

# EU Sustainable Finance Package

## forester's views from European state forests

---

Piotr Borkowski, Executive Director  
**European State Forest Association (EUSTAFOR)**

PEFC EU Policy Seminar, 26 -09-2019, Brussels



# EUSTAFOR 2019



- » Established in 2006 – 13 years of experience in Brussels
- » Non-profit international association based on Belgian law
- » 34 Members from 24 countries
- » Organizations of various institutional and legal form
- » Membership open to organisations from all European countries



# State Forest Organisations

---

- » Total land area managed ~49 mill. ha (~30% of EU forests)
- » Total forest area managed ~42 mill. ha (including French overseas departments)
- » Protected and protective forests ~16 mill. ha & ~ 8 mill. ha of N2K
- » Certification in SFMO: 43,6 mill. ha (23,6 mill. ha PEFC & 19 mill. ha FSC & 0,6 mill. ha other) – often double certification
- » Annual increment ~200 mill. M3
- » Annual harvest ~130 mill. M3
- » Number of employees ~100 000



# EUSTAFOR Strategy 2019-21

---

## Vision & Mission

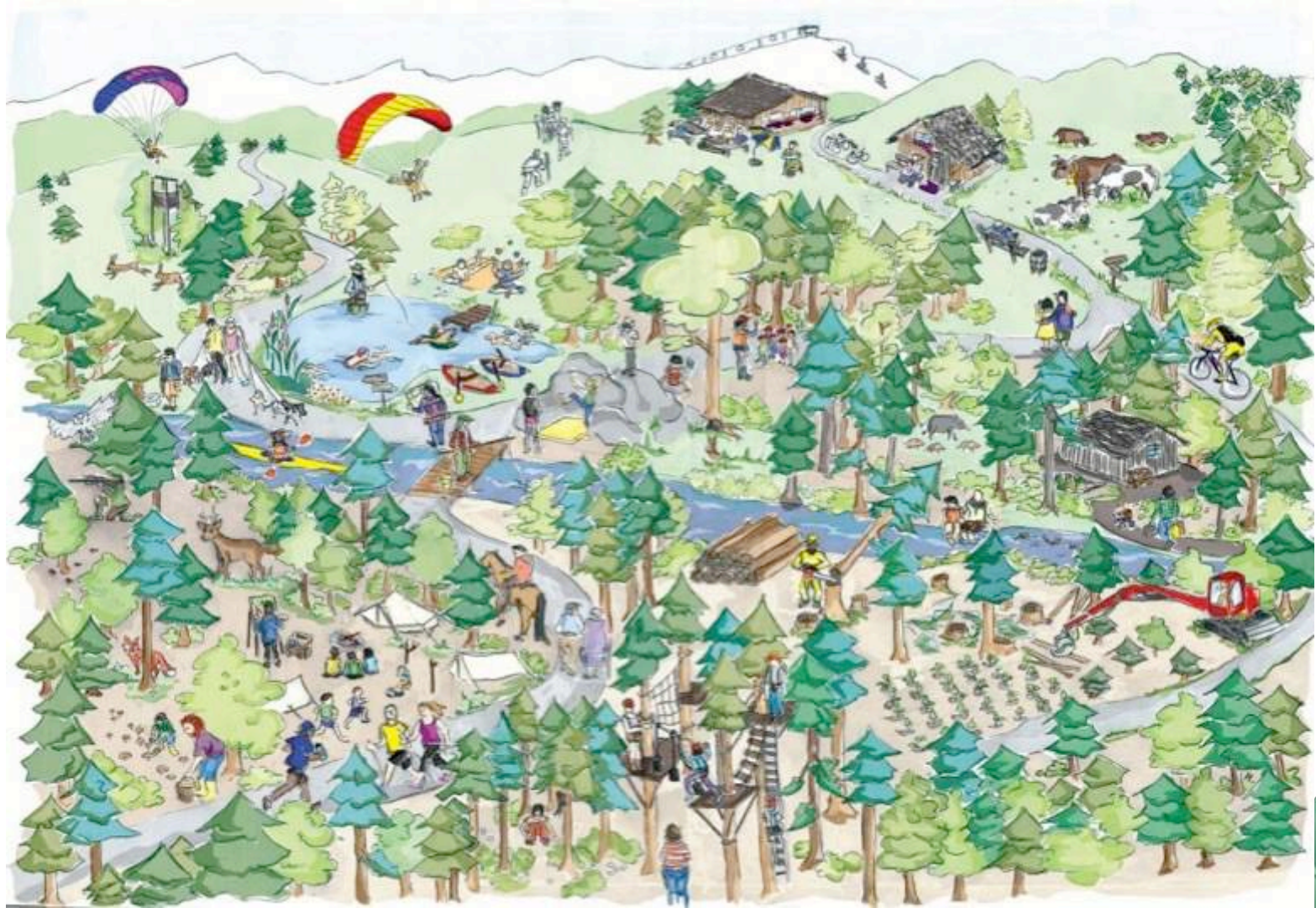
EUSTAFOR - Strong Voice for **Sustainability and Multipurpose Use** of Forest Resources

