### **Raise overall ambition for renewables but maintain a predictable framework**

With the new 2030 climate objective and to make legislation "fit for 55", it is necessary to increase the targets for renewable energy. At the same time, long-term policy stability must be assured. It is up to each MS to best decide where to use the renewable energy, and therefore not relevant to add more targets for specific energy sectors or technologies.

The Swedish forest-based industry is characterized by long investment cycles, which also applies to investments in new types of biorefinery concepts and biobased products. In this perspective, the time frame until 2030 is very short, and valuable time will be lost if considerable and specific legislative alterations are made.

### **RED2 sustainability criteria should be implemented without further delay**

The RED2 describes relevant and comprehensive sustainability and GHG criteria for forest-based bioenergy that is yet to be implemented in Member States (MS). Allow the MS to continue the implementation of the agreed criteria. With that accomplished, the use of sustainable bioenergy can keep growing and contribute to the climate goals without delay. Sustainable bioenergy that fulfils the current criteria is not a threat to biodiversity. There is no need for further limitations in what feedstocks can be used for bioenergy in the fulfilment of RED2, and no need to change the GHG reduction requirements or energy efficiency requirements for bioenergy installations.

The SFIF urges the Commission not to change the sustainability and GHG criteria for forest-based bioenergy (Article 29-31), and to acknowledge that the basis for the criteria continues to be the risk-based approach and that forestry is a national competence. These principles must be respected.

### **The growth of advanced biofuels relies on a stable regulatory framework**

Regarding liquid and gaseous biofuels, many new or planned production facilities are based on materials under Annex IX. Any changes of the annex would negatively disrupt the much-needed development of advanced biofuels and threaten EU and MS ambitions of GHG-reductions in the transport sector. A stable framework is crucial for biofuel producers that have been discouraged by last-minute, short-term policies since renewable energy was first introduced in the transport sector. Instead, long-term policies securing stable conditions for investors and encouraging sustainable biofuels are needed.

The SFIF urges the Commission to not open Annex IX for revision.

### **All renewables are equally important for keeping fossil fuels in the ground**

In summary, it is important that the EU and the RED continues to acknowledge the importance of sustainable forest-based bioenergy in all forms, side by side with other renewable energy technologies. This together with a predictable regulatory framework is the way towards a carbon neutral society.