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Costs related to **forest-related policie**s start to become more significant when the EUTR regulation was adopted in 2010 and when it was implemented in 2013. Overall it is however less significant than costs arising from the implementation of other legislation.

Please note: Indirect regulatory costs are described for the whole pulp, paper and paperboard industry under chapter 5.6. and are thus not included in the chapter for the manufacture of paper and paperboard only.

5.9 Expected future costs for the period 2014-2030

Following the assessment of the present effects of current EU legislation on the forest-based industries, this section elaborates on future regulatory costs likely to impact the forest-based industries, either based on current legislation with future cost impacts or future legislation (i.e. drafted or already in the adoption process phase as of the end of 2014). The original objective for this task required the elaboration of cost-related indicators covering 2014-20130 for energy and climate policies and 2014-2020 for other policies. However, some aspects from the regulatory implementation cannot be measured, e.g. its future regulatory cost impact, as important limitations in the availability of data prevent the elaboration of a proper cost assessment for future years. In this regard, the considerations presented in this section are based on desk research and the feed-back from the associations involved in this study, enquired about possible future impacts of legislation, policy strategies and documents linked to the policy packages included in this study.

Overall, in a Communication⁴⁴ 2013 related to the new EU Forest Strategy for forests and the forest-based sector, the European Commission re-iterated its position to further support and develop the sector for the coming years, based on the guiding principles of sustainable forest management, the multifunctional role of forests, its resource efficiency, and global forest responsibility. EU legislation and policy is thus considered as primordial – through new developments and the revision of existing acts – in order to ensure forest protection, foster growth and job creation and guarantee the sustainable production and consumption of the various products emanating from these industries. However, as mentioned in an Opinion of the European Economic and Social Committee (EESC) on 'Opportunities and challenges for a more competitive European woodworking and furniture sector', from 2012, "unfortunately there are currently some key inconsistencies between certain parts of some EU policies and initiatives which are having a serious impact on the forest-based industries' competitiveness and profitability⁴⁵"

Future costs for the EU forest-based industries as a whole:

Climate and Energy legislation

While non-legislative policy strategies do not present quantifiable direct or indirect costs for the forest-based industries, they are good indications as to what policy-makers may decide in the future and what policy priorities may be made. The roadmap for moving to a competitive low-carbon economy in 2050, the 2030 climate & energy **framework** and the **energy roadmap 2050**⁴⁶ all share the idea of reducing carbon emission and reducing energy consumption by making it more efficient. However, decarbonising energy generation will require substantial investments and may result in higher per-unit energy prices.

It is also expected that the proposal under the **Clean Air Policy Package**⁴⁷ will replace the existing legislation (Directive 2001/81/EC no National Emission Ceilings Directive) to further reduce harmful

⁴⁴ Communication from the European Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, on "A new EU Forest Strategy: for forests and the forest-based sector", SWD (2013) 342 final

 $^{^{45}}$ Opinion of the European Economic and Social Committee on 'Opportunities and challenges for a more competitive European woodworking and furniture sector', 2012/C 24/04

 $^{{\}tt 46~2050~Low~Carbon~Economy, http://ec.europa.eu/clima/policies/strategies/2050/index_en.htm}$

 $^{^{47}\} Clean\ Air\ Policy\ Package,\ http://ec.europa.eu/environment/air/clean_air_policy.htm$

emissions from industry, transport, energy plants and agriculture. These may generate additional **compliance costs** also for the forest-based industries to meet new objectives and standards.

Regarding the **third energy package**, energy-intensive industries are of course most indirectly affected by two distinct issues, e.g. liberalisation of energy markets and potential higher prices. The forest-based industries, while potentially benefiting from the liberalisation of energy markets, may also suffer indirectly from higher power prices because of EU deregulation measures. Similarly, the physical expansion of an integrated energy market may be accompanied by decreasing energy prices since barriers between EU Member States will decrease. This would however be considered as a benefit and is not part of the assessment.

