

Brussels, 10 February 2022

Dear Member of the European Parliament,

We are writing to you on behalf of IndustriAll European Trade Union and Cepi, the Confederation of European Paper Industries, to share our views on the key proposals of the “Fit for 55” package. Revisions of the Emission Trading System (ETS) Directive, the Market Stability Reserve Regulation (MSR) and the introduction of the Carbon Border Adjustment Mechanism (CBAM) are fundamental to retaining the regulatory stability for the frontrunners of the European industrial energy transition.

The pulp and paper sector keeps leading the low-carbon circular and bioeconomy transition. From forest fibre technology to advanced materials, **wood-based industries represent 20% of manufacturing enterprises across the European Union**. This creates €143 billion a year of added value to the European economy. The European paper sector currently accounts for 22% of world production with an annual investment of over €5 billion in Europe. Our sector directly employs over 180.00 people, while **the European forest-based value chain provides employment to 4 million workers**<sup>1</sup>. It is of vital importance to maintain the European industry’s competitiveness to continuously provide growth and jobs in Europe.

**We fully support the EU objective to reach climate neutrality by 2050 and the increased 2030 ambition.** Wood-based products store CO<sub>2</sub> and substitute fossil-based and fossil-intensive materials and energy. Forests and forest-based products remove a net of 806 million tons of carbon dioxide equivalents annually<sup>2</sup>. This corresponds to 20% of all fossil emissions in the European Union. To continue doing so, the political support will be critical.

The “Fit for 55” package is a unique opportunity for policymakers to support measures enabling the pulp and paper sector to contribute – with decarbonised production, product substitution and sustainable forest management – to reaching the 2030 and 2050 goals. But **the package needs to promote stable, predictable and effective protection for the “made in Europe” industries.**

While the review of the EU ETS Directive is ongoing following the adoption of the EU Climate Law, politicians must promote the transformation of industries rather than disruption, with the consequent economic and social damages. It is also crucial to ensure sustainability criteria for forest biomass while recognising the Member States’ competence on forest management. A level playing field with third countries’ competitors is a must. This policy predictability for the frontrunners of the European industrial energy transition can unleash the European pulp and

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<sup>1</sup> New EU Forest Strategy for 2030 (2021) European Commission

<sup>2</sup> Climate effects of the forest-based sector in the European Union (2020) FutureVistas AB

paper industry's decarbonisation potential. Furthermore, greater attention is needed on the social dimension of decarbonisation and measures to guarantee a Just Transition for workers and communities negatively impacted by climate action.

To this end, we call on you to give strong political support to the following enabling measures:

- 1. Promote the frontrunners of the European industrial energy transition by ensuring a level playing field in the internal market and guaranteeing investment security** – Changes in ETS rules should not be detrimental to competitiveness of companies having invested in low carbon technologies and support measures must secure a level playing field within the internal market.
- 2. Provide clear and stable rules for a carbon-neutral production in Europe** – The changes proposed by the Commission can affect all 11 pulp and paper product benchmarks of the pulp and paper sector. Therefore, the rules and methodology need to be clearly stated upfront to adequately reward the installations that will invest in low-carbon technologies.
- 3. Provide effective carbon leakage protection** – we insist that the free allocation system is maintained and that support is provided to compensate industries for the indirect carbon cost at scale of the current energy price increase.
- 4. Limit the impact of energy costs on the industrial production** – To keep the industry internationally competitive, the policies need to ensure that the energy-intensive industries, such as the pulp and paper sector, are not subject to a substantial increase of energy costs. Harmonised indirect carbon cost compensation must be maintained.
- 5. Recognise that a CBAM is not a universal tool to safeguard all EU ETS sectors against carbon leakage** – Solutions for export adjustment need to be developed before CBAM can be extended to further industrial sectors. Effectiveness of CBAM needs to be thoroughly analysed and prepared for third country reactions. In the meantime, it should be a complementary carbon leakage measure, coexisting with the current tools.
- 6. Ensuring a Just Transition** – a strengthening of support from EU and national programmes and EU legislation is needed to ensure a Just Transition. As such, auctioning revenues must better support industrial innovation and labour transitions in the sectors at stake.

The proposed framework needs to strike the right balance between imposing economic burden on “made in Europe” industries and rewarding investments in decarbonisation. To deliver on 2030 goals, investment decisions need to happen in the next few years. While the pulp and paper industry is continuously investing in switching to renewable energy and improving energy efficiency, the European policy framework needs to maintain and create investor certainty. This will ensure a thriving production and growing employment in Europe.

We appreciate your careful consideration for the impact of the “Fit for 55” package on the “made in Europe” industries. Should you like to discuss any of the above-mentioned issues further, please do not hesitate to contact us.

Yours sincerely,



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