ANNUAL REPORT 2019-2020

BUILDING A GREEN FUTURE

SPECIAL EDITION:
COVID-19 FOCUS

EOS
EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

The European Sawmill Industry

Economic contribution in the EU

28%

Contributes about 28% of the whole wood working industries.

2,1 EUR

1 EUR of sawnwood induces **2,1 EUR** of wood products.

36 Billion EUR

Generates **36 Billion EUR** of the turnover (as core activity) → approximately **76 Billions EUR** in the whole Forest Based Industry.

112 Million m³

112 million m³ (data 2018, production of both sawn softwood and hardwood) and, depending on the year, around 25-28% of the European sawnwood production is exported to non-European countries, making the European sawmill industry a fully globalized industry. **One of the leading EU producers of sawn products.**

Net exports of sawnwood.

90%

Self sufficient.

More than **90%** of our wood comes form the **European sustainable managed forests**.

Social contribution in the EU

250,000 people employed

100 m³

100 m³ of sawnwood produced induces **1 unit** of employment (24% direct, 76% induced).

Direct development of the rural & mountain areas

Often located in remote and less industrialised areas, the European sawmill industry has long been a central player in rural communities supporting **stable employment** while encouraging **investment**.

European green targets contribution

Contributes to sustainable forest management.

→ **+80%** of the forest owners incomes are directly from sawmills;
→ by providing a major source of income for forest owners through the purchase of logs, the sawmill industry is a key factor in motivating forest owners to make investments in the forest management and selling wood.

Fights illegal logging.

→ Using technology to trace the movement of timber guarantees transparency & legality and ensures that the supply chain data is **100% accurate from the forest to the sawmill plant**.
→ European sawmill companies comply with the EU Timber Regulation.

Decarbonisation of the buildings sectors.

→ Substituting a cubic metre of wood for other construction materials results in the significant average of **0.75 to 1 t CO_2 savings**;
→ Wood products remain a carbon storage during their entire life-cycle;
→ In the production phase, **wooden houses consume less energy** and have lower carbon dioxide emissions than houses built with other materials. There is scientific evidence that a wood-based construction create a **lower climate impact** by 40-50% regardless of the carbon storage effect.

Contributes to a resource efficient and circular economy.

→ Sawmills operate according to the resource efficiency principle maximising the added value of wood resources without creating any waste. Indeed, sawdust and other sawmill residues are alternatively processed into **other wood-based products** or used for the **bio-energy production** depending on the market demand.

Contribution to the Sustainable Development Goals

Responsible consumption and production.

→ The EU sawmill industry continuously invests in advanced manufacturing techniques to maximise the use of logs and reduce fibre losses during the manufacturing processes. **Waste in sawn wood manufacturing is quickly approaching zero**. Moreover, sawn wood products can very easily be reused, recycled or channeled for energy recovery through incineration.

Affordable and clean energy.

→ The heat demand of the sawmill industry is almost completely covered by its **own by-products**; primarily bark, sawdust and wood chips. In addition, the production of pellets from sawdust, bark, wood chips or other wood residues is one way of upgrading biomass to a green and sustainable source of bioenergy.

Climate action.

→ Substituting carbon intensive building materials by use of **sustainably sourced wood** can contribute to reduce atmospheric carbon and help tackle climate change through increased carbon storage.

EOS
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Foreword

By Sampsa J. Auvinen,
EOS President

The big story in the market this year has obviously been the coronavirus outbreak. And this is why, exceptionally, EOS has decided to postpone the publication of its Annual Report to provide an overview of the sawmill business that incorporates the recent market development.

At the beginning of the year markets were very positive but this was brought to a sharp end in March when the first lockdowns happened in Europe. The coronavirus outbreak hit very unevenly Europe. In countries where the economy was more resilient – such as Scandinavia and Germany – and where the construction market held up better than expected, the sawmill industry has been navigating the crisis quite well. Some segments, such as the DIY sector and home improvement did actually very well as people spent more time at home. Other countries, such as the UK and Southern Europe had a much harder time with construction markets being more severely impacted and sawmills in some cases forced to suspend operations. Overall, we expect a sawnwood production decline this year but the drop in production is projected to be lower than the GDP slump observed across most European countries. Even on export markets the performance has been uneven with US demand at record high thanks to a resilient construction market and with Chinese demand recovering faster than expected. Other markets were instead more subdued. The Covid-19 crisis has also hit unevenly the two segments of the sawmill industry: the softwood sector did overall much better than the hardwood sector, which was severely impacted by the closure of furniture shops in many European countries.

Looking forward, changing consumer habits and a lasting, structural impact on the economy of the virus might be important drivers even for the sawmill industry in the future. In the short-term it will be interesting to see what happens in the construction market: while the relative resilience of the market in many Central and North

European countries has been a positive surprise this was due mainly to completion of existing projects. It remains to be seen what happens with new investments in the market – a concern which has been raised by some EOS Members. Wood gaining market share as a building material is a beacon of hope for the sector, which nevertheless is confronted with challenges coming from the raw material supply.

The European forests, particularly in Central Europe, are affected by a bark beetle proliferation caused by several factors including climate change. According to recent studies, damaged wood due to bark beetle may reach in total 750 million m^3 between 2017 and 2026. The European Sawmill Industry has voiced – on several occasions and fora – the importance of providing real-time, comparative, science-based and balanced information on European forest resources aiming at forecasting changes and their consequences on forest's health and raw material supply.

The year 2020 has also laid the foundation for the important discussions on the post 2020 European Forestry Strategy. EOS, together with the Brussels' based organisations representing the forestry sector, has been advocating for the crucial role of forests, forest-based sector, and bioeconomy in meeting the goals of the European Green Deal and the EU's climate and environmental objectives. Furthermore, EOS has called the EU Institutions to develop a market-based mechanism to recognise the role of wood-based materials in substituting fossil-based alternatives materials with a higher environmental footprint. In this respect, I am pleased to recall the statement of the Executive Vice-President Frans Timmermans, responsible for the European Green Deal, on occasion of the exchange of view of the EU Parliament AGRI meeting on 07 May 2020: *"wood would become more important for the construction in the future"*. The Commissioner acknowledged the remarks by MEP Simone Schmiedtbauer (EPP) and MEP Anna Deparnay-Grunenberg (Greens/EFA) on the importance of the forestry sector in Europe. MEP Schmiedtbauer highlighted as well that forests (and consequently the forestry industries) are negatively affected by the bark beetle, wind throw, forest fire and snow damage. Commissioner Timmermans stressed that forestry would have to be a priority in Europe, and he insisted that there is a need for a comprehensive, long-term strategy which also covers aspects related to tourism and construction.

The year 2020 will also be remembered for the UK "departure" from the European Union. At 23:00 GMT on 31 January 2020 Brexit become a reality, although not the end of the Brexit story. That's because the UK was granted with an 11-month transitional period that kept the UK bound to the EU's rules. As of January 1 2021 the UK is set to leave the single market and customs union, either with an UK deal, negotiated during the transition period, or without it (i.e. "no-deal" Brexit). The UK is an important timber market for the EOS sawmill producers and this is why, as Organisation, we are closely monitoring the ongoing political and technical discussions, particularly related to the changes related to the recognition of the CE mark.

As I end this preface, I would like to express my sincere gratitude to all EOS Members for their strong commitment to work for a strong Wood Industry in the European arena. I thank you all for sharing your expertise and passion with me and my team.

Sampsa J. Auvinen,
EOS President

DeSH
Deutsche Säge und Holzindustrie
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The German Sawmill Industry

High performance with German thoroughness

ECOLOGICAL

INNOVATIVE

EFFICIENT

SUSTAINABLE

FLEXIBLE

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1 General Economic Situation

The information of this chapter has been taken from the European Commission Economic Forecast Summer 2020 and from OECD (Organisation for Economic Co-operation and Development) Economic Outlooks.

1.1 GLOBAL OVERVIEW WITH FOCUS ON THE EU

1.1.1 The pandemic has upended the global economy with major repercussions on the EU

The COVID-19 outbreak has upended the global economy causing many economies to plunge into a war-like recession.

To counter the spread of COVID-19, major containment measures were introduced around the world, voluntarily shutting down large parts of the economy. A string of indicators suggests that the EU economy has operated at between 25% to 30% below its capacity during the period of the strictest confinement. **Overall, the EU economy is forecast to contract by about 8.3% in 2020 before recovering at an annual growth rate of 5.8% next year. Output at the end of 2021 is expected to be about 2% lower than before the crisis. Uncertainty is at a record-high though and there are many downside risks to this projection.**

The key assumptions of this forecast are that containment measures in the EU will be gradually further lifted and no major second wave of infections will trigger new generalised restrictions. However, continued social distancing measures are factored in with repercussions on sectors requiring interpersonal contact. The fiscal and monetary policy measures credibly announced up to the cut-off date are expected to support the recovery and prevent large-scale bankruptcies and layoffs. Still, insolvencies and employment losses across Member States are likely to occur. At the global level, the still rising rate of infections, particularly in the US and emerging markets, has deteriorated the global outlook and is expected to act as a drag on the European economy.

The major risk is a new wave of infections which would falsify one of the key assumptions of this forecast. More permanent scars from the COVID-19 induced economic shock represents another major risk as, e.g. more widespread employment destructions and corporate insolvencies would lead to a slower recovery. The absence of a deal on the relationship between the EU and the UK as of 2021 remains an important risk. On the upside, the Commission's proposal Next Generation EU, which cannot be reflected in the baseline until it is adopted by co-legislators, could give a sizable impulse to the EU economy, particularly in 2021.

1.1.2 An uneven recovery for the global economy

Real global output (excl. EU) is estimated to have contracted by 3.3% q-o-q in the first quarter, the sharpest fall since World War II. China led the global decline, as all nonessential business activity in large parts of the country nearly froze in January and February. Most major economies also contracted in the first quarter, but to a lesser extent, as in the majority of countries confinement measures and social distancing were imposed only toward the end of the quarter. Services have been especially hard hit, manufacturing a bit less so. A moderate improvement in global activity followed in May as governments began relaxing containment measures to varying degrees and implemented unprecedented fiscal and monetary policy support measures. Activity in China has been recovering particularly swiftly since the relaxation of lockdown measures. Businesses have restarted operations, although capacity utilisation rates remain lower than usual, particularly among SMEs.

Thus, real global GDP (excluding the EU) is forecast to contract by around 4% in 2020 before bouncing back by 5% in 2021. This implies that by the end of the forecast horizon global GDP should recover to a level above that of 2019 but substantially below that expected before the pandemic. These projections are underpinned by the assumption that the number of active COVID-19 cases globally will remain high but that there will not be any major second wave of infections. A number of public health measures are also assumed to remain in place over the forecast horizon, but this does not include any renewal of strict confinement measures.

1.1.3 Global trade has plummeted

Global trade has contracted sharply since the beginning of the year. The WTO estimates that the volume of merchandise trade in 2020-Q2, when the virus and associated lockdown measures affected a large share of the global population, may have fallen by as much as 18.5%, year-on-year. This is expected to be followed by some rebound in the third quarter. Trade in services has been equally affected and is set to take even longer to recover, especially in the tourism and hospitability sectors. Over the medium term, the pandemic experience may accelerate the recent trend towards re-shoring production. This could shorten supply chains and structurally reduce trade flows, but also efficiency-led long-term investment and the international division of labour. The persistent uncertainty surrounding US trade policies and the functioning of the WTO will also weigh on the rebound in trade. **Overall, world imports of goods and services (excluding the EU) are projected to fall sharply by over 11.5% in 2020 followed by an incomplete rebound of around 6% in 2021.**

1.1.4 Disconnect between global financial markets and real economy

After the sharp reassessment of growth prospects and the deterioration of risk sentiment in February and March, global financial markets have been recovering since April on the back of an unprecedented easing of global monetary policy and sizable fiscal support, as well as hopes for a strong economic recovery based on a quick reopening of economic activities.

The huge boost to liquidity provision in the advanced economies has spilled over to emerging markets despite the risk posed by still rising infection rates in a number of countries. Lower global interest rates have also provided space for additional rate cuts by emerging market central banks.

Bond yields of the euro area's highest-rated sovereigns have remained broadly in negative territory since late April, trading within a tight range. The benchmark 10-year German bund yield has oscillated between -0.6% and -0.3% over this period. At the same time, sovereign bond spreads of most euro area Member States have narrowed since late April, returning to levels seen in 2019.

Stock markets have also recovered since end-April with broad-based gains across countries and sectors. EU banking stocks have significantly underperformed the broad market over this period, as the sector's low profitability has come under greater pressure from the flattening yield curve and the risk of a new wave of non-performing loans.

Bank lending flows to the private sector remain robust, increasing further to 4.9% annually in May, thanks to a significant pick-up in lending to the corporate sector. Overall, global financing conditions are expected to remain volatile over the next few months, swayed by economic news and policy measures compounded with fears of further pandemic-driven disruptions. While global equity valuations have recovered and debt markets assume low interest rates for longer, markets remain vulnerable to downward adjustments.

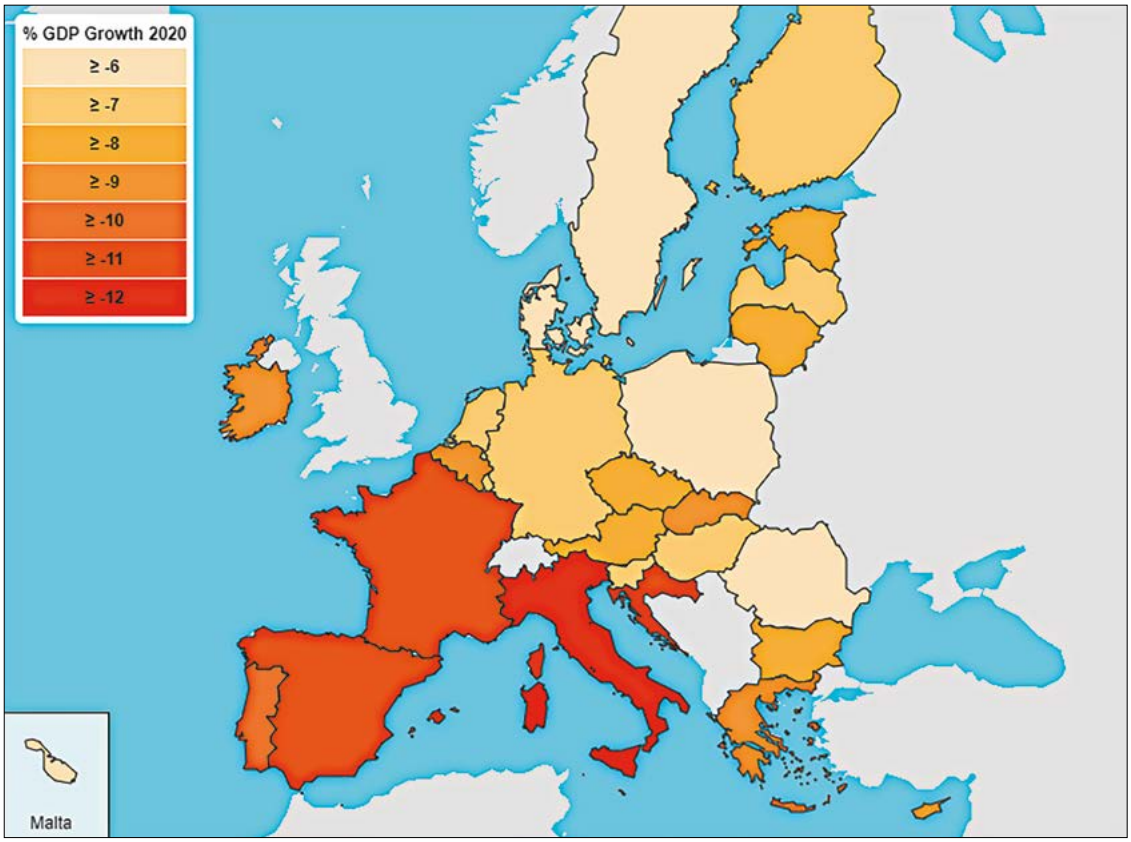
In particular, EU equity and corporate bond markets could be undermined by a weaker than expected recovery of corporate earnings and a wave of corporate defaults.

1.1.5 Disconnect between global financial markets and real economy

As the economy was put into what has been described as a state of 'hibernation', the lockdown is reflected in the sharp drop of 45% in mobility between March and mid-May compared to prepandemic levels. The pandemic has resulted in worker absenteeism and factory shutdowns that have reverberated across supply chains. These have been aggravated by the closure of shops, restaurants and other services as a result of containment measures. At the same time, social distancing and reduced person-to-person contacts have weighed on consumer demand through reduced household spending, while uncertainty and concerns about jobs and incomes have led consumers to delay purchases. Uncertainty about sales and profits has also prompted firms to refrain from going ahead with planned investment or entering new ventures. Furthermore, a synchronised global retrenchment has dampened external demand.

While no EU country will escape from a deep recession in 2020, the pandemic has been disproportionately affecting Mediterranean states, as the figure below shows.

FIGURE 1.1:
Economic Forecast Map across EU countries



Source: European Commission Economic Forecast Summer 2020

In the euro area, private consumption took the greatest hit in the first quarter, decreasing by 4.7% (q-o-q). While the consumption of both durable and non-durable goods fell, the former saw the sharpest drop. Investment spending also contracted, declining by 4.3%, with construction falling the most compared to other investment categories. The picture is, however, somewhat varied across the largest euro area countries, with construction picking up strongly in Germany and the Netherlands thanks to a good start of the year, while falling significantly in France, Spain and Italy. Government consumption declined much more mildly (-0.4%). With exports falling more

significantly than imports, net trade subtracted about 0.4 pps. from growth, while inventories started to pile up.

The impact has also been highly asymmetrical among industries. **The sharpest declines were observed in trade, transport, accommodation and food services as well as arts, entertainment and other service activities (both at -6.8% q-o-q). Agriculture, forestry and fishing, together with financial and insurance activities saw the mildest declines (at -0.8%).**

Industrial production collapsed by 17.1% in April, resulting in a cumulative contraction of about 27% since February. Output fell in almost all industrial activities. Looking at its breakdown by sector, only two sectors out of 30 managed to pull through with increased output in April. The most affected industries were the manufacture of motor vehicles, trailers and semi-trailers (about -70%), as well as that of leather and related products (around -60%) followed by clothing (around -40%). Most activities saw output contractions of between 15% and 25%. Euro area production in construction fell by 14.6% in April but was highly uneven across countries. While France and Spain both saw production fall by more than one quarter of total output, the reduction in Germany and the Netherlands was only in the single digits. Overall, these indicators suggest that the euro area economy was operating at between 25-30% below its capacity at the depth of the crisis. Survey results point to a trough in April and a gradual recovery starting in May and gathering pace in June.

Similarly, the Commission's Economic Sentiment Indicator (ESI) for the euro area hit an all-time low of 64.8 in April but moved up slightly in May and further up in June to 75.7. It is however still well below the 103.4 level seen in February. As expected, the services sector appears to bear the brunt of the hit. The Commission's services confidence indicator declined significantly more than industry confidence in April and continued declining in May, while rebounding in June thanks to a second month of rallying demand expectations. By contrast, industrial confidence showed stronger signs of improvement on the back of brighter production expectations, which were almost back to their February level in June and which provide a glimmer of hope for the months to come.

In short, while there are grounded hopes for a strong recovery from the Autumn, the uncertainty linked to the epidemiological situation should caution economic operators and the general European public against excessive optimism, particularly in view of a dire situation across parts of the world, including India and Latin America.

1.1.6 An extraordinary situation in labour markets

In the first half of 2020, the euro area labour market underwent a massive deterioration induced by the COVID-19 pandemic and the measures taken to contain it. This has translated essentially into a sharp decline in the number of hours worked. However, the restrictions in the euro area economy since March have yet to fully feed through to employment statistics thanks to the measures taken to contain the COVID-19 impact on labour markets. When one looks at unemployment figures, one does not realize that we are amid the worst economic crisis in recent times. Extended short-time work schemes have played an important role in keeping employees attached to their jobs even in periods without any or with substantially reduced economic activity. This contrasts significantly with several non-EU countries. In several Member States, changes in the legal framework of the economy have made lay-offs more difficult or almost impossible. This includes measures that exclude insolvencies for some time or that explicitly forbid companies to lay off staff because of the crisis.

However, without a significant recovery in demand, which depends on the easing of containment measures and therefore on the evolution of the pandemic, it will be difficult to sustain an improvement in labour market indicators over the medium term. Layoffs in the wake of bankruptcies are likely to leave many jobseekers struggling to retain their skills and attachment to the labour market, which does not bode well for the labour market outlook. The expected rise in unemployment rates across the EU may prove particularly hard to overcome in those Member States where unemployment was already relatively high before the start of the pandemic, where the economic rebound is expected to be sluggish, or labour markets and social safety nets lack efficiency and effectiveness.

1.1.7 Subdued inflation expectations

The latest ECB Survey of Professional Forecasters for the second quarter of 2020 shows HICP **inflation expectations standing at 0.4%, 1.2% and 1.4% in 2020, 2021 and 2022, respectively**. The figures were revised lower from the previous survey round (from

1.2%, 1.4% and 1.5%, respectively). Longer-term inflation expectations (for 2024) remained at 1.7%.

The impact of COVID-19 led to sharp declines in the price of energy and a number of non-essential goods and services. Market-based measures of inflation expectations along the maturity spectrum have recovered somewhat from the low levels recorded in mid-May. This followed a more convincing uptick in energy prices which are closely correlated with inflation expectations.

An important question about medium-term inflation expectations regards the high liquidity in the economy: will it cause as of yet unforeseen increases of inflation?

1.2 NON-EU LARGE ECONOMIES OF INTEREST TO THE EU SAWMILL INDUSTRY

Japan [1]

In 2020, Japan is on course to experience its deepest recession of the post-war era, with at best a modest recovery in 2021. Economic activity has plummeted in the first half of 2020, reflecting the impact of incrementally stepped-up confinement measures and lower external demand. Large-scale fiscal support and the gradual lifting of the confinement measures will help to partially reverse the collapse but, in the event of a second outbreak later in the year, re-confinement would impart another economic blow. **GDP is expected to fall by 6% in 2020 in the single-hit scenario and by 7.25% in the double-hit scenario.** Headline inflation is projected to turn negative in 2020, reflecting considerable economic slack and a fall in energy prices. The government has launched a range of measures to support households and protect businesses and employment, including cash handouts to households, increased subsidies for special paid leave, rent subsidies, deferrals of tax and social insurance premiums, and emergency loans and credit guarantees.

The pandemic has affected most economic activities, albeit unevenly. Tourism, accommodation, restaurants and personal services including leisure activities are hardest hit, reflecting the impacts of both voluntary restraints and a de facto ban on inbound tourism. While sales of essential products have remained solid, those of department stores have more than halved. The Bank of Japan March Tankan Survey showed business sentiment in the manufacturing sector at its lowest level in a decade. Despite the limited impact on unemployment so far, the job-openings-to-applicants ratio has been declining, reflecting a fall in job offers rapidly spreading across both manufacturing and non-manufacturing sectors.

Appropriate implementation of the supplementary budgets will be key, as gradual reopening may require the government to extend and enhance the temporary measures with a focus on businesses and workers subject to prolonged hardships, including extended business closure. Policies in the recovery stage should promote flexible working styles through use of digital technology and help reduce renewable energy generation costs by strengthening competition in electricity markets, which can facilitate distancing and supply-chain relocations as well.

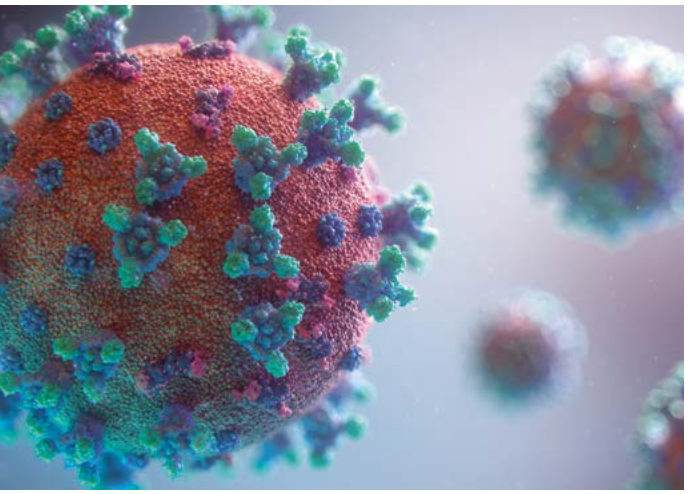
China [2]

Following the steepest quarterly collapse on record in the first quarter, **GDP will fall by around 3.7% in 2020 if there is a second virus outbreak later in the year and by a percentage point less if a further outbreak is avoided, before rebounding in 2021**. The COVID-19 outbreak disrupted economic activities around the country and many businesses remain shut even though lockdown measures have been lifted. The pandemic triggered an increase in precautionary saving and eroded consumer confidence, weakening short-term consumption prospects. Infrastructure investment will hold up growth amid collapsing private investment and foreign demand. If the virus outbreak returns, the second shock to the economy will be much smaller than during the first outbreak, which occurred during the holiday season when most people were away and thereby were not able to return to work due to lockdowns. Lockdown measures have been lifted, but tourism-related industries and firms heavily dependent on foreign demand are far from fully resuming activities. As smaller firms are over-represented in these activities, they are hit disproportionately, pushing up unemployment.

