

Brussels, 25<sup>th</sup> November 2013

## **Joint Statement on cascade use of wood**

*AEBIOM, CEPF, COPA-COGECA, EIPS, ELO, EUSTAFOR*

Along with the developments related to renewable energy sources and the implementation of the Renewable Energy Directive, the EU debate on forestry and bioenergy has been influenced by a new tendency: the obligation to use wood raw material in a certain order of priority according to the cascade principle. In this context, in its report on *Bioeconomy for Europe*<sup>i</sup>, the European Parliament has called for the development of a legal instrument to establish a cascade use principle. The new EU Forest Strategy<sup>ii</sup> also suggests developing good-practice guidance for the same principle. During the summer, the EU media reported on a draft Directive on sustainability criteria for solid and gaseous biomass in heating, cooling and electricity, which indicates that Commission could, at a later stage, restrict the use of high value roundwood as a feedstock for electricity and heating / cooling production.

*AEBIOM, CEPF, COPA-COGECA, EIPS, ELO and EUSTAFOR* fully support resource efficiency. However our organisations are of the view that the cascade principle should not be made legally binding, as there is no economic or practical justification that such provisions will promote the competitive and sustainable use or supply of wood. Instead, more efforts should be made to increase wood mobilisation in Europe.

### **Wood energy definitively has a value**

According to the cascade principle, wood should be used in the following order of priority<sup>iii</sup>: wood-based products, re-use, recycling, bioenergy and disposal. The energy use is therefore considered as the least valuable option among several uses.

Wood, as a renewable, domestic and climate friendly resource, is essential for reducing greenhouse gas emissions and dependency on fossil fuels. Therefore, one could wonder why bioenergy which replacing fossil fuels with biomass should be considered as a low value product. To date, there is a consensus within society on the urgent need to tackle climate change and address the energy poverty issue due to the increase in fossil fuel prices<sup>iv</sup>. In this context and in the context of rural development, wood energy has a value that should be clearly acknowledged and the EU should not hinder the use of its growing forest resource to tackle these challenges.

### **The wood energy sector does not use high value roundwood as a raw material**

The main reason is that in Europe biomass producers cannot compete with the sawn timber sector. The interest of European forest owners is to manage their forests under a multiple-product approach where the raw material used for energy is derived from industry residues (sawdust, chips); harvesting residues (tops, branches, crowns); thinning material and low-quality wood. This is the case today and will be the case in the foreseeable future as markets ensure that high-value saw logs are not used as raw material in the energy sector.

## **Competition is good for the forest sector**

It has been widely acknowledged that the total demand of wood in Europe (around 429 million m<sup>3</sup> in 2012)<sup>v</sup> has remained somewhat stable for the past decade. In addition, current trends and ongoing scientific work show that the total demand for wood will not increase as dramatically as the EU Wood study (2010) suggested. Due to active management of forests, the EU forest resource stock grew from over 19 billion m<sup>3</sup> in 1990 to more than 24 billion m<sup>3</sup> in 2010<sup>vi</sup>. At the same time the energy use of wood has also increased, adding to active and sustainable management of forests and creating numerous other benefits.

As far as the competition of uses is concerned, the payment capacity of the European bioenergy sector is always much lower than sawmills and the pulp and paper sector. It is a fact that there can be cases where there is competition for certain types of wood material between the energy sector and the industrial sector, for example wood-based panel. From a market perspective, competition has contributed to new markets for the forest sector and has strengthened active forest management and has enhanced investments. This is essential in order to ensure the good growing conditions of European forests to also produce high-value roundwood for future uses.

There are also cases where the energy sector is the only possible market as there is no demand for wood from another industry or it is not economically feasible for said industry to mobilise such wood (e.g. forests that are not located in the supply area of pulp mills or wood-based panel plants due to the economically sound transport distance). In such cases, wood energy can be an efficient option for local actors and for the local community. It provides an opportunity for forest owners to sell their wood locally and keep managing their forests. Therefore much of the potential of European forests would be bypassed if certain type of wood could not be used for energy, as the network of wood-based industry does not cover all of Europe.

This is also stated in the recent Commission blueprint for the EU Forest-Based Industries<sup>vii</sup>

*“Notwithstanding the ideal application of the “cascade principle” for using wood, it should however be borne in mind that, according to economic and local circumstances, such as economic downturns or locations without viable alternative wood markets or energy supplies, changing demands or forest fire prevention, the use of wood for bio-energy may sometimes be the practical first or only option.”*

Overall, the wood-working industry and wood energy should not be seen as alternative choices, but rather as complementing branches supporting active forest management and providing multiple benefits.

