

## **EUSTAFOR Position Paper (1) on the European Commission's legislative proposals on land use, land use-change and forestry (LULUCF) and effort-sharing mechanism**

*What revisions are needed so that European state forests can best contribute to the post-2020 EU climate policy targets?*

### **Introduction**

Forests and sustainable forest management (SFM) continue to be firmly on the international climate change agenda. The Paris Agreement <sup>(2)</sup> which entered into force on 4 November 2016 calls for a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, and invites Parties to take action to conserve and enhance, as appropriate, sinks and reservoirs of greenhouse gases, including forests.

On 20 July 2016, the European Commission presented a package of measures to accelerate a shift towards low-carbon emissions in all sectors of the European economy. The most relevant for forests are the proposal on how to integrate the Land Use, Land Use Change and Forestry (LULUCF) sector into the EU 2030 Climate and Energy Framework <sup>(3)</sup> and a new proposal for an Effort Sharing Regulation <sup>(4)</sup>.

In July 2016, EUSTAFOR published its general [position paper](#) entitled "The Role of Forests and Forest Products in the Post-2020 EU Climate Change Policy Framework" which presented the view of European State Forest Management Organizations (SFMOs) on how European state forests can best contribute to the post-2020 EU climate policy targets.

In this more specific position paper, we analyze the potential consequences of the two above-mentioned Commission proposals on forest management in state forests. In addition, EUSTAFOR's recommendations are put forward on how the proposals should be revised in light of the multiple objectives and demands on European state forests.

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<sup>1</sup> Any statement in this document is to be considered as a reflection of the best available professional expertise and does not necessarily reflect the political commitments of individual member organizations.

<sup>2</sup> [http://unfccc.int/files/essential\\_background/convention/application/pdf/english\\_paris\\_agreement.pdf](http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf)

<sup>3</sup> Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (COM(2016) 479 final).

<sup>4</sup> Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 for a resilient Energy Union and to meet commitments under the Paris Agreement and amending Regulation No 525/2013 of the European Parliament and the Council on a mechanism for monitoring and reporting greenhouse gas emissions and other information relevant to climate change (COM(2016) 482 final).

## Analysis of the COM(2016) 479 Proposal

EUSTAFOR generally welcomes the efforts by the European Commission to develop legislative proposals for LULUCF and an effort-sharing mechanism (ESM) as well as amending the mechanism for monitoring and reporting greenhouse gas emissions (EC Regulation No 525/2013). There are a number of positive elements in the LULUCF proposal, such as the creation of a separate LULUCF pillar, the shift to land-based accounting, the integration of harvested wood products (HWP), options for the exclusion of emissions from natural disturbances and the inclusion of flexibility instruments. The subsequent analysis will focus on shortcomings identified by EUSTAFOR.

The scope of the proposal (Article 2) is currently limited to land accounting categories only. EUSTAFOR shares the view that HWP should be included as a separate category. Including HWP into the forest reference level for managed forest land mixes land-based and man-made carbon stocks. SFMOs, like other forest owners and managers, cannot directly influence the use of forest products along the supply chain. Therefore, a clear separation of the reporting and accounting of forest and HWP pools is required.

EUSTAFOR members generally support the notion of the “no debit rule” (Article 4). European forests have constantly functioned as a significant carbon sink (over 400 million tons of CO<sub>2</sub> annually since 1990). The sink function provided by European forests is the result of deliberate management decisions and not just of natural processes. Climate change (CC) is not a new phenomenon for foresters and therefore CC considerations have been reflected in their forest management decisions. However, due to both natural and historical reasons, we are starting to see the first signs of carbon sink saturation in European forests (Nabuurs et al. 2015). Therefore, the gross-net approach should be applied when assessing credits or debits. Forest reference levels (FRL) could be accepted as a compromise, provided their calculation is made in a way which clearly distinguishes between natural and human-induced carbon sinks and incorporates the latest data and information, including forward-looking policies and plans affecting forest management.

The maintenance of a 3,5 % cap based on 1990 total emissions when accounting for managed forest land (Article 8.2) lacks a scientific basis and does not take into consideration the additional sink potential of forests. A recent EFI study<sup>5</sup> has shown that, with additional investments in forest management, there is potential to enhance the role of EU forests in mitigating climate change. Member States could achieve a combined additional effect of 400 MtCO<sub>2</sub> per year by 2050. The cap arbitrarily limits the contribution of forests to climate change mitigation to a business-as-usual scenario. It does not provide sufficient incentives for investing in climate-smart forest management. The latter potentially requires more intensive management, enhancing silvicultural practices, improving the control of pests and

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<sup>5</sup> Gert-Jan Nabuurs, Philippe Delacote, David Ellison, Marc Hanewinkel, Marcus Lindner, Martin Nesbit, Markku Ollikainen and Annalisa Savaresi. 2015. A new role for forests and the forest sector in the EU post-2020 climate targets. From Science to Policy 2. European Forest Institute.

diseases (all requiring more resources) and making investments into new provenances, technologies, etc.