## Strategic Policy Areas & Topics

- **Climate change** and its impact on state forests and their management – balancing **mitigation** and **adaptation** needs/**ecosystem resilience**
- State forest management in the context of the **bioeconomy** and the **circular** economy, including the role of forest-based **renewable energy**
- **Multi-purpose** forestry as a provider of **income, social benefits** and **ecosystem services**
- **Biodiversity**, including protected area management



# Multipurpose forestry - Interests over Interests



# What SFM we aim at?

---

*“...sustainable management” means the stewardship and use of forests and forest lands in a way, and at a rate, that maintains their biodiversity, productivity, regeneration capacity, vitality and their potential to fulfill, now and in the future, relevant ecological, economic and social functions, at local, national, and global levels, and that does not cause damage to other ecosystems...”*

Helsinki Resolution 1, 1993



# Sustainable Forest Management (SFM) in State Forests

Economic Value	1/3 of the EU's timber harvest
	Boosting economic prosperity and jobs
	Leading in moving Europe towards a bio-based green economy
	Reliable partners for industry, research and innovation
Environmental Value	Forerunners in ecologically sound silvicultural methods
	Home for biodiversity
	Regulate climate, nutrient and water cycles, soil protection
	Protect against diseases, flooding, erosion and fire hazards
Social Value	Ecosystem services and other non-material benefits
	Clean air and water supplies, recreation, scenic and cultural heritage
	Protect infrastructure



# Instruments and Regulations in Place (Examples)

## At national level and local

- Forest laws and complementary regulations such as nature or forest protection regulations, public procurement regulations, or land use and related planning acts
- National Forest Inventories

## At ground level

- Forest management plans or equivalent
- Forest certification
- Silvicultural guidelines

## At EU level

- EU Timber Regulation
  - LULUCF
  - CAP
  - Birds and Habitats Directive, incl. Natura 2000
  - Water Framework Directive
  - Renewable Energy Directive II
  - ILUC Directive
  - Regulation on Invasive Alien Species
  - Directive on Marketing of Forest Reproductive Material
- 
- EU Forest Strategy
  - Biodiversity Strategy
  - 2050 Strategy: clean Planet for All
  - Climate Adaptation Strategy

