

**Nine Recommendations
of the European State Forest Association (EUSTAFOR)
to the public consultation on
Sustainable Finance – EU Classification System for Green Investments**

The European State Forest Association (EUSTAFOR) appreciates this opportunity to provide comments on the Commission's draft Delegated Regulation that establishes the technical screening criteria for Sustainable Finance – EU classification system for green investments (Taxonomy).

Considering the great potential of sustainably managed and multi-functional forests as significant contributors to the EU Green Deal objectives, EUSTAFOR supports the inclusion of forestry activities into the scope of the EU Taxonomy. This, however, must be done in full respect of the subsidiarity principle in order to avoid inconsistencies and contradictions with the already existing forest laws of Member States. Furthermore, the EU Taxonomy should use the existing definition and principles of sustainable forest management (SFM) that are already applied nationally and internationally.

The EU Taxonomy should also avoid imposing new and superfluous administrative burdens on a sector which has already been well-regulated by a comprehensive system of sustainability requirements.

Consequently, EUSTAFOR wishes to draw the Commission's attention to the following aspects of the draft Delegated Regulation and associated annexes:

1. “No one size fits all” should be the guiding principle of the EU Taxonomy with regards to forests and forestry

European forests are a diverse resource. This diversity is determined by the variety of bio-geographical regions across the continent which, in turn, determines the great variety of management approaches, e.g. species selection or the choice of management techniques to be applied. Furthermore, regional diversity provides a basis for different demands on and expectations of forests in different parts of Europe.

For these reasons, the EU's approach to the sustainability of forests needs to follow the principle of “no one size fits all.” The EU Taxonomy must be built on the definition and principles of SFM. These principles were already developed by the EU and its Member States within the FOREST EUROPE process and were subsequently transposed to national and sub-national forest legislation, which ensures that local circumstances are sufficiently covered.

2. The EU Taxonomy should address the entirety of a forest's life and production cycles

The classification of forest activities – subject to EU Taxonomy – needs to be reconsidered to ensure a proper understanding and definition of the terms applied in Member States' forest legislation. These terms include *afforestation*, *reforestation*, *restoration/rehabilitation of forests*, *conservation measures*, etc. EUSTAFOR wishes to underline that, whereas afforestation refers to the act of creating new forests/woodlands on a non-forested land, activities such as reforestation, restoration/rehabilitation or protection measures in forest ecosystems must be considered as silvicultural practices integrated within sustainable forest management.

EUSTAFOR does not recommend dividing the holistic SFM concept into individual measures to be subsequently verified according to narrowly defined sustainability criteria and their relevance from the exclusive perspective of maintenance and enhancement of carbon sinks in forests. Such an approach could only lead to counterproductive results for the health, vitality, productivity, and resilience of forests.

3. Only well-defined and well-understood concepts should be used

EUSTAFOR considers the use of concepts that lack clear definitions and/or a common understanding to be inappropriate. Thus, referring to concepts such as *additionality*, *improved FM*, *closer-to-nature forestry*, *nature-based solutions*, etc., is premature and should be avoided. Should there be a need to define or develop new forestry concepts at EU level, Member States and the Commission, in cooperation with relevant stakeholders and forest researchers, should undertake this task within the framework of the EU Forest Strategy post-2020.

4. “Additionality” and “improved” forest management cannot be accepted without a prior state-of-the-art assessment

EUSTAFOR wishes to underline the fact that all legal provisions and management guidelines developed by Member States are compulsory for state forest managers, whereas they can be facultative for other ownership types. The overall objective of SFM is much broader than “managing forests with a purpose to contributing to climate change mitigation demonstrated through climate benefit analysis.” Moreover, the improved management of forests can only be proposed following prior assessment of a current baseline which, in the case of state forests, is exemplary. Therefore, the additionality concept needs to be thoroughly analyzed in order not to discriminate against certain ownership types.

5. Proposed technical screening criteria are unnecessarily complex and burdensome

The two sets of technical screening criteria, one for climate change mitigation and one for adaptation, create a complicated framework which will discourage forest managers from investing in their assets. For instance, the requirement of completing an environmental impact assessment is superfluous and burdensome in the case of activities that are not related to land-use change.

EUSTAFOR is highly concerned that these proposals will increase the already existing regulatory burdens and will, in fact, hamper efforts to increase the level of afforestation and forestry throughout Europe. This would be totally self-defeating in the effort to combat climate change. To avoid this, a risk-based approach, similar to the one enshrined in RED II, should be applied. This would also avoid challenging of the subsidiarity principle with regards to forests and forestry.

6. The EU Taxonomy cannot promote considerations of social issues over those of business planning and governance

Both forest management plans and afforestation projects are the “item count” of forest owners. Their elaboration requires technical knowledge and strictly follows national and sub-national laws on sustainable forestry and spatial (landscape) planning. Public consultations are sufficiently ensured by these laws. EUSTAFOR firmly recommends that any piece of EU legislation, including the Taxonomy, does not interfere with existing national provisions or laws that regulate these aspects.

7. Climate benefit analyses should be based on a wide scope of forest products

EUSTAFOR is generally concerned about how carbon flows are being calculated for the “harvesting of timber products.” They appear to deliberately calculate the negative impact of harvesting and soil disturbance, while ignoring the positive impact of “product substitution” in which timber replaces carbon-heavy products such as concrete and steel.

8. The conservation of biodiversity and nature is encompassed within SFM

Management practices applied in state forestry clearly show that ecological functions of forest ecosystems and biodiversity can be maintained in managed forests along with all other functions. Therefore, the segregation of so-called “conservation forestry” as a separate activity from SFM is superfluous and lacks justification. It should be avoided.

9. There is a misconception concerning the use of whole tree stems for bioenergy

There is a lack of evidence concerning the use of whole tree stems for bioenergy, a behavior which would go against the market interests of woody biomass suppliers. EUSTAFOR disagrees on incorporating the concept of whole trees into EU legislation which will result in imposing administrative barriers on the wood markets and, thereby, clearly go against the principle of resource efficiency.

Conclusion

EUSTAFOR is of the opinion that a well-designed EU Taxonomy, based on the principles of proportionality and subsidiarity, can be an important policy tool for reaching the EU Green Deal's objectives for a climate neutral and future-fit Europe. European state forests are ready to further contribute to a transparent and inclusive process set by the Commission and the Member States with an aim to reach final agreement on this important file.

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