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Finnish Forest Industries Federation
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Finnish Forest Industries' response to the consultation on the revised Climate, Energy and Environmental Aid Guidelines

Finnish Forest Industry Federation Industry (FFIF) hope that the Guidelines will provide regulatory stability which promotes the industry's investments in climate friendly products and production as well as in sustainable forestry. FFIF supports the modernisation of the state aid rules and emphasises the need to increase clarity, predictability and legal certainty in the application of the rules. The amendments of the rules should support the general downward trend of state aid in the EU, but also strengthen the competitiveness of energy intensive industry operating in global markets.

Background

Wood-based products and sustainable forest management play an important role in the European Green Deal, especially in achieving 2030 climate targets and climate neutrality by 2050. Finland aims to be climate neutral already by 2035. Our industry is up to the challenge and provides sustainable and climate-friendly solutions to achieve these goals.

Our climate roadmap "[Green and vibrant economy](#)" (2020) shows that wood-based products manufactured in Finland reduce carbon dioxide emissions globally by about 16 million tonne per annum, five times the amount the Finnish forest industry mills emit. This is achieved by replacing fossil products with renewable ones.

New products are constantly being developed. The strategic investments into research, development and innovation of the past two decades have allowed us to become one of the industry leaders in the international technology race for renewable-based material and product solutions. In terms of the number of patents, Finnish forest industry companies are at the forefront of several technology areas.

We have a leading position in areas such as nanocellulose and lignin-related materials and production technologies. Providing renewable material and product technologies to European industries such as construction, fibre products, textiles, composites, bioplastics, chemicals, cosmetics, electronics, automotive, aviation and renewable energy help these sectors reach their respective sustainability targets, in turn.

Energy intensive industry competitiveness in global markets

Granting a reduction of energy charges for Energy Intensive Users (EIUs), such as the pulp and paper industry, was instrumental in safeguarding growth and jobs in Europe, both within our sector and across our value chain. Once again, the European

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Commission should scrutinize the impact of proposed measures on the overall EU industrial competitiveness. In a global market competition, EU industry is faced with costs that other economies don't have (e.g. ETS raises electricity costs and thus hampers electrification). The EU should primarily avoid raising costs, such as energy charges (the Commission should not consider a minimum level of costs per MWh), for energy intensive industry. It would cause Europe to lose competitiveness in the global market. Preventing intra-EU distortion of competition is also important.

FFIF supports aid measures increasing the security of the electricity supply. The system electrification for dealing with long and short-term security of supply is important. However, it needs to be ensured that the industrial on-site electricity generation from renewable biomass which voluntarily provides flexibility to the grid can be eligible for aid. It is crucial that CHP (combined heat and power production) does not face obstacles as it is energy and resource efficient generation.

FFIF appreciate that the draft Guidelines aim at supporting emerging carbon-saving technologies and fulfil the actions listed in the new Industrial Strategy. The industry needs access to affordable and reliable energy supply. It is crucial to support the industry in anticipating the fuel switch to carbon-neutral gases and/or electricity until these become cost-competitive.

It is worrying that the Commission proposed the thresholds for determining electro-intensity and trade-intensity at the sector level to be changed. The provisions in the current Energy and Environment Aid Guidelines (EEAG) were designed to meet the 2020 targets and were extended to 2022, as seen compatible with 2030 targets. This is why changing the eligibility criteria from at least 4% to 20% trade intensity at Union level and an electro-intensity from at least 20% to 10% at Union level does not seem to build on existing provisions.

Raw materials markets

The primary raw material for our industry comes from forests. FFIF emphasizes that while competence for forest policy continues to lie with the Member States, predictive coordination and systematic decision-making along the sectors' value chain should be ensured on EU level.

Sustainable and active forest management is an effective way to increase forests' resilience, by preventing forest damage (e.g. forest fires and pests) as well as promoting the vitality of forests and their adaptation to changing conditions. Active management brings climate benefits by enhancing both the forest sink and amount and the quality of wood, which makes it fit for construction and other products substituting those with high CO₂ emissions. Along the way, seedlings, nursing young forests and thinnings are needed. The current support schemes for very early thinnings may provide raw materials for both energy and processing and as such do not distort the wood markets. This support is very effective tool to improve the growth of forest and subsequent production of high-quality wood for forest industries' needs.

In cases when forest is threatened by a large disturbance, pre-emptive counter measures fit for the scale must be allowed.

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Afforestation is part of a long-term climate solution: it offers wooden raw material for the production of environmentally friendly products and increases carbon sinks. The area covered by forests in Europe is growing, covering over 40 % of EU territory. Between 1990-2010 the forest area grew 11 million hectares due to natural afforestation and active afforestation activities. In highly forested Finland, forest land-area has been slightly decreasing due to infrastructure construction and agriculture. EU subsidies causing deforestation in infrastructure construction or agriculture should be avoided in a proportionate and targeted way.