

POSITION PAPER EUROPEAN COMMISSION AGENDA 2024–2029

THE NEXT GENERATION **GREEN DEAL**: Competitiveness, **green growth** investments and regulatory **stability** at the core

UPM calls for EU policies that create a long-term outlook for green growth investments and recognise the opportunity to replace fossil consumption with sustainable and renewable alternatives. While upholding to the principle of a transformation beyond fossils, the EU must restore competitiveness and trust in investments in Europe.

Green industry targets alone do not create competitiveness. Currently EU's competitiveness is being jeopardised especially by industrial policies of the United States and China.

Europe will not be able to challenge our competitors in subsidy race. We must ensure that policies are fit-for-purpose, promote the principle of technology-neutrality, and give appropriate signals to secure investments.

- **Unleash the opportunities of green transition to support EU's strategic autonomy by creating an enabling policy framework for renewable, sustainable, and circular bioeconomy within sustainable boundaries. The role of **sustainable forest management** and **sustainable biomass** needs to be recognised from the environmental, social, and economic perspective.**
- **Create a unique European Union **defossilisation****

strategy that enables the uptake of novel innovations to reduce fossil material usage. Simultaneously recognise the pivotal role of European biorefineries as key enablers of carbon dioxide removals and suppliers of biogenic CO₂ for the emerging hydrogen economy and PtX products.

- **Recognise the need for EU industrial competitiveness and regulatory certainty. The rules and criteria for **green transition** need to be clear and justly assessed so that industry can implement the existing innovation and investment potential.**

UPM is one of the leading global forest industry groups. We are headquartered in Finland, listed in the Helsinki stock exchange, and our turnover is approximately 11.5 billion EUR. Our 17 000 employees are pursuing **UPM's Biofore Beyond Fossils** strategy to produce wood-based renewable alternatives to fossil-based materials for customers across the globe.

This position paper is publicly available at <https://www.upm.com/responsibility/people-and-society/views-and-positions/>

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UPM has identified **four critically important building blocks** to support EU's goals to achieve environmental, climate, social and economic objectives during the next decade:

I **Sustainable use of forests is an asset for replacing fossil materials**

European Union has expressed its goal to increase **strategic autonomy**. Sustainable forest management and the ability to replace fossil consumption with domestic sustainable biomass should be built as one key cornerstone of EU's strategic autonomy goals. This will enable novel innovations and investments and increase our strategic autonomy.

Even within the **circular economy** that relies increasingly on recycling, significant material losses occur. Wood-based innovations already replace fossil materials in packaging, construction materials, fuels, chemicals, and textiles, and **new innovations** are developed constantly. The use of sustainably sourced renewable materials and their **potential to substitute fossil products** must be recognised coherently in EU policies.

UPM is committed to climate positive forestry through [UPM Forest Action](#). **Sustainable forest management** is essential for ensuring the forests' capability to adapt and mitigate climate change, as well as to provide us both with essential ecosystem services (clean water, air, habitat for wildlife, etc.) and the wood-based products our society needs.

It must be recognized that sustainable forest management enhances long-term carbon sequestration in forests. Biodiversity is instrumental in maintaining healthy forest growth and ensuring that forests adapt to the changing climate.

Regulating forest policies in the EU is challenging, as **there is no common 'EU forest'**: all forest ecosystems are profoundly different and require location-specific attention. The forest competence must primarily reside where the forest grows, at member state level.

While we advocate for increased use of renewables to defossilise our economy, UPM recognises the necessity to promote bioeconomy agenda within the boundaries of sustainably available feedstock.

II **EU defossilisation strategy to enable rapid decrease of fossil carbon emissions**

