



European Economic and Social Committee

CCMI/058
Innovative and sustainable
forest-based industries in
the EU

Brussels, 3 December 2008

OPINION

of the European Economic and Social Committee
on the

Communication from the Commission to the Council and the European Parliament
on innovative and sustainable forest-based industries in the EU

A contribution to the EU's Growth and Jobs Strategy

COM(2008) 113 final

On 27 February 2008 the Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

*Communication from the Commission to the Council and the European Parliament
on innovative and sustainable forest-based industries in the EU - A contribution to
the EU's Growth and Jobs Strategy*
COM(2008) 113 final.

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 November 2008. The rapporteur was Mr Burns and the co-rapporteur was Mr Student.

At its 449th plenary session, held on 3 and 4 December 2008 (meeting of 3 December), the European Economic and Social Committee adopted the following opinion by 167 votes in favour, 2 against, with 5 abstentions.

*

* *

1. **Recommendations**

For the reasons stated in the opinion, the EESC recommends the following:

- 1.1 Widen the notion of forest-based industries (FBI) to include forest owners and other economic operators such as forest contractors for identifying problems and opportunities from the outset of the value chain.
- 1.2 Further improve, including through studies, existing European databases recording the volume and potential quality of all harvestable wood, as well as wood use (from both European and imported sources) by FBI, so as to make them complete, timely and comparable.
- 1.3 Support increased production and mobilisation of wood from Europe's forests and its equitable use for various purposes at national level.
- 1.4 Promote an increased use of wood and wood-based materials.
- 1.5 Support measures to improve the image of FBI.
- 1.6 Work actively towards the recognition of the role of wood and wood products in mitigating the effects of climate change, e.g. acting as carbon stores.

- 1.7 Safeguard the sector from negative effects deriving from the emissions trading scheme.
- 1.8 Eliminate barriers to trade in wood and wood products. Ensure a free but fair trade.
- 1.9 Address the research needs of the industries as defined in the context of the Forest-based Sector Technology Platform (FTP), through the Seventh Framework Programme and related programmes.
- 1.10 Encourage both relevant EU institutions and industry to pay special attention to enhancing the enforcement of those EU occupational health and safety policies, regulations and programmes that are relevant to FBI, so as to bring all EU countries up to the same standard.
- 1.11 Develop European vocational training and qualifications for the whole forestry-wood chain, based upon the needs of industry.
- 1.12 Encourage national and sub-national authorities to recognise and act upon the potential of commercial forestry and the FBI. Due attention should be given to increasing investment in road and other infrastructures in rural areas.
- 1.13 In conjunction with the Forest Action Plan, develop systems to evaluate the economic and social value of multifunctional forestry and non-timber services and ensure that in future they are recognized as constituent parts of a single industry, which includes forest-owners, forest contractors, etc.

2. **Background**

- 2.1 The Communication that forms the basis of this opinion (COM(2008) 113 final, hereafter referred to as "the Communication") on "Innovative and sustainable forest-based industries in the EU" has its origins in the "Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions - The state of the competitiveness of the EU forest-based and related industries" (COM(1999) 457 final) and the "Communication on Implementing the Community Lisbon Programme" (COM(2005) 474 final). Furthermore, it has a link to the EU Forest Action Plan (COM(2006) 302 final), which spans five years (2007–2011) and is designed to support and enhance sustainable forest management and the multifunctional role of forests through 18 "key actions". One of these (No 17) aims, in particular, to "encourage the use of wood and other forest products from sustainably managed forests".
- 2.2 The Communication in the first instance addresses the challenges faced by the "forest-based industries" (FBI), defined as the industries producing pulp, paper and paper packaging, the woodworking industries (like sawmills and wood-based panels) and the cork and printing industries. As such, it does not deal directly with the forestry sector that provides for the main

raw material of the FBI –wood– nor with other groups having businesses or making their living from the forest.

3. **Summary of the Commission’s proposal**

3.1 In the Communication, the European Commission highlights the challenges facing FBI, dealing with issues such as global competition, climate change, energy, wood supply, etc., and the impact these may have on the future profitability and competitiveness of the sector.

3.2 FBI are an important part of European economy, often playing an important role in maintaining sustainable employment in rural areas.

3.3 The problems are addressed by means of 19 “actions” that fall under the following main headings:

- a) Access to raw materials (8 actions)
- b) Climate change policies and environmental legislation (4 actions)
- c) Innovation and R&D (4 actions)
- d) Trade and co-operation with third countries (2 actions)
- e) Communication and information (1 action).

4. **General comments**

4.1 The EESC welcomes the attention drawn by the Commission to the challenges being faced by FBI and the list of actions as proposed. It strongly urges that these will not remain proposals, but will be implemented as soon as possible.

