A European bioeconomy strategy for stronger growth and resilience

Södra was founded in 1938 on the idea that we are stronger together. Södra is now the largest forest-owner association in Sweden, with more than 50,000 family forest owners as members. Together, the members of Södra own a world-leading industrial operation that processes forest raw material into renewable products such as pulp, timber, building systems, liquid bioproducts and energy. About 3,400 people are employed in our forest industry operations and in 2024, Södra generated sales of SEK 29 billion. Our products are exported all over the world and together, we are contributing to a more natural way of living. Rooted in the forest, we grow the future.

Raw material supply a key factor for success

The Green Deal addresses two of the greatest environmental challenges of our time: climate change, and global biodiversity loss. Important decisions have been made regarding ambitious regulations that member states are now about to implement. A new bioeconomy strategy presents opportunities to introduce reforms that strengthen the EU's competitiveness, resilience and prosperity, while maintaining sustainability ambitions.

Overall, this could lead to a stronger economy, a more resilient EU and reduced dependence on fossil fuels and fossil raw materials.

The bioeconomy can help the EU achieve its climate targets by providing goods and services to replace fossil raw materials. The bioeconomy can also help to maximise climate benefits through the uptake and sequestration of carbon in growing biomass and long-lasting products, and through permanent storage or use of captured biogenic CO_2. Moreover, a growing bioeconomy can help to strengthen the EU's security of supply. It is about

the availability of raw materials and the ability to hold stocks. The bioeconomy produces many goods that are directly and indirectly essential to society, such as heat, electricity, fuel, chemicals, textiles, fertilizers, animal feed, packaging, hygiene products and food.

Södra would like to help strengthen the EU's multidimensional sustainability and has several proposals.

A higher rate of forest growth in the EU

Due to clear legislation, Sweden's growing stock has doubled over the past 100 years. This is the result of simple and straightforward demands from the state. When forests are harvested, the area must be reforested and a regulatory body is responsible for supervision. This has been the simple recipe for success in Sweden. About 70 percent of the land area in Sweden is now covered by forest.

We now have an opportunity to further increase forest growth by an additional 20 percent by 2050 by simply continuing to use proven forest management methods. There is further potential if we can continue to develop plant breeding to build resistance to climate change. A bioeconomy strategy should be focused on securing future supplies of raw materials and sustainable production of renewable products.

- We propose that the EU set a target for increasing the rate of growth in European forests by 20 percent by 2050. The should take the form of dialogue with member states and between regions that share the same natural resources. The EU needs to promote knowledge and research into reforestation, improved tree breeding material, planting the right tree in the right place and most importantly, forest damage, diseases and insect attacks.

- The EU should maintain its high ambitions for sustainable forestry. One factor that is rarely recognised is the voluntary efforts that forest owners make for the environment – data that is often missing from official statistics. In Sweden, that value amounts to around SEK 180 billion. Gathering fair environmental statistics is a task well-suited to the framework of a European bioeconomy strategy.

- A bioeconomy strategy should highlight how the carbon sink will change over time if increasingly larger areas are set aside from use. A stable carbon sink in Europe is dependent on vital and growing

forests. The risks entailed by large, unmanaged and even-aged stands are massive CO_2 emissions when forest are attacked by insects, diseases, rot, fires or storms. All of this is nature's own, and often dramatic, way of renewing itself and we can reduce these risks and associated effects with active and responsible management.

A more secure EU

A bioeconomy strategy that promotes growth will strengthen European competitiveness and preparedness. Bioenergy currently accounts for more than half of the Europe's energy mix. From a preparedness perspective, it is important to establish robust and long-term regulatory frameworks that ensure access to raw materials and do not expose European citizens to risks during crises and energy shortages.

In times of crisis, European forestry and forest industries have a key role to play. We have logistical systems with associated private fuel networks, ports, electricity generation, district heating for energy supply, workshops, and the production of various biofuels. Pulp is also crucial for the manufacture of products required for health and medical care, and we have the capacity to supply Europe with construction timber. Forest management also includes building and maintaining access roads that are crucial in times of crisis and disaster, such as fires. In this context, a bioeconomy strategy should classify European forestry as a contingency asset.

- We propose that wood be classified as a critical raw material in the EU, not only from a production perspective but also due to the infrastructure supporting the entire forestry sector.

A fossil-free EU

The flexibility of EU climate policy is key to achieving the target of being the first climate-neutral continent. The path to this target is a growing bioeconomy. We cannot claim success until fossil-fuel dependency is finally broken. That's why it is so important that we measure and calculate correctly. There is no common standard at present for calculating the substitution effect. Since the substitution effect of a product can vary and change over time, we need a way to evaluate it from a systemic perspective.

