

The 2040 European climate target: leveraging the contribution of forest-based industries

Position paper

Cepi represents the European pulp and paper industry and gathers, through its 18 member countries, some 885 pulp, paper and board mills of which some 140 biorefineries across Europe directly employing more than 180,000 people. Our sector is investing at a rate of more than €5 billion per annum, increasing our production volumes while simultaneously reducing our carbon footprint.

The European pulp and paper industry fully supports the EU objective to reach climate neutrality by 2050. We provide an ever-increasing range of solutions for today's and tomorrow's needs of our customers, other industries, and society at large. Our renewable and recyclable wood-based fibre solutions are made in Europe predominantly from European sustainably growing forests and recycled in Europe. Building on our position as world champions in recycling, we are set to increase recycling even further to boost the circular economy.

We have already achieved over 39% reduction of carbon emissions from 2005 to date: a leading performance amongst industrial sectors! Wood-based products store CO₂ and substitute fossil-based and fossil-intensive materials and energy. A study commissioned by Cepi shows that forests and forest-based products had an overall positive climate effect of -806 million tonnes (net) of carbon dioxide equivalent in 2020¹. This corresponds to 20% of all fossil emissions in the European Union! To continue doing so, political support will be critical.

The discussion on the upcoming 2040 European climate target is an opportunity for policymakers to leverage our sector's contribution – with sustainable forest management, decarbonised production, and product substitution – to reaching climate neutrality by 2050. This position paper outlines the European paper industry's stance on key aspects to consider when reflecting on the EU's emission reduction target for 2040:

1) **Prioritise the reduction of fossil emissions without resorting to compensation**

According to the Intergovernmental Panel on Climate Change (IPCC), all pathways that limit global warming to 1.5°C will involve the use of carbon removals. **The solutions to remove and store carbon from the atmosphere cannot compensate for delayed emissions reductions in other sectors.** All EU economy sectors need to play their role in reducing their carbon emissions. Active forest management allows forests to stay healthy and to maintain carbon sink. It also accelerates storage in products and substitution of fossil materials and fuels. Reducing fossil emissions should continue to be the priority of the EU climate framework, followed by the need to enhance removals.

The forest carbon sink should not compensate for other sectors to offset insufficient emissions reductions. Allowing some industrial sectors to continue emitting CO₂ post-2050 constitutes a moral hazard for the European climate policy. This would in fact distort the EU internal market where these sectors compete with bio-based industries that are expected to meet carbon neutrality by 2050.

¹ P. Holmgren, Climate effects of the forest-based sector in the European Union (2020)

Claims on carbon neutrality must be transparent. In the context of reaching climate neutrality by 2050, the upcoming carbon removals certification should create a transparent framework which could be a basis for voluntary markets. The carbon removal certification could help Member States to reach their LULUCF targets and should be separate from the European compliance market, the EU ETS.

2) **Recognise and favour biogenic carbon and distinguish it from recycled fossil carbon**

The focus of all EU policies should be on phasing out the use of fossils and promoting substitution and material efficiency to reach the climate neutrality target. In order to strengthen the European economy's resilience, the bio-based industries, together with agriculture and forestry, should be made an indispensable part of the EU's geopolitical strategy. In this context, all climate benefits of carbon storage products should be accounted for. The sink in the forest, the storage in the forest and wood-based products as well as the substitution effects are equally important in mitigating climate change. The EU could improve its security of supply by ensuring a predictable regulatory framework to facilitate the industry's access to sustainable, home-grown raw materials and energy sources. **A predictable framework is required in order to enable the investments needed to reach climate neutrality by 2050.**

Renewability is the ability of a natural resource to replenish and recover over time (as defined by the draft ISO/DIS 59020). **Renewable carbon is carbon that is part of the biogenic carbon cycles** that substitute the use of any additional fossil carbon. Negative emissions are only possible while capturing those forms of carbon that originate from non-fossil sources. Capturing fossil-based CO₂ is also important, but does not lead to negative emissions, only reduced emissions. A regulatory framework is needed in order to incentivise the deployment of this technology, but combining bioenergy production with carbon capture, use and storage (BECCUS) should not be made obligatory. **Biogenic carbon is accounted for in LULUCF hence why emissions from sustainable forest biomass are zero-rated under the EU ETS Directive. This approach should be maintained.**

3) **Secure the EU strategic autonomy by facilitating access to fossil-free energy for the industrial users and efficient use of forest biomass**

The operating conditions for doing business in Europe need to improve. Critical issues for our sector include access to affordable fossil-free energy. Our industry is the largest industrial consumer and generator of renewable energy with biomass coming from side streams of our activities accounting for almost 61% of our fuel mix. The European legislation must guarantee the competitiveness of the European pulp and paper industry in the global market by granting access to abundant affordable fossil-free energy sources, including renewable electricity, biogas, hydrogen or nuclear power. This forms a fundamental component of the enabling framework for decarbonising the pulp and paper industry, while our sector proactively improves energy efficiency and promotes the effective utilisation of renewable energy.

The role of biomass-based products in reaching the EU climate targets must be taken into account when further developing bioenergy. **The cascading use of wood continues to be a valid principle for the forest-based sector to use available wood resources in the most efficient way for products and energy.** The latest revision of the renewable energy directive (REDIII) has anchored the cascading use principle in legislation by obliging Member States to take account of it when designing national support schemes. It is important to ensure biomass is used to generate higher value products contributing to the European Union's strategic autonomy. Therefore, **in a functioning, free market, the overall principle should be to balance demand and supply of energy and raw materials without structural direct subsidies, which lead to undue market distortions.**

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