Rolling over of loans and tax exemptions may help those that are eligible, but many rely on shadow banking for financing and need to pay fixed costs even without

1. The information in this chapter has been taken from the OECD Economic Forecast Summary for Japan (June 2020).
2. The information in this chapter has been taken from the OECD Economic Forecast Summary for China (June 2020)

generating revenues. Greater support to shoulder their fixed costs is needed. Workers laid off or put on unpaid leave should receive social assistance irrespective of their residence. The out-of-pocket share of health costs should be reduced. Infrastructure investment should be channelled to urban transit systems and rural roads where the social return is high, in particular to reduce climate risks.



Russia [3]

Although forecasts are subject to high uncertainty, a baseline scenario suggests that Russia's GDP could contract by as much as 6.0 percent in 2020, an 11-year low. If containment measures are fully lifted in the second half of 2020, a moderate recovery could get underway. Some positive momentum is expected to spill over to 2021, pushing GDP growth to 2.7 percent, and in 2022 to 3.1 percent.

As uncertainty diminishes, household consumption is expected to lead the recovery, and investment is expected to increase by about 3 percent in 2021. However, even with positive GDP growth ahead, GDP levels in 2022 will barely catch up to pre-pandemic levels.

The general government budget is expected to turn to deficit in 2020-22. With oil prices dropping below the threshold price of $42.4 per barrel, specified in the fiscal rule, general government deficits of 7.2, 1.6 and 0.5 percent of GDP are projected to materialize in 2020-22.

Risks to Russia's economy include a more protracted pandemic accompanied by a prolongation of containment measures, a slow and shallow global economic recovery, a further drop in commodity prices, lasting impacts on households and firms, and disruptions in global value chains. Pre-existing financial-sector vulnerabilities could be amplified by the pandemic. In a more adverse scenario, GDP could contract by 9.6 percent in 2020 and recover by a marginal 0.1 percent in 2021.

USA [4]

The COVID-19 outbreak has brought the longest economic expansion on record to a juddering halt. GDP contracted by 5% in the first quarter at an annualised rate, and the unemployment rate has risen precipitously. **If there is another virus outbreak later in the year, GDP is expected to fall by over 8% in 2020 (the double-hit scenario). If, on the other hand, the virus outbreak subsides by the summer and further lockdowns are avoided (the single-hit scenario), the impact on annual growth is estimated to be a percentage point less.** The unemployment rate will remain elevated after states lift their shelter-in-place orders, reflecting ongoing difficulties in sectors such as hospitality and transportation, and the sheer scale of job losses. With unemployment remaining high, inflation is projected to stay low, although less so if subsequent lockdowns are avoided.

Massive monetary and fiscal responses have shielded households and businesses, but more will be needed to reduce lingering effects such as large numbers of bankruptcies and labour-market exits. Complementary payments to augment unemployment insurance should continue, while the tax burden of households and businesses should be lowered when they are directly affected by the lockdown. Additional support will be needed to help workers return to work. Some states and local governments will face financial difficulties as their main revenue sources have dried up, and their debt burden will need to be addressed. Importantly, well-designed public financial support for developing a vaccine and treatment of COVID-19 could help prevent a recurrence of a pandemic again leading to deaths and debilitating the economy.

UK [5]

The COVID-19 crisis has led to a severe economic contraction. **GDP is projected to fall by 14% in 2020 if there is a second virus outbreak later in the year (the double-hit scenario). An equally likely single-hit scenario would still see GDP fall sharply by 11.5%.** In the double-hit scenario, the unemployment rate is set to more than double to 10% and remain elevated

3. The information in this chapter has been taken from the World Bank Economic Report for Russia (July 2021)
4. The information in this chapter has been taken from the OECD Economic Forecast Summary for the United States (June 2020)
5. The information in this chapter has been taken from the OECD Economic Forecast Summary for the United Kingdom (June 2020)

throughout 2021, despite widespread use of furloughing. Measures to limit the effects of the crisis in that scenario would push the fiscal deficit up to at least 14% of GDP in 2020.

The government swiftly put in place a comprehensive economic support package. Fiscal measures include income support for workers and self-employed, around GBP 330 billion in state loan guarantees to keep firms in business, tax deferrals, and an improved dispute resolution mechanism as an alternative to bankruptcy. Moving forward, these measures should be kept in place as long as they are needed and fiscal policy should remain supportive. Higher unemployment benefits should be extended beyond the fiscal year 2020-21 to help support demand during the recovery. Given the economic disruption caused by COVID-19, a temporary extension of existing trading relationships with the EU beyond the end of 2020 would help reduce uncertainty. Public investment supporting the recovery should underpin progress in digitalisation, sustainability and inclusiveness.

1.3 EXCHANGE RATES

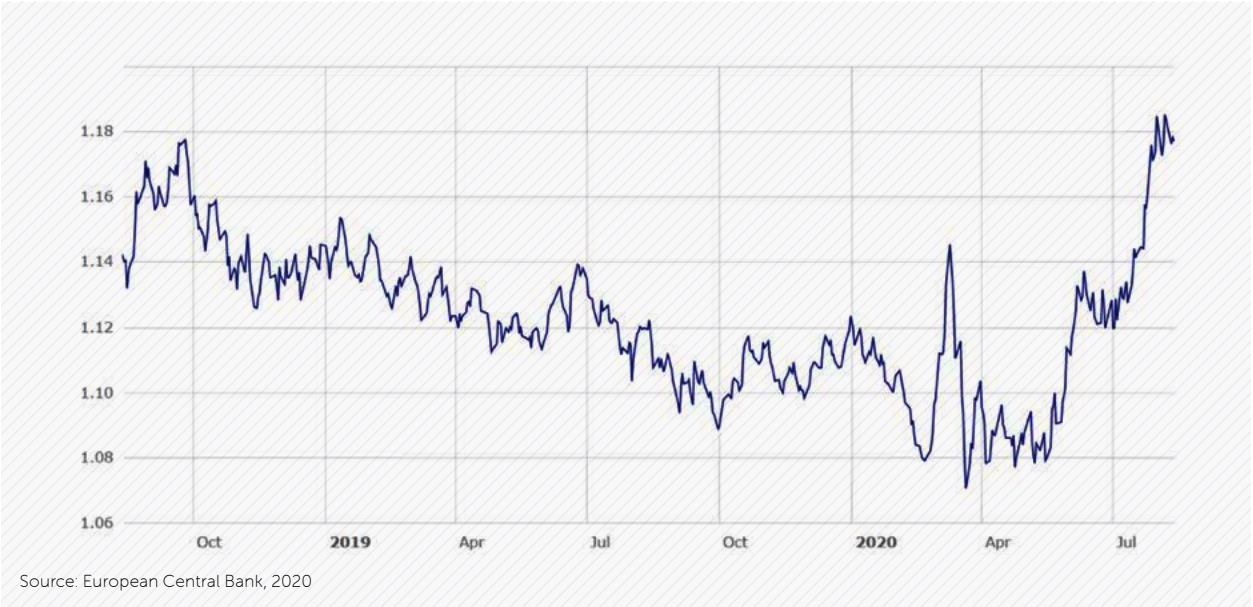
The exchange rate between two currencies is an important driver of trade. Other things being equal, a strong currency in country A (relative to trade partners) will favour importers of country A, while a weak currency in country A will favour exporters of country A.

Exchange rate fluctuations thus affect trade and industries, and the European sawmill industry is no exception to this. It is therefore useful to include an overview of exchange rates in this chapter.

In the figures below, we provide the exchange rate of the EUR vs various currencies over the last two years (data updated in mid-August 2020).

The euro vis-à-vis the US dollar has depreciated in 2019 but from the beginning of the pandemic it has appreciated. Over the last two years the USD was at its strongest (vs the EUR) in March 2020 when 1 euro = 1.07 dollar and at its weakest in August 2020 when 1 euro = 1.18 dollar. The euro has thus appreciated by more than 10% in the space of a few months.

FIGURE 1.2:
EUR vs USD, August 2018 – August 2020

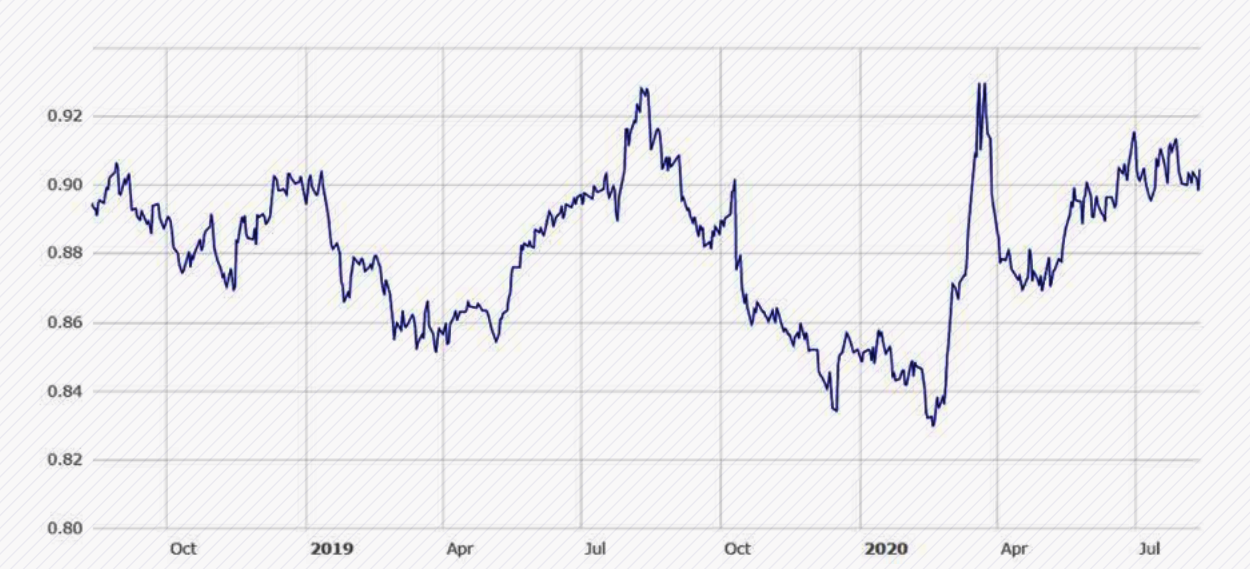


Source: European Central Bank, 2020

Over the last two years the euro and the pound sterling exchange rate has moved in a topsy-turvy way, with no continuous patterns, also on the back of political developments regarding Brexit. At the beginning of the pandemic the euro swiftly appreciated but then has depreciated and over the last few months the exchange rate has been quite

stable. Over the last two years the GBP was at its strongest (vs the EUR) in February 2020 when 1 euro = 0.83 GBP and at its weakest in March 2020 when 1 euro = 0.92 GBP. In those days the euro equalled a 10-year high vs the GBP.

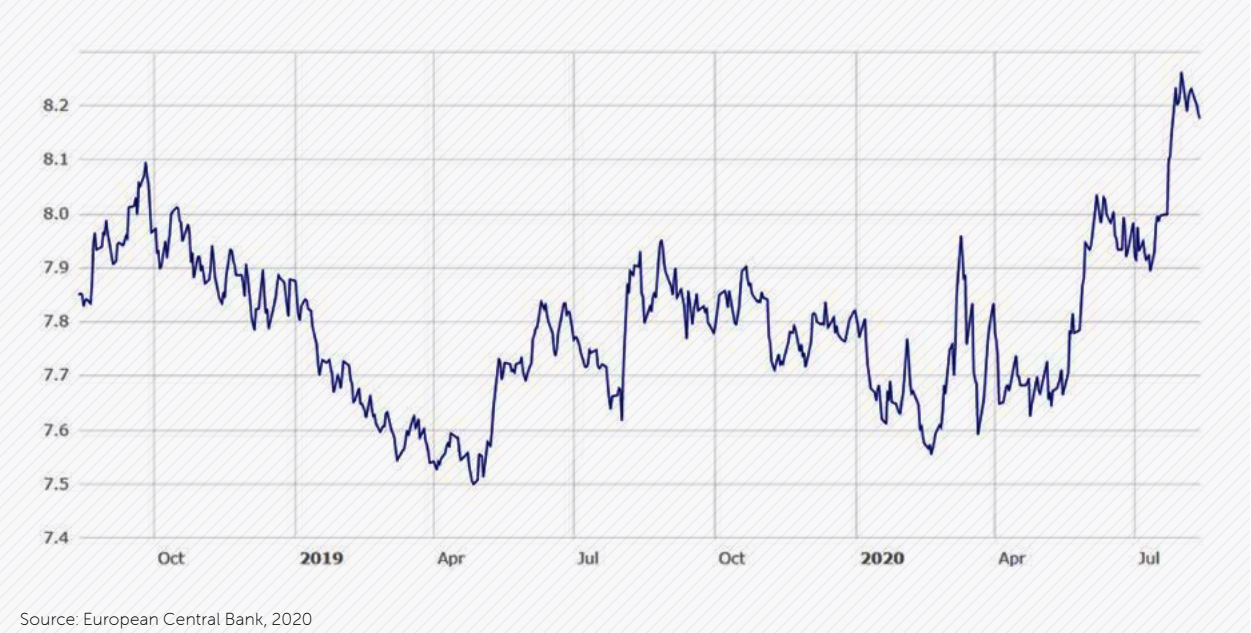
FIGURE 1.3:
EUR vs GBP, August 2018 – August 2020



Source: European Central Bank, 2020

Following a depreciation of the euro vis-à-vis the Chinese yuan in the first months of 2019, the exchange rate between the two currencies was quite stable for one year but starting from spring 2020 the euro has appreciated against the Chinese yuan. Over the last two years the CNY was at its strongest (vs the EUR) in April 2019 when 1 euro = 7.5 CNY and at its weakest in August 2020 when 1 euro = 8.26 CNY. The yuan has not been this weak vis-à-vis the euro since 2014.

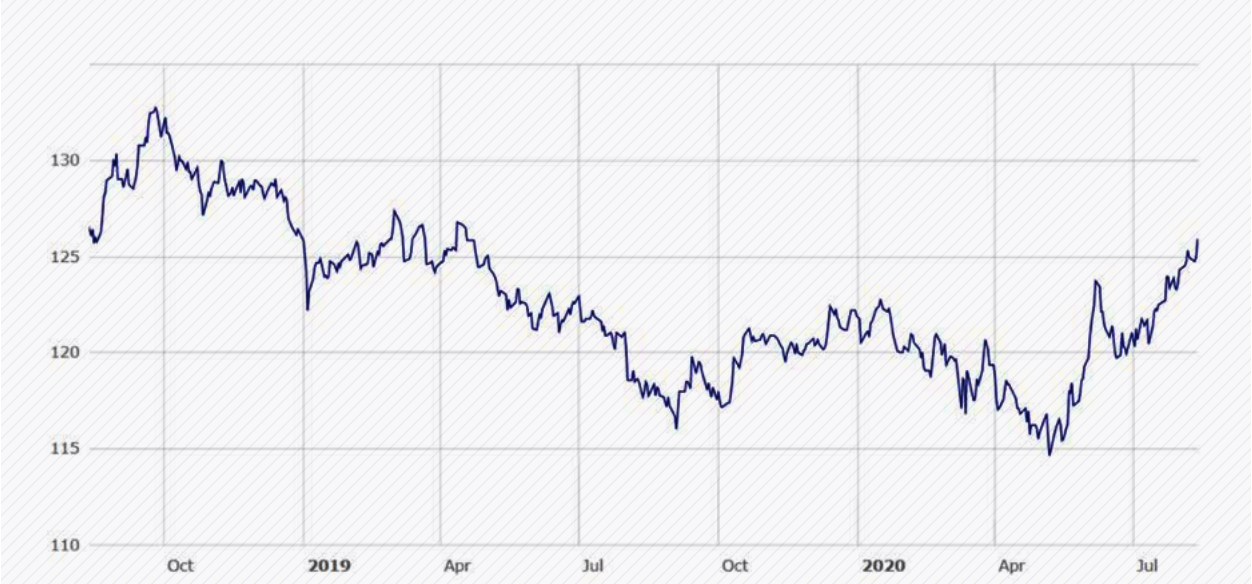
FIGURE 1.4:
EUR vs CNY, August 2018 – August 2020



Source: European Central Bank, 2020

Until spring 2020 the euro was on a depreciating trend against the Japanese yen. Since then the European common currency has been appreciating. Over the last two years the JPY was at its strongest (vs the EUR) in May 2020 when 1 euro = 114 JPY and at its weakest in September 2018 when 1 euro = 132 JPY.

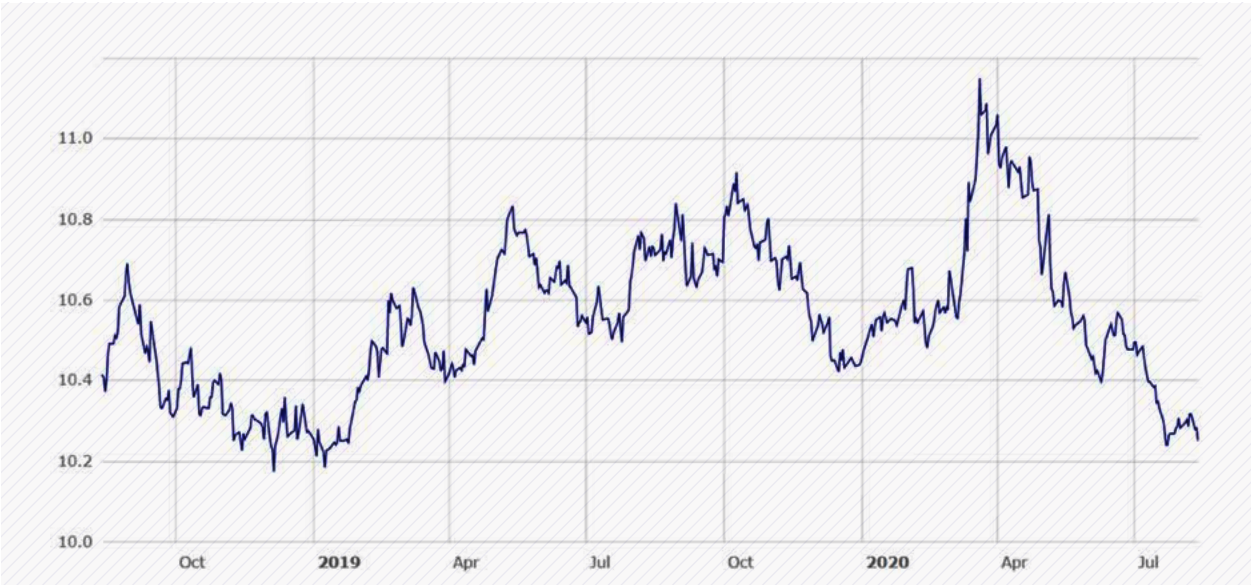
FIGURE 1.5:
EUR vs JPY, August 2018 – August 2020



Source: European Central Bank, 2020

In March 2020 the euro was at its strongest level vs the krona since 2010 (1 euro = 11.1 SEK), but over the last few months it has been depreciating by a bit less than 10% vis-à-vis the Scandinavian currency.

FIGURE 1.6:
EUR vs SEK, August 2018 – August 2020



Source: European Central Bank, 2020

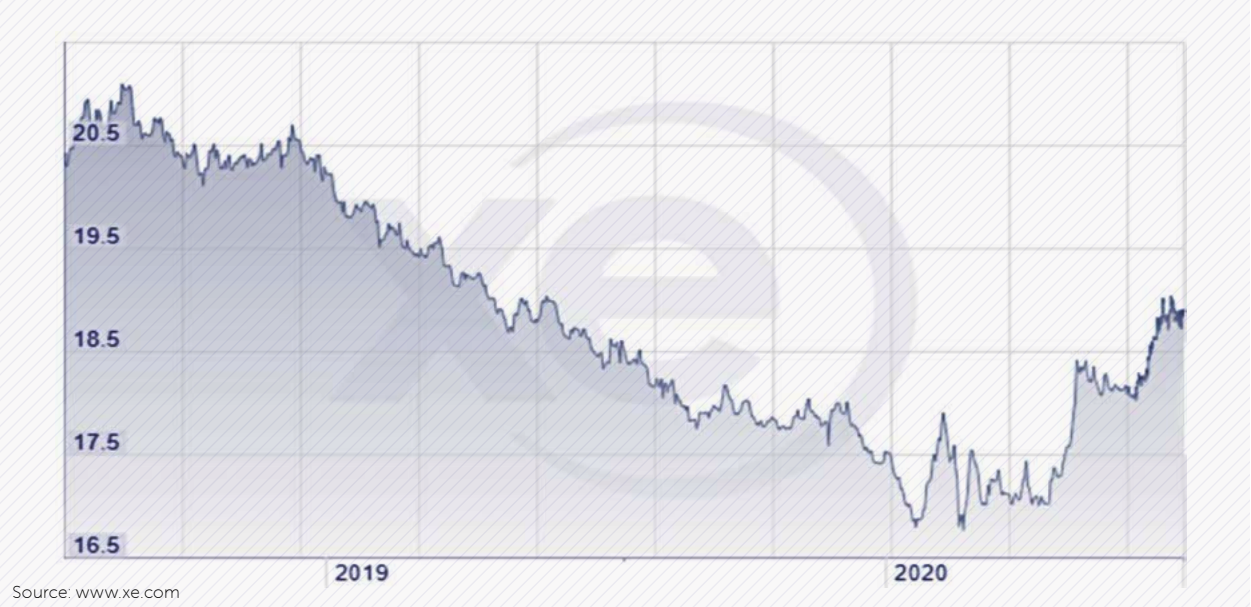
As a result of geopolitical tensions, over the last few years the rouble has been very volatile. The euro remains historically very strong against the Russian rouble and as a result of the pandemic, after some quarters of rouble appreciation, there was a sharp rouble depreciation continuing into August 2020.

FIGURE 1.7:
EUR vs RUB, August 2018 – August 2020

Source: European Central Bank, 2020

When the Egyptian authorities stopped controlling the value of the Egyptian pound in November 2016, the pound lost 50% of its value vs the euro. Over the last couple of years, while the euro remains historically strong vis-à-vis the pound, there was a relative appreciation of the Egyptian pound against the euro which was brought to a sharp end by the pandemic with the pound losing all the ground gained over the last twelve months and going back to the level of summer 2019.

FIGURE 1.8:
EUR vs EGP, August 2018 – August 2020



Source: www.xe.com

2 The woodworking industries in the European Union (EU-28)

2.1 INTRODUCTION

Since 1990, NACE (Nomenclature of Economic Activities in the European Community) provides a harmonised statistical classification of economic activities in the EU. Contrary to the Combined Nomenclature (CN) and the Harmonised System (HS), providing a classification according to trade, the NACE system classifies economic activities in terms of production corresponding to the nature of goods and services produced or by the nature of the production process used. Several small modifications to the classification system were carried out since 1990. However, in 2007, the system was submitted to radical changes.

TABLE 2.1:
The NACE classification system

NACE Code (new)			Definition	Former NACE code
16			Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	20
	16.1		Sawmilling and planing of wood	20.1
	16.2		Manufacture of products of wood, cork, straw and plaiting materials	20.2 and 20.5
		16.21	Manufacture of veneer sheets and wood-based panels	20.2
		16.22	Manufacture of assembled parquet floors	20.3
		16.23	Manufacture of other builders' carpentry and joinery	20.3
		16.24	Manufacture of wooden containers	20.4
		16.29	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	20.5
31			Manufacture of furniture	36.1
	31.01		Manufacture of shop- and office furniture	36.12
	31.02		Manufacture of kitchen furniture	36.13
	31.03		Manufacture of mattresses	36.15
	31.09		Manufacture of other furniture	36.11 and 36.14

It is important to note that the NACE category for wood and products of wood and cork (NACE 16) consists of two categories: one for sawmilling and planing of wood (NACE 16.1) and one for the remaining wood products (NACE 16.2). Within this last category, the sub-category "Manufacture of veneer sheets and wood-based panels" (NACE 16.21) consists of:

- veneer sheets thin enough to be used for veneering, making plywood or other purposes: smoothed, dyed, coated, impregnated, reinforced (with paper or fabric backing) or made in the form of motifs;
- plywood, veneer panels and similar laminated wood boards and sheets;
- OSB and other particleboard;
- MDF and other fibreboard;
- densified wood;
- glue laminated wood, laminated veneer wood.

Unfortunately, Eurostat fails to provide up-to-date information on the activities within the woodworking and the furniture industries in many countries on 3-digit level.

When analysing the figures, one should keep in mind that most national statistical systems tend to underestimate the figures for small and medium-sized industrial sectors. This is clearly the case for the woodworking industries. The underestimation is particularly important for the employment figures, since the official statistics often only cover enterprises with at least 20 persons employed whereas the woodworking industries is a typical SME sector.

A last comment relates to the production data of the furniture industry as declared by Eurostat and the data published in chapter 4.2 as reported by CSIL. Since CSIL only takes into account the furniture industry *stricto-sensu*, several products like mattresses, seats for automobiles and aircrafts are not included in its overview, which results in a much lower figure. In addition, the CSIL production data are not only based on official statistics, but also on several other sources such as international trade associations and internal databases.

