

# Swedish Forest Industries' position on REDIII in the "Fit for 55"-proposal

## Summary

The Swedish Forest Industries support the Green Deal and the important goal of a climate neutral society by 2050. We in particular support the more ambitious goal in RED III of 40% renewables in 2030 replacing the old goal of 32%. This is good for the climate, security of energy supply as well as energy prices, which are currently soaring inter alia due to a high dependency on imported fossil energy. Renewables are produced within the EU, while 95% of the fossil energy used is imported.

- 1. Forest biomass** can play an important role in addressing climate change. In Sweden for example, biomass has replaced fossil fuels in several sectors. Around 40 % of Swedish district heating comes from biofuels and 1/3 of total energy consumption comes from bioenergy. For the green transition to happen rapidly, we need, however, stable rules that allow for long term investments into renewable energy sources. The new sustainability criteria in RED II entered into force in Sweden only on 1 July 2021 and have not yet been fully implemented by the market. To immediately decide new rules before evaluating the ones that just entered into force will be counter-productive for investments and it goes against good law-making practices.
- 2. The Swedish Forest Industries** therefore asks the European Parliament and the Council to consider allowing for a proper period of implementation and evaluation of REDII, before new rules are being discussed again.
- 3. This would mean** postponing the elaboration of new rules concerning "no-go areas", harvest criteria, and extended legislation on cascading use and related delegated acts, but also the 5 MW limit, retroactive GHG criteria, no support for electricity-only production and exclusion of bioenergy from the concept of Renewable Fuels of Non-biological Origin (RFNBO).
- 1. Any new bioenergy rules** must not govern raw material use and forestry in detail, and they are not tools for implementing a common EU forest policy.

**Support a higher renewable share in the EU energy mix, but allow for rules on forest biomass to be properly evaluated before new ones are discussed**

## Background

What is the proposal for a revised Renewable Energy Directive (RED III) about?

The amended Renewable Energy Directive (REDIII) is part of the "Fit for 55" package from July 2021 and a follow up of the European Climate Law (climate neutrality by 2050) and the target of at least 55% net emission reduction by 2030 compared to 1990. It aims to increase the current EU-level target of 'at least 32%' of renewable energy sources in the overall energy mix to at least 40% by 2030. New rules are proposed to strengthen the sustainability criteria for forest biomass – to ensure products such as biomass can continue to make an important contribution in a way that is consistent with the EU's biodiversity objectives. The proposed changes on the sustainability criteria will lead to a detailed governing of forestry and biodiversity. More detailed rules on cascading use of biomass are also proposed, which can hamper the effectiveness and innovation in current and future raw bioeconomy value chains.

## Detailed comments

### Scientific evaluation is needed before new changes in the sustainability criteria are made

- Forest bioenergy is a well-known and commonly used renewable fuel with extensive rules in place on EU and national level. Abrupt legislative changes are unwanted for any climate solution in this critical phase of decarbonization, especially the largest and most diverse solution. There is a risk that REDIII, by inserting unpredictability about the new rules that just entered into force, will hinder instead of promoting renewable energy.
- The full impact of the proposals is difficult to evaluate at this stage (with the REDII not yet fully implemented), but they will clearly make bioenergy use more difficult and costly.
- In addition, a system of REDIII-rules on forestry, parallel to national legislation, would bring negative impacts to all parts of the forest-based value chain, for example higher costs for administration, forestry, harvesting and raw material handling.
- The 2018 politically agreed sustainability criteria are being implemented in Member States during 2021 with a plan to evaluate and possibly revise in 2026. According to the JRC<sup>1</sup>, EU bioenergy mainly comes from waste and residues, and the already agreed sustainability criteria can together with voluntary certification address many of the risks associated with new theoretical pathways for increased bioenergy use.
- If specific sustainability problems are identified in the 2026 evaluation, these should be addressed in a proportional way without changing the RBA (Risk Based Approach).

### Swift and retroactive changes in rules for biomass users hinders decarbonization and penalize forerunners

- The criteria under implementation regulate efficiency and GHG-savings for new facilities for production of heat and power, with a gradual tightening of the limits.
- Retroactive extension of GHG-criteria and application to small scale production is not a proportional or effective measure. Retroactive rules damage the trust in climate policy, and the possible benefit on regulating small-scale local biomass use brings little benefit but a significant negative social and economic impact. In the forest industry, that involves smaller saw mills that are essential for effective value chains. It could be acceptable to include installations down to 10 or 15 MW in combination with simplified control systems and reporting for the installations below 20 MW.

### Detailed targets for specific sectors or energy sources, such as RFNBOs, are not cost-effective or implementable

- Energy users cannot govern the energy supply in detail, and renewable energy sources should not be separated into different groups. All renewables are equally important for keeping fossil fuels in the ground.
- The proposed “no-go areas”, harvesting criteria and rules on cascading use are not properly motivated, and not understandable or implementable since they rely on undefined terms for forests, forestry and raw material.
- Development of effective and innovative value chains are important, but cannot be forced by binding legislation on cascading use. Only a market-based approach is relevant, for example, by stimulating increased market pull for all renewable products.

<sup>1</sup>The use of woody biomass for energy production in the EU

**The importance and potential of the forest-based industry's contribution to a circular bio-economy, in a broader sense than bioenergy, is not acknowledged.**

- The Swedish forest industry is an essential contributor 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.
- Biomass has replaced fossil fuels in several sectors. Around 40 % of Swedish district heating comes for example from biofuels and 1/3 of total energy consumption comes from bioenergy. 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.

- Predictable rules for the use of forest biomass, no matter the final use or product, are essential for the forest industry. But the relevant rules must be flexible enough to allow for the national context to be taken into account – with an understanding of local forest conditions and national interests, for example, in Sweden's case high ambitions in climate mitigation, biodiversity and forest-based bioeconomy.
- It can be noted that Sweden's overall target for climate neutrality 2045, is more ambitious than the overall EU target. It should also be noted that environmental objectives have been put on the same level as production targets in Sweden since the entering into force of the 1993 Forestry Act.

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