



European Commission
Competition Policy

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Reference : FPB.bri. XXXXXX-1654398770-228

Subject : **FEFPEB Statement on the Draft of the EU
Commission on the Revision of the Guidelines on
Climate, Environmental and Energy Aid
(KUEBL/CEEAG) 2022**

Date : 2-8-2021

Dear Sir, madam,

Taking into account the premises of the Green Deal for the further development of the EU into a fair and prosperous society with a modern, resource-efficient and competitive economy and the associated climate targets, in particular climate neutrality in 2050, the **Fédération Européenne des Fabricants de Palettes et Emballages en Bois (FEFPEB) - the European Federation of Wooden Pallet and Packaging Manufacturers** is particularly critical of the list of sectors eligible for aid under section 4.11 in Annex 1, from which the wood packaging industry, hitherto listed under NACE code 16.24, has been deleted. This is neither comprehensible, proportionate nor suitable for achieving the objective.

One of the key premises of the transformation process under the Green Deal is that no one - neither people nor region - should be left behind.

The predominantly owner-managed small and medium-sized enterprises (SMEs) from all sectors of the wood packaging industry have been in family hands for six or even seven generations and are closely rooted to their, often structurally weak, region and the renewable raw material wood. This includes the people living there, with whom they are closely connected not only as employers but also as promoters of culture and sport, as part of the social community.

If per se 16.24 "Manufacture of wooden packing materials, containers and load boards" were to be deleted from the list of eligible economic activities, an important constant in the social and societal life of the region for generations would be more than called into question. Moreover, the companies offer jobs, which are usually also scarce in such regions, also for unskilled, uneducated and socially weak people. In this way, the companies in the wood packaging industry contribute to the reduction of unemployment and the development of such regions and groups of people. This also takes into account the political goal of the European Union, namely the strengthening of rural areas.

Exclusion of NACE Code 16.24 would therefore leave people and regions behind, contrary to the original intention. Therefore, only inclusion would be suitable for achieving the objective.

On the contrary, the Commission is also aware that considerable efforts and targeted support



will be needed to achieve the ambitious goals of the Green Deal - climate neutrality, adaptation to climate change, resource and especially energy efficiency, circular economy, zero-pollutant target and restoration of biodiversity - as well as to accompany ecological change. It is precisely in view of this broad and large task that it is important that State aid based on Article 107(2) or (3) TFEU or a block exemption regulation adopted by the Commission under Article 1 of Council Regulation (EU) 2015/1588 remains possible for smart, sustainable and inclusive growth, taking into account consumer welfare and society as a whole.

Therefore, it is in no way comprehensible why NACE 16.24 is not to be found in the list of eligible economic sectors in the draft. It is precisely the European wood packaging sector that can replace energy-intensive and fossil-based materials such as steel or plastic through the use of wood, a renewable and CO₂-absorbing material, as the second-largest consumer of sawn timber after the construction sector and as a platform industry for the entire European merchandise management and export industry - after all, all goods and commodities are moved safely and securely in the internal market and the world on or in wood packaging. However, compared to these sectors and their multinationals, the financial strength of the wood packaging industry is extremely weak due to the large number of small SMEs, so they will need to rely on subsidies to further develop and transform the sector. Therefore, NACE 16.24 must be included in the list of eligible sectors.

Furthermore, the Green Deal is intended to ensure the global competitiveness and crisis resistance of the industry. This applies equally to the wood packaging industry and the goods economy of the EU internal market, which depends on its supply with pallets, cable drums and export packaging, as well as to the export industry. Wood packaging is indispensable, especially as a (goods) carrier for supplying the population with food, medicines and vaccines or machinery and equipment as well as spare parts for critical and system-relevant infrastructures or as a means of protection and transport for clean technologies and products of the third industrial revolution rightly propagated by the EU Commission. Moreover, by using wood as a natural and renewable raw material, they in themselves transport the way to more sustainability, social responsibility and nature as a strong ally in the fight against climate change. Therefore, it would be disproportionate to exclude NACE 16.24 from the list of eligible industries, as this would consequently be to the detriment of all industrial and economic sectors.

It should be emphasized that wooden packaging includes open and closed pallet pooling and the industry has highly developed network of recovery, inspection, repair and reuse of pallets in all developed European markets.

Because, as the Commission consistently communicates, our planet and our health can only be protected with the help of nature. Only through circular and sustainable management of these resources will it be possible to improve our living conditions and maintain a healthy environment while creating quality jobs and providing sustainable energy resources. To this end, wood and wood products such as pallets, export crates and cable drums serve as a long-lasting CO₂ store, the storage effect of which is further extended in the context of reuse, recycling and cascade use, for example in chipboard for furniture. NACE 20.16 and 22.21 as plastics sectors and thus fossil raw material sectors as well as NACE 24.10, 24.20 and 24.31 as particularly energy-intensive steel sectors, to be considered eligible, NACE 16.24 as a sub-sector of the wood sector with its renewable raw material wood, however, is not at all comprehensible from an ecological point of view, not at all proportionate from a fiscal point of view and from a socio-political point of view not at all comprehensible to the citizens, who



in the end have to bear and understand a large part of the transformation financially and ideally as consumers.

Moreover, the Green Deal is supposed to ensure a better and healthier life for us and future generations through more durable, repairable, recyclable and reusable products and with the lowest possible CO₂ emissions. Every hobby craftsman knows. How easy wood is to work with and how easy it is to repair products made of wood. It is no different with pallets and wooden packaging materials. The current boom in demand for pallet furniture confirms this. Things are quite different with steel and plastic, even on an industrial scale. Nevertheless, the wood packaging industry still has a major transformation process ahead of it towards even more reuse and recycling in the context of improving resource efficiency, which on the one hand cannot be developed and carried out without subsidies and which on the other hand is always in danger of failing against the background of enormous cost pressure from customers and the threat of imports from countries outside the EU with resulting low margins. For this very reason, the inclusion of NACE 16.24 in the list of economic sectors eligible for aid is imperative in order to be able to survive in the global market on the one hand and to push the indispensable ecological component on the other. After all, the cost advantages of these countries result from lower environmental and social standards and in part from subsidies. From an environmental point of view, it is particularly questionable whether such a development is desirable. After all, importing from outside the Union considerably lengthens transport routes. At the same time, CO₂ emissions increase, which would unnecessarily lead to a contradiction with climate, environmental and energy policy goals. Ultimately, it must continue to be possible to produce pallets and wood-based park materials with short supply chains and routes at competitive prices so that the economy as a whole, society and the environment can benefit.

In point 4.4, marginal note 192, an additional point e) Investment in the creation of additional natural resources, for example through afforestation, should be added. In point 4.4, marginal note 192, an additional point f) Investments in the creation of organisational conditions, including digitalisation, should be added in order to enable the preceding points a) to d) efficiently. This includes cross-cutting collaborative solutions. The same applies to points 4.8 and 4.9, also with regard to systems to ensure security of electricity supply and decentralised energy infrastructures. Point 4.7 should additionally include the possibility of compensation through the production or use of products made from at least 90% by mass of renewable raw materials.

The aid intensity should generally be more generous so that it is attractive enough to achieve the targets in view of rising raw material and bureaucratic costs.

With kind regards,

Fons Ceelaert
Secretary General