2.2 PRODUCTION

The total production value of the woodworking industries in the European Union (EU) peaked in 2007 at 237 billion EUR before falling under 190 billion EUR in 2008 and 2009 as a result of the global economic crisis. The following years were characterised by ups and downs until 2014 when production value started to grow every year. After reaching almost 230 billion EUR in 2017, the production value was close to 240 billion EUR in 2018.

TABLE 2.2:
Production in the woodworking industries in million EUR, 2014-2018 (NACE 16 & 31)

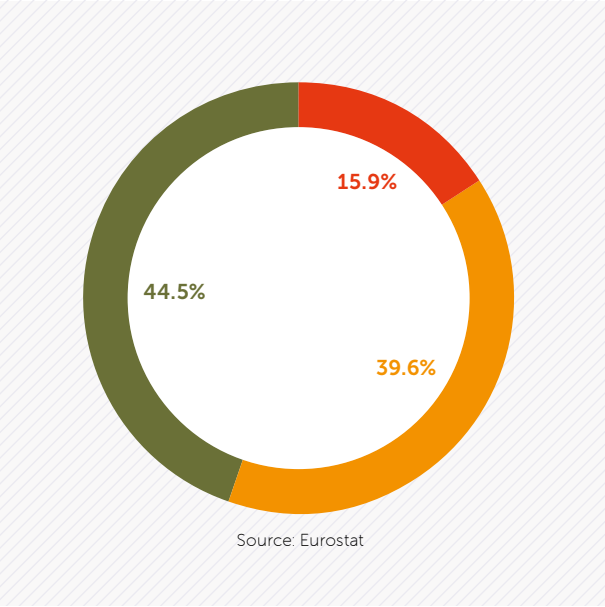
NACE code	2014	2015	2016	2017	2018	*18/14*	18/17
16.1	33 368	33 879	33 727	34 529	35 885	*7.5%*	*3.9%*
16.2	82 754	86 776	86 355	89 933	95 438	*15.3%*	*6.1%*
Subtotal 16	**116 122**	**120 655**	**120 082**	**124 462**	**131 323**	***13.1%***	***5.5%***
31	91 937	99 347	103 497	106 372	110 142	*19.8%*	*3.5%*
Total 16 + 31	**208 059**	**220 002**	**223 579**	**230 834**	**241 465**	***16.1%***	***4.6%***

Source: Eurostat

In 2018, the production value of sawmill products (NACE 16.1) increased by 3.7%. The value of other woodworking products (NACE 16.2) increased instead by 5.4%. Consequently, the value of the woodworking industries *stricto-sensu* (NACE 16) rose by 4.9%. The production value in the furniture sector (NACE 31) also increased by 3.4%. Over a 5-year period (2014-2018) all of the three subcategories recorded a good growth, ranging from 7.8% for sawmill products and 15.8% in the furniture sectors.

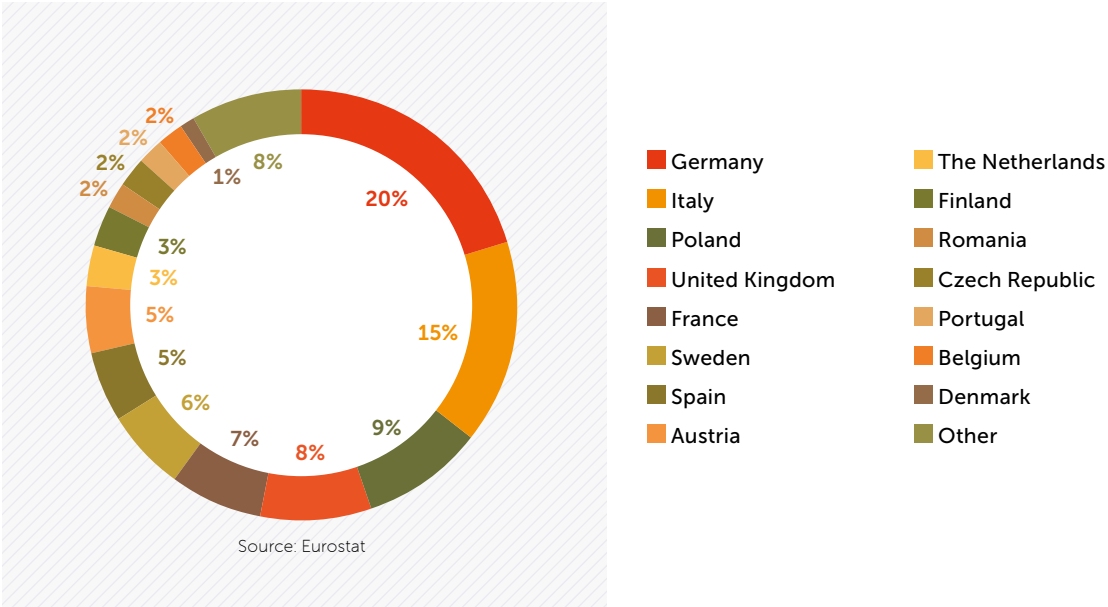
FIGURE 2.1:
Production 2018 – Relative importance of the sub-sectors

The share of the furniture sector (NACE 31) was 44.5% while other woodworking industries (NACE 16.2) represented 39.6% of the production and the sawmilling and planing of wood (NACE 16.1) 15.9%.



Production per Country

FIGURE 2.2:
Production 2018 – Relative importance of the EU Member States (NACE 16 and 31)



Within the overall woodworking industries, Germany confirms its leading position thanks to a constantly increasing production value (+3.2% vs 2017), which exceeded 47 billion EUR in 2018. Italy also did well with a growth of 2.7%, exceeding the 36 billion EUR threshold in 2018. Poland keeps outgrowing all of the big producing countries, having grown by 12.3% in 2018 to 20.9 billion EUR – remarkably it grew by more than 30% in the five years to 2018. The fourth largest producing country is the UK with a production value of 20.3 billion EUR (+6.5% vs 2017), followed by France with 17.9 billion EUR (-1.6%). Sweden (+11.2% to 13.7 billion EUR), Spain (+1.1% to 12.2 billion EUR) and Austria (+6.2% to 12.1 billion EUR) are also large producing countries.

TABLE 2.3:
Production value per EU Member State in million EUR, 2014-2018

Production (excl VAT)	2014	2015	2016	2017	2018	*18/14*	*18/17*
Austria	10 299	10 623	10 956	11 413	12 125	*17.7%*	*6.2%*
Belgium	5 291	5 354	5 296	5 607	4 737	*-10.5%*	*-15.5%*
Bulgaria	898	963	987	1 050	1 186	*32.1%*	*12.9%*
Croatia	1 011	1 086	1 245	1 421	1 548	*53.1%*	*9.0%*
Cyprus	129	128	139	166	194	*51.0%*	*16.9%*
Czech Republic	4 293	4 538	4 756	5 034	5 341	*24.4%*	*6.1%*
Denmark	3 214	3 324	3 438	3 491	3 468	*7.9%*	*-0.7%*
Estonia	2 198	2 359	2 472	2 702	2 706	*23.1%*	*0.2%*
Finland	6 392	6 258	6 554	6 994	7 063	*10.5%*	*1.0%*
France	18 556	18 062	17 818	18 260	17 969	*-3.2%*	*-1.6%*
Germany	43 824	45 778	46 620	46 271	47 738	*8.9%*	*3.2%*
Greece	701	716	758	785	867	*23.7%*	*10.4%*
Hungary	1 327	1 475	1 549	1 686	1 773	*33.6%*	*5.2%*
Ireland	1 464	1 503	1 487	1 702	1 688	*15.3%*	*-0.8%*
Italy	33 093	33 702	34 973	35 795	36 747	*11.0%*	*2.7%*
Latvia	2 198	2 196	2 311	2 470	2 805	*27.6%*	*13.6%*
Lithuania	2 446	2 527	2 618	2 825	2 952	*20.7%*	*4.5%*
Luxembourg	207	214	216	225	228	*9.9%*	*1.2%*
Malta	56	62	63	71	77	*36.5%*	*7.8%*
Poland	15 938	17 064	17 017	18 635	20 936	*31.4%*	*12.3%*
Portugal	4 081	4 380	4 408	4 757	5 124	*25.6%*	*7.7%*
Romania	4 730	4 879	4 890	5 027	5 349	*13.1%*	*6.4%*
Slovakia	1 955	2 084	1 851	2 039	2 220	*13.6%*	*8.9%*
Slovenia	997	1 049	1 102	1 186	1 288	*29.1%*	*8.6%*
Spain	9 857	10 631	10 995	12 070	12 197	*23.7%*	*1.1%*
Sweden	11 783	11 548	11 572	12 312	13 690	*16.2%*	*11.2%*
The Netherlands	5 319	5 803	6 254	6 861	7 298	*37.2%*	*6.4%*
United Kingdom	18 330	21 200	19 642	19 061	20 308	*10.8%*	*6.5%*
EU 28	**210 587**	**219 504**	**221 988**	**229 916**	**239 622**	***13.8%***	***4.2%***

Source: Eurostat

With the exception of Belgium, no country recorded a negative growth rate with double-digit growth. In the five years to 2018 every EU country have seen their production value grow except Belgium (-10.5%) and France (-3.2%).

The production value of the woodworking industries *stricto-sensu* for the 28 countries of the EU rose by 4.9% in 2018 to 133 billion EUR. The largest producer remains Germany with a production value of 24.9 billion EUR (+3.3% vs 2017), followed by Italy, which recorded a production value of 13.6 billion EUR (+1.9% vs 2017) and France (production value of 11.3 billion EUR, +1.7% vs 2017). The UK and Sweden both achieved a production value of 10.9 and 10.6 billion EUR respectively, with parallel trends of around +10%. Overall the top five countries account for 53.7% of EU production. With the exception of Belgium and, to a lesser extent, Ireland, production value grew in all countries.

TABLE 2.4:

Production value per EU Member State in million EUR – wood industries *stricto-sensu*, 2014-2018

Production (excl VAT)	2014	2015	2016	2017	2018	*18/14*	*18/17*
Austria	7 454	7 756	7 962	8 335	8 896	*19.3%*	*6.7%*
Belgium	3 101	3 165	3 191	3 610	3 059	*-1.3%*	*-15.3%*
Bulgaria	440	480	475	511	527	*19.8%*	*3.1%*
Croatia	677	714	794	944	1 027	*51.8%*	*8.8%*
Cyprus	86	88	95	115	135	*57.7%*	*17.4%*
Czech Republic	3 043	3 204	3 313	3 480	3 753	*23.3%*	*7.8%*
Denmark	1 471	1 483	1 488	1 522	1 583	*7.6%*	*4.0%*
Estonia	1 765	1 867	1 950	2 166	2 170	*23.0%*	*0.2%*
Finland	5 386	5 258	5 520	5 890	5 890	*9.4%*	*0.0%*
France	11 462	11 059	11 261	11 110	11 300	*-1.4%*	*1.7%*
Germany	24 158	25 116	24 064	24 137	24 924	*3.2%*	*3.3%*
Greece	317	311	321	343	368	*16.1%*	*7.3%*
Hungary	752	826	872	976	1 032	*37.3%*	*5.8%*
Ireland	852	903	887	1 102	1 088	*27.7%*	*-1.3%*
Italy	12 993	12 713	12 969	13 343	13 595	*4.6%*	*1.9%*
Latvia	1 964	1 957	2 067	2 210	2 517	*28.1%*	*13.9%*
Lithuania	1 070	1 114	1 152	1 183	1 299	*21.4%*	*9.8%*
Luxembourg	190	197	200	209	210	*0.0%*	*0.0%*
Malta	13	13	17	15	17	*36.0%*	*10.4%*
Poland	7 687	8 055	7 616	8 492	9 386	*22.1%*	*10.5%*
Portugal	2 681	2 854	2 819	3 009	3 298	*23.0%*	*9.6%*
Romania	2 945	2 980	2 857	2 939	3 195	*8.5%*	*8.7%*
Slovakia	1 150	1 218	1 022	1 135	1 263	*9.8%*	*11.3%*
Slovenia	646	693	720	766	838	*29.7%*	*9.4%*
Spain	5 288	5 887	5 982	6 738	6 776	*28.1%*	*0.6%*
Sweden	9 164	8 931	8 933	9 586	10 628	*16.0%*	*10.9%*
The Netherlands	2 341	2 587	2 798	2 982	3 282	*40.2%*	*10.1%*
United Kingdom	9 405	10 760	10 191	9 989	10 957	*16.5%*	*9.7%*
EU 28	**118 497**	**122 188**	**121 534**	**126 837**	**133 013**	***12.2%***	***4.9%***

Source: Eurostat

The European furniture industry realised a total production value of almost 107 billion EUR in 2018 (+3.4% vs 2017). Despite this further increase in production, the level was still below the 2007 and 2008 peaks which exceeded 110 billion EUR. Italy and Germany remain by far the two largest producers in the furniture industry. The former recorded a production value of 23.2 billion EUR (+3.1% vs 2017), while the latter of 22.8 billion EUR (+3.1% vs 2017). Together they account for 43.1% of total EU furniture production. Poland has now clearly established itself as the third largest producer in the furniture industry with a production value of 11.6 billion EUR (+13.9% vs 2017). The UK production upturned by 3.1% to 9.4 billion EUR. Belgium, France and Denmark are the only countries recording a negative growth rate.

TABLE 2.5:
Production value per EU Member State in million EUR – furniture industry, 2014-2018

Production (excl VAT)	2014	2015	2016	2017	2018	*18/14*	*18/17*
Austria	2 845	2 867	2 994	3 078	3 229	*13.5%*	*4.9%*
Belgium	2 190	2 189	2 106	1 997	1 678	*-23.4%*	*-16.0%*
Bulgaria	458	483	512	539	659	*43.9%*	*22.2%*
Croatia	334	373	451	477	521	*55.9%*	*9.2%*
Cyprus	43	40	44	51	59	*37.5%*	*15.7%*
Czech Republic	1 250	1 334	1 443	1 554	1 588	*27.1%*	*2.2%*
Denmark	1 744	1 841	1 950	1 969	1 885	*8.1%*	*-4.3%*
Estonia	434	492	522	536	536	*23.6%*	*0.0%*
Finland	1 006	1 000	1 034	1 104	1 173	*16.6%*	*6.3%*
France	7 094	7 003	6 556	7 150	6 669	*-6.0%*	*-6.7%*
Germany	19 666	20 662	22 556	22 134	22 814	*16.0%*	*3.1%*
Greece	384	406	437	442	499	*29.9%*	*12.9%*
Hungary	575	648	677	710	741	*28.9%*	*4.4%*
Ireland	612	600	600	600	600	*-2.0%*	*0.0%*
Italy	20 101	20 989	22 004	22 452	23 152	*15.2%*	*3.1%*
Latvia	233	239	244	260	288	*23.4%*	*10.8%*
Lithuania	1 377	1 413	1 467	1 642	1 653	*20.1%*	*0.7%*
Luxembourg	18	17	16	16	18	*1.7%*	*13.9%*
Malta	44	48	46	56	60	*36.7%*	*7.1%*
Poland	8 251	9 009	9 401	10 143	11 550	*40.0%*	*13.9%*
Portugal	1 400	1 527	1 590	1 748	1 826	*30.4%*	*4.5%*
Romania	1 785	1 900	2 033	2 088	2 154	*20.7%*	*3.2%*
Slovakia	805	866	829	904	957	*18.9%*	*5.8%*
Slovenia	351	355	383	420	450	*28.1%*	*7.1%*
Spain	4 569	4 743	5 014	5 332	5 421	*18.7%*	*1.7%*
Sweden	2 619	2 617	2 639	2 726	3 062	*16.9%*	*12.3%*
The Netherlands	2 978	3 216	3 457	3 879	4 016	*34.8%*	*3.5%*
United Kingdom	8 925	10 440	9 451	9 072	9 351	*4.8%*	*3.1%*
EU 28	**92 090**	**97 317**	**100 454**	**103 079**	**106 609**	***15.8%***	***3.4%***

Source: Eurostat

2.3 EXTRA-EU IMPORTS

This chapter monitors the trade flows of the 28 Member States of the EU. Only extra-EU trade is taken into account due to a lack of reliable figures for trade between the 28 members of the EU, although these flows are most important in absolute terms.

The total EU-28 imports of woodworking products exceeded 37 billion EUR in 2018, reflecting an increase of 3.1% compared to 2017. Both the sawmill industry and the other woodworking products *stricto-sensu* experienced large increases of imports (+11.0% and +7.0% respectively), while the furniture industry rose by 1.3% only.

TABLE 2.6:
Extra-EU imports in million EUR, 2014-2018

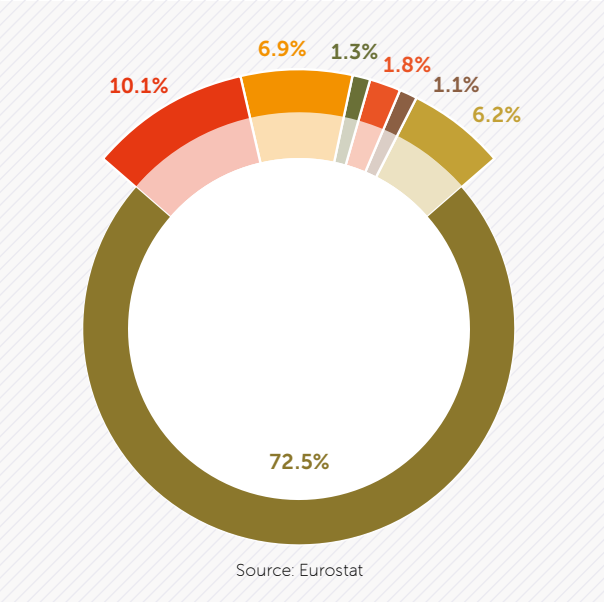
NACE code	2014	2015	2016	2017	2018	*18/14*	*18/17*
16.1	3 156	3 429	3 506	3 399	3 774	*19.6%*	*11.0%*
16.2	5 030	5 691	5 725	6 060	6 486	*28.9%*	*7.0%*
16.21	1 830	2 017	2 035	2 277	2 573	*40.6%*	*13.0%*
16.22	422	451	422	456	490	*16.1%*	*7.5%*
16.23	522	638	660	662	674	*29.1%*	*1.8%*
16.24	269	361	351	385	421	*56.5%*	*9.4%*
16.29	1 987	2 224	2 257	2 280	2 328	*17.2%*	*2.1%*
Subtotal 16	**8 186**	**9 120**	**9 231**	**9 459**	**10 260**	***25.3%***	***8.5%***
31	20 962	24 363	25 226	26 772	27 111	*29.3%*	*1.3%*
Total 16 + 31	**29 148**	**33 483**	**34 457**	**36 231**	**37 371**	***28.2%***	***3.1%***

Source: Eurostat

Imports of other woodworking industries *stricto-sensu* (NACE 16.2) rose further in 2018 (+7.0%) and all sub-sectors were concerned by these positive developments. The main increases of imports are observed for veneer sheets and wood-based panels (NACE 16.21, +13.0%), packaging (NACE 16.24, +9.4%) and wood flooring (NACE 16.22, +7.5%).

Furniture (NACE 31) accounted for 72.5% of the extra-EU imports of woodworking products in 2018. Sawmilling products (NACE 16.1) accounted for 10.1% of imports and other wood products (NACE 16.2) for 17.4%.

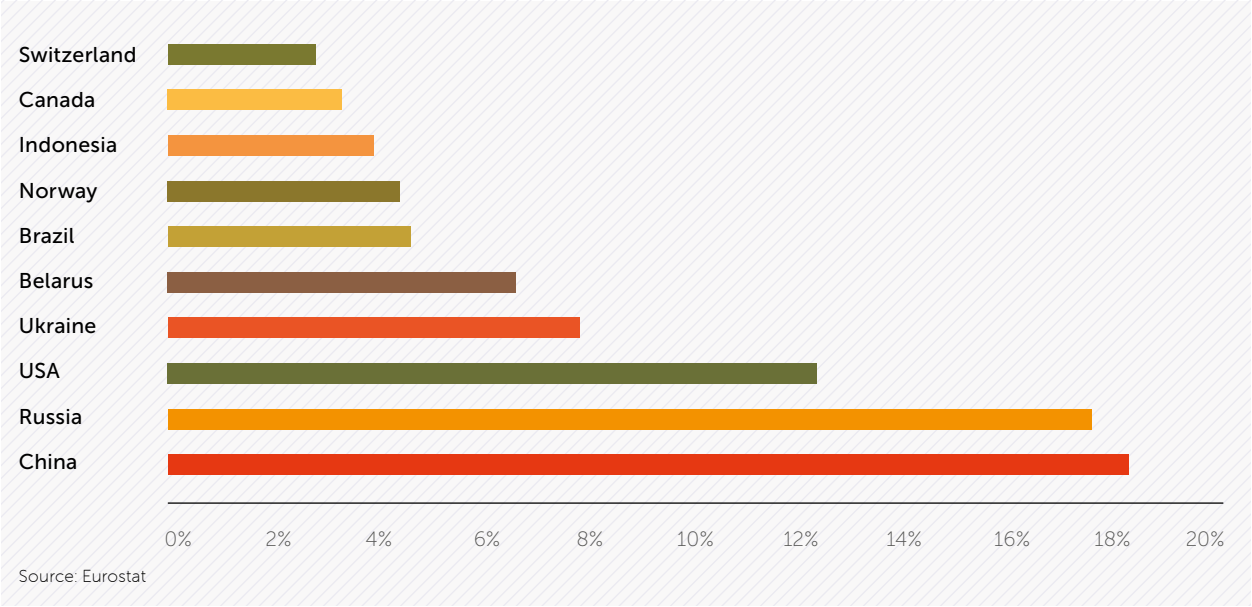
FIGURE 2.3:
Extra-EU Imports 2018 – Relative importance of the NACE sub-sectors



Source: Eurostat

In 2018, China and Russia continued to be the largest Extra-EU suppliers of wood products to the EU, with market shares of 18.2% and 17.5% respectively. The United States were the third largest trading partner with a market share of 12.3%. Imports from American countries such as Brazil and Canada amounted together to approximately 7.9% of the market while 7.2% of imports came from Norway and Switzerland together. 7.8% came from Ukraine and 6.6% from Belarus. Finally, Indonesia accounted for 3.9% of EU imports.

FIGURE 2.4:
Extra-EU imports 2018 - Relative importance of main countries of origin



Source: Eurostat

2.4 EXTRA-EU EXPORTS

TABLE 2.7:
Extra-EU exports in million EUR, 2014-2018

NACE code	2014	2015	2016	2017	2018	*18/14*	*18/17*
16.1	5 140	5 053	4 974	5 627	5 997	*16.7%*	*6.6%*
16.2	5 421	5 600	5 709	6 207	5 953	*9.8%*	*-4.1%*
16.21	2 624	2 641	2 674	2 948	2 774	*5.7%*	*-5.9%*
16.22	448	460	498	533	515	*15.0%*	*-3.4%*
16.23	1 376	1 424	1 434	1 536	1 446	*5.1%*	*-5.9%*
16.24	524	553	568	650	676	*29.0%*	*4.0%*
16.29	449	522	535	540	542	*20.7%*	*0.4%*
Subtotal 16	**10 561**	**10 653**	**10 683**	**11 834**	**11 950**	***13.2%***	***1.0%***
31	21 115	22 333	22 183	23 479	23 578	*11.7%*	*0.4%*
Total 16 + 31	**31 676**	**32 986**	**32 866**	**35 313**	**35 528**	***12.2%***	***0.6%***

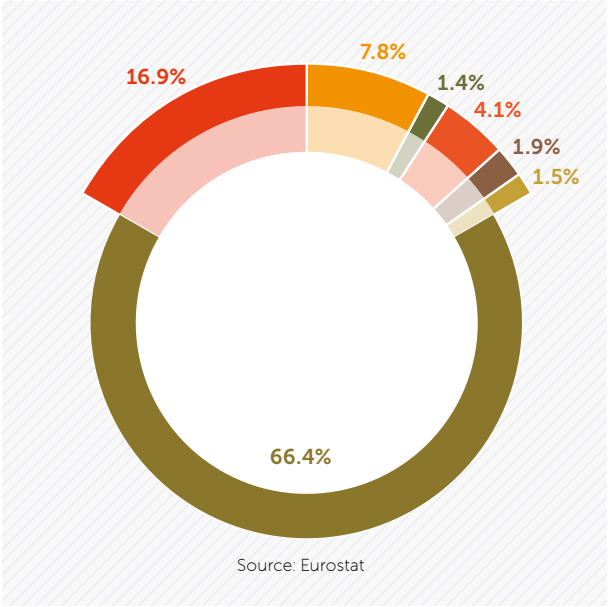
Source: Eurostat

The overall value of EU-28 exports of woodworking products exceeded 35.5 billion EUR in 2018 which is relatively stable compared to 2017 (+0.6%). On the contrary, exports of woodworking products *stricto-sensu* downturned by 4.1% in 2018, reflecting decreases by 5.9% of exports of veneer and wood-based panels (NACE 16.21) and of other builders' carpentry and joinery (NACE 16.23).

Exports of the furniture industry remained stable (+0.4%) while those of sawmilling, planing and impregnation grew by 6.6%.