A Sustainable Bioenergy Policy⁴⁸ for the period after 2020, currently under preparation, is welcomed by the sawmilling sector as an instrument to address climate change, security of energy supply and to reach significant greenhouse gas savings by generating bio-energy from sustainable sources. While the requirements for sustainability schemes can be adopted by larger energy producers of 1 MW thermal or 1 MW electrical capacity or above, they could lead to additional administrative burden on small-scale producers. It is still not determined which, if any such binding criteria will be applicable and, if so, on which actors of the sector.

Environmental legislation:

The Circular Economy Package⁴⁹ promotes the resource efficient of raw materials, both primary and secondary ones, including reuse and recycling. In particular, the so-called "cascading use" of renewable resources envisages a virtuous hierarchy of use. The European Commission encourages the multiple use of bio-based materials, such as wood. To develop cascade thinking further, the Commission has recently carried out a study on cascading, primarily focussed on wood. (https://bookshop.europa.eu/en/home/) Recognising that resource and market conditions vary between and within member states, especially as regards facilities for the collection, sorting and redistribution of secondary raw materials, particularly bulk ones such as wood, the Commission will not be legislating prescriptively on cascading. Guidance for cascading will be done by the EU Expert Group on Forest-based Industries and Sectorally Related Issues (Commission Decision 4321/2014).

Forest-related legislation:

Regarding forest-related legislation, businesses are encouraging further and more consistent coordination of the enforcement of the EU Timber Regulation, in order to avoid additional administrative burden emanating from the different interpretation due to national transposition of the regulation. Such administrative burden is especially affecting companies that have operations across Member States. The EUTR's stronger enforcement could also lead to additional economic and administrative burden on the various operators concerned by adding additional labelling requirements.

One expert expressed concerns about possible impacts on future wood costs for the forest-based industries of the forest management restrictions which the Habitats Directive may place on some forest owners if they are not fully compensated. Whilst some work has been carried out in Germany on this subject, it is too early to assess what the net effects might be.

Employment legislation:

A proposal for better workers' protection against cancer causing chemicals⁵⁰ was announced in May 2016 and aims to amend the Carcinogens and Mutagens Directive which limits workers' exposure to chemical substances likely to cause cancer at the workplace by including new or amending existing

 $^{{}^{48} \}quad \text{Preparation} \quad \text{of} \quad \text{a} \quad \text{sustainable} \quad \text{bioenergy} \quad \text{policy} \quad \text{for} \quad \text{the} \quad \text{period} \quad \text{after} \quad \text{2020}, \\ \text{https://ec.europa.eu/energy/en/consultations/preparation-sustainable-bioenergy-policy-period-after-2020}$

⁴⁹ Towards a circular economy, https://ec.europa.eu/priorities/jobs-growth-and-investment/towards-circular-economy_en

 $^{^{50}}$ Commission proposes better workers' protection against cancer-causing chemicals (Press release, May 2016), $http://europa.eu/rapid/press-release_IP-16-1656_en.htm$

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limit values for 13 substances under a modified version of the Carcinogens and Mutagens Directive. These limit values set a maximum concentration for the presence of a chemical carcinogen that a worker may be exposed to. Accordingly, by broadening the scope of the Directive, the amendment could lead to indirect costs through substitution, in order to replace the considered chemical with less hazardous substances.

Other concerns:

Overall, companies are concerned with the degree of **uncertainty** related to some of the current pieces of legislation and their potential impacts in the future. For example, future cost impacts of the ETS will depend highly on the outcome of its ongoing revision, currently under the co-decision process. In particular, it is not yet decided which if any of the different sectors will receive free allowances for their risk of carbon leakage.

The energy audits that large companies are obliged to perform at least every four years incur personnel costs for the organisation, implementation and documentation of the audit, including any costs for hiring external consultants. The first audits should however only be performed during 2015 and will as such only affect the cost during the future period in this assessment.

Other specific future costs for woodworking sectors Climate and Energy legislation:

Nonetheless, concern persists amongst some actors in the EU forest-based sector as a whole that the cascading principle will be enshrined in detailed legislation. For example, the sawmill industry association, as well as a number of companies interviewed, expressed concerns about the consequences regarding the promotion of the cascading use of wood, as all their by-products are dedicated to specific secondary wood users, depending on specific market demands. Companies from the sawmilling sector are willing to sell their products and by-products with their respective best values, whether it is for materials or energy, to various customers across several sectors.

