

# 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 19 member countries, some 895 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 46% reduction of carbon emissions from 2005 to date: a leading performance amongst industrial sectors! Wood-based products store CO<sub>2</sub> and substitute fossil-based and fossil-intensive materials and energy. Building on our position as world champions in recycling, we are set to increase recycling even further to boost the circular economy. 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 2020<sup>1</sup>. This corresponds to 20% of all fossil emissions in the European Union! To continue doing so, political support will be critical.

Cepi applauds the Commission's recognition of the bioeconomy's crucial role in the defossilisation of the EU economy in its communication on the 2040 climate target<sup>2</sup>. It is fundamental that bioeconomy is integrated into the EU's core policies related to climate, industry and circular economy. Only then the full potential of the bioeconomy will be realised, effectively replacing fossil materials and improving material and energy self-sufficiency. The European Commission should foster the entire bio-based materials sector and its innovations under the communication on 'Boosting biotechnology and biomanufacturing in the EU'<sup>3</sup>.

The Commission needs to recognise that the success of the European economy's defossilisation hinges on the global competitiveness of its manufacturing industries. The discussion on the upcoming 2040 European climate target is an opportunity for policymakers to leverage our sector's contribution – with sustainable forest management, defossilised 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:

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

<sup>2</sup> European Commission (2024) Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society.

<sup>3</sup> European Commission (2024) Building the future with nature: Boosting Biotechnology and Biomanufacturing in the EU.

**1) Prioritise the reduction of fossil emissions without resorting to compensating through the enhancement of natural carbon removals**

Cepi welcomes the Commission's focus on prioritising the reduction of fossil emissions with the support of the technological carbon removal solutions such as carbon capture and storage of biogenic CO<sub>2</sub> emissions originated from the processing of biomass in industrial applications (bioCCUS). Furthermore, in line with the Commission's communication on the 2040 climate target, in the absence of other solutions, industrial sites, such as pulp and paper mills, should be able to implement carbon capture, use and storage (CCUS) as a viable solution.

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 Commission's analysis shows that the forest carbon sink does not need to compensate for other sectors to offset insufficient emissions reductions<sup>4</sup>. Allowing some industrial sectors to continue emitting CO<sub>2</sub> 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.

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

Cepi supports the Commission's particular attention to 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 CO<sub>2</sub> 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 bio-based production with carbon capture, use and storage should not be made obligatory. **Biogenic carbon is accounted for in LULUCF hence emissions from sustainable forest biomass are zero-rated under the EU ETS Directive. This approach should be maintained.**

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<sup>4</sup> European Commission (2024) Impact Assessment accompanying the Commission Communication "Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society".

### 3) Improve investment environment to keep ‘made in Europe’ industries investing locally

Presently, Eurostat data reveals that investments in the pulp and paper industry alone are five times higher than the average across manufacturing industries in Europe. But the operating conditions for doing business in Europe need to improve. **The Commission needs to recognise that the success of the European economy’s defossilisation hinges on the global competitiveness of its manufacturing industries.**

However, the Commission's scenarios often overlook the economic challenges associated with achieving ambitious decarbonisation targets, especially the need for predictability as a prerequisite for stimulating green investments. Our sector is particularly impacted by policy uncertainties, regarding installations removed from the Emissions Trading Scheme due to achieving high decarbonisation levels using biomass.

Looking beyond 2030, energy-intensive industries are projected to increase their investments by a factor of seven<sup>5</sup>. To achieve such levels of investment, the top priority must be to encourage local investments in 'made in Europe' industries. This can be achieved through an industrial policy framework that fosters a comprehensive and investment-friendly environment.

### 4) Facilitate access to fossil-free energy for the industrial users, also by improving infrastructure

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. In cases where fossil-free alternatives are gradually phased in, for example the transition away from natural gas supply, high-efficiency CHP (combined heat and power) offers immediate opportunities for enhancing efficiency.

**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 defossilisation the pulp and paper industry, while our sector proactively improves energy efficiency and promotes the effective utilisation of renewable energy.

Cepi fully supports the Commission’s statement that the decarbonisation of the energy sector requires a substantial expansion of fossil-free installed capacity. However, the forthcoming energy policies should prioritise limiting the transition costs for energy-intensive industries. According to the Commission's modelling, the industrial sector is anticipated to face the most significant surge in total energy costs compared to other sectors. Consequently, it is imperative to implement actions and measures aimed at bolstering the capacity of grids and networks to accommodate the anticipated rise in electricity generation, variability and modelled consumption.

### 5) Secure the EU strategic autonomy by efficient use of forest biomass

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 maximise the value of available wood resources through the most efficient utilisation for products and energy.**

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<sup>5</sup> European Commission (2024) Impact Assessment accompanying the Commission Communication “Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society”.

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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