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The role of forest management in the upcoming taxonomy regulation for sustainable investments

In the context of the European Commission's ongoing work on developing a classification system for sustainable investments¹, the undersigned organisations would like to express their views on the topic of forest management in the proposed taxonomy regulation, notably on the first round of climate mitigation activities drawn up by the Commission's Technical Expert Group on Sustainable Finance (TEG)².

The undersigned organisations welcome the fact that forest management activities have been included in the scope of the proposed regulation, which applies the definition of Sustainable Forest Management (SFM) that European countries and the European Commission agreed upon at the Ministerial Conference on the Protection of Forests in Europe³ and that was referred to in the 2013 EU Forest Strategy⁴. Given the fact that the proposed taxonomy regulation also aims to define a set of criteria and that SFM contributes in many ways to several UN Sustainable Development Goals as well as the Paris Agreement goals, it is crucial that a holistic approach to forest management is applied while keeping in mind that forest policy is a competence of the EU Member States.

Sustainable and active forest management plays an important role in meeting EU climate and energy policy objectives, e.g. tackling climate change, improving energy security and promoting jobs and economic growth. SFM is needed to reach these targets. It provides three main climate benefits: CO₂ sequestration in resilient, growing forests; carbon storage before and after harvesting; and a renewable and climate-friendly raw material that substitutes energy-intensive materials and fossil fuels. Unfortunately, the TEG's first set of climate mitigation activities only classifies existing forest

¹ [Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the establishment of a framework to facilitate sustainable investment](#)

² <https://ec.europa.eu/eusurvey/runner/taxonomy-feedback-first-round-climate-change-mitigation-activities>

³ https://foresteurope.org/wp-content/uploads/2016/11/Commitments_all.pdf

⁴ https://ec.europa.eu/agriculture/forest/strategy_en

management as positive if it improves carbon sinks in forests, and disregards the holistic concept of sustainable forestry and the related carbon cycle.

With regard to forestry, the first round of climate mitigation activities overlooks the fact that SFM, its principles and tools have already been defined in a comprehensive manner and that it can therefore serve as a point of reference for various sectors. EU legislation should, therefore, make full use of these instruments before yet another system addressing the same issues is developed. Given that forest policy falls within Member State competence and as addressed in the EU Forest Strategy, the Standing Forestry Committee should remain the forum for discussing all forest-related issues, ensuring coordination and coherence of forest-related policies. Consequently, this body should be involved in developing the SFM criteria and indicators to be used in the context of sustainable finance (COM(2013)659 final, page 5).

In its future work on the first round of climate mitigation activities, we would recommend that the TEG draw more on expertise from the forest sector, including from the organisations involved in forest-related policy-making in the EU. This would minimise the risk of shortcomings and misconceptions in the proposed structure of the taxonomy system related to forestry.

Subdividing forestry activities into afforestation, rehabilitation/restoration, reforestation and existing forest management points to a lack of comprehension of forestry activities. It should be noted that, afforestation is an activity that takes place on non-forest land. Given the fact that the primary focus of the entire 'sustainable finance' initiative should be climate mitigation and adaptation, the categories and definitions should also be in line with the Kyoto Protocol definitions and the LULUCF regulation⁵. In addition, the inexistent link between active forest management and increased resilience to climate change marks a missed opportunity to include adaptation aspects in the scope of existing forest management.

The undersigned organisations strongly recommend that forest management be classified as a sustainable activity if it complies with the internationally agreed definition of SFM and at least keeps the forest in its existing condition. With regard to metrics and parameters for forest management activities, it is highly advisable to ensure consistency with the risk-based approach for forest biomass of the Renewable Energy Directive (recast)⁶. This would avoid confusion, legal uncertainty and subsequent restrictions to investments in the forestry sector.

Finally, not allowing forest biomass to substitute non-renewables as a renewable and carbon-neutral fuel is neither in line with the EU 2050 Climate Strategy⁷, the 2030 climate and energy targets⁸, nor with the targets suggested in this same legislation (Article 6a and 6h, i.e. generating renewable energy and producing fuels from renewable sources).

The aforementioned recommendations will allow the European Union to send out a clear message to investors on how to promote the development and sustainable use of forest resources and the entire forest-based value chain with a view to positively contributing to achieving the Paris Agreement climate objectives.

⁵ [LULUCF Regulation](#)

⁶ [Recast of the Renewable Energy Directive](#)

⁷ https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_en.pdf

⁸ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0015&from=EN>