## **The reality about subsidies**

The cascade principle has been encouraged by certain criticisms levelled at wood energy developments leading to market distortions and unfair competition due to the subsidies provided to the energy sector. First, it should be kept in mind that the largest part of energy from biomass does not receive subsidies, in particular in the heating sector. It is also important to note that biomass producers do not receive subsidies. If support is granted, the public money goes to energy producers. When support is provided, one should not forget that its purpose is to reduce fossil fuel consumption and global warming, which is a choice widely accepted by EU society. However the latest IEA estimates indicate that fossil-fuel consumption subsidies worldwide amounted to \$544 billion in 2012<sup>viii</sup>, which represents an increase of 4% compared to 2011. In this context, the support for the development of renewables is even more essential.

## **Non-practical principle**

In practice, the functionality of a legally binding cascade principle is highly questionable. National and regional circumstances vary greatly regarding forest resources, as do their development, industry capacity, wood markets, and energy systems. Therefore determining “low-value” or “appropriate” use of wood at EU level would go against the market economy principle and would not guarantee resource efficiency.

When evaluating the need and usefulness of the legally binding cascade principle, the following questions should be considered:

- How would it work in practice in terms of definition, control mechanisms and legal instruments? How could it be proven that the wood material sold / used for energy could not have been sold / used for other purposes?
- Who would support the associated administrative burden when national administrations are trying to reduce public expenditure and the Commission aims to simplify its regulation (EU REFIT programme<sup>ix</sup>)?
- How could such a principle be applied in third countries from which EU pellet imports are expected to increase significantly?

Finally, it is not appropriate for EU policy makers to organise the market as this does not go hand in hand with the principle of subsidiarity and would clearly undermine the ability of the Member States to manage their natural resources in the most appropriate way. Biomass suppliers (including forest owners) must continue to have the possibility and freedom to decide to whom they sell their product.

## **An essential common issue: wood mobilisation**

We should focus our attention on the real challenges of the sector, such as wood mobilisation, which is in the interest of the whole forest sector. This should be a priority for the sector taking into account that forest resources of Europe are continuously growing as around 60% of the annual increment is being harvested. Mobilisation of more wood in Europe would be beneficial for increasing renewable energy production and for providing additional raw material and in order to maintain the competitiveness of the forest-based industries and to foster economic prosperity in rural areas. Therefore *AEBIOM*, *CEPF*, *COPA-COGECA*, *EIPS*, *ELO* and *EUSTAFOR* consider that instead of considering a possible legally binding cascade principle, the EU institutions should support positive actions at EU and national level that will improve infrastructure, promote active forest management and enhance research and technological development in the field of forest production, mobilisation and harvesting technologies and wood utilisation.

AEBIOM - European Biomass Association

CEPF - Confederation of European Forest Owner

COPA COGECA - European Farmers European Agri-Cooperatives

EIPS - European Industry of Pellet Suppliers

ELO - European Landowners Organization

EUSTAFOR - European State Forest Association

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- i 2012/2295 (INI) Motion for a European Parliament resolution on innovating for sustainable growth: a bioeconomy for Europe
- ii COM(2013)659 “*A new EU Forest Strategy: for forests and the forest-based sector*”
- iii SWD(2013)342 Commission staff working document accompanying the Communication “*A new EU Forest Strategy: for forests and the forest-based sector*” [http://ec.europa.eu/agriculture/forest/strategy/staff-working-doc\\_en.pdf](http://ec.europa.eu/agriculture/forest/strategy/staff-working-doc_en.pdf)
- iv According to statistics from the Federal Ministry of Economics and Technology of Germany, heating oil prices have surged 300 per cent from 1998 to 2012 [http://renewable-energy-industry.com/press-releases/press-releases\\_detail.php?changeLang=en\\_GB&newsid=4617](http://renewable-energy-industry.com/press-releases/press-releases_detail.php?changeLang=en_GB&newsid=4617)
- v Eurostat: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=for\\_basic&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=for_basic&lang=en)
- vi Eurostat: [http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=for\\_vol&lang=en](http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=for_vol&lang=en)
- vii SWD(2013) 343 “*Blue print for the EU Forest-based industries*”
- viii <http://www.worldenergyoutlook.org/resources/energysubsidies/>
- ix Regulatory Fitness and Performance Programme: [http://ec.europa.eu/smart-regulation/refit/index\\_en.htm](http://ec.europa.eu/smart-regulation/refit/index_en.htm)
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