

# EU Climate Law

## CONSULTATION REPLY

### Executive Summary

The Swedish Forest Industries Federation represents the Swedish forest industry. Our members refine wood resources to bio-based products. These includes among others pulp, paper, board, packaging material, sawn timber, refined wood products and advanced biofuels.

The Swedish forest industry fully support the objective of achieving a climate neutral EU by 2050. We contribute to this in three ways: by *sequestration* of carbon dioxide in growing trees; by *storage* of carbon in harvested wood products and by *substitution*, when bio-based products and bioenergy replace other products that are produced from fossil raw materials or in greenhouse gas intensive production processes.

Concerning the Climate Law, we conclude that it should:

- Focus on achieving continued economic growth while reducing emissions, i.e. decoupling.
- Enshrine the climate neutrality objective in legislation.
- In relation to the forest-based value chain, apply a balanced approach between sequestration, storage and substitution.
- Acknowledge the importance of active forest management and an increased flow of carbon from the atmosphere into products.
- Dissuade from including any fixed targets on EU or Member State forest carbon sinks.
- Set the right framework but refrain from interfering with or create contradictions with existing EU climate policies.
- Contain a clear definition of what climate neutrality means and how it should be calculated.
- Highlight that no carbon leakage should be allowed.
- Acknowledge the importance of material substitution and a shift to low-carbon technologies.
- Assure EU industry's global competitiveness.
- Reward forerunners for leading the way and for managing the risk this entail.
- Create predictability for businesses and industry.

## 1. Basic facts about the Swedish forest industry

The Swedish Forest Industries Federation represents the Swedish forest industry. Our members refine wood resources to bio-based products. These includes among others pulp, paper, board, packaging material, sawn timber, refined wood products and advanced biofuels.

The forest industry is one of Sweden's most important business sectors and accounts for 9–12 percent of employment, exports, turnover and added value in the Swedish industry. The Swedish forest industry is highly trade-intensive and the internal EU market is the biggest receiver of goods, but our members also compete on global markets. Almost 90 percent of our members' pulp and paper production is sold outside of Sweden. The corresponding figure for sawn timber is close to 70 percent. This means that the Swedish forest industry is the second largest exporter in the world of the above-mentioned products. Furthermore, as most of the raw materials are domestic and the import to Sweden of forest industry products is relatively small, our members make a significant contribution to Sweden's trade balance. The Swedish forest industry also has a major importance for jobs and growth, primarily in rural areas of the country. In several Swedish regions, the forest industry accounts for 20 percent or more of industrial employment.

The paper recycling rate is high within the European Union and the recycled fibers are to a large extent used to produce new recycled-fiber based products throughout Europe. The Swedish forest industry is part of this recycling system and is therefore an important operator in a circular bio-based EU economy.

70 percent of Sweden is forest land, which is equivalent to 27.8 million hectares. Approximately 50 percent of forests are privately owned, one quarter is owned by forest industry companies and the remaining quarter by the Swedish state and other corporations, such as the church. The largest owners among forest industry companies have holdings between 1-2.6 million hectares each. As a comparison, the land area of Belgium amounts to 3.06 million hectares.

## 2. Our industry is vital in achieving a climate neutral EU

During the last decades, Swedish forest industry has decoupled its production from its emissions, i.e. despite increased production rates, emissions have substantially been reduced. This has resulted in the internal processes today being approx. 96 percent free from fossil fuels. From side streams, our industry produces large amounts of bio-heat to cover its own needs and to sell to external use in the district heating sector. The forest industry is the largest Swedish producer of renewable electricity outside of the utility sector and a growing producer of advanced biofuels. Due to the low use of fossil fuels, our products have very low carbon footprint when leaving our production facilities. In other words, when producing and exporting its products, the Swedish forest industry clearly contributes to a low-carbon economy and generate direct climate benefits, not only in the internal market, but world-wide.

The bio-based products our industry already offers to consumers will continue to be the basis for operations for years to come, but much R&I work is ongoing to be able to launch new, complementary products. Such development is generally twofold: existing products are further developed to address changing consumer needs and side streams are further upgraded to achieve products with higher value added and increased resource efficiency. Both types of developments generally take place in the same biorefineries.

The Swedish forest industry has set itself an ambitious vision: ***to drive growth in the global bio-economy.*** Such an economy assumes a high level of circularity of materials and carbon. The vision goes beyond our own sector by including a transformation of society to a circular bio-based economy.