Other indirect costs may occur from the revision of the Renewable Energy Directive, leading to increased costs for wood, their main raw material. Other concerns from woodworking industries are due to uncertainty related to the new Renewable Energy Directive⁵¹, which increased renewable energy targets may affect wood availability and costs.

The European Commission recently (July 2016) published a new legislative proposal⁵² for the LULUCF legislation that aims to achieve a reduction of at least 40% of emissions from sectors not covered by the EU ETS scheme, a level that is 30% below the level of 2005. This framework will now fall under the Effort Sharing Decision (Decision 406/2009/EC), that sets new binding targets for 2013-2020 and relates mostly to waste, transport, buildings and agriculture. According to the new proposal submitted in 2016, the bulk of the administrative burden should not rely on businesses but rather on Member States in charge of the accounting related to emissions and removals, and of the information on measures in the sector. Effort was put on the proposal to highlight any opportunity of flexibility or synergies to implement the legislation in the most cost-effective way.

Environmental legislation:

Other potential regulations linked with the Circular Economy Package, such as the Eco-design and the Extended Producer Responsibility, could increase the direct production costs, according to sawmillers businesses. On the other hand, revised directives related to waste (Waste Framework Directive

⁵¹ Preparation of a new Renewable Energy Directive for the period after 2020, https://ec.europa.eu/energy/en/consultations/preparation-new-renewable-energy-directive-period-after-2020

⁵² Proposal for a Regulation Of The European Parliament And Of The Council on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change

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2008/98/EC, the Landfill Directive 1999/31/EC and the Packaging and Packaging Waste Directive 94/62/EC) may improve wood availability and lead to cost reduction.

Additional direct costs may impact the wood-based panels sub-sector in order to comply with future requirements from the BREFs, to the extent they will require further reducing emission levels and, in turn, implying further investments.

The Harmonised EU VOC-Classes, may bring new cost implication depending on the products that will be covered by the new requirements on VOC emissions under the Declaration of Performance following CE marking. As a matter fact, after validation, construction product under its scope without a statement on VOC emissions levels will be commercialised in countries that have applied a legislation at national level that would regulate the emissions into indoor air. These developments could lead to additional capital expenditures for equipment, for operating expenditures of labelling and administrative burden.

Product-specific legislation:

REACH, as it increases the costs for binder resins to meet REACH requirements, is also likely to add to administrative burden and operating costs of personnel.

Other specific future costs for pulp, paper and paperboard sub-sector Climate and Energy legislation:

The review of the ETS Directive is an essential element from the overall regulatory framework applying to the pulp, paper and paperboard industry, and European institutions must ensure its long-term predictability. However, the ETS review that may start impacting the production costs from 2015 onwards, as the stock of emission allowances granted has been used in the previous years. Moreover, data collection and verification are likely to bring further administrative burden to businesses from the sector. Businesses are in favour of the implementation of a mandatory and harmonised EU compensation scheme, in order to tackle the issue of rising electricity costs among Member States. As a counter measure, it is important to note that, in order to support EU's competitiveness, the European Commission has built a Carbon Leakage List⁵³, that includes energy-intensive industries that could be exposed to a substantial risk of carbon leakage. Industries under the List receive a higher share of free allowances; pulp, paper and paperboard industries are included in the second List that covers the third phase of EU ETS, covering 2013-2020. It has been decided under the 2030 climate and energy policy framework that the free allocation of emission allowances would be pursued until 2030.

Environmental legislation:

The main future costs for the pulp, paper and paperboard sector are expected to emerge from the Industrial Emissions Directive, as the agreed BREFs (pulp, paper and paperboard, large combustion plants, waste incineration, waste treatment, etc.) that will require capital expenditures for new machines and equipment along with operating expenses of personnel, training and maintenance of the equipment in the coming years.