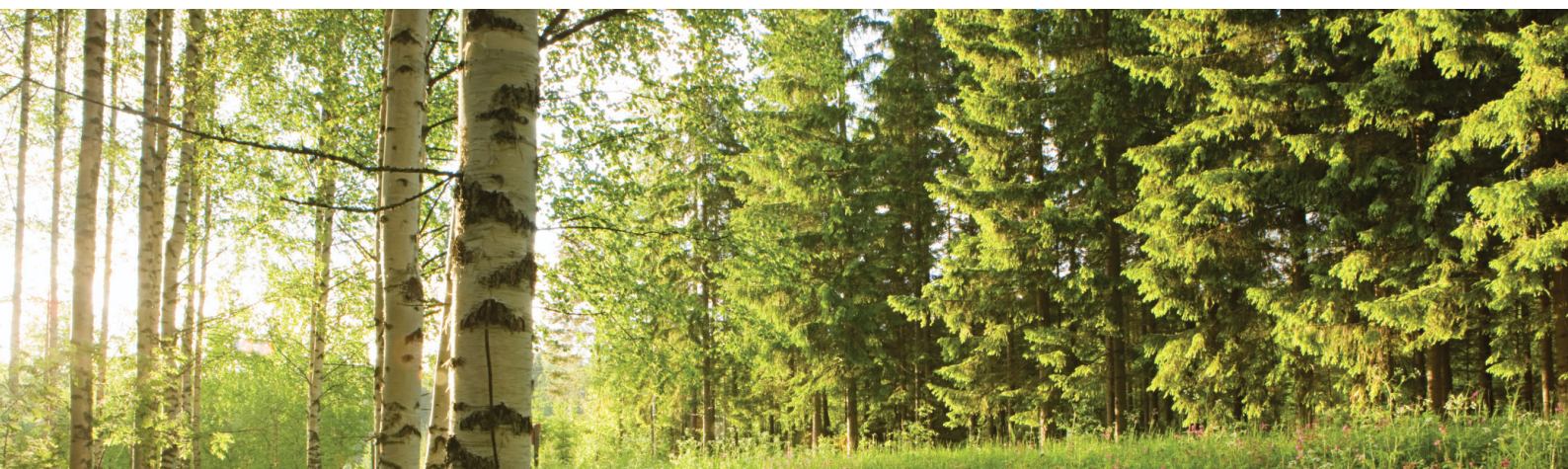
A holistic defossilisation strategy is necessary to enable the European Union to reach our common 2050 climate targets.

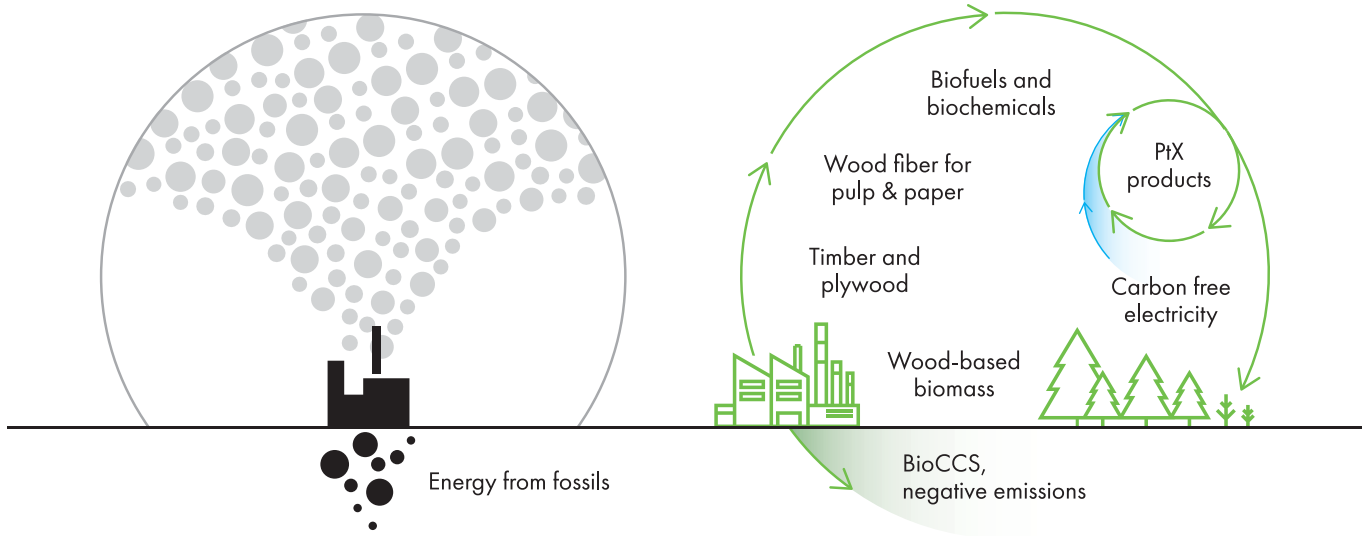
Various forms of renewables are needed outside the heating sector to enable swift transition away from fossil resources. As direct burning of biomass to energy will be significantly reduced during the coming decade, residues and side streams will become increasingly relevant. In accordance with the cascading principle, they will be used to create new innovative products, which enlarges the circular bioeconomy.

