Possible economic impacts of recent EU forest-related policies

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Who are we representing?



European forest owners



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~16 millions forest owners

60% EU forest area EU forestrelated policies



EU forest-related policies

M		1979		200	08 2014	2018 2019 202	20 2021 2022
DG GROW							
П		Birds Directive	Communication to protect and restore	Transitional Regulation 2020 - 2022	Renewable Energy Directive (RED)	EU Industrial Strategy	•
5 FISMA		Habitats Directive	the world's forests		Directive (RED)	Public procurement	
		Packaging Directive II	eforestation-free product Regulation	New CAP 2023 - 2027 and State aids post 2020	ILUC Regulation	Blue print EU FBI	FOREST EUROPE
DG	ONAL		FLEGT Action Plan	New EU Forest Strategy for 2030	2030 Climate and Energy framework	Guidance on cascading use of biomass	Bern convention (wildlife and natural
DG ENER DG ENV ITE INTERNATI	RNATI	Water Framework Directive	Nature Restoration Law	Sustainable Carbon Cycle Initiative	RED II and RED III		habitats)
	INTE	EU Timber Regulation	3th Environment Action Programme	EU Strategy on Adaptation to Climate change	Forest Productive Material Directive and Regulations	European Green	Aarhus convention (access to information and justice on
	_	IAS Regulation	Circular Economy Action Plan II	LULUCF Regulation and its review	Plant Protection Product	Deal	environment matters)
	SANTE	Pollinators Initiative	Plastic Strategy and Single Use Plastic	Effort Sharing Regulation and	Regulation	Other Green Deal	UN SDGs
1A	DG SAN	Green Infrastructure	Directive	review	Plant Health Regulation	- Just transition	Paris Agreement
DG CLI	Ē.	Strategy Biodiversity Strategy	Forest Monitoring and Strategic Plans	2050 long-term vision	II	mechanism - Renovation wave	Bonn Challenge
	RTD	for 2030	Sustainable Finance and its renewal		Horizon Europe	initiative	
	DG	Soil Strategy	Taxonomy Regulation	Climate Law	EU Framework Program 2007-2013	 Carbon removals certifications Long term vision for Rural Areas 	7 Ver
			Delegated Act - Climate	Fit for 55 package			
DO		Soil Health Law	Delegated Act - Biodiversity				



Most relevant EU forest-related policies under development

	Binding legislation	Non-binding legislation
Adopted. DA in progress	- EU Taxonomy Regulation	- EU Forest Strategy - EU Biodiversity Strategy
Trilogue	Regulation	- EU Bioeconomy Strategy - Carbon removals certifications Announced

Published by EC - Nature Restoration Law





EU forestrelated policies

Possible economic impacts





EU Forest Strategy for 2030

- Adopted July 2021
- All aspects of SFM included, but listed actions show imbalance of goals
- Some key actions :
 - EU voluntary closer-to-nature forest management certification scheme
 - new EU SFM indicators, thresholds, and ranges
 - strict protection of all primary and old-growth forests



Non-binding



→ Area available for wood supply; Costs of management; Products available



Deforestation and Forest Degradation Regulation

- EC proposal on November 2021 → in trilogue
- Enhanced Due Diligence System compared to EUTR
 - EC estimated one-off costs for Due Diligence System of 5,000 to 90,000 € per operator (+ yearly costs)
- Key definitions still being discussed
 - e.g. forest degradation



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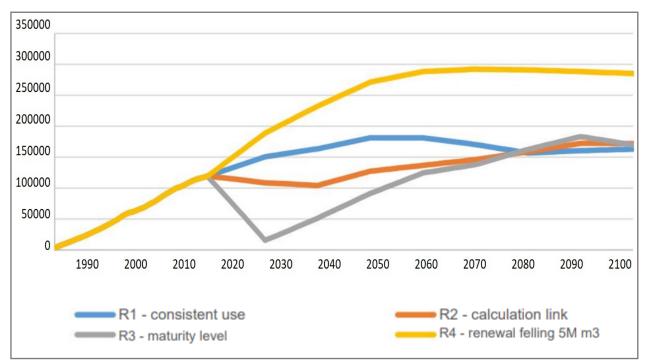
LULUCF Regulation

- Proposal in July 2021 → trilogue
- Part of the FitFor55 package (incl. 2050 climate neutrality target)
- EU-wide carbon removal target of -310 Mt CO₂ by 2030
 - Increased carbon removals by more than by 15 %
 - Short timeframe: risk of decreasing forest harvesting levels
 - Possibility of an AFOLU target

ightarrow Harvesting level / Area available for wood supply

Binding

LULUCF potential impacts on wood provision – Estonian Study



Change in carbon stocks (kt CO₂) compared to 1990 in woody biomass and wood products under different forest use. Scenarios for the period 1990 - 2100



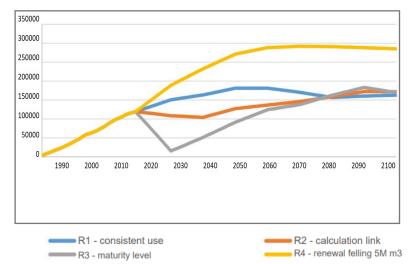
Source : Estonian Environment Agency, Estonian University of Life Sciences, Analysis of the interconnectivity of land use, land-use change and forestry sector up to 2050, 2021