Moreover, it can be mentioned that the waste directive and the packaging and packaging waste directive are currently under revision. Businesses are supportive of the European Commission's proposal to harmonise the methods to measure recycling rates and to avoid the use of different methods for computing the national recycling rate. On the other hand, administrative burden could emanate from the different definitions for recyclable products, from the various methods proposed and interpretation. Suggestions to break down some categories of packaging materials brought some

 $^{^{53}}$ Commission Decision of 27 October 2014 determining, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, a list of sectors and subsectors which are deemed to be exposed to a significant risk of carbon leakage, for the period 2015 to 2019 7809) (2014/746/EU)

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concerns, as this would result in complex monitoring, data collection and enforcement⁵⁴ (Europen, 2013).

Other environmental legislation may bring additional regulatory costs: the Product Environmental Footprint⁵⁵, if operational, is expected to lead to additional operating costs of personnel or external consultants, in order to calculate footprints, while the Environmental Liability Directive may result in costs due to rehabilitation of polluted soil or costs to provide studies on the owner's contribution to the pollution of "brownfield" land.

⁵⁴ EUROPEN Contributions to the Commission Consultation on the EU Waste Management Targets Review

 $^{{\}tt 55}\ Developments\ on\ Product\ Environmental\ Footprint, http://ec.europa.eu/environment/eussd/smgp/policy_footprint.htm$

Summary table:

Area	Cost category likely to be impacted	Type of		
Legislation		cost impact		
Topic				
Climate and Energy legislation				
Roadmap for moving				
towards a low-carbon economy,				
	Capital expenditures (investments) – D	 ↑		
Policy framework for climate and energy	Higher energy prices - I			
The energy roadmap 2050				
Clear Air Policy Package	Compliance costs including capital expenditures for investments	\uparrow		
Third Energy Package	Trade-off between higher power prices from deregulation measures and decreasing energy prices from integrated energy market	\Leftrightarrow		
Sustainable Bioenergy Policy	Administrative burden for small-scale producers	↑		
	Woodworking			
Cascading principle	Indirect costs – loss of market share	↑		
Renewable Energy Directive	Indirect costs – increase cost of raw materials	\uparrow		
LULUCF	Less administrative burden for businesses – reporting fall under MS	+		
	Pulp, paper and paperboard			
ETS	Administrative burden for data collection and verification	↑		
	Capital expenditures for investments	 		
	Decreasing electricity costs if harmonisation among MS	\		
Environmental legislation				
Circular Economy Package	EC to provide guidance for cascading	\Leftrightarrow		
Woodworking				
Eco-Design	Increase in production costs	1		
Extended Producer	Increase in production costs	↑		

Area	Cost category likely to be impacted	Type of
Legislation		cost impact
Topic		
Responsibility		
Landfill Directive	Improvement in wood availability	\
Packaging and Packaging Waste	Improvement in wood availability	\
Waste Framework Directive	Improvement in wood availability	\
BREFs	Capital expenditures for investments	\uparrow
Harmonized EU	Capital expenditures for equipment	<u> </u>
VOC=Classes	Operating expenditures of labelling	↑
	Administrative burden	↑
	Pulp, paper and paperboard	
Industrial Emissions	Capital expenditures for additional equipment	\uparrow
Directive and BREFs	Operating expenses of personnel for training and maintenance	\uparrow
Packaging and Packaging Waste	Administrative burden from different definitions and computation methods for the national recycling rate.	↑
	Potential administrative costs due to detailed breakdown of categories of packaging material	↑
Product Environmental Footprint	Operating costs of personnel to calculate footprints	\uparrow
Environmental Liability Directive	Capital expenditure for investments of rehabilitation of polluted soil	\uparrow
	Administrative burden for studies	↑
Forest-related legislation		
EU Timber Regulation	Operating expenditures of labelling	↑
	Administrative burden from the national transposition	\uparrow
Employment legislation		
Proposal for better workers' protection	Administrative burden to carry out hazard identification and risk assessment	↑
against cancer causing chemicals under Carcinogens and	Operating costs of training to run new systems and procedures	
Mutagens Directive	Indirect costs of substitution for less hazardous	

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Area Legislation Topic	Cost category likely to be impacted	Type cost impact	of	
	substances			
Product-specific legislation				
Woodoworking				
REACH	Administrative burden related to requirements for binder resins	↑		
Other concerns				
Uncertainty		\uparrow		