The defossilisation of the EU's material sectors, such as chemicals and plastic, requires **alternative feedstocks**. Forest industry **biorefineries** will play a significant role in this transformation. Not only do they produce products from renewable raw materials, but they are also an important part of the emerging hydrogen economy. Forest industry biorefineries produce biogenic CO₂ as a side stream. It can be captured and stored, and in the long-term used in manufacturing products, such as e-fuels and e-chemicals for hard-to-defossilise sectors.

Complex regulatory requirements have been created in the past years to produce **green and low-carbon hydrogen**. EU should now focus on enabling conditions to ensure significant investments into the sector and refrain from adding regulatory uncertainty.

UPM also recognises carbon dioxide removals as a necessary additional tool to fight climate change. IPCC data shows that climate goals will be out of reach without the significant scale up of carbon dioxide removal technologies (CDRs) by the end of the decade. The ramp-up requires clear guidelines and incentives.





III Europe's competitiveness needs functioning markets

Europe currently faces a significant competitiveness crisis. While the Green Deal was intended to unleash significant investments and consolidate EU's position as a global leader in clean technologies, this has not materialised. It is essential to assess how much new regulation is required at this stage when the focus should be in implementing the agreed rules.

Ensuring functioning markets in key areas is of paramount importance. One critically important element is to ensure efficient functioning of the electricity markets. Market-based price signal is essential now and in the future to ensure an efficient electricity market, system balance and investments into new capacity. Also, regulatory stability is needed to ensure growth of markets for advanced biobased fuels to decarbonise the transport sector.

Cost competitiveness of the European energy-intensive industries must be ensured. Sufficient investments in variable renewable, emission-free baseload (including nuclear), and balancing electricity capacity are prerequisites for clean future European industry.

IV Industry needs a regulatory framework and confidence in the green transformation

With the Green Deal regulations, significant incentives have been created to boost the production of climate positive products. Such mandates and incentives are also eligible for production outside the European Union. During the past year, UPM has noted signs of alleged **fraudulent behaviour related to falsely claimed green products entering the EU market**, with significant market deteriorating impacts for EU producers.

We welcome the fact that EU authorities in collaboration with member states have pursued action to stop fraudulent behaviour. However, this should be seen in a wider perspective of ensuring a **just and transparent green transition that secures a level playing field** and confidence in EU verification capability. This would strengthen the consumer trust in truly sustainable products entering the market.

We therefore call the European Commission to assess, whether **adequate safeguards** are in place to ensure the green transition.

UPM POLICY RECOMMENDATIONS

Create a sustainable **forest** management strategy

- Forest related policies should be fit for purpose, i.e. consider subsidiarity and the environmental, economic, and social aspects. Therefore, these policies should be regulated primarily at national level.
- Ensure sustainable availability of biomass for various existing and emerging biomass-based industries. Currently new initiatives are hindered by debates on sustainable availability of biomass, while better overall understanding would prevent this.
- EU policies should better recognise and clarify the substitution effect and potential that wood-based materials have in replacing fossils.

Create an **EU defossilisation** strategy

- EU needs a strategy to defossilise currently fossil-intensive material sectors such as chemicals and plastics, supported by policy incentives. Sustainable and **renewable bio-based plastics and chemicals** have much lower life cycle ghg emissions compared to fossil-based. Additionally, they are conventionally recyclable, and increase security of supply.
- Define science-based and technology-neutral sustainability criteria to ensure full compliance with sustainability standards. Bio-based feedstocks will help further reduce the dependency on fossil feedstock.
- Define a science-based definition for renewable carbon within EU legislation that acknowledges the embedded biogenic carbon in products.

A framework for **carbon dioxide removals** and the **hydrogen economy** is needed

- Ensure a **predictable and reliable legal framework that enables** voluntary carbon markets to develop and price signals to attract new projects and technologies.
- Fossil and biogenic CO₂ must be kept separate so as not to encourage growth of fossil-based emissions. **Reduction of fossil emissions must remain the key pillar of climate policy.**
- Accounting methodologies for technology-based and nature-based removals must be clearly defined. Also, carbon storing products and biogenic CO₂ streams from our industry need to be recognised as building blocks for further climate and H₂ policies.

Commit to **renewable energy** in the hard-to-defossilise transport sectors

- UPM calls for further EU commitment to advanced biofuels as one key sector to enable the defossilisation of all transport modes. While electrification of the European passenger transport fleet is rapidly progressing, significant legacy fleet will remain. This will require huge amounts of renewable fuels to enable the reduction of transport emissions. New regulations on aviation and maritime will also require investments in alternative fuels. To fast-track investments in the sector, visibility beyond 2030 regulatory frame should be ensured.