Furniture (NACE 31) accounted for 66.4% of the extra-EU exports of woodworking products in 2018. Sawmilling products (NACE 16.1) accounted for a share of 16.9% of exports and other wood products (NACE 16.2) for a share of 16.7%.

FIGURE 2.5:
Extra-EU exports 2018 – Relative importance of the NACE sub-sectors



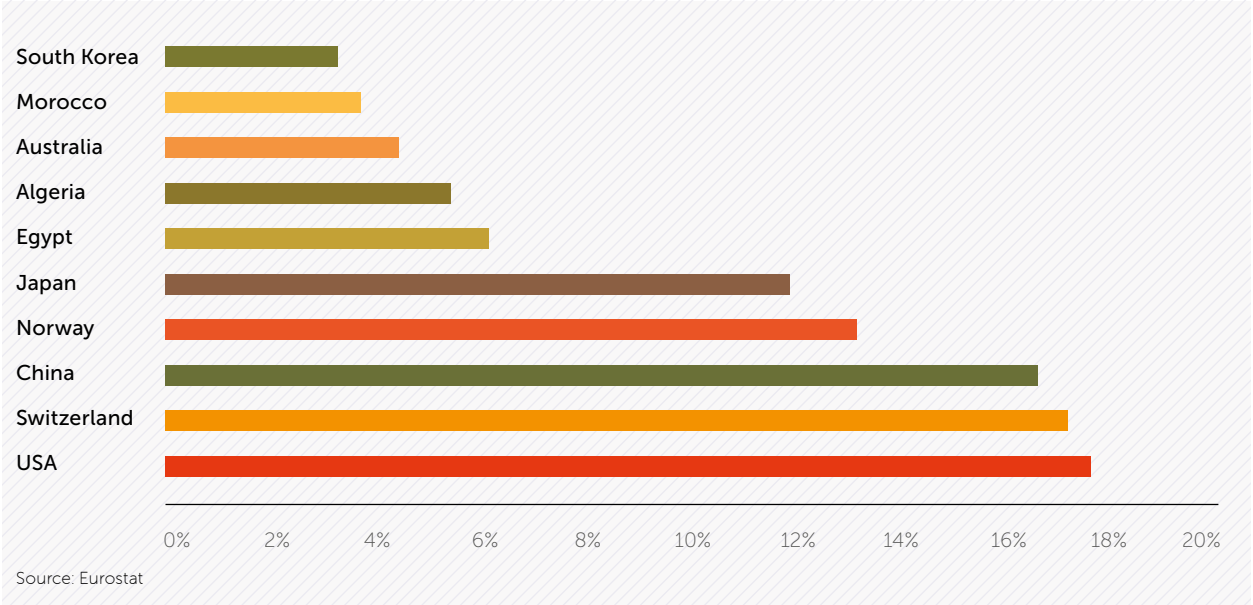
Source: Eurostat

Transit trade not taken into consideration, the 28 Member States exports outside the EU amounted to 14.8% of their overall production in 2018. The woodworking industries *stricto-sensu* exported about 9% while the furniture sector sold 22.1% of its production outside the EU.

2.5 DESTINATION OF EXPORTS

In 2018, the EU woodworking industries exported primarily to the USA, Switzerland, China, Norway and Japan which accounted for shares of 12.3%, 12.0%, 11.6%, 9.2% and 8.3% of extra-EU exports respectively. Egypt followed with 4.3% of the extra-EU exports. Algeria, Australia, Morocco and South Korea accounted for more than 2% each and completed the top ten destinations of extra-EU exports.

FIGURE 2.6:
Extra-EU exports 2018 – Relative importance of main destinations



Source: Eurostat

2.6 TRADE BALANCE

The trade balance for the woodworking industries is different according to the products. In total, the EU trade balance decreased from -918 billion EUR in 2017 to -1.843 billion EUR in 2018. The woodworking industries *stricto-sensu* (NACE 16) ended 2018 with a surplus of 1.7 billion EUR while the furniture industry (NACE 31) registered a negative balance of 3.5 billion EUR. In 2018, all sub-sectors of the woodworking industries *stricto-sensu* have positive trade balances except other woodworking products (NACE 16.29) whose balance remained, as usual, negative.

TABLE 2.8:
Trade balance in million EUR, 2014-2018

NACE code	2014	2015	2016	2017	2018
16.1	1 984	1 624	1 468	2 228	2 223
16.2	391	-91	-16	147	-533
16.21	794	624	639	671	201
16.22	26	9	76	77	25
16.23	854	786	774	874	772
16.24	255	192	217	265	255
16.29	-1 538	-1 702	-1 722	-1 740	-1 786
Subtotal 16	**2 375**	**1 533**	**1 452**	**2 375**	**1 690**
31	153	-2 030	-3 043	-3 293	-3 533
Total 16 + 31	**2 528**	**-497**	**-1 591**	**-918**	**-1 843**

Source: Eurostat

2.7 APPARENT CONSUMPTION

Apparent consumption of wood products grew further by 4.6% in 2018 compared to 2017 and exceeded 241 billion EUR. The consumption of products from the woodworking industries *stricto-sensu* increased by 5.5%, while the apparent consumption of furniture rose by 3.5%. The other woodworking products (NACE 16.2) improved by 6.1% in 2018 while the sawmill, planing and impregnation products (NACE 16.1) sector rose by 3.9%.

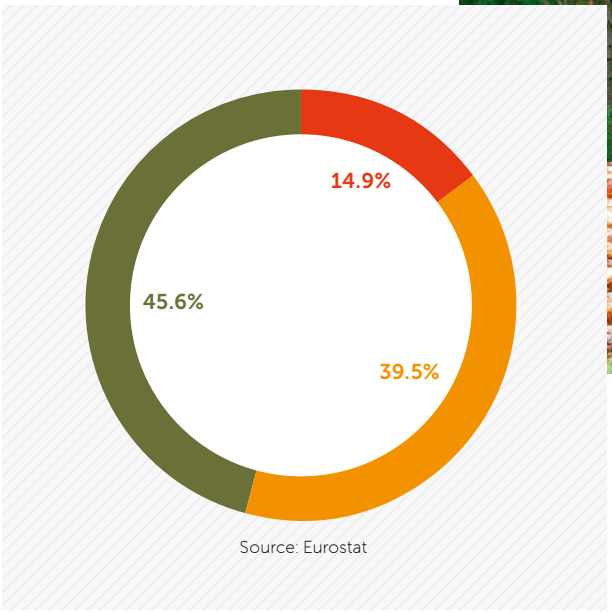
TABLE 2.9:
Apparent consumption per sub-sector in million EUR, 2014-2018

NACE code	2014	2015	2016	2017	2018	*18/14*	18/17
16.1	33 368	33 879	33 727	34 529	35 885	*7.5%*	*3.9%*
16.2	82 754	86 776	86 355	89 933	95 438	*15.3%*	*6.1%*
Subtotal 16	**116 122**	**120 655**	**120 082**	**124 462**	**131 323**	***13.1%***	***5.5%***
31	91 937	99 347	103 497	106 372	110 142	*19.8%*	*3.5%*
Total 16 + 31	**208 059**	**220 002**	**223 579**	**230 834**	**241 465**	***16.1%***	***4.6%***

Source: Eurostat

In this analysis, the consumption of sawmill products (NACE 16.1) amounted to 35.9 billion EUR and accounted for 14.9% of the total consumption of wood products in 2018. The consumption of other woodworking products (NACE 16.2) exceeded 95 billion EUR and represented 39.5% of the total consumption of wood products while the consumption of furniture (NACE 31) exceeded 110 billion EUR, meaning a relative consumption of 45.6%.

FIGURE 2.7:
Apparent consumption 2018 – Breakdown per NACE sub-sector



2.8 EMPLOYMENT

The figures on employment in the woodworking sector provide an indication of the overall employment, although it should be borne in mind that some countries do not take into account firms with less than 20 employees. Thus, the global figures tend to substantially underestimate the employment in small and medium-sized industrial sectors. Given the SME structure of the woodworking industries, the actual total number of employees in the EU-28 wood industries should be estimated at substantially more than 2.1 million in 2018.

TABLE 2.10:
Employment in the EU woodworking industries, 2014-2018

NACE code	2014	2015	2016	2017	2018	*18/14*	18/17
16.1	249 390	248 063	244 526	238 979	246 940	*-1.0%*	*3.3%*
16.2	732 291	726 810	726 997	733 889	762 096	*4.1%*	*3.8%*
Subtotal 16	**981 681**	**974 873**	**971 523**	**972 868**	**1 009 036**	***2.8%***	***3.7%***
31	958 126	974 931	1 006 406	1 014 675	1 043 841	*8.9%*	*2.9%*
Total 16 + 31	**1 939 807**	**1 949 804**	**1 977 929**	**1 987 543**	**2 052 877**	***5.8%***	***3.3%***

Source: Eurostat

According to the Eurostat data, employment in the woodworking industries rose by 3.3% in 2018 and exceeded the 2 million threshold. Employment increased both in the woodworking industries *stricto-sensu* (+3.7%) and in the furniture sector (+3.3%). Within the woodworking industries *stricto-sensu*, employment upturned in the sawmill sector (+.3.3%) while it continued to increase by 3.8% in the other woodworking industries.

TABLE 2.11:
Employment in the EU woodworking and furniture industries per EU Member State, 2014-2018

Number of employees	2014	2015	2016	2017	2018	*18/14*	*18/17*
Austria	61 013	60 433	59 997	60 507	61 422	*0.7%*	*1.5%*
Belgium	25 002	23 785	23 492	23 889	23 812	*-4.8%*	*-0.3%*
Bulgaria	38 787	39 041	39 347	39 503	40 110	*3.4%*	*1.5%*
Croatia	26 121	26 486	27 750	28 833	29 150	*11.6%*	*1.1%*
Cyprus	2 690	2 619	2 715	2 956	3 129	*16.3%*	*5.9%*
Czech Republic	80 338	80 431	80 469	79 522	78 884	*-1.8%*	*-0.8%*
Denmark	20 298	20 476	17 505	17 637	17 651	*-13.0%*	*0.1%*
Estonia	24 290	25 126	25 373	25 794	25 798	*6.2%*	*0.0%*
Finland	28 776	27 957	27 838	25 859	29 565	*2.7%*	*14.3%*
France	116 883	109 228	104 758	107 117	109 734	*-6.1%*	*2.4%*
Germany	274 914	282 699	278 867	276 190	278 023	*1.1%*	*0.7%*
Greece	19 017	15 669	18 026	17 026	17 542	*-7.8%*	*3.0%*
Hungary	34 024	35 899	36 745	37 124	35 819	*5.3%*	*-3.5%*
Ireland	8 644	8 984	9 465	9 943	9 907	*14.6%*	*-0.4%*
Italy	249 913	239 251	237 872	237 428	240 401	*-3.8%*	*1.3%*
Latvia	32 390	32 113	32 225	31 726	31 719	*-2.1%*	*0.0%*
Lithuania	49 856	50 610	51 485	50 821	50 793	*1.9%*	*-0.1%*
Luxembourg	159	163	166	171	181	*13.8%*	*5.8%*
Malta	1 277	1 314	1 282	1 195	1 357	*6.3%*	*13.6%*
Poland	282 015	297 638	310 779	317 788	345 502	*22.5%*	*8.7%*
Portugal	57 140	58 476	59 985	61 497	63 031	*10.3%*	*2.5%*
Romania	118 471	120 613	120 606	116 545	113 433	*-4.3%*	*-2.7%*
Slovakia	37 659	39 122	35 835	37 963	39 078	*3.8%*	*2.9%*
Slovenia	14 262	14 259	14 541	14 739	15 121	*6.0%*	*2.6%*
Spain	102 839	102 491	105 724	112 208	115 386	*12.2%*	*2.8%*
Sweden	47 390	49 078	48 257	49 549	54 441	*14.9%*	*9.9%*
The Netherlands	35 828	36 540	38 057	39 789	40 516	*13.1%*	*1.8%*
United Kingdom	149 811	149 303	168 768	164 224	181 372	*21.1%*	*10.4%*
EU 28	**1 939 807**	**1 949 804**	**1 977 929**	**1 987 543**	**2 052 877**	***5.8%***	***3.3%***

Source: Eurostat

Among the 28 Member States, and thanks to a further and significant increase of 8.7%, Poland consolidated its leading position in the employment ranking in the woodworking industries (NACE 16 + 31). Poland almost reached the 350,000 jobs threshold in 2018. Finland (+14.6%), Malta (+13.6%), UK (+10.4%) and Sweden (+9.9%) showed the most significant increases while no marked decreases in employment were reported in 2018.

TABLE 2.12:
Employment in the EU woodworking and furniture industries per EU Member State, 2018

Number of employees	16	16.1	16.2	31	16 + 31
Austria	34 026	11 064	22 962	27 396	61 422
Belgium	11 928	1 509	10 419	11 884	23 812
Bulgaria	16 420	6 243	10 177	23 690	40 110
Croatia	17 934	7 832	10 102	11 216	29 150
Cyprus	2 121	14	2 107	1 008	3 129
Czech Republic	54 171	7 537	46 634	24 983	79 154
Denmark	8 325	1 026	7 299	9 326	17 651
Estonia	17 985	5 421	12 564	7 813	25 798
Finland	22 506	6 134	16 372	7 059	29 565
France	63 247	18 063	45 184	46 487	109 734
Germany	134 205	25 001	109 204	143 818	278 023
Greece	6 615	1 154	5 461	10 927	17 542
Hungary	17 612	4 211	13 401	18 036	35 648
Ireland	5 549	1 101	4 448	4 358	9 907
Italy	102 958	13 182	89 776	137 443	240 401
Latvia	24 824	12 835	11 989	6 895	31 719
Lithuania	20 809	6 990	13 819	29 984	50 793
Luxembourg	0	0	0	181	181
Malta	173	0	173	1 184	1 357
Poland	139 625	41 530	98 095	205 877	345 502
Portugal	29 505	4 968	24 537	33 526	63 031
Romania	49 799	25 030	24 769	64 997	114 796
Slovakia	24 585	10 027	14 558	14 493	39 078
Slovenia	8 861	2 540	6 321	6 260	15 121
Spain	53 757	6 957	46 800	61 629	115 386
Sweden	37 702	14 645	23 057	15 277	52 979
The Netherlands	14 805	1 549	13 256	25 711	40 516
United Kingdom	88 989	10 377	78 612	92 383	181 372
EU 28	**1 009 036**	**246 940**	**762 096**	**1 043 841**	**2 052 877**

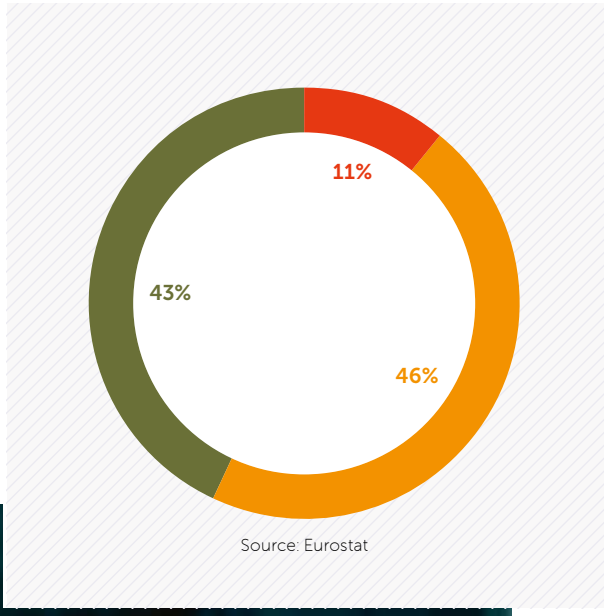
Source: Eurostat

In terms of employment, the furniture industry represented half of the jobs (51%), the sawmill industry accounted for 12% of the employment while the other sub-sectors accounted for 37%. Again this year, in the sawmill industry (NACE 16.1) and the furniture sector (NACE 31), most people were employed in Poland. Germany continues to dominate the other sub-sectors (NACE 16.2).

2.9 NUMBER OF ENTERPRISES

According to Eurostat, the woodworking industries counted around 301,337 companies in 2018, this number remains stable compared to 2017 (300,567 companies). Among these 301,337 companies, almost 129,000 were active in the furniture business (NACE 31) while the sawmill industry (NACE 16.1) and the other sub-sectors of woodworking products (NACE 16.2) accounted for roughly 33,715 and 138,861 companies respectively. These figures remain underestimations since small companies are not necessarily taken into account given the Member States' reporting. In the furniture and the construction elements sectors, the number of small companies is considerable and therefore, the real number of firms could be estimated at more than 350,000 companies.

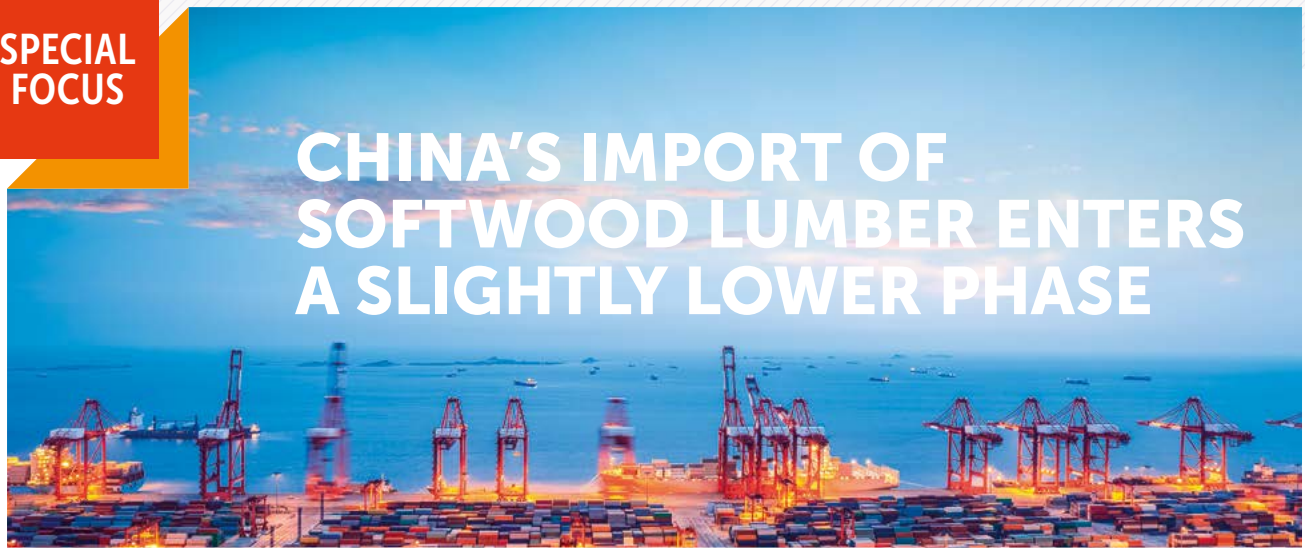
FIGURE 2.8:
Number of enterprises 2018 – Breakdown per NACE sub-sector



Source: Eurostat

EOS expresses gratitude to Ms Isabelle Brose, European Federation of the Parquet Industry (FEP) and to Mr Orifjon Abidov, European Panel Federation (EPF) for their precious contribution in drafting this chapter of the EOS Annual Report 2019/2020.

SPECIAL FOCUS



CHINA'S IMPORT OF SOFTWOOD LUMBER ENTERS A SLIGHTLY LOWER PHASE

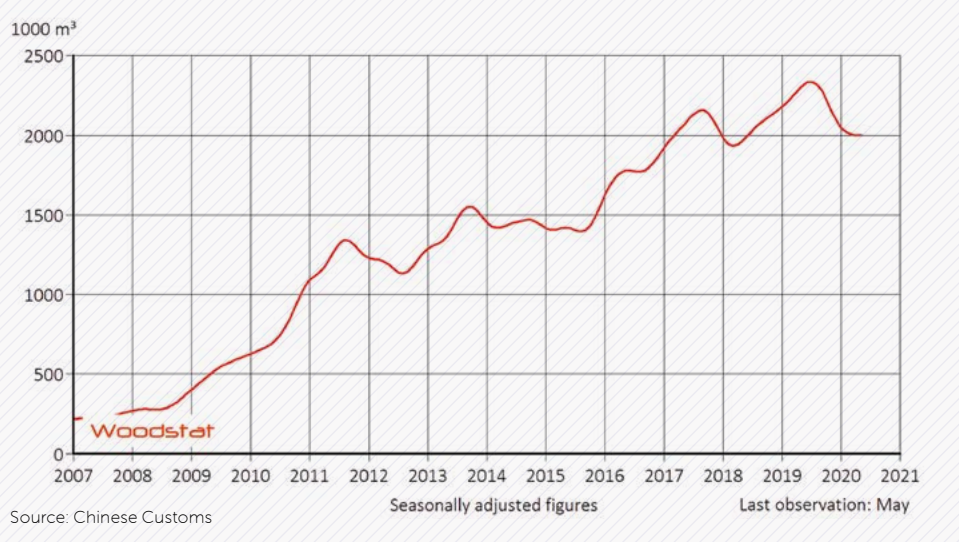
During January-May 2020 import decreased by 15% compared to 2019.

China – Softwood lumber

The steady increase in softwood lumber import in China continued during the first six months of 2019, but then entered a falling trend. Softwood lumber import in China during 2019 amounted to 27.1 million m^3 which means an increase by impressive 11% (compared to 2018). It is worth mentioning that import ten years ago amounted to only 6.3 million m^3. During January-May 2020 import decreased by 15% compared to 2019. The seasonally adjusted trend in May runs at approximately 2 million m^3. That figure can be compared to the average figure for 2019 which was 2.25 million m^3. However, the import is still at a very high level (figure 1).

Continued low prices for crude oil again have lowered lumber imports in the Middle East and the volume is now running at an extremely low level. Imports in North Africa increased by 4% in 2019. European consumption is still considerably lower than before the financial crisis and the figure for 2019 was only 0.8% higher than 2018. To that we can add higher European lumber production due to an oversupply of saw logs as a result of massive attack from spruce bark beetle. China as a softwood lumber importer is nowadays of greatest importance when we are talking about balance in the market for softwood lumber worldwide.

FIGURE 1: CHINA
Monthly import of softwood lumber

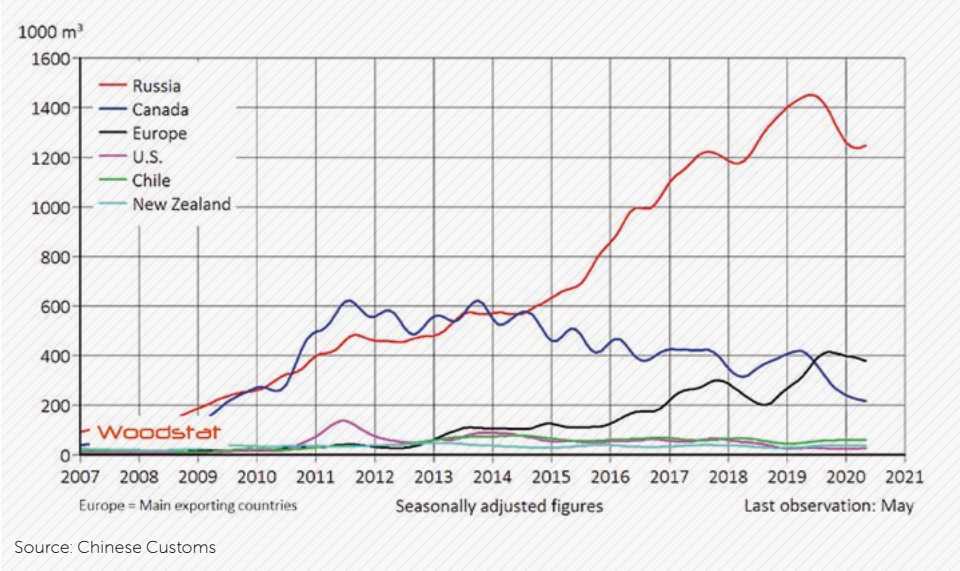


Source: Chinese Customs

When including the figures for May 2020, the trend line for import from Russia stabilizes just over 1.2 million m^3 and import decreased by 14% during the first five months of 2020. The import from Canada during January-May 2020 decreased by no less than 54% and at the same time import from Europe increased by notable 26%. Import trend line from Europe is now running at approximately 400,000 m^3 compared to approximately 200,000 m^3 for Canada. Just a few years ago, the situation was reversed. Import from Canada is now at the lowest level since 2008 (figure 2).