- The EU's bioeconomy strategy should formulate a remit to develop a model for substitution effect calculations that can also gain acceptance among a wide range of forestry stakeholders.
- A model for reporting climate benefits has recently been developed in ISO (ISO 13391), which could serve as inspiration.

Better legislative processes in the EU with more inclusive feasibility studies

An important institution for the design of new legislative proposals from the European Commission is the Joint Research Centre (JRC). The Centre gathers experts and specialists from various fields who publish information on and minutes of all meetings they hold with interest representatives. This commitment to transparency and working method is a strength, and something we should be proud of in our democratic EU. From experience, many issues often stem from a lack of understanding of commercial terms, industrial conditions and company business models. Well-informed feasibility studies create better conditions for faster and simple legislative processes. It is also useful during the implementation phase if the practicalities have been explored.

- We would like to propose that the JRC's competences in commercial and industrial conditions be strengthened, in order to create even better conditions for improved regulations and more efficient legislative processes.
- In the bioeconomy, there is a need to highlight perspectives from the entire value chain, which should be reflected in the feasibility studies that are conducted to support legislative processes.
- Representatives from various parts of the value chain can help by creating virtual system demonstrations, enabling a faster understanding of the challenges and opportunities involved in realising a financially sustainable and growing bioeconomy.

A greener construction sector in the EU

In recent years, the development of wooden apartment buildings has made rapid strides. Wood halves the carbon emissions of a building and creates a warm and inviting atmosphere, which has a positive effect on our health and creates a pleasant indoor climate. It is also possible to build industrially with wood, which increases productivity and material utilisation. Building large

elements inside a facility reduces waste, ensures a safer process, creates a better workplace and reduces the need for transportation. It ensures a quality-assured and efficient construction process.

Wood construction enables circularity in the construction industry. Wooden buildings are easy to assemble, but can also be dismantled and rebuilt. Beams and components can be easily dismantled and reused in new projects. Those parts that are not recyclable can be used for other wood-based products or for bioenergy.

While wood has fantastic properties and captures carbon, it is unfortunate when materials are pitted against each other because we need many different types of material in construction. It is the overall climate impact that should be decisive. There are challenges for the construction sector here to work more collaboratively to develop designs and value chains with the lowest-possible emissions.

A bioeconomy strategy should focus on:

- the harmonisation of climate declarations at EU level,
- recognition of the climate benefits of forests as a supplier of renewable raw material,
- climate initiatives that are based on reducing the share of fossil materials and increasing bio-based products in the construction sector.

Simplifications to reduce administration

The rapid transition to a fossil-free EU has led to a lot of new legislation that is now being implemented. This gives rise to new complex rules imposing costly administrative burdens on companies that do not necessarily lead to greater benefits. The Deforestation Regulation, for example, requires companies to trace all fibres in products back to their specific harvest location. Compliance with these new legal requirements will require major and costly investments in new systems, with very little apparent benefit given that many EU countries already have well-developed supervision and control of their value chains. In addition, product requirements designed to promote greater circularity and the production of long-lasting products have led to detailed specifications of product content. EU legislation that places unnecessary administrative burdens on companies and hinders the development of new and innovative products is counterproductive to the development of a bioeconomy and to Europe’s competitiveness.

Södra lives by a motto coined by the founder of our cooperative: *We don't know today how forest products will be used in the future. Make sure you don't stand empty handed when that day comes*. This is something that the EU should embrace when reviewing existing legislation and developing new laws.

- Review existing legislation to simplify regulations, in order to promote investment and incentivise innovation.
- The focus should lie on proposing compliance based on minimum EU standards. This way, ambitions will be raised in practice and not just in theory. This also creates better conditions for competition in the internal market.

'Old' and new raw materials must work together

Innovation can be built on existing process industries and integrated into existing production lines and processes. If the goal is to become more resource-efficient and embrace the circular economy, waste must be used as a resource and a raw material.

When End-of-waste criteria, environmental permits and other regulations are reviewed, for example, it is important to consider this and not prevent the handling of both secondary raw materials (such as residual waste from agriculture or textile waste) and primary/virgin raw materials in the same production line and process. One does not exclude the other, but is rather a prerequisite for circular processes. There is also a need to recognise that new innovations are not always optimised from the start.

- New innovations need to be tested and refined. They can initially lead to increased emissions. New innovations should therefore be given a trial period to demonstrate their climate and environmental benefits without being subject to new regulations or hindered by increased emission allowances.