

European Commission
DG CLIMA Units B1& B3

Brussels, 8 November 2021

EPF feedback on updating the EU Emissions Trading System (ETS)

The European Panel Federation (EPF) warmly welcomes the possibility to provide feedback on the update of the EU Emissions Trading System (ETS) as part of the 'Fit for 55' package. So far EU ETS has proven to be an effective tool in reducing greenhouse gases (GhG) emissions and reaching net-zero by 2050 will indeed require all sectors to contribute, hence the need to extend the scope of the EU ETS. The update of the EU ETS and its carbon leakage provisions will need to act in synergy with other EU policies) if we are to meet the objectives of climate neutrality. In this respect while acknowledging the linear reduction factor proposed, it is essential to guarantee a level playing field considering the extra-EU competition and not to overburden industries that have already done a lot in the past to help decarbonisation and enhance the deployment of a more sustainable circular bioeconomy.

EPF is delighted that the Commission acknowledges that biomass needs to comply with the sustainability criteria and greenhouse gas emission saving criteria for the use of biomass established by Directive (EU) 2018/2001 in line with the cascading principle, as also confirmed in the proposal amending Directive (EU) 2018/2001 (COM 2021/557). We believe that this is essential for the EU's forestry resource to best meet our climate, economic, environmental and biodiversity targets, by allowing the carbon cycle to be extended via harvested wood products, such as wood-based panels, for as long as possible, and only burnt at the end of life. It is essential that in this process, and as stated in RED II, subsidies for bioenergy should not create any market distortions for raw materials such as biomass.

To ensure the avoidance of such market distortions EPF proposed back in 2020 to establish a consultation system at national, regional or local level to verify whether projects by applicants for biomass energy support comply with the sustainability requirements of the Renewable Energy Directive. Such process could be implemented within the framework of the operational guidance for member states and operators on how to demonstrate compliance with the new sustainability criteria for forest biomass that is currently under preparation. You can find copy of EPF's proposal here below (Ref: 2020-103).

EPF understands the need to address the overallocation of free allowances to achieve the European targets of reducing GhG. Nevertheless, we are worried about the risks potentially resulting from the implementation of a 95% threshold value for zero-rated biomass combustion proposed to be introduced above which installations are to be excluded from the EU ETS. The usage of such a threshold is not equally applied to all the non-fossil CO₂ components of fuels, while only sustainable biomass seems to be concerned. If at all the threshold should be implemented for all fuels, benchmarks and products.

With the update of the EU ETS, the aim is to foster incentives to reduce GHG by using cost-efficient techniques. But there is a genuine risk that the proposed 95% threshold provides the wrong incentives, excluding the safeguard of existing long-term investments in biomass boilers especially if the market price for biomass increases further due to the existing subsidies for



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biomass energy production and the expected increase in the demand for biomass given the objective to increase forests carbon sinks and carbon removals in harvested wood products.

If a 95% threshold should be necessary, the processing of related data and time frame should be better defined. A calculation period of 3 years should be established to equalize temporary yearly fluctuations especially given the changes in wood mix, weather conditions and wood moisture. Furthermore, there is no existing process for re-entry into the EU ETS in case of exclusion.

It is important to note that the wood-based panels industry uses biomass as a fuel in its processes and not merely for heat and/or electricity generation. For the wood-based panels industry the drying processes are commonly based on direct dryers, and even on indirect dryers, for which the primary energy source is thermal energy. The drying processes are necessary to remove large and very variable amounts of water depending on several factors such as location, seasonality, nature of the raw materials, etc.

To conclude, the wood-based panels industry is committed to doing its share in the transition towards a carbon neutral and circular economy as it has done already in the past. Wood-based panels are sustainably sourced and circular climate positive products that can be used in construction, renovation for energy efficiency, furniture and packaging. In this respect, our products hold a great potential in increasing carbon removals and sustainable carbon life cycles. Therefore, EPF believes that a coherent and viable approach is necessary when updating the rules of the EU ETS to avoid potentially wrong incentives and counterproductive measures.

EPF represents the manufacturers of wood-based panels being particleboard, dry process fibreboard (MDF), oriented strand board (OSB), hardboard, softboard and plywood. EPF has members in 32 European countries. The EU wood panel industry has a turnover of about 22 billion euro every year, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe. The production of wood-based panels in the EU-27 (+EFTA) in 2020 was an estimated 58 million m³. www.europanel.org

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EUROPEAN PANEL FEDERATION
WOOD - BASED PANELS

European Commission
DG COMP Units B2, B3 & H2

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Proposal for a consultation system at national, regional or local level to verify whether projects by applicants for biomass energy support comply with the sustainability requirements of REDII and to evaluate any potential distortions of raw material markets

The European Panel Federation (EPF) believes that Member States should require applicants for biomass energy support to present a detailed supply plan for their woody biomass describing the type, quantities and origin of the material and an evaluation of any potential conflicts with existing users. The supply plan should not only cover the start-up phase but should be for at least 2 to 5 years or could be described for the entire time of receiving support. In this plan, applicants should already provide as much information as possible showing that their supply plan will not cause any market distortion for the existing wood processing industry.

During the evaluation of the application and the possible granting of support, the national/regional/local authority shall inform all potentially relevant stakeholders within the expected supply area of the bioenergy plant to provide comments and in case they object to support being given, deliver proof that they are already using the envisaged feedstocks by the applicant. Given the uncertainties on the supply range, authorities shall always as a minimum inform National/European associations of wood by-products and wastes such as the wood panel industry, the pulp industry, the wooden packaging sector and any other relevant associations. Only biomass supply which clearly shows that no market distortion will be caused by granting of support, will be eligible for granting of support.

Support granting authorities shall take due account of any proof of existing materials and the expected socio-economic impact of granting the support to the biomass energy plant.

During the entire supporting time and at the time of any application for renewal, support granting authorities shall require the supported operator to document the real origin and quality of the woody biomass at least once per year to verify that it matches with the supply plan used when granting the support. In case of any discrepancies, a consultation shall be launched when new materials from new origins are being used, and in the case of proof of market distortion to material users, the granting of support shall be re-evaluated and preferably stopped.

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Ref: 2020-103