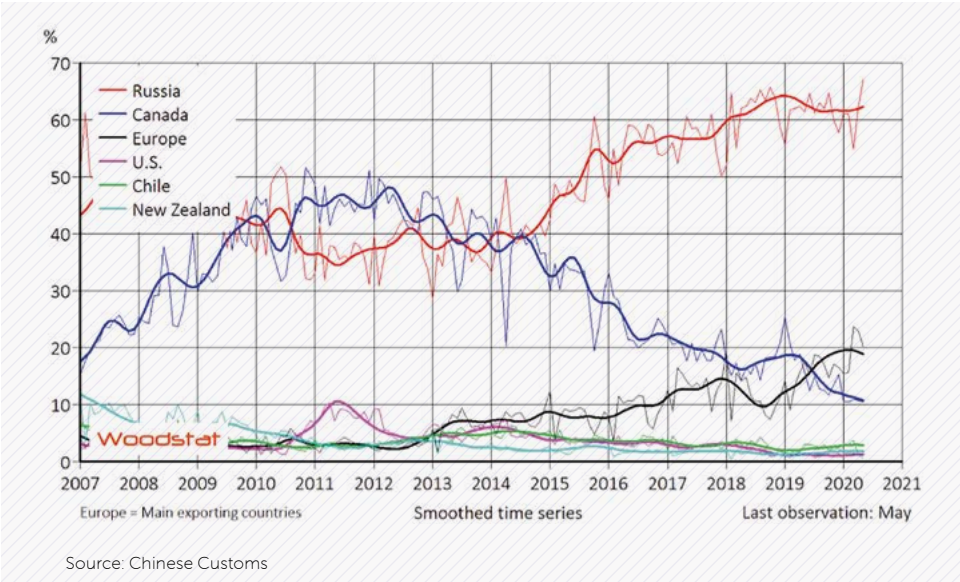
As can be seen in figure 2, Russia totally dominates as a supplier with an average monthly export of just over 1.2 million m^3. Eight years ago, Canada was the main supplier. No doubt, during a quite short

FIGURE 2: CHINA
Monthly import of softwood lumber



Source: Chinese Customs

FIGURE 3: CHINA
Softwood lumber import – Market shares



Source: Chinese Customs

> No doubt, during a quite short period we have seen dramatic changes among the main suppliers, where Europe has taken a larger market share, and Canada has lost shares.

period we have seen dramatic changes among the main suppliers, where Europe has taken a larger market share, and Canada has lost shares.

The market share for Europe is at the beginning of 2020 running at approximately 20% compared to 10% just five years ago. The market share for Canada decreased during the same period from 30% to 10%. Other exporters have had minor changes (figure 3).

A growing population and massive migration are still the main factors for softwood lumber consumption and will continue to support a high demand for lumber. The furniture industry was also in 2019 an important consumer of softwood lumber and the forecast is positive. We can see more wooden construction and a growing interest in using lumber as a nature friendly material. Of course, the COVID-19 virus attack will have an influence during a limited period.

Russia was the main supplier and delivered 16.1 million m^3 softwood lumber to China during 2019 (+7% compared to 2018). Second largest supplier was Europe (main European exporters excluding Russia) with a total export of 4.5 million m^3 (+60%). The import from Canada was 4.3 million m^3 (+4%) (table 1).

When looking at the European exporters, the Finnish export to China increased by 8% to 1.2 million m^3 during 2019 (compared to 2018) and is the leading European exporter (excluding Russia). Imports from Ukraine increased by dramatic 104% and is now second largest European exporter. Germany increased shipments by 378% during 2019. In 2018, Sweden was second largest European supplier (after Finland, excluding Russia), but will have to settle with fourth place during 2019 with a minor increase of 3%. Belarus increased the export by remarkable 381%. The steady increase from European exporters is shown in table 2.

TABLE 1: CHINA

Import of softwood lumber (1 000 m^3)

	2019	2018	2019/2018
Russia	16 076	15 067	+7%
Europe (excl. Russia)	4 541	2 830	+60%
Canada	4 323	4 150	+4%
Chile	681	741	-8%
New Zealand	399	367	+9%
U.S.	353	531	-34%
Other	679	756	-10%
Total	**27 052**	**24 442**	**+11%**

Europe: Main European exporters. Source: Chinese Customs.

TABLE 2: CHINA

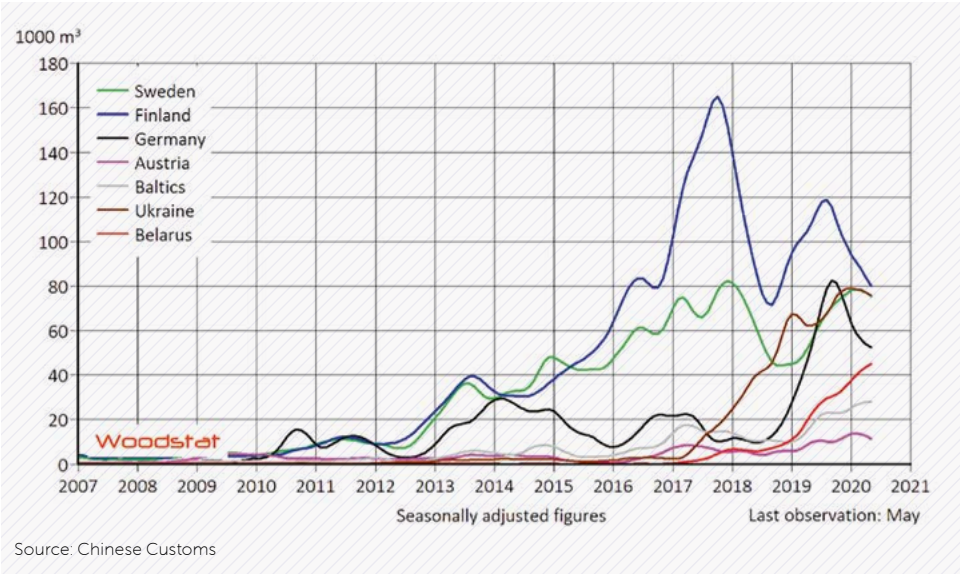
Import of softwood lumber (1 000 m^3) from main European exporters

	2019	2018	2019/2018
Finland	1 231	1 142	+8%
Ukraine	1 034	506	+104%
Germany	731	153	+378%
Sweden	729	708	+3%
Belarus	385	80	+381%
Baltics	245	133	+84%
Austria	108	70	+54%
Romania	78	38	+105%
Total	**4 541**	**2 830**	**+60%**

Source: Chinese Customs

As can be seen in figure 4 the import from the European exporters (excluding Russia) has increased clearly during the past years and several countries have reached new top levels.

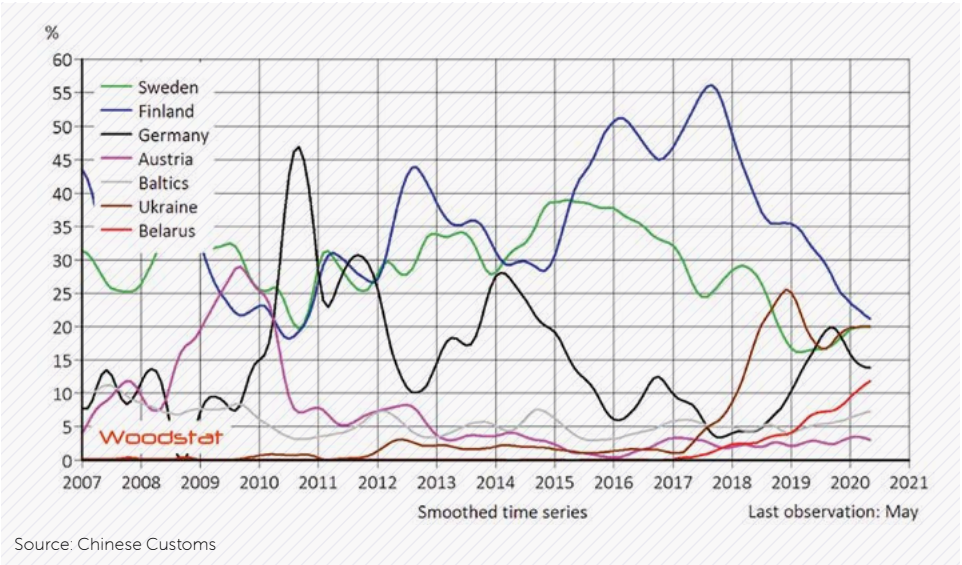
FIGURE 4: CHINA
Monthly import of softwood lumber



Source: Chinese Customs

The very strong increase of shipments from Ukraine and Belarus have of course changed the market shares for European exporters (Russia excluded) dramatically (smoothed time series). Both Sweden and Finland have reduced their market shares during the past few years and are now at very low levels for each country (figure 5).

FIGURE 5: CHINA
Softwood lumber import from Europe
Shares of European export to China

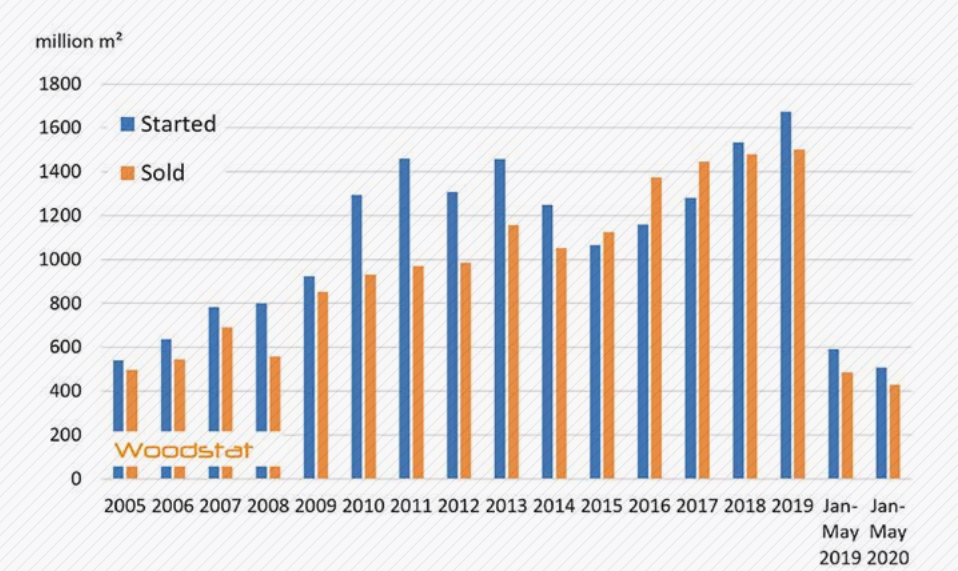


Source: Chinese Customs

The rapidly increasing import in China is of course closely linked to the construction sector where residential building again is the main sector, but there is also a strong demand for furniture and other further processed goods. In 2019, the amount of started housing surpassed the amount of sold housing (figure 6). Compared to the situation a few years ago the floorspace for sale is much lower (figure 7). This stabilizes the building industry long term and the ongoing urbanization is an important factor and will no doubt increase it further.

FIGURE 6: CHINA

Residential buildings, started & sold – Urban area, floorspace

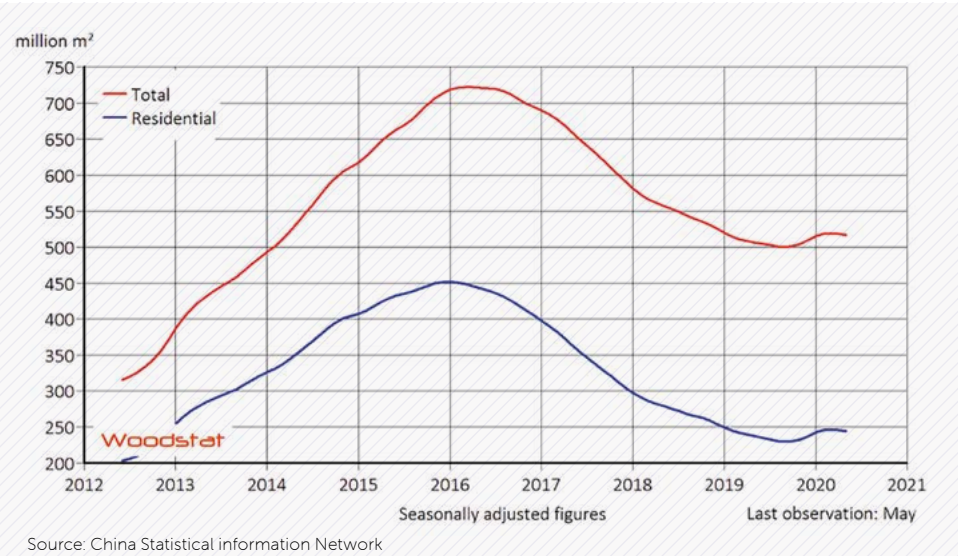


Source: China Statistical information Network

> In 2019, the amount of started housing surpassed the amount of sold housing.

FIGURE 7: CHINA

Real estate – For sale, floorspace

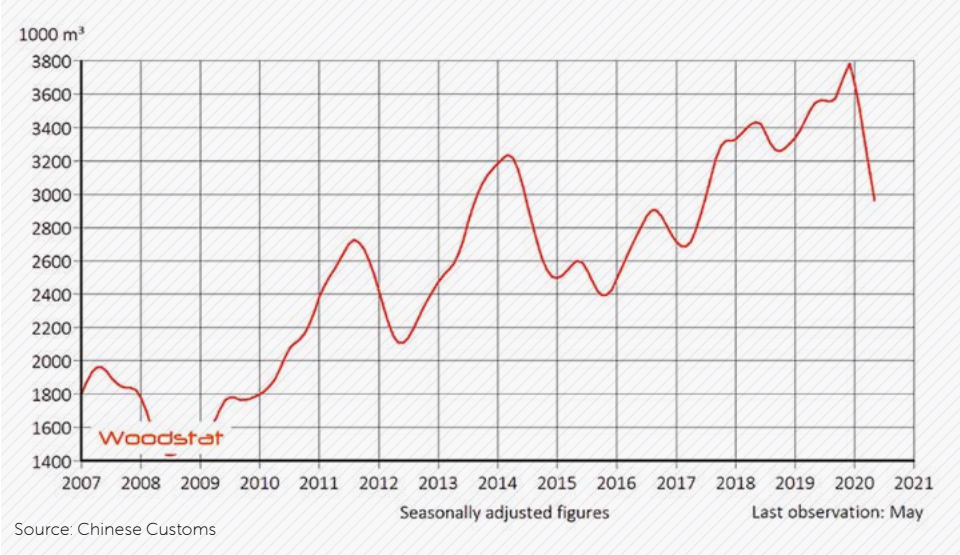


Source: China Statistical information Network

China – Softwood logs

Total import of softwood logs in China has increased clearly since 2009 and was at the end of 2019 running at approximately 3.8 million m^3 on a monthly basis (seasonally adjusted figures, figure 8). The import during 2019 was 41.6 million m^3 (+5% compared to 2018). During January-May 2020 the trend line for the import decreased rapidly and imports amounted to 13.9 million m^3 (-21% compared to 2019) (figure 8).

FIGURE 8: CHINA
Monthly import of softwood logs



Source: Chinese Customs

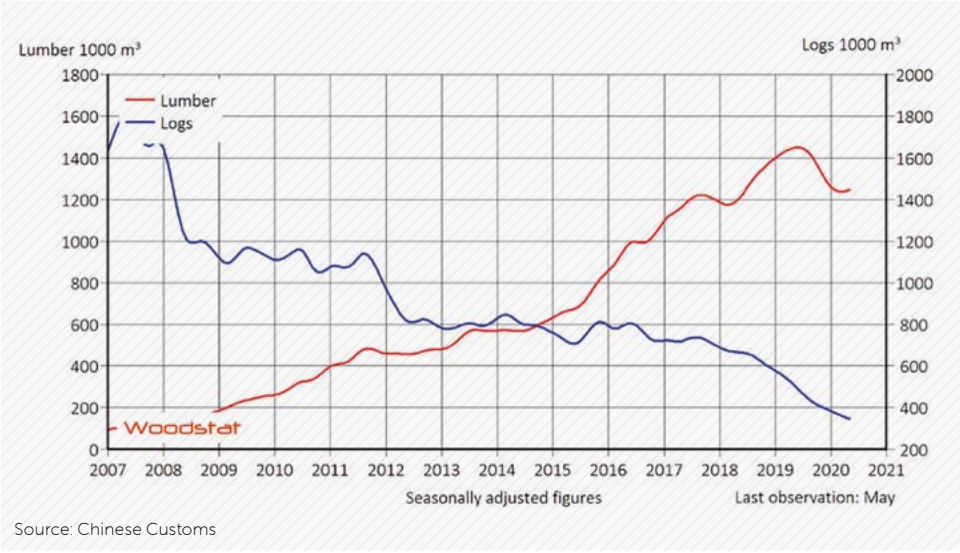
Import of softwood logs during 2019:

+5%

compared to 2018.

Softwood log import from Russia has changed dramatically during the past decade with a complete switch from logs to lumber. This trend will likely continue in the coming years (figure 9). At the same time, we have seen a dramatic increase in import of logs from New Zealand, which have compensated falling volumes from Russia. During the past year, log import from Europe has also increased clearly.

FIGURE 9: CHINA
Monthly import of softwood lumber & logs from Russia



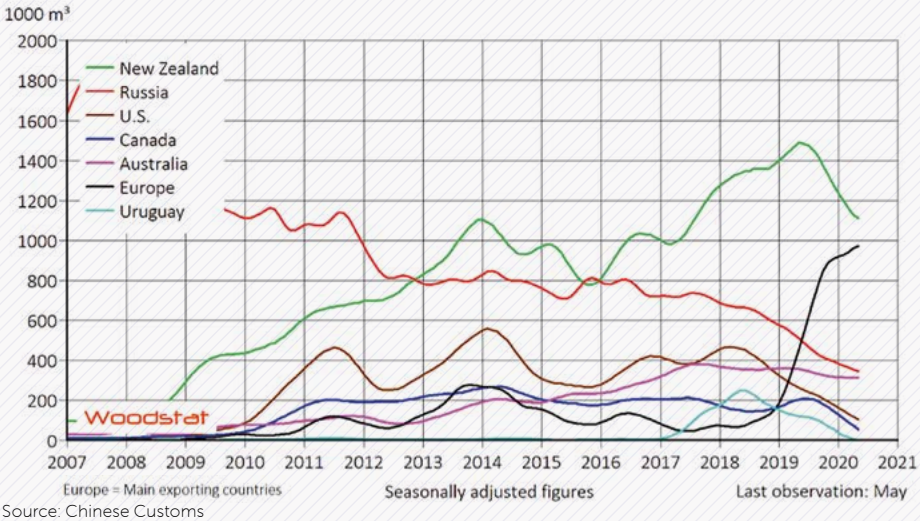
Source: Chinese Customs

As can be seen in figure 10, import of softwood logs from Russia is at a bottom low volume and Europe at a record high volume. New Zealand is still the main supplier but has entered a falling trend since the middle of 2019. Import of logs from Europe has increased dramatically since the beginning of 2019 and this is of course a result from attack from bark beetles. However, when looking forward, volumes from Europe will fall rapidly. So, the main question will be where to find softwood logs when looking forward.

Import of logs from Europe has increased dramatically since the beginning of 2019 and this is of course a result from attack from bark beetles.

FIGURE 10: CHINA

Monthly import of softwood logs

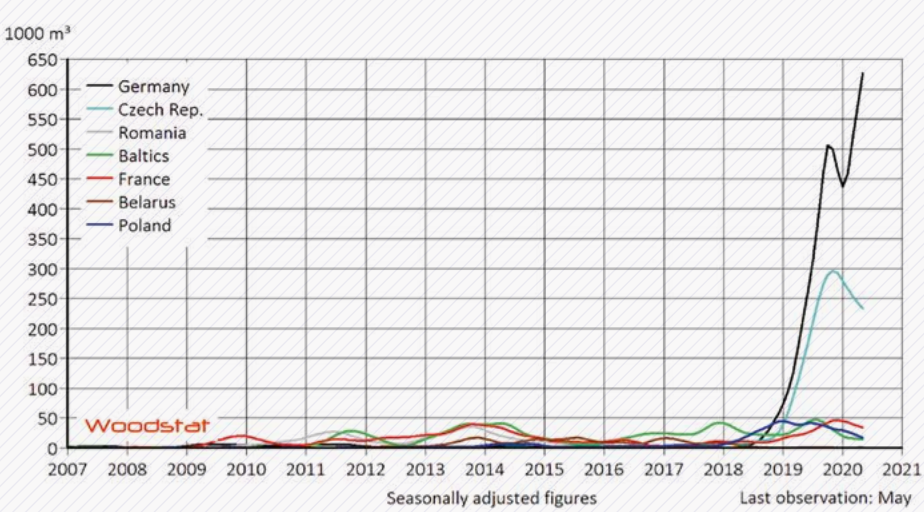


Source: Chinese Customs

The import of softwood logs from Europe comes mainly from Germany and the Czech Republic. Both countries had a massive increase of shipments during 2019 by +1846% and 1258% respectively (compared to 2018). Import from Czech Republic decreased during the beginning of 2020 compared to the high levels seen in end of 2019 (figure 11).

FIGURE 11: CHINA

Monthly import of softwood logs from Europe

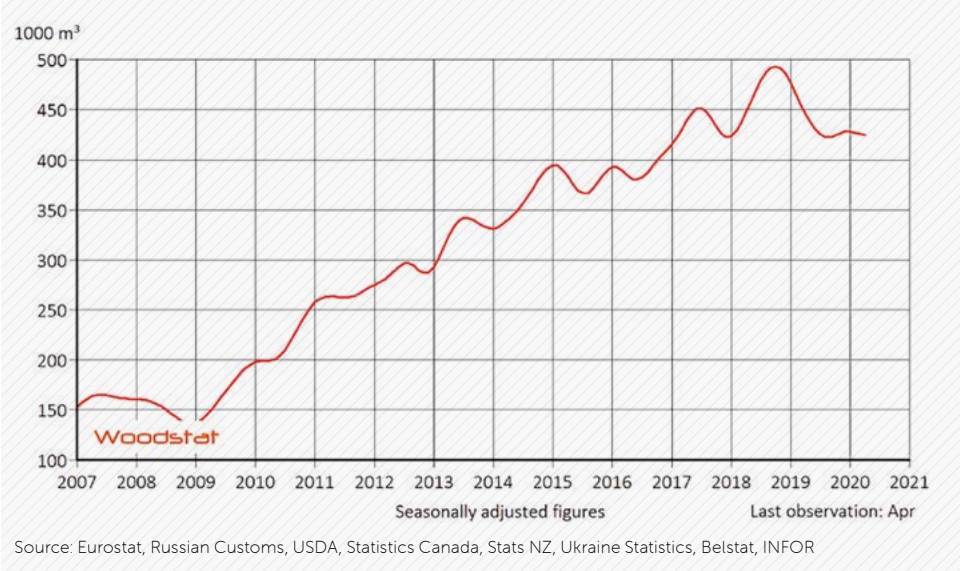


Source: Chinese Customs

Southeast Asia (excluding China and Japan) – Softwood lumber

In Southeast Asia, China and Japan are the main importers of softwood lumber, but many other countries in the region have increased import substantially compared to the situation just a few years ago. However, since the beginning of 2019 import entered a slightly lower phase and is in the beginning of 2020 running at a monthly average level of approximately 425,000 m^3, compared to approximately 150,000 m^3 during 2007 (figure 12).

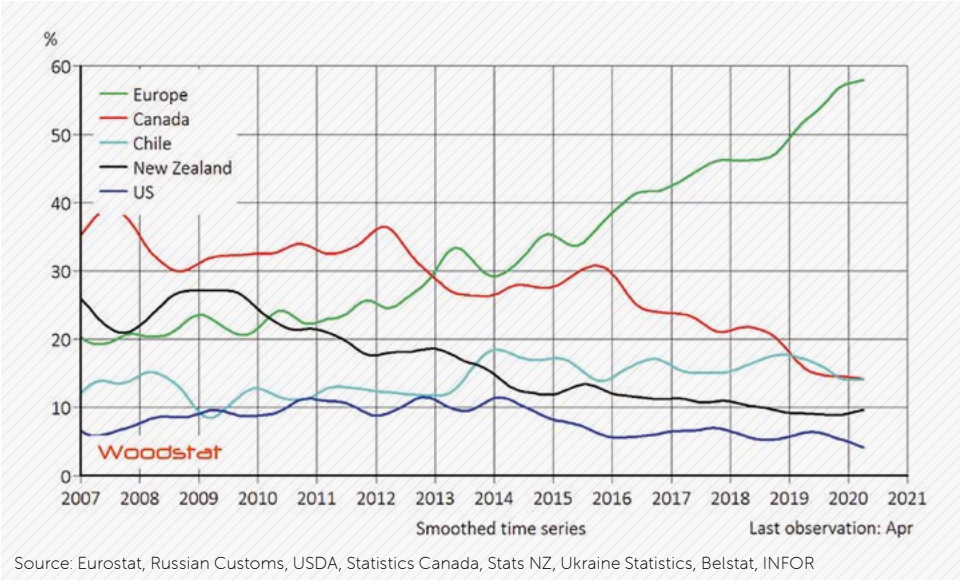
FIGURE 12: SOUTHEAST ASIA (EXCLUDING CHINA AND JAPAN)
Monthly import of softwood lumber from main exporters



Source: Eurostat, Russian Customs, USDA, Statistics Canada, Stats NZ, Ukraine Statistics, Belstat, INFOR

> Since the beginning of 2019 import entered a slightly lower phase.

FIGURE 13: SOUTHEAST ASIA (EXCLUDING CHINA AND JAPAN)
Market shares for main softwood lumber exporters



Source: Eurostat, Russian Customs, USDA, Statistics Canada, Stats NZ, Ukraine Statistics, Belstat, INFOR

> In 2019, the market share for Europe has increased to nearly **60%**

As can be seen in figure 13, European exporters also gain market shares rapidly in this region. The market share for Europe has increased from just over 20% in 2007 to nearly 60% in 2019 and at the same time the trend has been falling for all other leading exporters except Chile.