4.2 Though understanding the background and the basis for the Communication, the EESC does regret the low degree of attention or no attention being paid to operators at the beginning of the value chain, such as forest owners and forest contractors, or to the other functions to be fulfilled by forests and in forests (sometimes referred to as the forest cluster).

4.3 The EESC urges that more attention be paid to the necessity of profitable forestry as a precondition for the competitiveness of the whole value chain. Profitable forestry reinforces sustainable forest management (SFM) and provides incentives for investment in the sector and a secured wood supply.

5. **Specific comments**

5.1 *Access to raw materials*

5.1.1 The EESC is concerned that decisions affecting forestry and forest-based industries are not always based on complete, timely and comparable statistics regarding the availability and use

of wood from Europe's forests, leading to a mismatch between supply and demand and a failure to meet the set goals. Likewise, it would be important to know and be able to forecast the volumes of wood used by FBI, be it from European or imported sources.

- 5.1.2 European policy initiatives, especially those promoting the use of biomass and renewable energy sources, have put additional pressure on the availability of (wood) raw material to FBI, partly due to the emergence of market-disturbing subsidies. The EESC is concerned about the impact of these on FBI. In view of the growing competition for wood raw material as a source for energy, the EESC is of the opinion that the use of forest resources for different purposes should be equitable. The EESC encourages the Commission to further investigate the concept of "energy forests" (short rotational wood) to supply the biomass energy market.
- 5.1.3 The market should be governed by the normal market mechanisms and not be distorted by subvention schemes promoting one use over the other.
- 5.1.4 Though increased wood imports do not provide a workable solution to this emerging problem, such imports should not be hindered by quantitative, legislative or other burdens.
- 5.1.5 The EESC believes that the only long-term sustainable solution is to increase the volume of wood from Europe's forests by
- enhancing sustainable management of existing forest so that they can produce more commercially viable timber;
 - increasing the forest area so that wood supply can better match demand.
- 5.1.6 The EESC is of the opinion that, due to the vital importance of the raw material to FBI, the Communication should have taken the opportunity to address subsidiarity-related issues, i.e. actions at national and sub-national levels to deal with the long-term supply of wood.

It is a fact that "encouragement" to plant more commercial forestry is having no effect in several EU countries. The reasons appear to vary, in some countries there is indifference, whereas in some others an assumption that there is already enough wood. Meanwhile, several studies indicate a shortage of wood at EU level.¹

- 5.1.7 In order to be able to bring the wood to the customers, good road and other infrastructures are required. Low investment in road infrastructure in rural and remote areas increases the cost of transport. For example, a loaded lorry travelling on a rural road in comparison to travelling on straight, level roads, costs 75% more (time and fuel) for the same distance travelled. The EESC is concerned about the lack of attention given to this by national or sub-national

¹ In particular, a UNECE 2007 study on "[Wood resources availability and demands](#)", based on the Joint Wood Energy Enquiry of 2006.

authorities. Furthermore, size and weight restrictions on road transport represent an additional cost burden.

5.2 *Climate change policies and environmental legislation²*

5.2.1 Wood products store carbon throughout their service-life and can, through the substitution of other materials, lead to substantial savings in CO₂. The EESC believes that the EU should be more active in promoting the carbon storage by wood products and the positive contribution these can deliver to mitigate the effects of climate change.

This positive role of wood should be recognised fully in the post-2010 Kyoto process, and the EESC calls upon the Commission and the Member States to achieve this recognition at the forthcoming “Conferences of the Parties to the Kyoto Protocol”, COP14 (Poznan 2008) and COP15 (Copenhagen 2009).

5.2.2 The Commission has underestimated the threat posed by emissions trading to the European pulp and paper industries and, partly, the woodworking sector, which are affected by the ETS in two ways: directly by being in the system and indirectly via the sharp increases in electricity prices resulting from ETS³. The current plans for the emissions trading directive will put a very high burden on the profitability of the industry and could well lead to mill closures or relocation. The latter would only be financially feasible for large companies; it is certainly not an option for smaller European businesses.

5.2.2.1 In its current form, the new ETS Directive proposal would lead, for the European paper industry and other energy-intensive sectors, to a significant market distortion and competitive disadvantage and eventually carbon leakage as major competing countries outside the EU would not face equivalent burdens and costs. The EESC considers it essential that the pulp and paper industries and wood-based panels industries be recognised as energy-intensive industries vulnerable to carbon leakage. That should happen immediately. The proposal to decide only in 2010 which sectors will still receive partial free allocation of CO₂ credits seems much too late.