## Pan-European level

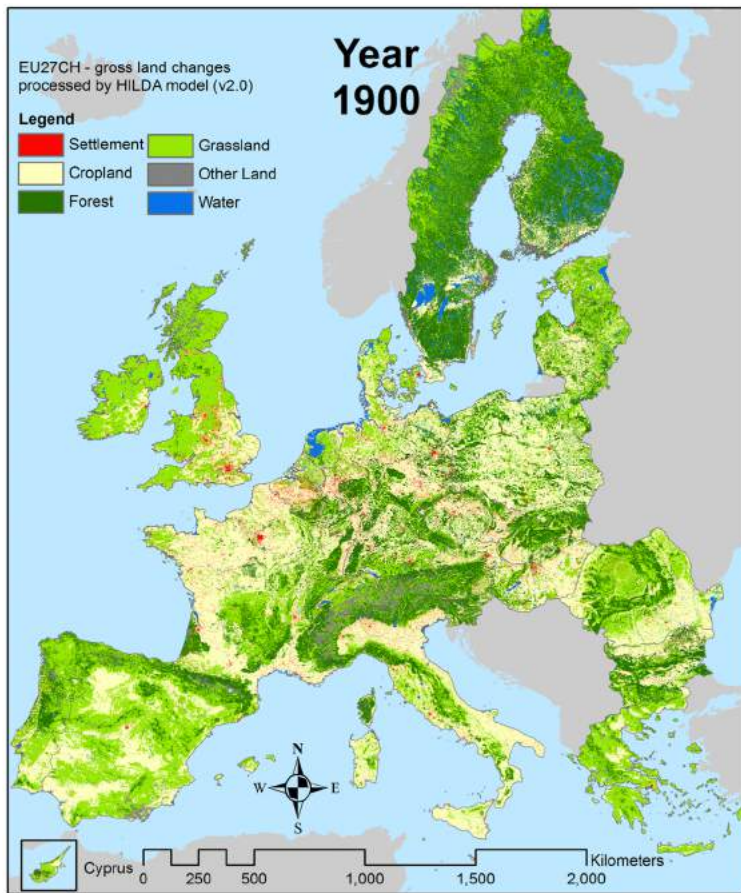
- Forest Europe SFM definition, Criteria & Indicators for SFM, principle guidelines, SoEF,
- LBA in the future?

## Global

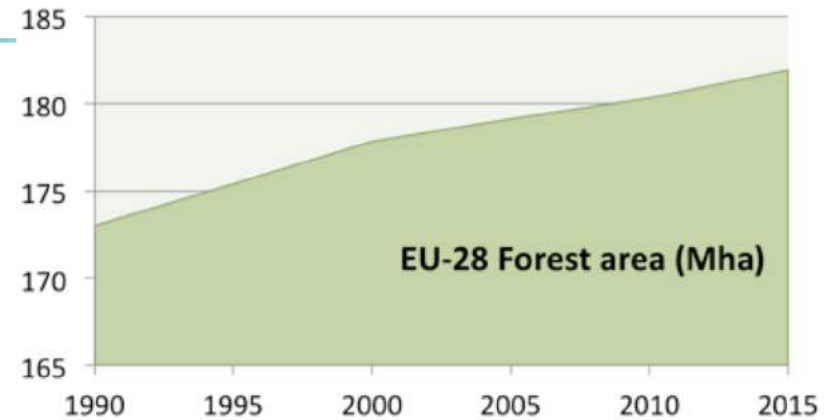
- CBD
- UNFCCC
- CCD
- Convention on International Trade in Endangered Species (CITES)
- ITTA (ITTO)
- UNFF
- UNESCO