Growing economies and high construction activity in several countries in the region continue to support a steady increase in import even if COVID-19 now lower construction and import activity.

Softwood lumber import in India has increased by significant 199% during the past 5 years (2019 compared to 2014) and India was the second largest importer in the region during 2019 (after South Korea, excluding China and Japan). Government of India's "Housing For All" scheme is expected to bring US$ 1.3 trillion investments in the housing sector by 2025. By 2025, it will contribute 13% of the country's GDP. The number of Indians living in urban areas is expected to reach 543 million by 2025. Demand for residential properties has surged due to increased urbanization and rising household income. India is among the top 10 price appreciating housing markets internationally and real estate has become a preferred asset class for investments. About 10 million people migrate to cities every year. It is a growing demand of energy efficient and environment friendly architecture.

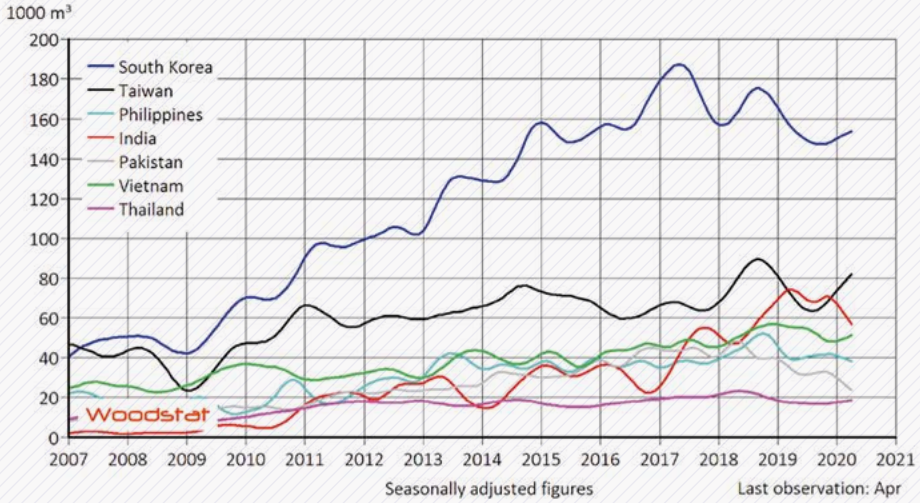
South Korea is the main importer when we analyze the softwood lumber import in the region from main exporters (excluding China and Japan), but the trend line for import entered a falling phase during the second half of 2018 and continued to fall for a year. During the beginning of 2020, the trend line has increased slightly. Commencement for wooden building construction in the country has fallen rapidly during the past years and this has of course a negative influence on lumber import.

When including the figures for April 2020, the trend line for softwood lumber import in Taiwan has entered an increasing trend after falling during mid-2018 until mid-2019. For Vietnam, the trend line for import is quite stable since the beginning of 2019 (figure 14).

The number of Indians living in urban areas is expected to reach 543 million by 2025.

FIGURE 14: SOUTHEAST ASIA (EXCLUDING CHINA AND JAPAN)

Monthly import of softwood logs from main exporters



Source: Eurostat, Russian Customs, USDA, Statistics Canada, Stats NZ, Ukraine Statistics, Belstat, INFOR

South Korea is the main importer when we analyze the softwood lumber import in the region from main exporters.

Total softwood lumber import in the region decreased by 9% during 2019 to 5.2 million m^3 (compared to 2018). Increased import was seen in India and Vietnam. The other countries imported lower volumes (table 3). If we analyze the import figures in the region during January-April 2020 (compared to same period 2019) import are falling further in all countries except Taiwan. The import in the region in total during January-April 2020 decreased by 8%.

Chile and Canada were the main suppliers to the region during 2019 and they lowered shipments by 15% and 34% respectively (compared to 2018). Germany was third largest exporter and increased the volume with no less than 18%. Fourth largest exporter Russia decreased export by 2%. It is worth mentioning that Europe (excluding Russia) exported 2.35 million m^3 during 2019, which means a market share of 45% (table 4).

Europe's total market share (excluding Russia):

45%

TABLE 3: SOUTHEAST ASIA (EXCLUDING CHINA AND JAPAN)

Import of softwood lumber (1 000 m^3) from main exporters

Importer	2019	2018	2019/2018
South Korea	1 808	2 058	-12%
India	862	653	+32%
Taiwan	804	990	-19%
Vietnam	633	617	+3%
Philippines	479	574	-17%
Pakistan	404	521	-22%
Thailand	208	270	-23%
Total	**5 198**	**5 683**	**-9%**

Source: Eurostat, Russian Customs, USDA, Statistics Canada, Stats NZ, Ukraine Statistics, Belstat, INFOR

TABLE 4: SOUTHEAST ASIA (EXCLUDING CHINA AND JAPAN)

Import of softwood lumber (1 000 m^3) from main exporters

Importer	2019	2018	2019/2018
Chile	812	951	-15%
Canada	798	1 212	-34%
Germany	769	654	+18%
Russia	468	478	-2%
New Zealand	465	573	-19%
Baltics	368	302	+22%
Austria-Slovenia	315	264	+19%
U.S.	308	319	-3%
Sweden	290	260	+12%
Ukraine	287	372	-23%
Finland	224	203	+10%
Romania	91	92	-1%
Belarus	3	3	-
Total	**5 198**	**5 683**	**-9%**

Source: Eurostat, Russian Customs, USDA, Statistics Canada, Stats NZ, Ukraine Statistics, Belstat, INFOR

Germany was third largest exporter and increased the volume with

+18%

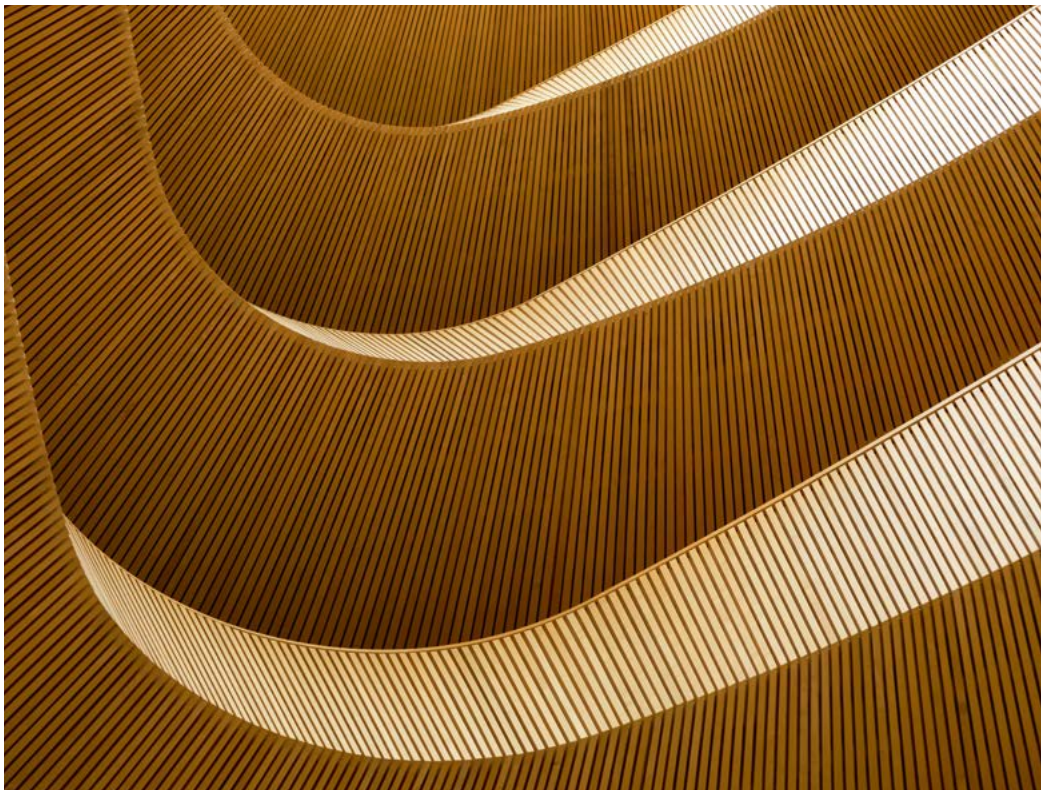
When looking forward, growing economy and heavy investments in the construction sector will support higher softwood lumber consumption even if duties, politics and pandemics can have an influence for a limited period.

According to a recently published report from UN there are signs of climate change, such as increasing land and ocean heat, accelerating sea level rise and melting ice, contributed to making 2019 the second warmest year on record. The report documents the increasing impacts of weather and climate events on several factors like human health, food security, and land and marine ecosystems.

Softwood lumber is an environmentally friendly material that will help solve the problem with carbon dioxide affecting countries worldwide. It is created by the nature for the nature.

Jenny Wessung, CEO
Woodstat AB
jenny.wessung@woodstat.com
www.woodstat.com

> Softwood lumber is an environmentally friendly material.



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3 Overview of the industrial roundwood and sawnwood markets

Updated global data that keep into account the disruption in the markets caused by COVID-19 are at this writing unavailable (August 2020). The first part of this chapter will present the top 20 largest producers, importers and exporters of industrial roundwood, sawn softwood and sawn hardwood at global level. These macrofigures help understand the most important players in the woodworking industry at global level even though the latest available data of these kind date back to 2019.

However, statistics and considerations for North America (part 2 of this chapter) already incorporate the turmoil caused by COVID-19. Together with the special focus on the Chinese situation and the exhaustive overview of European markets (in chapter 4), the chapters on North America ensure that this edition of the EOS Annual Report already provide a picture of the market as impacted by the coronavirus outbreak.

3.1 LARGEST GLOBAL PRODUCERS, EXPORTERS, AND IMPORTERS OF INDUSTRIAL ROUNDWOOD, SAWN SOFTWOOD AND SAWN HARDWOOD

Industrial Roundwood

TABLE 3.1:
World largest producers, exporters and importers of roundwood, 2019, m^3

Removals		Exports		Imports	
USA	387 701 948	New Zealand	22 665 805	China	61 106 857
Russian Federation	203 193 943	Russian Federation	15 857 000	Austria	10 504 573
China	181 702 877	Czechia	15 296 767	Sweden	8 791 472
Brazil	158 081 000	Germany	8 558 019	Germany	7 270 611
Canada	143 994 045	USA	7 800 500	Finland	6 233 960
Indonesia	74 041 000	Canada	7 547 771	Canada	4 710 253
Sweden	68 500 000	Australia	6 327 822	Republic of Korea	4 281 141
Finland	55 950 637	Poland	4 174 902	India	4 234 770
Germany	53 424 948	France	3 876 696	Belgium	3 889 299
India	49 517 000	Papua New Guinea	3 752 924	Italy	3 211 633
Chile	47 595 344	Norway	3 648 503	Japan	3 030 365
Poland	38 853 030	Estonia	2 927 493	Viet Nam	2 624 000
Viet Nam	37 335 420	Belgium	2 706 630	Portugal	2 273 883
New Zealand	35 949 000	Solomon Islands	2 655 044	USA	1 803 643
Australia	32 939 304	Latvia	2 651 872	France	1 262 550
France	25 654 926	Slovenia	2 298 236	Latvia	1 228 879
Czechia	25 449 856	Uruguay	2 119 395	Czechia	1 218 783
Japan	23 176 000	Spain	1 947 264	Slovakia	1 206 549
Turkey	22 700 000	Lithuania	1 888 736	Poland	1 155 216
Belarus	15 962 100	Slovakia	1 491 687	Romania	1 138 999

Source: UNECE/FAO 2020 and EOS re-elaboration

Sawn Softwood

TABLE 3.2:
World largest producers, exporters and importers of sawn softwood, 2019, m^3

Production		Exports		Imports	
USA	60 042 300	Russian Federation	31 474 000	China	29 702 453
Canada	41 510 304	Canada	27 713 922	USA	24 551 816
Russian Federation	41 266 000	Sweden	12 601 014	UK	6 434 619
China	40 245 000	Finland	8 954 937	Japan	5 511 635
Germany	23 306 983	Germany	8 786 847	Germany	4 797 155
Sweden	18 630 000	Austria	6 089 639	Italy	3 740 797
Finland	11 360 000	Belarus	3 987 025	Egypt	3 619 580
Austria	10 343 000	Chile	3 662 848	Netherlands	3 458 892
Japan	8 383 000	Czechia	3 518 466	Uzbekistan	2 744 472
Chile	8 025 300	Ukraine	2 802 831	France	2 478 309
Brazil	7 840 000	Latvia	2 764 000	Denmark	2 144 015
France	6 559 000	Brazil	2 563 000	Republic of Korea	1 847 486
Turkey	5 950 000	USA	2 304 637	Saudi Arabia	1 821 682
Belarus	5 105 000	New Zealand	1 939 369	Austria	1 785 791
New Zealand	4 414 966	Belgium	1 238 629	Mexico	1 759 000
Poland	4 400 000	Romania	1 192 946	Algeria	1 563 498
Czechia	4 350 000	Estonia	1 036 758	Belgium	1 464 177
Romania	3 999 400	Slovakia	961 790	Estonia	1 298 482
Australia	3 923 998	France	940 764	Morocco	1 247 482
Ukraine	3 500 000	Slovenia	881 348	Latvia	1 170 000

Source: UNECE/FAO 2020 and EOS re-elaboration

Sawn Hardwood

TABLE 3.3:
World largest producers, exporters and importers of sawn hardwood, 2019, m^3

Production		Exports		Imports	
China	50 047 700	USA	3 708 790	China	9 752 814
USA	22 429 400	Thailand	3 606 000	Viet Nam	1 880 000
Viet Nam	6 000 000	Russian Federation	1 888 000	Netherlands	902 011
India	4 889 000	Malaysia	1 795 364	Canada	887 279
Thailand	4 500 000	Cameroon	1 046 000	Denmark	834 031
Indonesia	4 169 000	Croatia	1 022 079	Italy	792 903
Malaysia	3 301 802	Gabon	772 062	USA	771 564
Russian Federation	3 200 000	Germany	759 540	Egypt	664 649
Brazil	2 400 000	Canada	598 183	Thailand	629 000
Turkey	2 400 000	Romania	534 237	UK	602 509
Nigeria	2 000 000	France	532 083	India	507 288
Myanmar	1 750 000	Brazil	494 536	Belgium	497 042
Romania	1 600 000	Latvia	438 000	Germany	401 091
Croatia	1 390 566	Belgium	403 701	Mexico	382 384
Argentina	1 315 330	Philippines	386 000	Czechia	313 336

Source: UNECE/FAO 2020 and EOS re-elaboration

Production		Exports		Imports	
Bosnia and Herzegovina	1 300 000	Ukraine	352 000	France	286 717
Cameroon	1 300 000	Indonesia	333 000	Poland	276 915
Germany	1 266 369	Bosnia and Herzegovina	265 780	Malaysia	229 000
France	1 254 000	Serbia	253 000	Austria	195 691
Gabon	1 100 000	Lithuania	251 474	United Arab Emirates	194 301

Source: UNECE/FAO 2020 and EOS re-elaboration

3.2 CANADA

Sawn softwood

	Unit	2019	2020	2021
Production	*1 000 m³*	41 527	40 163	43 812
Imports	*1 000 m³*	517	535	570
Exports	*1 000 m³*	28 851	28 098	29 831
Consumption	*1 000 m³*	13 193	12 600	14 552

Unlike many other regions, Canada has not seen a major COVID-19 outbreak. Canadian policymakers are going to want to keep it that way and will therefore maintain tight public-health restrictions. Canadian fiscal policymakers have likewise aggressively tried to support households and businesses during this unprecedented period.

We estimate that Canada's real GDP declined at a 30% annualized rate in the second quarter, and that it will bounce back sharply in the third quarter and grow steadily through 2021. Still, the sharp downturn in the second quarter will push Canadian GDP down nearly 7% in 2020. With interest rates remaining low and the government continuing to pump money into the economy to prop it up, we expect GDP will grow nearly 4% in 2021.

The Canadian homebuilding sector appears to have withstood the COVID-19 virus. Thus far in 2020, the sector has experienced only one month of starts under 195K units (164.9K units in April), and the most recent figures showed a 245K surge in July. The forecast shows housing starts averaging slightly over 200 units over the remainder of 2020, and the risks are tilted toward the upside given the recent evidence.

Our analysis assumes that tighter lending rules, along with more cautious consumers, weak income growth, and the absence of pent-up demand, will eventually restrain the recovery in residential construction. Note that Canadian housing starts have averaged more than 200K units since 2010, compared to an underlying demand of about 180K units. As a result, our forecast shows starts dipping slightly to 195,000 units in 2021.

Canadian real residential-improvement expenditures declined slightly in 2019 and are projected to dive by about 7% in 2020 and then surge robustly in 2021. Strong growth in residential improvements with flat housing starts will push Canadian sawnwood demand higher in 2021.

The main driver for Canadian sawnwood production is not domestic consumption, but rather exports— and exports to the US and China in particular. The COVID-19 recession is expected to cause exports to decline 3% in 2020. We do expect a sharp rebound in US demand, but the outlook for China is not as strong.

Exports to the US should remain strong as the country's residential-construction markets have not been affected by the COVID-19 recession like other sectors of the economy. Moreover, we expect low interest rates, tremendous pent-up demand from a decade of underbuilding, and strong demographic tailwinds will all bolster US residential-construction markets in 2021. Meanwhile, Canadian sawnwood shipments to China have fallen dramatically as the weak Russian ruble has shifted China's main supply

of softwood sawnwood from Canada to Russia, with the increased supply of beetle-killed European sawtimber taking additional market share in 2019–20. Based on this profile, we expect Canadian exports will increase 6% in 2021.

Canadian sawnwood capacity has contracted in 2019–20. Expansions in the eastern provinces were more than offset by closures in British Columbia as long-dead beetle-killed wood became too expensive to process economically or operationally. High prices and profitability in 2020 will lead to investment, which should increase capacity in 2021. However, fiber-supply constraints in British Columbia will limit capacity growth for the year.

We expect sawtimber production costs will edge lower in 2020 for a number of reasons, including low sawtimber prices in 2019 and weak consumption in 2019–20 driving down timber prices, closure of higher-cost facilities as mills try to bring production in line with weaker demand, and falling manufacturing costs. Most components of manufacturing costs will fall in 2020. Energy prices have fallen sharply. Labor markets have weakened tremendously, putting downward pressure on labor costs. Finally, mills will cut miscellaneous costs in an effort to stay as lean as possible while there is so much uncertainty surrounding COVID-19. As a result, we expect inflation-adjusted costs will fall an average of 3% in 2020. Sawtimber production costs will likely see a near-term bottom in 2020. We expect most costs will increase as sawtimber demand and prices begin to recover in 2021. Canadian sawnwood prices are mainly driven by demand/supply conditions in the US market. Sawtimber prices have hit record levels in 2020. This is not because demand is exceptionally strong. Rather, it is because demand is much stronger than market participants expected. In March–May, mills slashed production and dealers aggressively drew down inventories in anticipation of sharply weaker demand as fear and uncertainty around COVID-19's effect on the economy dominated mill planning. However, instead of plunging as most people expected, end-use markets for sawtimber actually strengthened significantly. This drove dealers back to the mills at a time when production was down and mills didn't have inventory. Consequently, sawtimber prices have rocketed higher and, for the year as a whole, we predict prices will increase an average of 57% from last year.

After hitting such extreme highs this summer, we expect prices will fall more than 20% in 2021. The decline is not because of weak demand or falling operating rates. Part of the price spike in 2020 was because mills cut back production in the expectation that demand would plunge. We assume this will not happen in 2021; in fact, we assume mills will increase production to meet stronger expected demand. With production remaining more in line with demand next year, prices will fall back toward more "normal" profit levels.

3.3 UNITED STATES

Sawn softwood

	Unit	2019	2020	2021
Production	*1 000 m³*	59 767	60 918	66 336
Imports	*1 000 m³*	24 759	25 637	27 159
Exports	*1 000 m³*	2 311	2 144	2 391
Consumption	*1 000 m³*	82 214	84 411	91 104

The US economy has seen dramatic swings in 2020. Real GDP contracted at a record 31.7% annualized rate in the second quarter thanks to the COVID-19 outbreak and various measures taken to combat the virus. The high-frequency data point to a strong bounce back in the third quarter, with our forecasts showing a 27.7% annualized gain. Even with this snapback, we expect the US economy will contract 5% in 2020.

The US economy has been surprisingly robust in the face of persistent outbreaks of the virus, and ongoing social distancing and other mitigation measures. Moreover, we do not expect another round of shelter-in-place orders, for a number of reasons: (1) increasing uncertainty over the cost relative to the benefit of widespread closures; (2) mitigation measures (masks, social distancing, etc.) being more effective at controlling the spread than in

the spring; (3) more rapid localized closures limiting the spread so we don't need a nationwide shutdown; (4) better treatment lowering the mortality (and therefore decreasing the benefit relative to closure costs); and (5) the increasing probability, as time passes, that a vaccine and/or antiviral drug will be developed. Consequently, we expect the US economy will expand at a 4.5% rate in 2021.

While this is robust growth relative to history, 2021 actual US economic output (as measured by GDP) will remain below 2019 levels.

The Fed has responded in a quick and decisive manner to the severe COVID-19 recession. It immediately cut its short-term interest-rate target to the zero bound, and has injected nearly $3T into the economy by purchasing an array of financial assets. Meanwhile, the 10-year bond yield has traded in a narrow range near 0.75% for the last five months and is projected to climb only gradually over the next few years. This has translated into record-low mortgage rates—the average 30-year fixed-rate mortgage is 2.91%, nearly 50 basis points (0.5%) below its previous record low. With unemployment currently at its second-highest level since the 1950s, and the Fed announcing a policy shift to "average inflation targeting," which is likely to allow higher inflation than its standard 2% target, the low-interest-rate environment is here to stay through 2021 (and beyond).

While the overall economy is experiencing the most severe recession since the Great Depression, the two end-use markets for sawtimber, new residential construction (housing starts) and residential improvements, have actually been doing very well. US housing starts plunged nearly 40% from their first-quarter average of 1.48 million units (SAAR) to 0.93 million units in April as fears of a rapid decline in demand caused builders to delay projects. However, plunging interest rates and rising income (as households began receiving government transfer payments) actually caused demand for homes to surge. As a result, builders quickly ramped up production, with July starts slightly exceeding their 2020Q1 average at 1.50 million units. Meanwhile, residential-improvement expenditures saw very little change, slipping less than 1%, from $148.2 billion ($US 2012, SAAR) in the first quarter to $147.6 billion in the second.

We expect residential-construction markets will continue to outperform the overall economy over the next year for a number of reasons. First, interest rates will remain low. Second, there is a tremendous amount of pent-up demand for housing in the US (estimates of underbuilding over the last decade range from 1.5 to 4.0 million units). Third, demographics are highly favorable to strong demand, with the largest age groups currently in their late twenties and early thirties, prime home-buying years. Finally, we expect a shift from multifamily to single-family living as households leave high-density urban centers in favor of lower-density suburbs. This shift toward single-family construction will result in higher demand for sawtimber as a new single-family home in the US uses about three times more wood than a new multifamily home.

We also expect strong residential-improvement demand through 2021. The economic conditions that are favorable to new home construction (low interest rates and decent income growth) will also bolster residential-improvement expenditures. In addition, COVID-19-related closures have limited the activities households can spend their time and money on. With households dramatically reducing their spending on vacations, cultural or sporting events, and going out to eat, fixing up their homes is one of the few things they have left. This, combined with the aging housing stock (the average home built in the US today is nearly 25% larger than the median home in the housing stock), will cause residential-improvement expenditures to remain high through 2021.

These factors should push US sawnwood apparent consumption up 2.7% in 2020 and 7.9% in 2021.

US sawnwood exports plunged in 2019 as the trade war with China heated up and the tariff on Chinese imports of US softwood ratcheted up to as much as 25%. Exports continued to fall in the first half of 2020 as COVID-19 shut down the Chinese economy. As a result, we expect exports to fall an additional 7% in 2020. We expect the global economy will begin to rebound in 2020 and US–China relations will begin to improve. Consequently, we expect exports will increase 12% to 2.4 million cubic meters. While up sharply from 2020 levels, this will be well below the average of the 2010s.

Capex plunged in 2020Q2 as companies strove to preserve working capital, and as economic uncertainty slowed expansion. Moreover, any expansions in the US South were offset by closures in the West. Mills will begin to invest some of their recent profits, but only after they gain confidence that housing and other end-use markets will not slip back into a COVID-19-induced recession. As a result, US capacity will be up just 0.5% in 2019. Once mills see that the recent demand growth is not fleeting and prices don't plunge to costs, companies will begin to invest in their mills. However, Western fiber-supply constraints will

hold total US capacity growth to an expected 1.1% in 2021. We expect sawtimber production costs will edge lower in 2020 for a number of reasons, including low sawtimber prices in 2019 and weak consumption in 2019–20 driving down timber prices, closure of higher-cost facilities as mills try to bring production in line with weaker demand, and falling manufacturing costs. Most components of manufacturing costs will fall in 2020. Energy prices have fallen sharply. Labor markets have weakened tremendously, putting downward pressure on labor costs. Finally, mills will cut miscellaneous costs in an effort to stay as lean as possible while there is so much uncertainty surrounding COVID-19. As a result, we expect inflation-adjusted costs will fall an average of 1% in 2020.