5.3 *Innovation, R&D, education and training*

5.3.1 Innovation and R&D will certainly contribute to securing a future for FBI. The EESC welcomes the creation, by the sector, of the “forest-based sector technology platform” and requests that due attention be paid to the future needs of all sub-sectors. R&D funding within

² See the upcoming EESC opinion on *"The role of forests and the forest-based sector in meeting the EU's climate commitments"* (exploratory opinion requested by the European Commission).

³ *Ibidem.*

the sector should be increased, in particular in FP7 and other linked programmes, and targeted towards innovative use of raw material and products.

5.3.2 Processes designed to encourage flexibility within Europe have not established secure and accessible measures for students and employees in FBI to acquire comparable and widely acceptable qualifications or develop skills through life-long learning programmes. Nor have various pilot initiatives under EU education and vocational training programmes produced a means by which changes in workplace practices can be observed collectively and incorporated simultaneously into national arrangements. Such drawbacks constrain trans-border mobility, frustrate international career ambitions and limit employers' access to the full range of talent within FBI. It may even contribute to a common perception that the qualifications available for forestry paper and wood occupations are generally of low value.

5.4 *Health and safety*

5.4.1 As in any other industrial activity, working in FBI presupposes a certain level of risk to workers' health and safety. While industry has made significant efforts in this area over the last decades, much remains to be done. Furthermore, given that not all Member States are confronted by the same problems in this area, due consideration should be given to tailoring the required responses to individual conditions on the ground in each Member State.

5.4.2 The latest rounds of EU enlargement have witnessed the arrival of Member States with relatively greater requirements for improving health and safety policy implementation than is commonly the case in the rest of the EU. In this regard, the Committee should like to stress the importance of both EU financial instruments and appropriate levels of commitment on behalf of FBI active in these Member States.

5.5 *Trade and cooperation with third countries*

5.5.1 FBI are active globally and exports are essential in maintaining competitiveness. The EESC is concerned that exports from EU companies are unnecessarily impeded by tariff and non-tariff barriers. The Commission should pursue the elimination of these with priority.

5.5.2 The EESC is also concerned about the measures taken by major trade partners, such as Russia, strongly impacting the supply of wood raw material to the EU and leading to production cuts.

5.6 *Communication and information*

- 5.6.1 Despite its important contribution to society and economy, the public image of FBI is not good. The value of European forests to society and to citizens is generally not understood.⁴ Schools often teach pupils that cutting down trees is bad and the world needs all the trees it can get. Illegal felling and other unsustainable forest management practices, for example in South America, South-East Asia and other regions, also harm the overall image of wood.
- 5.6.2 Considering the ongoing discussions on climate change and bioenergy, the momentum to promote the increased use of wood and wood-based materials has never been better. Forests absorb CO₂ and this carbon can then be stored in wood-based products. The image of the whole sector and its products should be enhanced with these climate arguments; this is something unique to the sector and needs to be promoted along with more information about the commercial value of our forests.
- 5.6.3 At present there are several promotional schemes that are supported by industry but these have only had a limited impact on improving the image of the forest-based industries. These schemes need to be developed and brought into all schools and the wider social community so all sectors of society can understand and value the importance of growing and using (European) timber.

5.7 *Encouraging the use of wood*

The Communication draws a lot of attention to the raw material supply of the industries (see item 5.1 above), but does not deal with the use of wood and wood-based products. In the drive towards more sustainable production and consumption, it would be appropriate to put emphasis on eliminating barriers and unnecessary legislative, administrative, financial and other burdens, therefore allowing a greater use of timber e.g. in the area of construction. Generally, the EESC considers that the specific nature and role of wood and wood-based products should be taken into account in different policy contexts.

5.8 *Multifunctional forestry*

One of the main recommendations in the 2006 EU Forest Action Plan is that forestry has to become “multifunctional” and service society with benefits other than just the provision of wood. Due to a lack of information and data, the exact value to society provided by non-timber services (berry picking, mushrooms, herbal medicines, hunting and tourism) has not been determined. Be that as it may, these businesses create profit, employment and opportunities and therefore have a claim to be defined as part of the forestry.

⁴ See "Perception of the wood-based industries - Qualitative study of the image of wood-based industries amongst the public in the Member States of the European Union" (© European Communities, 2002; ISBN 92-894-4125-9). This study can be accessed at: http://ec.europa.eu/enterprise/forest_based/perceptionstudy_en.pdf.

Although it recognises the role of "multifunctional forestry", the EESC is concerned that several national governments are putting too much emphasis on non-timber services to the detriment of the commercial role of their forests as producers of wood.

Brussels, 3 December 2008.

The President
of the
European Economic and Social Committee

The Secretary-General
of the
European Economic and Social Committee

Mario Sepi

Martin Westlake