In EUSTAFOR's view, the stipulation in Article 8(3) that new forest reference levels shall be based on the continuation of current forest management practices and intensity, as documented between 1990-2009 per forest type, tree species composition and per age class in national forests, is somewhat arbitrary and not fully in line with UNFCCC guidelines for submission of information on reference levels <sup>(6)</sup> which specifically refer to the use of models, relevant policies and plans. Most importantly, the EC proposal does not consider the most recent national forest data as well as future trends, policies and plans. Furthermore, using only historical data for determining FRL discriminates against countries with large forest areas and who have managed their forests well in the past (which is the case for most EU countries). EU policies, such as those on the bioeconomy, have been developing intensively since 2009 and must be reflected in the reference levels, provided that they are linked to the climate and energy targets. The accounting of unintended credits resulting from the non-implementation of policies should be avoided.

By the same token, the criteria set out in Annex IV for determining reference levels are not very clear as they focus on historical data without consideration of future trends resulting from recent and anticipated policies and plans. As explained above, EUSTAFOR again recommends excluding HWP from forest reference levels. In Article 9 (Accounting for HWP) it should be clearly spelled out that Member States shall separately account for emissions and removals resulting from the changes in the pool of harvested wood products.

EUSTAFOR opposes the provision in Article 8(5) which gives the Commission the right to recalculate forest reference levels. Setting up FRL should be carried out by Member State experts in order to follow the subsidiarity principle. Experts invited by the Commission could, while respecting the UNFCCC relevant rules <sup>(7)</sup>, review the FRL and provide technical recommendations.

### **Analysis of the COM(2016) 482 Proposal**

According to Article 7, up to 280 MtCO<sub>2</sub> net removals from deforested land, afforested land, managed cropland and managed grassland can make use of a new flexibility in the Effort Sharing Regulation (i.e. non-ETS sector only). However, managed forest land is excluded from this provision, discriminating against Member States which have large forest areas and limited land for re-/afforestation. This will limit or even prevent investments in additional activities in managed forests, meaning that the use of the climate change mitigation potential of managed forests will stay underutilized. The removals from deforested land, afforested land, managed cropland and managed grassland are not likely to yield anything close to 280 MtCO<sub>2</sub> (Nabuurs, 2016). While it is acknowledged that the Commission may include

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<sup>6</sup> [UNFCCC Decision 12/CP.17, Annex b.](#)

<sup>7</sup> [UNFCCC Decision 13/CP.19.](#)

managed forest lands later (once the forest reference levels are updated based on national forestry accounting plans), EUSTAFOR clearly prefers to include managed forest lands now as there is sufficient time to update forest reference levels by 2020.

## Conclusion

European multifunctional forests and forest-based products are at the core of the EU climate change agenda. Sustainable forest management can help to diversify the energy supply, lower greenhouse gas emissions and create jobs and growth in rural areas. The “new EU Forest Strategy: for forests and the forest-based sector” aims at putting forests and the forest sector at the center of the transition towards a green bio-based economy and giving value to the benefits that forests can sustainably deliver. Moreover, as forest ecosystems provide important habitats for fauna and flora as well as other vital environmental services, they are instrumental in the conservation of biodiversity.

The sustainable management of state forests thus needs to fulfill multiple objectives and provide various products and services to the public. Although there are potential synergies between climate change mitigation and adaptation and the other services provided by European state forests, it must also be acknowledged that there will be certain necessary trade-offs between the different services which forests can provide. Future climate policy design will consequently need to find a balance between these different societal demands.

There is a general tendency to believe that climate benefits from forests are a free service which should be provided by European state forest organizations. Yet, it needs to be fully acknowledged by policy makers that additional contributions from forests for mitigating climate change will typically require additional investments or will, at the very least, involve opportunity costs.

In EUSTAFOR's view, the European Commission proposals take an overly conservative approach in terms of LULUCF accounting and significantly limit the use of the climate change mitigation potential of forest management activities. The proposed legislation does not incentivize additional activities which could increase carbon removals but rather promotes maintaining existing carbon stock and discourages substitution. It will thus have indiscriminate or even negative influences on the development of the forest sector, especially state-owned forests.

*EUSTAFOR's 32 members (state forest organizations managing state forests) represent around one third of the EU forest area. They are committed to sustainable forest management and work with existing forest certification schemes. The total harvest of EUSTAFOR members is over 120 million m<sup>3</sup> of round timber per annum and together they employ more than 100 000 individuals.*