Sawtimber production costs will likely see a near-term bottom in 2020. We expect most costs will increase as sawtimber demand and prices begin to recover in 2021.

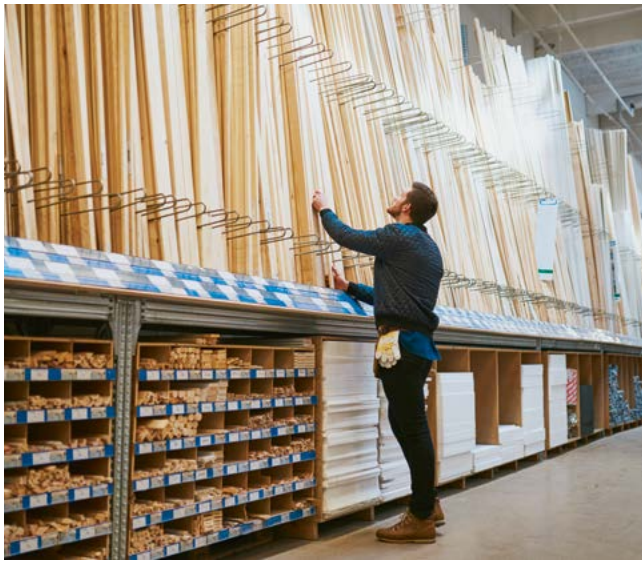
Sawtimber prices have hit record levels in 2020. This is not because demand is exceptionally strong. Rather, it is because demand is much stronger than market participants expected. In March–May, mills slashed production and dealers aggressively drew down inventories in anticipation of sharply weaker demand as fear and uncertainty around COVID-19's effect on the economy dominated people's planning. However, instead of plunging as most people expected, end-use markets for sawtimber actually strengthened significantly. This drove dealers back to the mills at a time when production was down and mills didn't have inventory. Consequently, sawtimber prices have rocketed higher.

We anticipate sawtimber prices will begin to fall in late September and early October, and continue to decline through January of next year. For the year as a whole, we predict prices will increase an average of 48% from last year.

After hitting such extreme highs this summer, we expect prices will fall 17.5% in 2021. The decline is not because of weak demand or falling operating rates. Part of the price spike in 2020 was because mills cut back production in the expectation that demand would plunge. We assume this will not happen in 2021; in fact, we assume mills will increase production to meet stronger expected demand. With production remaining more in line with demand next year, prices will fall back toward more "normal" profit levels.

4 Main results from the EOS market survey – August 2020 – and COVID-19 impact on the sawmill industry

Chapter 4 analyzes the sawnwood markets over the last few years in the EOS countries in general (big consumer countries such as Italy* and the United Kingdom, which are not EOS members, are also included). For a more detailed country-by-country analysis, see section 4.5.



First of all, however, we provide some considerations on the impact of COVID-19 on the European economy (for an exhaustive analysis of the economic context see Chapter 1: there we focus on the response of the European institutions to the crisis).

The COVID-19 pandemic and the correlated lockdowns have led to unprecedented economic costs around the world. While COVID-19 represents a global shock, European countries with larger outbreaks have suffered significantly larger economic losses.

Short-term effects, such as massive job losses in particular sectors, the application of reduced working hours and other measures to safeguard against redundancies, have been put in place since the very beginning of the pandemic. All around Europe, everyday life has been massively transformed with telework becoming the new reality for many white-collar jobs.

To combat the immediate economic consequences of COVID-19, the European Commission (EC) has mobilised the resources within the EU budget to help SMEs by making €1 billion available in an EU budget guarantee to the European Investment Fund (EIF) which, in turn, will provide liquidity and guarantees to banks, mobilising €8 billion in working capital financing. In order to help repair the economic and social damage brought by the coronavirus pandemic, kick-start European recovery, the European Commission proposed on 26 May a major recovery plan for Europe based on harnessing the full potential of the EU budget.

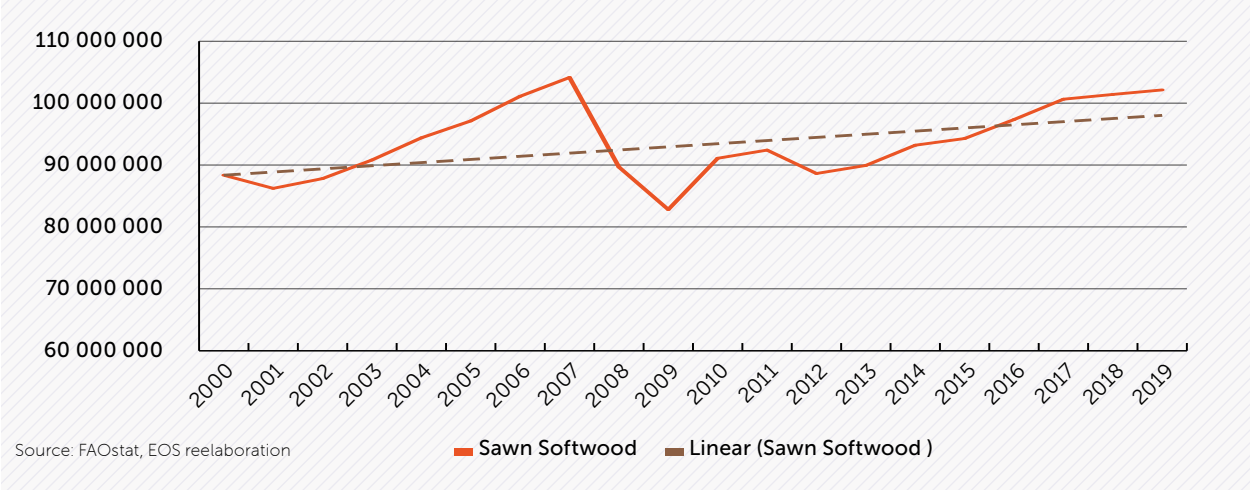
On 21 July 2020, the EU leaders agreed on this recovery plan and the multiannual financial framework for 2021-2027, leading the way out of the crisis and laying foundations for a modern and more sustainable Europe.

* For Italy only hardwood data are available

4.1 GENERAL INFORMATION ABOUT THE TIMBER MARKETS

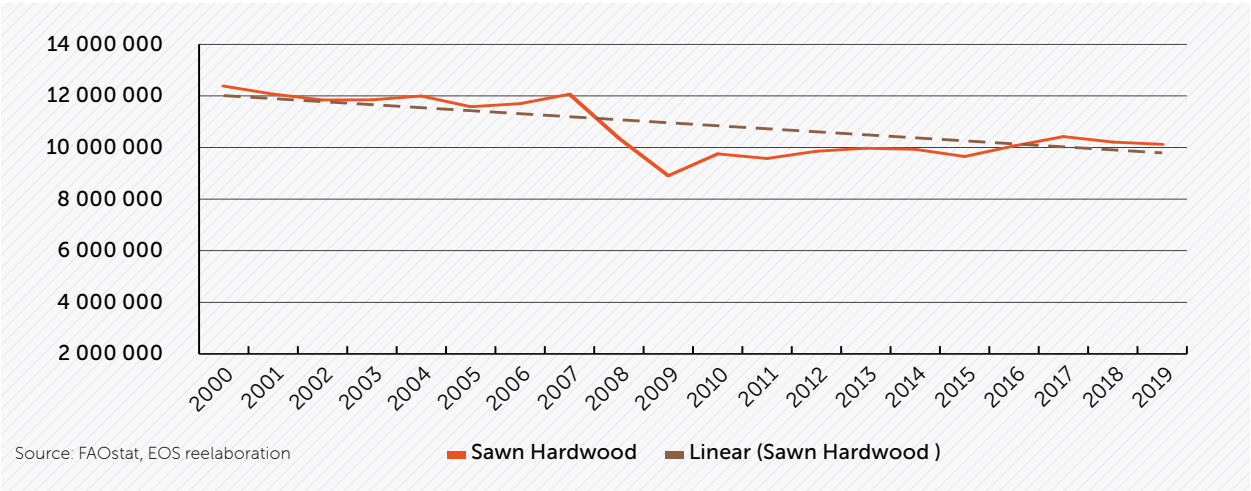
Chapters 4.1-4.5 analyze the timber markets. Chapter 4.1 is about long-term dynamics: we provide some data regarding the performance of sawnwood markets over the last twenty years in terms of production both for softwood and hardwood in the whole European Union.

FIGURE 4.1:
EU sawn softwood production 2000-2019 in m^3



Sawn softwood production peaked in the EU right before the global financial crisis of 2008. After some stuttering years right after the crisis, production has been steadily growing in line with GDP (or in some years even at a higher pace) for some years on the back of strong exports and recovering construction markets. A slowdown occurred in 2019. The year 2020 started on a brighter note but then the coronavirus crisis hit the sawmill industry. It remains to be seen what the full effect of the crisis will be, but many countries across Europe (particularly in the North and in the DACH area) have been navigating the crisis quite well at this writing (September 2020) while Southern Europe, France, and the UK are struggling.

FIGURE 4.2:
EU sawn hardwood production 2000-2019 in m^3



Sawn hardwood production across the European Union never really recovered after the 2008 global financial crisis. There were good years and the European hardwood sawmillers provide first-class products, but continuing weakness of the furniture sector as well as for many years high exports of quality raw material towards Asian

countries (especially China) have hampered the sector. The parquet industry, which consumes high quantities in particular of oak, has not really been growing after the global financial crisis of 2008.

4.2 SAWN SOFTWOOD

4.2.1 Overview of EOS Sawn Softwood Production

TABLE 4.1:
Overview of the EOS sawn softwood production 2016-2021 in 1,000 m^3

	2016	2017	2018	2019	2020*	2021*	20/19 % var.
AT	9 250	9 650	10 200	10 343	9 800	10 000	-5.2%
BE	1 400	1 350	1 450	1 450	1 400	1 450	-3.4%
CH	1 074	1 037	1 075	1 077	1 075	1 073	-0.2%
DE	21 109	22 056	23 000	23 505	24 000	24 500	2.1%
DK	310	304	300	331	351	351	6.0%
FI	11 400	11 700	11 800	11 354	10 000	10 500	-11.9%
FR	6 400	6 596	6 795	6 559	6 600	6 800	0.6%
LV	2 792	2 662	2 730	2 660	2 600	2 660	-2.3%
NO	2 533	2 655	2 675	2 650	2 550	2 500	-3.8%
RO	3 900	3 600	3 550	3 500	3 000	2 900	-14.3%
SE	18 011	18 309	18 300	18 600	18 180	18 100	-2.3%
UK	3 624	3 728	3 650	3 410	2 984	3 618	-12.5%
EOS	**81 803**	**83 647**	**85 525**	**85 439**	**82 540**	**84 452**	**-3.4%**

*Estimates

Sawn softwood production in this group countries (EOS + UK) peaked in 2018 and in 2019. In 2020 due to the impact of coronavirus overall production is expected to decrease by around 3.4%. This is, however, much lower than the projected GDP slump (see Chapter 1 for more information). In some countries, such as Germany, production is even projected to increase.

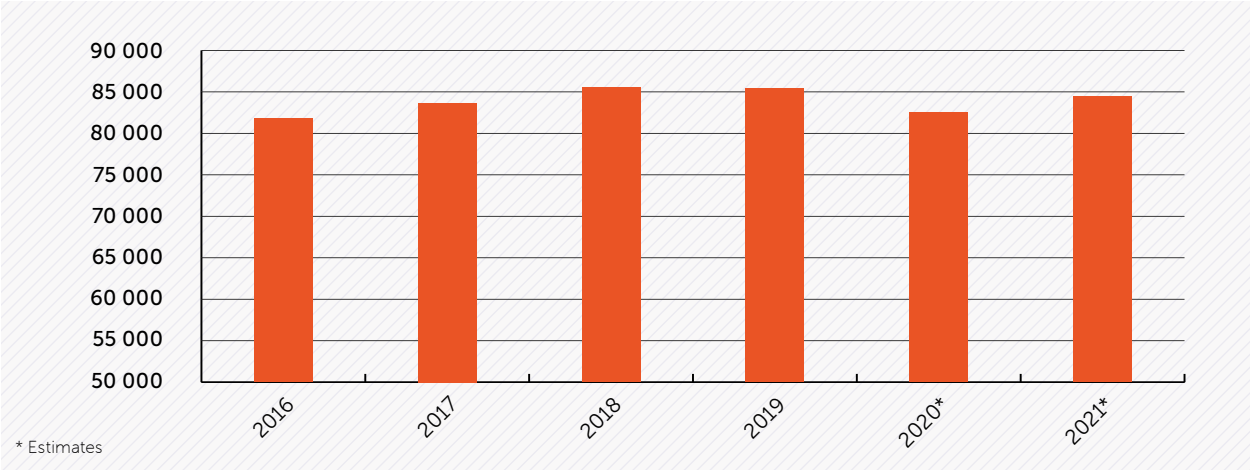
That has to do, among other factors, with high availability of raw materials due to the widespread weather-related calamities across Europe, particularly indeed in Germany (and Czech Republic), for the fourth year in a row. It seems that as a result of climate change beetle-damaged logs will be a dominant factor in the market in the next few years. How the industry will adjust is a major challenge for sawmills across Europe.

Overseas deliveries keep representing an important market driver for many companies across Europe with around one quarter of production exported. In 2020 China and the United States are the standout markets for many European exporters. Shipments to the two markets have increased double-digit, thanks to a faster than expected recovery in China and to a more resilient than expected construction market in the United States. The outlook for the MENA area is a bit more challenging.

With a projected production of 24 million m^3 in 2020 (+2.1% vs 2019) Germany remains the largest sawn softwood producer within the EOS community. Sweden ranks second with 18.2 million m^3 in 2020, (-2.3% vs 2019). Finland remains the third largest producer with 10 million m^3 (-11.9% vs 2019) slightly ahead of Austria with 9.8 million m^3 (-5.2% vs 2019). France remains the fifth largest producer with 6.6 million m^3 (+0.6% vs 2019).

Production is expected to partially rebound in 2021 but at a level lower than the one achieved in 2018 and 2019. On a brighter note, wood as a building material is gaining market share across Europe, and opportunities for mass timber/CLT abound.

FIGURE 4.3:
Sawn softwood production volumes in the EOS member countries 2016-2021 (000 m^3) - TOTAL



4.2.2 Overview of the EOS Sawn Softwood Consumption

TABLE 4.2:
Overview of the EOS sawn softwood consumption 2016-2021 in 1,000 m^3

	2016	2017	2018	2019	2020*	2021*	20/19 % var.
AT	5 756	5 780	6 200	6 064	5 550	5 600	-8.5%
BE	2 550	2 550	2 750	2 750	2 700	2 750	-1.8%
CH	1 232	1 181	1 210	1 183	1 186	1 189	0.3%
DE	18 729	19 291	19 817	19 416	19 500	19 500	0.4%
DK	1 690	1 600	1 454	1 261	1 398	1 338	10.8%
FI	3 200	2 900	3 000	2 506	2 600	2 500	3.8%
FR	7 730	7 917	8 225	8 454	8 230	8 550	-2.6%
LV	832	850	936	839	820	845	-2.3%
NO	2 924	2 985	2 932	2 920	2 700	2 800	-7.5%
RO	2 383	2 450	2 800	2 800	1 800	1 700	-35.7%
SE	5 550	5 780	5 705	5 500	5 400	5 200	-1.8%
UK	9 676	10 641	10 020	9 611	8 542	9 372	-11.1%
EOS	**62 252**	**63 925**	**65 049**	**63 304**	**60 426**	**61 344**	**-4.5%**

*Estimates

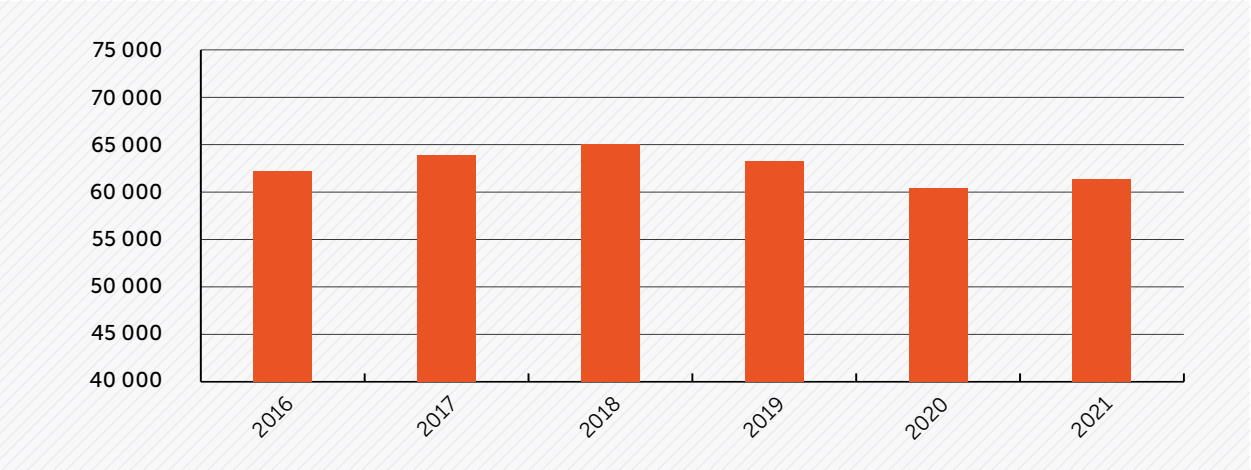
In this group of countries (EOS+UK), sawn softwood demand peaked in 2018. In 2020 demand is expected to decline by -4.5% to 60.4 million m3. Overall, sawn softwood demand (see above considerations for production) has been holding up relatively well amid one of the toughest years after the second World War.

While the construction sector held up well in parts of Europe (Scandinavia, Germany, the Netherlands) in other areas (Southern Europe, UK, and partly France) there was a double-digit slump. Wood in construction, overall, seems to be doing better than the general construction sector. Sectors such as the DIY and packaging have been doing actually very well in the course of 2020. The wood furniture sector, instead, continues its long-term decline. For more information on single countries, see country-by-country section below.

The demand outlook is extremely uncertain – some countries in the market statement emphasized that construction sector held up well because of completions of existing projects. What happens in the coming months

is more of a question mark as it remains to be seen whether new investments in the construction sector will be resilient. At any rate, the EOS Members expect a slight rebound for 2021. The development of the pandemic will of course play an important role.

FIGURE 4.4:
Sawn softwood consumption volumes in the EOS member countries 2016-2021 (000 m^3) - TOTAL



4.3 SAWN HARDWOOD

4.3.1 Overview of EOS Sawn Hardwood Production

TABLE 4.3:
Overview of the EOS sawn hardwood production 2016-2021 in 1,000 m^3

	2016	2017	2018	2019	2020*	2021*	20/19 % var.
AT	153	172	175	181	160	160	-11.6%
BE	150	150	150	150	125	150	-16.7%
CH	48	48	45	48	49	50	1.0%
DE	1 064	1 082	1 100	1 169	1 100	1 150	-5.9%
DK	84	78	80	85	85	85	0.0%
FI	50	45	45	45	45	45	0.0%
FR	1 500	1 578	1 578	1 462	1 242	1 450	-15.0%
IT	550	550	550	600	600	600	0.0%
LV	690	596	650	600	520	600	-13.3%
NO	0	0	0	0	0	0	-
RO	1 700	1 600	1 600	1 600	900	1 000	-43.8%
SE	100	97	95	95	95	95	0.0%
UK	47	42	50	50	50	50	0.0%
EOS	**6 136**	**6 038**	**6 118**	**6 085**	**4 971**	**5 435**	**-18.3%**

*Estimates; for 2019, 2020, and 2021, UK, Norway, Sweden, Finland, and Italy (only 2020 and 2021) data are unavailable; therefore, data for such countries have been replicated from the last available year

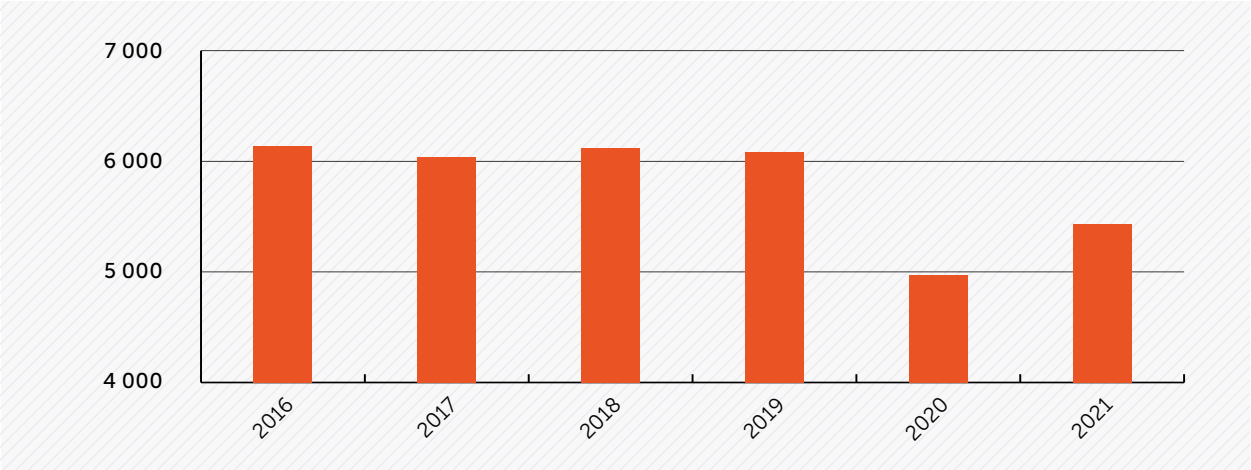
Production in the sawn hardwood sector has also been significantly impacted by the coronavirus crisis. In many countries the hardwood sector has been even more affected than the softwood sector. Overall, production decline is set be around 18% in this group of countries. Data are preliminary and while the 43.8% predicted by

Romania might err on the pessimistic side, there are reasons to believe that Austrian and German production might drop even more than foreseen at present.

On the supply side there are also challenges as many logs are being exported to China (France and Belgium: mainly oak; Germany: mainly beech) depriving mills of precious raw materials. Also, while there have not been the massive beetle outbreaks that have ravaged softwood trees, drought in parts of Germany has put under pressure beech trees. On top of all this some harvesting companies, as reported by Austria and Romania, either lack staff or have closed down, further complicating things.

Exports, which for the sector are very important, sharply declined to most overseas destinations. The US, unlike in the softwood sector, did not experience a demand increase and Asian countries, such as Vietnam and China, as well as MENA markets, have seen subdued demand. A strong euro adds to the difficulties of hardwood exporters.

FIGURE 4.5:
Sawn hardwood production volumes in the EOS member countries 2016-2021 (000 m^3) - TOTAL



4.3.2 Overview of EOS Sawn Hardwood consumption

TABLE 4.4:
Overview of the EOS sawn hardwood consumption 2016-2021 in 1,000 m^3

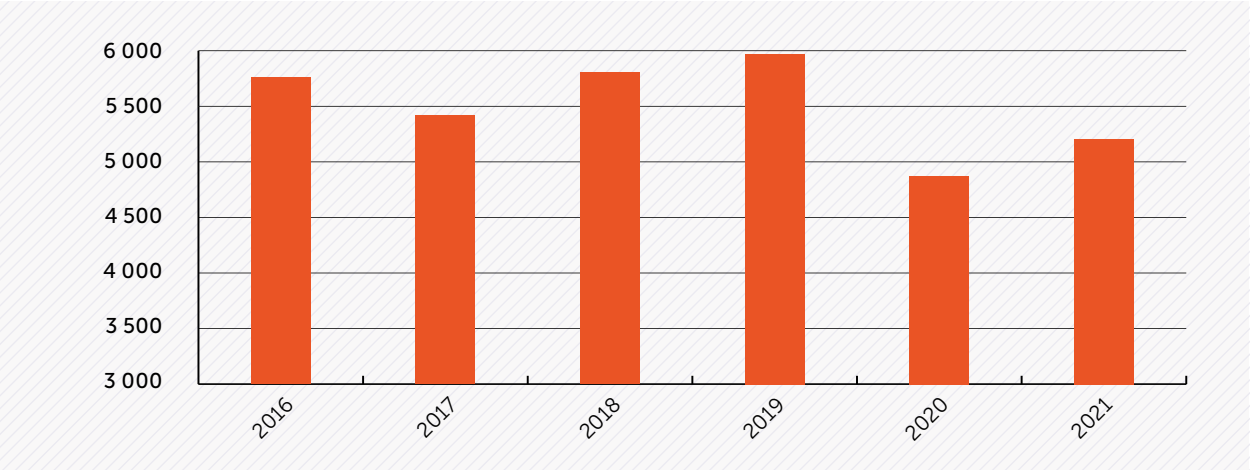
	2016	2017	2018	2019	2020*	2021*	20/19 % var.
AT	201	190	187	191	185	190	-3.1%
BE	210	210	210	210	190	210	-9.5%
CH	77	60	60	72	73	74	2.0%
DE	755	680	705	794	780	760	-1.7%
DK	194	185	215	316	294	294	-7.0%
FI	59	49	52	52	52	52	0.0%
FR	1 250	1 270	1 298	1 282	1 142	1 300	-10.9%
IT	1 132	1 048	1 048	1 034	1 034	1 034	0.0%
LV	253	250	243	262	195	262	-25.6%
NO	28	31	31	31	31	31	0.0%
RO	1 025	825	1 110	1 080	250	350	-76.9%
SE	123	101	120	120	120	120	0.0%
UK	453	518	528	528	528	528	0.0%
EOS	**5 760**	**5 417**	**5 806**	**5 971**	**4 874**	**5 205**	**-18.4%**

* Estimates; for 2019, 2020, and 2021, UK, Norway, Sweden, Finland, and Italy (only 2020 and 2021) data are unavailable; therefore, data for such countries have been replicated from the last available year.