Ever since the EU Commission presented its Communication on a 2050 Long-term Strategy<sup>1</sup>, the Swedish forest industry has actively supported the target of achieving a climate neutral EU by 2050. We contribute to this target in three ways: by *sequestration* of carbon dioxide in growing trees; by *storage* of carbon in harvested wood products and by *substitution*, when bio-based products and bioenergy replace other products that are produced from fossil raw materials or in greenhouse gas intensive production processes.

### 3. Policy input on the Climate Law

The Swedish forest industry believes it be to essential that the European Union (EU) continues to stay at the forefront of the fight against climate change. To achieve this and be a true role model for other regions in the world, we emphasize that EU climate policy must **combine economic growth with reduced emissions**. i.e. decoupling must be achieved. Finding this balance and truly decouple is without any doubt a delicate and challenging task, but it is also feasible, as shown by Sweden since 1990<sup>2</sup>.

As stated above, we fully support the EU objective of **climate neutrality by 2050**. To reach this objective, a major transformation of society is needed, and this will affect how we live, what we eat, what we wear, how we stay healthy and how we travel.

To assure that all Member States and all industrial sectors contribute, i.e. that there are no free riders, we support that **the climate neutrality objective is enshrined in EU legislation**. Forests, forestry and the use of forest-based products will be important contributors in reaching climate neutrality. For this contribution to be maximized, we stress that the Climate Law must **apply a balanced approach between sequestration, storage and substitution**. In this context, we further highlight the importance of **acknowledging the importance of active forest management and an increased flow of carbon from the atmosphere into products**.

We strongly **dissuade from including any fixed targets on size of EU or Member State forest carbon sinks**, considering the risks associated with this. As climate change puts pressure on forests, calamities are predicted to increase, and existing forest sinks could in a few years diminish, thus undermining any sink targets.

At the same time, it is vital that the Climate Law focuses on **setting the right framework but refrains from interfering with or creating contradictions with existing EU climate policies**, such as LULUCF, Effort Sharing, EU ETS, RED or EED.

The expression climate neutrality is appealing as it describes a desired state in a descriptive way, which is easy for many to catch and support. The expression does however not include a definition of how this neutrality is to be calculated. Earlier, net-zero emissions were widely used, but this expression does not define the calculation either. We argue that the Climate Law needs to contain **a clear definition of what climate neutrality means and how it is to be calculated**. We suggest that climate neutrality is defined as balance between emissions and removals, preferably on a Member State level. Furthermore, if balance is not achieved on Member State level, complementary measures in third countries, driven by European know-how and technology, should be included as possible measures. This is relevant, since from a planetary perspective, it makes no difference where emissions and removals take place. Without a clear definition of

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<sup>1</sup> 28/11/2018 - COM (2018) 773 - A Clean Planet for all - A European strategic long-term vision for a prosperous, modern, competitive and climate neutral economy

<sup>2</sup> <http://www.swemfa.se/2015/05/23/sweden-decoupling-gdp-growth-from-co2-emissions-is-possible/>

climate neutrality, the Law risks becoming ineffective and it would also open up for different and diverging interpretations.

EU climate policy must **ensure that no carbon leakage takes place**. It is unacceptable to lower the EU's emissions by simply moving industrial production to other parts of the world. Not only would this be ineffective global climate policy, but it would also serve as a deterring example for other regions and the EU would miss out on its ambition to be a role model.

EU climate policy has historically had a strong focus on energy substitution, which is natural considering that energy is responsible for more than 75% of the EU's greenhouse gas emissions<sup>1</sup>. Reaching climate neutrality will however, require that also the material sector is decarbonized. We therefore conclude that the Climate Law should **acknowledge the importance of material substitution and a shift to low-carbon technologies**.

**Global industrial competitiveness and cost-effectiveness** must be at the center of EU policy, regardless of policy area. It must therefore be assured that the Climate Law strives towards ensuring the largest possible emission reduction at the lowest possible cost. Furthermore, the Law must be designed in such a way that **forerunners are rewarded for leading the way and for managing the risk this entails**, independently of whether this is a Member State or a business.

Concerning possible later revisions of the Law, **a balance must be struck between the need for this and predictability** for businesses and companies. In our industry, perspectives are generally long-term. For decisions concerning forests and forestry, often 80 to 100 years. For large scale industrial investments, often 20 to 40 years, meaning that 2050 is only one investment period ahead of us. In other words, if the Law were to be revised frequently between now and 2050, this could increase the unpredictability for our industry and thereby also for our ability to contribute to reach the 2050 objective.