LULUCF potential impacts on wood provision – Estonian Study

- Uniform use (same annual renewal felling throughout whole cycle)
- **Calculated harvest** (volume of renewal felling higher in the coming decades followed by steady decline)
- Maturity harvest (all stands that have reached maturity are cut within 10 years)
- **5 M m³ of regeneration harvesting** (throughout the whole period)

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Change in carbon stocks (kt CO₂) compared to 1990 in woody biomass and wood products under different forest use scenarios in the period 1990 -2100



Estonian Environment Agency, Estonian University of Life Sciences, Analysis of the interconnectivity of land use, land-use change and forestry sector up to 2050, 2021



Taxonomy Regulation

- Classification system, establishing a list of environmentally sustainable economic activities
- New (reporting) requirements
 - Climate DA climate benefit analysis and forest management plan
 - Biodiversity DA Forestry criteria still not agreed upon







Biodiversity Strategy for 2030

- Adopted in June 2020
- Protect 30% of EU land and sea and strictly protect 10% of these areas
 - Covering areas of very high biodiversity value and important for mitigation and adaptation to climate change, including all primary and old growth forest
- No deterioration target
- Guidelines on closer-to-nature forestry practices



Non-binding



EU Biodiversity Strategy – Study by Thünen Institute

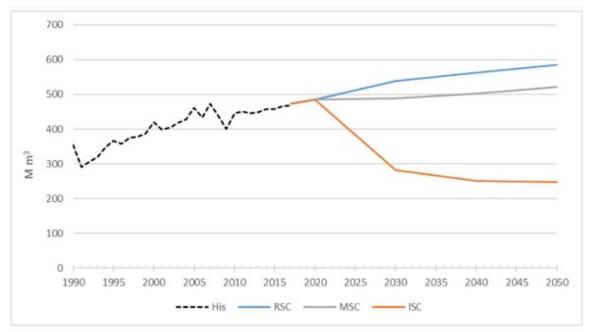
EU roundwood production (industrial roundwood + fuelwood) development up to 2050

Reference scenario 539 m³ of roundwood production in 2030

Intensive scenario: 281 M m³ of roundwood production in 2030 (- 48 %)

Moderate scenario 490 M m³ of roundwood production in 2030 (- 9 %)

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Thünen Institute, Assessment of Possible Production Leakage from Implementing the EU Biodiversity Strategy on Forest Product Markets, Franziska Schier et al., 2022,



Nature Restoration Regulation

- Published in June 2022 → EP and EU Council
- Restoration measures within Annex I of the Habitats Directives and beyond
- For all forest ecosystems, increasing trends to be achieved on set of indicators:
 - Standing and lying deadwood, uneven age structure, forest connectivity, common forest birds index, soil organic carbon.



Binding



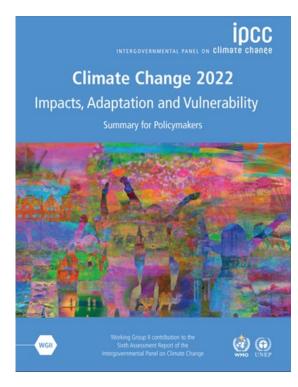
Beyond EU policies



Other factors with an impact on wood provision

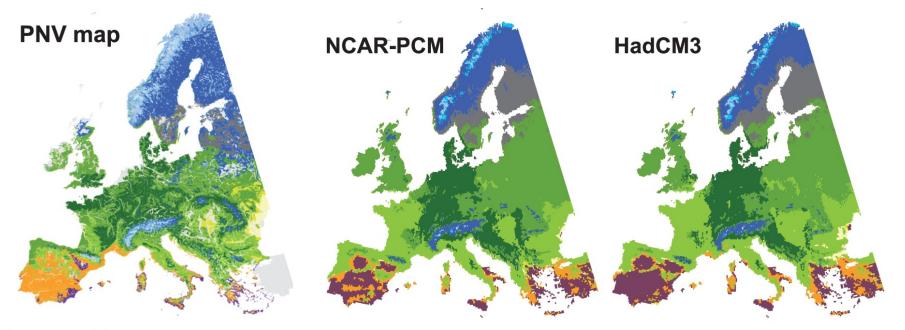
"(...) In temperate and boreal regions, some forest productivity gains are projected, but tree mortality will increase in some areas (..). Some models project a possible increase in global wood supply and lowering of average wood prices, but they do not account for the negative impacts of extreme events and thus possibly overestimate the wood supply (...).

6th **IPCC Report**, Food, Fibre, and Other Ecosystem Products. Climate Change 2022: Impacts, Adaptation and Vulnerability, 2022, Page 718





Projections of futures distributions of European vegetation zones



Arcticitajbine desert
Arcticitajbine tendre
Thempolylicus tendre
Arcticitajbine tendre
A

Hickler et al. (2012) Projecting the future distribution of European potential natural vegetation zones with a generalized, tree species-based dynamic vegetation model, Global Ecology and Biogeography, **21**, 50–63

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Conclusions

Conclusions (1)

- Productive aspects and realities of forest management are often overlooked in EU-forest related polices
- Many of these policies are still being discussed, and several key provisions are not yet settled
- Implementation at the level of the Member States will be crucial
- All of this is, in a context of changing climate and geopolitical instability





Conclusions (2)

Possible economic impacts of EU forest-related policies on

- Areas available for wood supply
- Costs of management and harvesting
- Products available (species and assortment types)

Concrete numbers and assessments of long-term consequences are lacking







Thank you for you attention.

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