Brussels, 25 November 2022

Cepi statement on the forthcoming EU Raw Materials Act

Cepi welcomes the Commission's initiative to step up EU action on raw materials. The objective to reduce dependencies in all dimensions is an important one in the current geopolitical context and an efficient raw materials strategy is a key factor of a strong industrial policy for Europe. Securing the supply of sustainable and renewable raw materials is also an enabling factor for the transition to a climate-neutral economy in agreement with the objectives of the EU Green Deal.

Wood and wood-based products have a crucial role to play in the transition. The forest-based industries are an integral part of the sustainable European bioeconomy, which is necessary to build a carbon neutral future in line with the Climate objectives of the Paris Agreement. Fibre-based products provide a wide variety of solutions for diverse societal needs, from hygiene products to packaging and textiles, while replacing fossil-based and more CO2-intensive materials, such as plastics. This prevention of fossil emissions, or substitution effect, can be quantified at around 410 Mt CO2 equivalent per year, or 10% of EU GHG emissions[1]. Evidence shows that fibre-based products may display a substitution factor ranging from 1-1.5 kg C/kg C (packaging and chemicals) to 2.8 kg C/kg C (wood-based textiles)[2].

Unlike most of others critical raw materials, the European pulp and paper industry's raw material base is in Europe: 67% of the fibres used in pulp and paper manufacturing come from recycling and industrial residues, while wood from silvicultural measures and final felling account for respectively 11% and 22% of the sourcing of fibres. 86% of the wood used by the industry is sourced from within the European Union and 78% comes from certified forests[3].

This gives the industry a special position from the point of view of security of supply. At the same time, multiple pressures on forest land for different objectives (e.g. climate change mitigation including offsetting opportunities for fossil-based industries, nature protection on forest land rather than on other types of land) expose the industry to potential supply gaps in the medium and long term. Assessing the impact on the provision of raw material supply is fundamental to evaluate possible trade-offs of EU policies, for example considering that renewable energy subsidies that are distorting the wood markets lead to reduced availability of wood for European manufacturing. But also very stringent biodiversity policies may have the unintended effect of shifting part of the production of forest products either back to fossil-based products or outside of the EU, with consequent adverse impact on European jobs.

For example, a study of the Thuenen Institute[4] models two alternative scenarios of the implementation of the EU Biodiversity Strategy (EUBS) and compares them to a "business-as-usual" as a reference scenario. The first scenario assumes an EUBDS implementation that only moderately restricts sustainable forestry in the EU, while the second assumes a scenario where forestry bears the brunt of the implementation of biodiversity conservation compared to the other land use types. In the moderate scenario, roundwood production is expected to decrease **by 9% in 2030** and **48% by 2050**, while in the intensive scenario the

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[1] FutureVistas AB (2020), Climate effects of the forest-based sector in the European Union
[2] EFI (2018), Substitution effects of wood-based products in climate change mitigation.
[3] CEPI statistics
[4] Schier F, Iost S, Seintsch B, Weimar H, Dieter M. Assessment of Possible Production Leakage from Implementing the EU Biodiversity Strategy on Forest Product Markets. Forests. 2022; 13(8):1225.

decrease is **-11% in 2030** and **-58% in 2050**. Globally, it expected that the EU roundwood production deficit is compensated partly (roughly between 50%–60%) by increasing production of roundwood in non-EU countries. This would not only entail a loss of competitiveness and jobs in the European industry, but also slow down the transition to an economic that is not fossil-based (both for fuels and materials).

This is the reason why wood, although not a critical raw material according to the Commission's technical screening criteria today, should be considered a strategic raw material for the transition to a sustainable climate-neutral economy. The package of legislative and non-legislative actions should therefore include wood in the actions that are envisaged, especially when it comes to the improvement of the EU's monitoring, risk management and governance in the field of raw materials. The package should include a systematic impact assessment of EU policies on future wood supply for the European industry, especially in the field of biodiversity and renewable energy.

Wood should be included in the assessment intended to flag the supply risks of important materials for the EU economy. Although the sourcing of wood follows different patterns compared to critical raw materials (as import reliance is low), it is still important to spot potential demand/supply gaps and ensure more policy coherence across different fields (environment, climate, energy). In addition, the technical screening criteria for assessing the criticality of raw materials should include indicators such as adverse legislation potentially leading to reduced availability and therefore increased criticality in the future.