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Joint statement

**European forest owners strongly question
the benefits and practicability of the cascade use principle**

Forest owners support a resource efficient use of wood raw material

European forest owners fully support resource efficiency and further strengthening of the bioeconomy and high value use of wood in Europe. From our perspective, this includes the rural sector with farming and forestry, the wood-based industries, the pulp and paper sector, the new biorefineries as well as the bioenergy sector. We support a wide spectrum of wood uses, creating a competitive market environment and increased innovation and cost-efficient use of wood. The interest of forest owners is to manage their forests for multiple products and purposes, where the most important product with which to generate income is high value sawn timber.

The concept of cascading use has been promoted as a means of increasing the resource efficient use of biomass. However, the concept has not been clearly defined, and may mean different things to different actors along the value chains.

European forest owners do not support the cascade principle, being a top-down concept, which defines the use and value of wood and wood-based products in a hierarchical manner. Biomass suppliers (including forest owners) must continue to have the possibility and freedom to decide to whom they sell their raw material.

This position has been shared by the Council of the European Union, the European Parliament, the Committee of the Regions and the European Economic and Social Committee in their opinions on the EU Forest Strategy, where they clearly oppose the prioritisation of industrial use of wood (as promoted by the cascade principle) and instead support resource efficiency and an open market approach.¹

The cascade principle has been encouraged by certain criticisms of wood energy developments, including market distortions in some countries due to renewable energy subsidies. This problem cannot be generalised at EU level, since there are significant differences between Member States in terms of subsidy schemes and the use of woody biomass for energy. If a subsidy scheme has a distorting impact on the market in a certain Member State or region, the first solution should be to adapt the subsidy scheme accordingly. The solution should certainly not be to start regulating the wood market and use, which may have negative impacts on the whole EU forest sector. This thinking

¹ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+REPORT+A8-2015-0126+0+DOC+XML+V0//EN>
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/142685.pdf
<https://toad.cor.europa.eu/corwipdetail.aspx?folderpath=NAT-V/035&id=22456>
<http://www.eesc.europa.eu/?i=portal.en.nat-opinions.30576>

is also supported by the proposed EU 2030 Framework on Climate and Energy, which calls for allowing for fair competition between the various uses of biomass resources.

It should also be kept in mind that the raw material used for energy is derived mainly from industry and harvesting residues, or thinning and low-quality wood. In cases where the energy sector is the only possible market, wood energy provides an opportunity to create local employment and welfare by supporting local entrepreneurship and use of local raw materials. 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. Wood grown in Europe is a domestic, renewable, climate friendly and sustainable resource, which through its different products and uses is essential in helping to reduce the further production and consumption of fossil-based energy and material, and thereby reducing greenhouse gas emissions.

Non practical implementation of the cascade principle

The cascade use principle promoted and enforced by whatever EU policy instrument certainly will not support the EU in achieving its new objectives for jobs, growth and investment. Imposing the cascading principle on biomass producers could have significant impacts on the forest sector, its competitiveness and the further development of rural areas. One of the most important questions surrounding the cascade principle concerns its implementation. National and regional circumstances vary greatly in terms of forest resources, industry capacity and development, wood markets and energy systems. Therefore, determining “low-value” or “appropriate” use of wood at EU level would go against the market economy principle – which should be the overall principle to regulate demand and supply.

When discussing the cascading principle, the following questions need to be addressed:

- Proper implementation would require common EU standards, compliance and control mechanisms, leading to increased costs and administrative burdens. Who would support such additional bureaucracy and costs when national and local administrations are trying to reduce public expenditure and the Commission aims to simplify EU regulation?
- How would an implementation of the cascade use principle work in practice? How could it be proven that the wood material sold/used for energy could not have been sold/used for other purposes?
- How would the implementation of such a concept affect the price of the raw material, for which there will be no fair competition?
- How could such a principle be applied in third countries from which e.g. pellet imports to the EU are expected to increase? And if imposing it only at EU level, how would that affect the availability of domestic wood raw material?
- Who can define what high-value roundwood means within the different countries in consideration of varying market conditions with regular fluctuations in demand and supply?
- Based on which parameters should such value be determined? Is it about the economic, ecologic, climate or social values? How could these be combined and considered equally by one determined use factor?

Resource allocation is not a static problem as price changes and technological progress may open up the possibility for new and more efficient uses of the raw material. Therefore, centrally planning the allocation of forest resources between different end-uses would clearly lead to barriers for the further development of the forest sector and the bioeconomy. Applying the cascade principle means regulating the use of wood based on the products and manufacturing processes we have today, which may inhibit further innovation and development. From a market perspective, competition has contributed to new markets for the forest sector and has strengthened active forest management and enhanced investments.

Example of former wood use regulation from Sweden:

Between 1987 and 1993 the timber market was regulated by the Swedish Wood Fibre Act (1987:588) with the purpose of giving preference to the forest industries' use of raw material. With the expansion of the energy sector, the harvest was estimated not to be sufficient to secure the supply of raw materials to the forest-based industry. For heating, only wood which was not of good quality for industry or which was not subject to competition could be used. The market regulation was considered not only to have disturbed the use of raw material, but also the technical development and the opportunities for expansion of production and was therefore considered to have negative impact on employment. Because of these negative effects, the Wood Fibre Act was repealed in 1993.

Instruments to increase availability and productivity of biomass

Instead of narrowly focusing on the cascade approach, we need to implement practical solutions and look at existing opportunities for enhancing resource efficiency. Further investments in resource efficient technologies and products along the value chain are needed. Wood mobilisation and improved recovery/recycling of wood waste are important steps to secure resource efficiency and availability of wood as a key renewable raw material.

The current debates tend to focus on the increasing demand for biomass and the challenges this might pose, but largely ignore the opportunities and investments needed in sustainable domestic timber supply. In light of the cascade use debate, European forest owners would like to see the focus shift from regulating the use of biomass to further measures securing forest productivity and wood mobilisation. This would be of benefit to the whole forest and forest-based sector, as it would help to increase the availability of biomass locally and nationally, increase the competitiveness of the forest-based industries and foster economic prosperity in rural areas.

Forest resources in Europe are continuously growing in terms of both area and volume² and solid instruments are in place at national and regional level to secure sustainability. The new EU Rural Development Programme provides several opportunities to better invest in the forest sector. Measures to enhance sustainable forest management and its contribution to the bioeconomy are included, ranging from support for knowledge transfer, advisory services and the setting up of producers groups, to specific measures that address investments in new technologies, logistics and infrastructure. Further support for enhanced innovation, research and technology development is also provided by Horizon 2020.

² Forestry in the EU and the world – A statistical portrait. Eurostat 2011
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-31-11-137/EN/KS-31-11-137-EN.PDF

EU institutions should support positive actions at EU and national level that will improve infrastructure, promote active and sustainable forest management, mobilise and acknowledge the role of forest owners and secure the overall economic viability and competitiveness of the forest sector.

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European Landowners' Organisation (ELO)