# Forest Resource today is growing but...

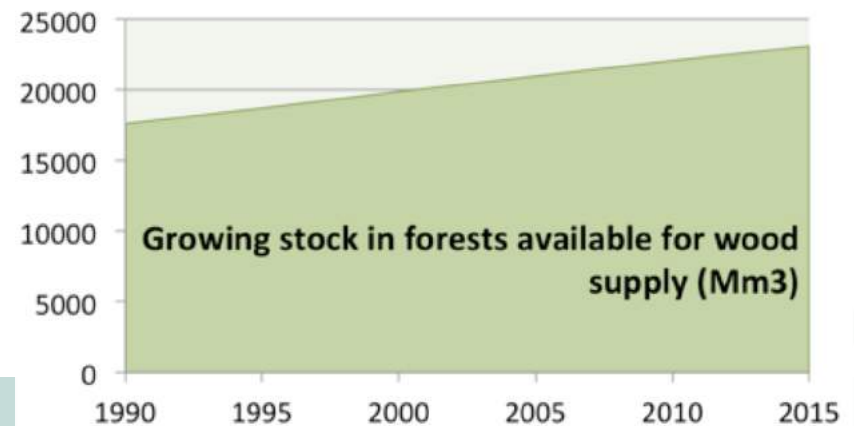


R. Fuchs et al, *Historic land changes in Europe*, *Biogeosciences*, 10, 1543–1559, 2013



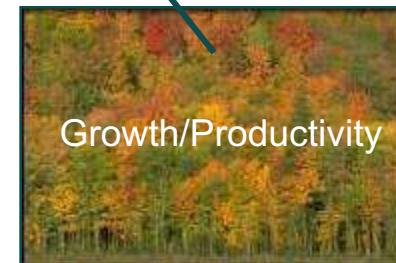
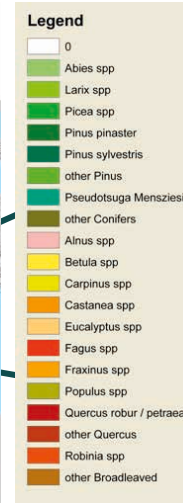
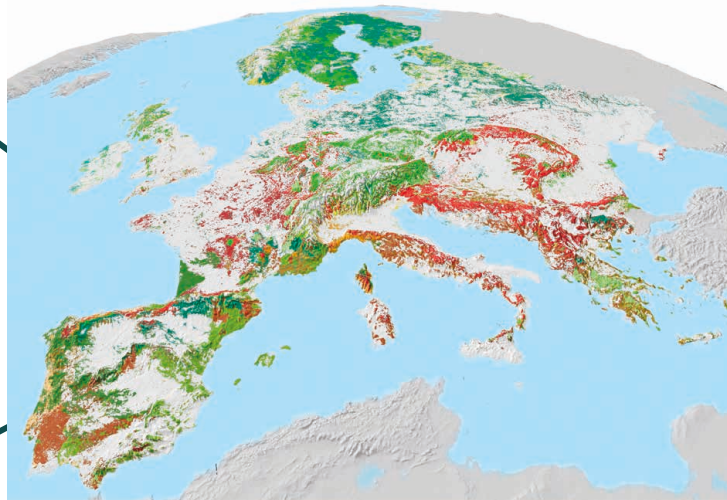
- EU forests are a growing resource (182 M ha)
- Felling / Increment = 65%
- How to sustainably manage forests?
  - **First signs of sink saturation\***
  - **Growing risks**

\*Nabuurs et al.  
*Nature Climate Change*, 2013



Data source: Eurostat

# Impacts of climate change on forest landscapes (Direct and indirect)



# EU Taxonomy & Forests

---

- **3 objectives of the Action Plan 2018, including:**
  - **reorient capital flows towards sustainable investment**, in order to achieve sustainable and inclusive growth
- Investments **in forests and forest management** are among sectors covered by the AP
- **Legal framework** will include an EU classification system for sustainability activities (technical screening **criteria**)



# Progress to date

---

- 1. Draft regulation** on the establishment of a framework to facilitate sustainable investment [COM(2018) 353 final] of 24-05-2018:
  - Includes definition of **SFM (Art. 2) – first time ever in EU legislation**
  - SFM to contribute to 6<sup>th</sup> objective -> *Substantial contribution to protection of healthy ecosystems (Article 11)*
  - Empowers the Commission to develop **criteria for** determining whether an economic activity is **environmentally sustainable** for the purposes of establishing the degree of environmental sustainability of an **investment** through **delegated act**
- 2. EP Report** of 13 March 2019 - reference on SFM to **applicable** legislation, instead of a definition
- 3. Ongoing work in the Council** –definition out; SFM to be replaced by sustainable forestry practice – what does this change?
- 4. TEG Report** of June 2019 – recommendation for the forest criteria



# TEG Report

---

- Provides recommendation for criteria in for 4 main subjects: afforestation, reforestation, rehabilitation/restoration & existing FM
- Sets 3 cumulative qualitative and quantitative mitigation criteria to be implemented:
  - Compliance with Sustainable Forest Management **(SFM) requirements**
  - Establishment of a GHG balance baseline
  - demonstration of permanence and steady progress to be reported through a FMP (or equivalent) at **5-year** intervals, to be subsequently **reviewed by an independent third-party certifier** and/or competent authorities.



# General Observations – forester's perspective

- Inclusion of forests & FM into a EU wide system to support sustainable investments – a step towards right direction, but...
- An attempt to establish a common denominator for forests at EU level requires a thorough debate of the Commission, MS and stakeholders
- Is financial legislation the right place to define SFM and set a system of criteria to assess it?
- EU Taxonomy attempts to impose yet another set of forest sustainability criteria instead of using existing systems, such as risk-based approach of RED II
- **If a new system is needed**, it should be elaborated by the forest sector within the framework of EU Forest Strategy (a relevant action is already there)



# More detailed comments

---

- SFM concept is simplified and reflects mainly climate mitigation needs (... Identify and apply forest management practices that (maintain and) increase existing carbon stocks...) – the entire spectrum of forest functions and services is missing
- SFM concept and its tools, including C&I for SFM, PEOLG, afforestation guidelines, etc., was politically agreed by MS and the EU at Forest Europe and should be used as a basis
- "force majeure" clause should apply in all four subjects, not only in existing management
- Afforestation is a specific measure that takes place on non-forest land and should be recognized as such, including an afforestation plan as a tool
- If a forest management plan is used as a data source or reference, frequency of disclosure of information /assessments have to be adjusted to forest management planning intervals (usually 10 years) – otherwise administrative burden may be enormous



# Detailed observations...cont.

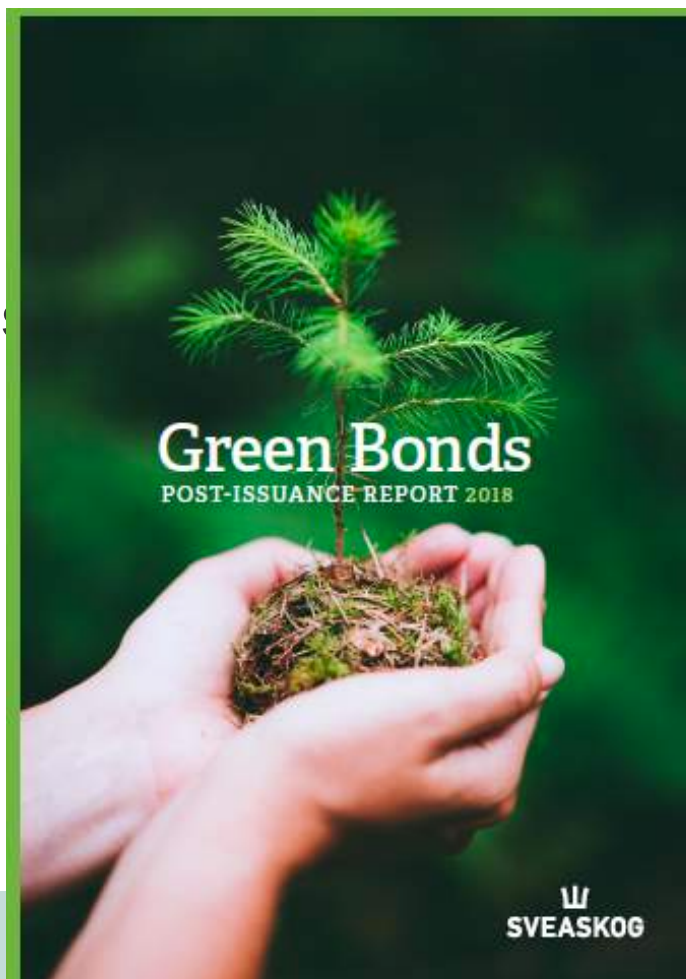
---

- **Verification by 3-rd party** - provisions on FMP verification may be in conflict with national legislation
- Role of independent market-based tools should remain as today – voluntary
- Non-conversion of primary forests is not applicable for afforestation and rehabilitation due to the suspected lack of forest cover in these areas
- “Do no significant harm” criteria are in general not controversial, minor issues require clarification
- Section on adaptation requires serious rethink; forestry measures are not existing there



# Potential application in state forests

- In general state forestry is not a main target group due to the legal & organizational setup
- Certain instruments may be used, however, e.g. loans
- An exiting **example of green bonds** is **Sveaskog/SE**, but mind the organizational and legal status



# Take home messages

---

- The EU Taxonomy may significantly impact forest policy setup in the EU if it moves as intended (definition, binding criteria, competence/subsidiarity)
- Forest sector expertise has not been fully used to date and this should change
- Setting SFM sust. criteria requires proper debate between MS, Commission & stakeholders
- State forests offer their expertise at any time – just ask!





**Thank you**

# European State Forest Association (EUSTAFOR)

---

[www.eustafor.eu](http://www.eustafor.eu)

<https://twitter.com/EUSTAFOR>