Sawn hardwood consumption has been hit hard by the coronavirus outbreak. One of the main reasons is that traditional selling markets for hardwood products have suffered a lot. For example, the furniture sector – a fundamental outlet for the hardwood industry – has been extremely hard hit during the height of the crisis, with furniture shops closed for months. While there were some exceptions (such as Denmark), this is valid for most of Europe.

Consumption in this group of countries is set to decline by about 18%. Again, data for Romania seems excessively pessimistic, but Austrian and German hardwood consumption might be lower than it is currently predicted. A double-digit consumption slump for France, the largest EOS consumer, seems to be on the card.

FIGURE 4.6:
Sawn hardwood consumption volumes in the EOS member countries 2016-2021 (000 m^3) - TOTAL



4.4 FOCUS ON BY-PRODUCTS

Most EOS countries have shared data on sawmill by-products, which are reported below.

TABLE 4.5:
Sawdust production volumes in the EOS member countries 2019-2021 (000 m^3)

	2019	2020*	2021*	20/19 % var.
AT	3 187	3 036	3 102	-4.7%
BE	221	210	221	-5.0%
CH	224	223	223	0.0%
DE	5 301	5 400	5 500	1.9%
FI	3 400	3 000	3 200	-11.8%
LV	518	496	518	-4.3%
NO	265	255	250	-3.8%
RO	200	180	180	-10.0%
TOTAL	**13 316**	**12 801**	**13 195**	**-3.9%**

* Estimates

TABLE 4.6:
Chips production volumes in the EOS member countries 2019-2021 (000 m^3)

	2019	2020*	2021*	20/19 % var.
AT	3 762	3 570	3 640	-5.1%
BE	838	800	838	-4.5%
CH	522	521	521	0.1%
DE	11 033	11 200	11 500	1.5%
FI	7 500	6 600	6 900	-12.0%
LV	2 999	2 870	2 999	-4.3%
NO	1 400	1 300	1 300	-7.2%
RO	350	300	300	-14.3%
TOTAL	**28 404**	**27 163**	**27 999**	**-4.4%**

* Estimates

TABLE 4.7:
Bark production volumes in the EOS member countries 2019-2021 (000 m^3)

	2019	2020*	2021*	20/19 % var.
AT	992	930	960	-6.2%
BE	125	120	125	-4.0%
CH	186	186	186	0.0%
DE	unav.	unav.	unav.	
FI	3 100	2 133	2 800	-31.2%
LV	391	374	391	-4.3%
NO	500	500	500	0.0%
RO	1 650	1 500	1 500	-9.1%
TOTAL	**6 944**	**5 743**	**6 462**	**-17.3%**

* Estimates

4.5 COUNTRY REPORTS

AUSTRIA

Source: Fachverband der Holzindustrie Österreichs

General economic information

	2019	2020*	2021*
Population *(million)*	8.9	8.9	8.9
GDP Growth *(%)*	1.6	-7.0	4.3
Inflation rate *(%)*	1.5	0.6	0.9
Unemployment rate *(%)*	4.5	5.5	5.2
Construction industry			
Buildings permits (units)	63 200	53 300	53 800
Housing starts (units)	56 700	55 400	50 900
Housing completions (units)	58 700	59 400	57 500
Wage Development *(%)*	3.3	1.6	n.a.
Average working time in sawmilling *(h/week)*	38.5	38.5	38.5

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	10 343	9 800	10 000
Imports	1 789	1 550	1 600
Exports	6 068	5 800	6 000
Consumption	6 064	5 550	5 600

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	181	160	160
Imports	160	165	170
Exports	150	140	140
Consumption	191	185	190

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	3	3	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-7%
Imports	-6%
Exports	-9%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

At the beginning of 2020 there was an undersupply of roundwood in Austria. The unlucky combination of high imports, an unplanned harvesting of the domestic forestry and the shutdown due to COVID-19 led to an oversupply of roundwood in Austria in April. Within a few weeks in May the situation changed again. Almost all production lines were fully up and running again in May. The supply was accepted and the backlog from April was soon cleared.

The bad weather in some regions led to an undersupply of domestic roundwood and caused huge uncertainty and increased volumes had to be purchased from neighbouring regions. The alternative would have been shutting down operations for weeks at a time, which would have meant losing market share again. As in recent years, the quality distribution of roundwood ranges in the summer months remains a challenge for everyone in the industry.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The local construction sector in Central Europe was only temporarily affected by the shutdown and has performed relatively well throughout the crisis. The domestic carpentries were closed a little longer. Large construction projects have been postponed. In June/July there was an economic high due to the catch-up effect, in which the projects postponed from the previous months had to be restarted. It is still unclear how the situation will develop in the following years.

b. Sales to the pallets sector

An excellent start to the year until April 2020 was recorded. Shutdown and oversupply periodically causes summer price cuts. Today the whole subsidiary market is under more pressure than in previous years. High production in the sawmill industry and still plenty of Roundwood for Industry purposes in the forests cause oversupply.

c. Sales to the DYI sector

There was a real boom in the DIY sector. As recognised in June and July 2020 the companies operating in this segment have recorded an all-time high. Especially the DIY market in Germany, Swiss and Austria were crucial.

d. Sales to the furniture sector

The Austrian hardwood market was severely affected by the shutdown of the furniture industry. Many furniture manufacturers had completely shut down their production for several weeks and are slowly getting back to their pre-crisis level.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

After the repeated export increase in the previous year, the sawn timber export 2020 is currently far below the level of the previous year due to the crisis. The most dramatic development was the total collapse in the Italian market, the most important market for the Austrian sawmill industry. Other countries in Europe such as France, Spain, but also Slovakia and Great Britain were affected heavily by the crisis, which partly led to significant decreases in exports. In the German, Swiss and the Austrian market, things were slightly better. Exports increased to the United States and to China on a stable level, which led to a general relaxation in the European sawn timber market.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

With the shutdown, the government introduced a short-time working model, which was used by almost all companies during the crisis. The model was extended for another six months after the crisis. The Federal Government has put together an aid package for the economy to deal with the economic consequences of the Corona crisis, focusing on preserving jobs, securing liquidity, providing immediate aid for the self-employed and mitigating business losses.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

Years of measures, such as the "promo_legno" initiative in Italy and the European Wood Initiative in China, created security in the sales markets and Germany continued to be the most important "driver" for the European market. Recent major investments in further processing, mean that sawn timber can be processed into high-quality building products, delivering complete solutions for modern timber construction throughout the world. The domestic market saw positive development in all products and the pro:Holz initiatives and innovations of the companies, led to an increase in the demand for ecologically sustainable building solutions made of wood and wood-based materials.

The wood industry will weather Covid 19 crisis well and go into an almost near normalisation phase in the coming months. The effects of the climatic changes will occupy our unique regrow and sustainable produced raw material "timber" for a long time yet. Here everybody in the value chain are called to cooperate and pull together to shake up the European and National Policy.

7. Any other additional elements

The focus has been on coping with the high volumes of salvaged timber and developing strategic approaches for the future. The sustainable forest certification PEFC Austria has been drastically enhanced, the promotion of European projects for climate-resistant softwood species has been supported and numerous transport issues have led to ecologically sound general concepts.

The Austrian Sawmilling Industry continues to be the reliable partner for the local forestry owners. Despite the record numbers of beetles and windthrows affecting our neighbors throughout Central Europe, millions of solid cubic meters of salvage timber have been additionally processed in the sawmills the last years. Thanks to joint logistics coordination in the value chain and in consultation with national policymakers, it has been possible to significantly increase removal from the areas affected.

BELGIUM

Source: Fédération Nationale des Scieries

General economic information

	2019	2020*	2021*
Population *(million)*	11.4	11.5	11.5
GDP Growth *(%)*	1.4	-9.0	6.4
Inflation rate *(%)*	1.4	0.6	1.1
Unemployment rate *(%)*	5.4	7.3	8.3
Construction industry			
Buildings permits (units)	n.a.	n.a.	n.a.
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development *(%)*	n.a.	n.a.	n.a.
Average working time in sawmilling *(h/week)*	38	38	38

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	1 450	1 400	1 450
Imports	2 500	2 450	2 500
Exports	1 200	1 150	1 200
Consumption	2 750	2 700	2 750

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	150	125	150
Imports	420	400	420
Exports	360	335	360
Consumption	210	190	210

* Estimates

Availability of logs

	2019	2020	2021
Softwood	5	5	3
Hardwood	3	3	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-7%
Imports	-4%
Exports	-8%
Consumption	-4%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The raw material availability is high due to the bark beetle crisis. Coronavirus crisis has an impact on the demand of timber products but not on the availability of logs.

The logs availability will continue to be important due to the bark beetle crisis.

In 2018 damaged logs amounted to 600.000 m^3. In 2019 to 1.000.000 m^3 and the forecast for 2020 is also 1.000.000 m^3. Large volumes of damaged wood from France and Germany are also processed in Belgium. A part of the logs are exported to China.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The construction sector was shut down during the COVID-19 lockdown from mid-March to early May 2020. The current recovery is good but there are a lot of uncertainties going forward.

b. Sales to the pallets sector

The demand of the pallets sector was good in the beginning of the lockdown. The demand is now lower.

c. Sales to the DYI sector

Due to COVID-19 lockdown, the activity of DYI sector was high. People worked a lot in their home.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Sales in Belgium and France were sharply reduced during the lockdown. On the other hand, sales in Germany, Holland and North Africa were stable.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

- No labour shortages.
- Liquidity problems : government helps : possibilities of postponement of payment deadlines for logs.
- Possibility of postponing the payment of social charges.
- Possibility of temporary unemployment for staff.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

There is great uncertainty for the future. The sector needs continued investments in the construction sector.

The future of the sawmill industry is also threatened by the decrease in raw material due to bark beetle crisis.

7. Any other additional elements

Stocks by panel industry are large thus making it very difficult to valorize the by-products.

DENMARK

Source: Dansk Traeindustrier

General economic information

	2019	2020*	2021*
Population *(million)*	5.83	5.83	5.84
GDP Growth *(%)*	2.4	-4.1	4.2
Inflation rate *(%)*	0.7	0.9	1.2
Unemployment rate *(%)*	3.7	4.3	5.1
Construction industry			
Buildings permits (units)	33 547	25 000	30 000
Housing starts (units)	32 024	26 000	31 000
Housing completions (units)	33 520	30 700	30 000
Wage Development *(%)*	2.8	2.3	2.0
Average working time in sawmilling *(h/week)*	37	37	37

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	331	351	351
Imports	1 210	1 330	1 270
Exports	280	283	283
Consumption	1 261	1 398	1 338

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	85	85	85
Imports	266	242	242
Exports	35	33	33
Consumption	316	294	294

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	3	2	2

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The raw material situation during first half of 2020 has been relatively good with a healthy supply of softwood to the sawmills.

Export of Danish softwood logs to Germany and to Asia has decreased due to effects of corona virus and oversupply of beetle infested logs from Sweden and central Europe. As the Danish forests are not infested by beetles and there has been no corona lock down of the Danish forest industry, the Danish supply of softwood logs to the sawmills has been a steady.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Sales to the construction sector Denmark has been relatively good during first part of the corona crisis. From May the turnover of the construction sector has however decreased by -7 %. 2020 is expected to end with a total turnover slightly under previous year.

b. Sales to the pallets sector

Sales to the pallet and packing sector has been relatively good during corona crisis due to eg. increased home deliveries during lockdown period.

c. Sales to the DYI sector

Sales to the DYI sector has gained significantly as private homeowners have used the working from home period and parts of the travel budget to kick-start new home renovations. The wood working industry (without furniture) has gained 2,1 % from January to April 2020 compared to 2019.

d. Sales to the furniture sector

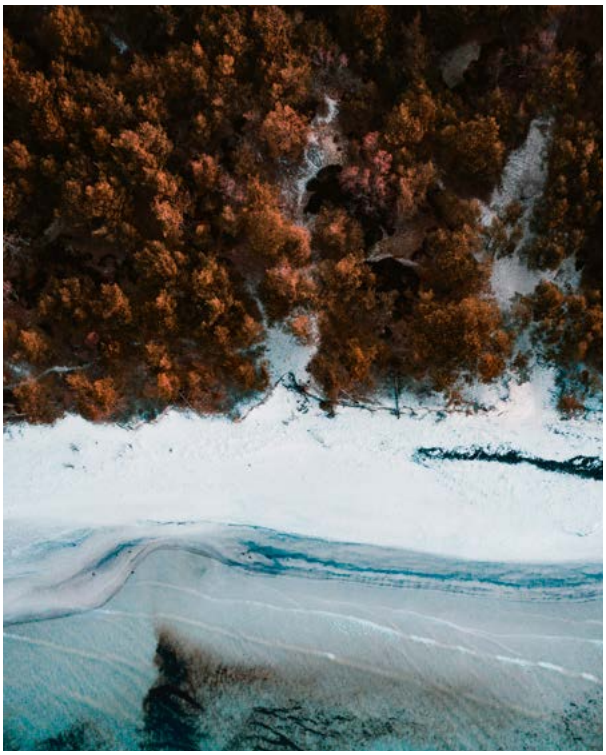
Sales to the furniture sector has decreased significantly for especially hardwood suppliers to furniture brands with high export share. Furniture export has decreased -7,0 % and domestic sales by -6,1 %.

3. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

Businesses in Denmark have generally been provided with temporary compensation scheme for salary expenses if employees would otherwise have been forced to lay off due to the coronavirus. However, no Danish sawmills have been the using the compensation scheme.

4. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The coronavirus crisis period has been good to the Danish sawmill industry with good sales and good availability of raw material. However, for the future the corona virus will only constitute a short-term influence. Denmark is a minor player on the global market, i.e. a small forest country and a small industry and has high salary level for workers. Together with export of raw material to e.g. Asia, this makes a much tougher long-term challenge to Danish sawmills than the coronavirus crisis.



FINLAND

Source: Sahateollisuus ry and UNECE/FAO

General economic information

	2019	2020*	2021*
Population *(million)*	5.5	5.5	5.5
GDP Growth *(%)*	1.0	-6.0	3.1
Inflation rate *(%)*	1.5	0.9	1.7
Unemployment rate *(%)*	6.5	8.3	8.4
Construction industry			
Buildings permits (units)	38 415	37 500	36 000
Housing starts (units)	38 836	37 000	36 500
Housing completions (units)	42 910	39 000	37 000
Wage Development *(%)*	n.a	n.a	n.a
Average working time in sawmilling *(h/week)*	40	40	40

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	11 354	10 000	10 500
Imports	518	500	500
Exports	9 298	7 900	8 500
Consumption	2 506	2 600	2 500

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	n.a.	n.a.	n.a.
Imports	n.a.	n.a.	n.a.
Exports	n.a.	n.a.	n.a.
Consumption	n.a.	n.a.	n.a.

* Estimates

Availability of logs

	2019	2020	2021
Softwood	3	2	2
Hardwood	-	-	-

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

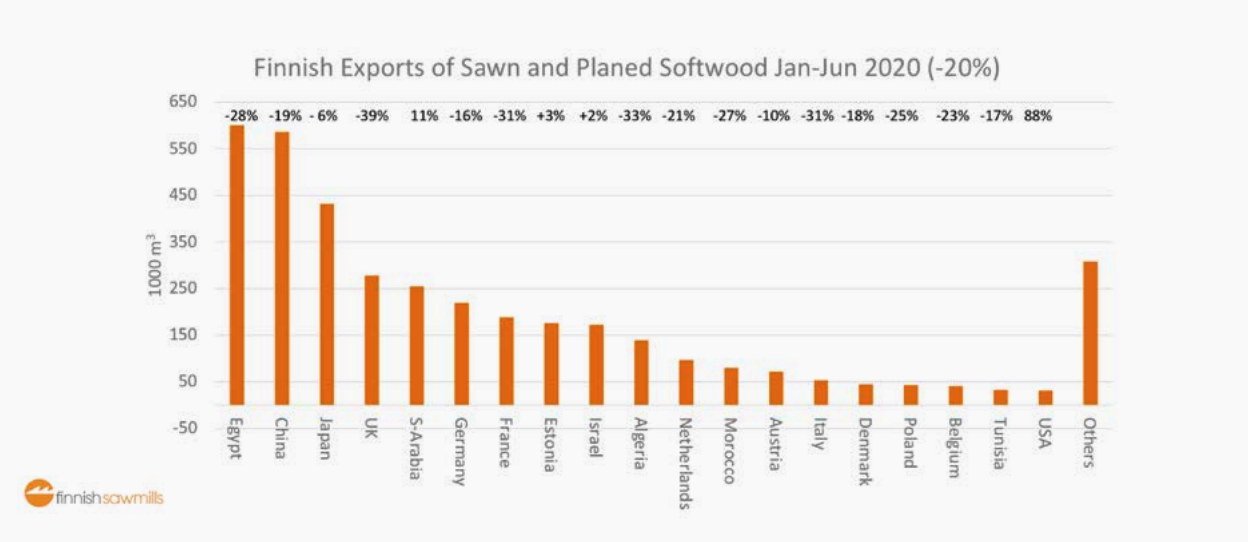
MARKET STATEMENT

Finnish economy

Cooling of the Finnish economy could already be seen in autumn 2019. The Finnish economy has suffered seriously from the corona pandemic during the first half of 2020 and the contracting global economy shadows the outlook of the export-driven economy. The restrictive domestic measures have lowered domestic consumption especially within the service sector. Household and business confidence have clearly weakened. However, economic growth has not contracted as dramatically as in many other European countries. During the second quarter, the economy shrank by 4,5% compared to the first quarter and, 6,4% compared to the second quarter in 2019. The GDP of the EU area contracted by 11,7% during the second quarter compared to the first one and, 14,1% compared to the same period in 2019. During the second quarter, exports contracted by 9% and imports by 10% compared to the first one. Unemployment reached 8,9% - 1,2% higher than at the same time in 2019. Public consumption declined by 1% and private consumption by 7%. Due to the structure of the economy and exports, the impacts of the corona virus will obviously hit Finland later than the neighbouring countries.

The output of the forest industry sector decreased substantially during the first quarter due to strikes which limited the output. Thus, the output of the industry increased substantially during the second quarter – compared to the weak first one. The trend in the paper consumption has been negative for years. The negative development has accelerated in 2020 due to the corona virus and resulted in announcements of paper production curtailments and permanent closures of mills. The packaging board demand has remained more stable, but prices have declined clearly. The demand of pulp has enabled the mills to run at capacity until late summer 2020 – however the prices have been on the soft side.

It is estimated that the Finnish GDP will decline in 2020 by approximately 6% compared to last year.



Production and markets of Finnish Sawn Softwood

The roundwood market has been very slow and lags clearly behind the purchasing volumes of recent years. The market was seriously impacted by the declining demand which was caused by the strike-driven curtailments in January and February and further by the COVID-19 shrinking the order books of papermills. COVID-19 related lock-outs have had practically no direct impact on the roundwood supply or mill outputs. Despite the declining demand, the Finnish roundwood prices have remained high in Finland.

The output of the Finnish Sawmills in 2019 was 11,4 million m^3. The production in 2020 was strongly reduced by strikes. For example, the production was 57% lower in February than at the same time in 2019. During the first half of 2020 the cumulative output was 15% lower than in 2019.

Redwood production was 12% and whitewood 17% lower than in 2019. It is estimated that the output of Finnish mills will hardly reach 10 million m^3 in 2020. The weakness of the pulp- and paper industry puts pressure on pulpwood volumes and prices. The log prices declined in 2019 but have strengthened recently.

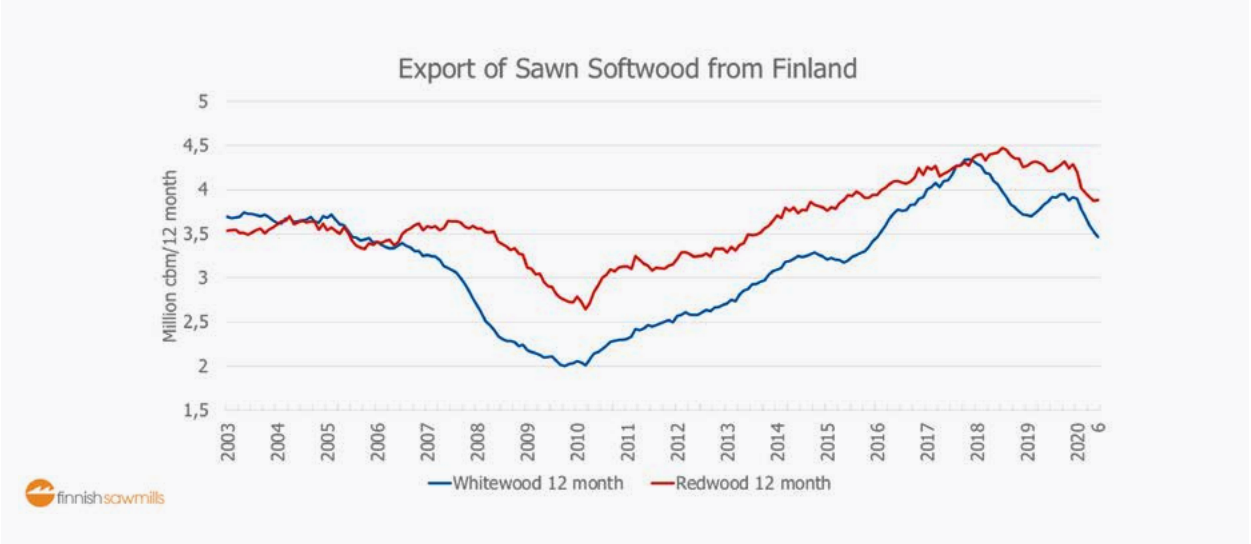
The pulp chip market improved substantially in 2018 and 2019 and unusual price increases were seen. The market has remained buoyant, so far. The markets for dust and bark have improved thanks to the increasing demand of wood-based fuels as Finland is finally moving away from fossil-based heating fuels.

Exports of sawn softwood declined by 20% during the first half, mainly driven by curtailments in production. The end-product market outlook was very pessimistic in February – March. However, volumes have moved surprisingly well as the demand has been better than expected – mainly in the European DIY and RMI segments. Also, ongoing construction projects have supported the demand. However, housing starts have started to show signs of weakening and it can be expected that the DIY market will cool for the winter months. Finnish exports to China have decreased by 17% mainly driven by weak prices and stalling demand after the virus epidemic. Demand in North Africa and Middle East has shown softness.

The sawn softwood stocks in Finland have stayed clearly below 2019 levels thanks to the active domestic markets. The demand has been driven by the DIY and RMI segments. People have spent more time and money at home – and make improvements during their COVID-19 lock-out days.

The status of the Finnish Sawmills is somewhat stronger than anticipated at the beginning of the year. However, the mills are burdened by high raw material and logistics costs and unsatisfactory market prices of sawn timber. The Central European massive supply of storm- and beetle damaged sawn softwood and logs, COVID-19 and volatility of foreign exchange and freight rates are challenging the Finnish mills.

In the long term, the Finnish industry can lean on the increasing global demand of wood products – driven by the positive arguments of wood products – renewability, recyclability, and long term carbon capture.



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FRANCE

Source: Fédération Nationale du Bois

General economic information

	2019	2020*	2021*
Population *(million)*	67.1	67.2	67.3
GDP Growth *(%)*	1.3	-8.2	7.0
Inflation rate *(%)*	1.1	1.1	1.1
Unemployment rate *(%)*	8.1	13.7	10.0
Construction industry			
Buildings permits (units)	449 400	409 000	430 000
Housing starts (units)	410 300	370 300	400 000
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development *(%)*	2.0	0.5	0.5
Average working time in sawmilling *(h/week)*	39	39	39

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	6 559	6 600	6 800
Imports	2 650	2 400	2 500
Exports	755	770	750
Consumption	8 454	8 230	8 550

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	1 462	1 242	1 450
Imports	250	250	250
Exports	430	350	400
Consumption	1 282	1 142	1 300

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	3	3	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-5%
Imports	-12%
Exports	+4%
Consumption	-10%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Good availability of raw material of spruce due to bark beetle which doesn't know COVID 19. Availability of Douglas Fir is tight because of the good and increasing demand. Maritime Pine availability is still difficult because of past storms.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Sales to the construction sector in France were subdued during the lockdown of France from mid-march to beginning of May. However, export to Europe and other countries have been increasing thanks to time differences in closing and opening of countries. Since May, there is a catch-up effect and demand is strong.

b. Sales to the pallets sector

Sales to pallet sector have been very strong in France from the start of the lockdown until reopening of the borders. That was mainly driven by demand from the food and logistic sectors. Market situation is now much more difficult.

c. Sales to the DYI sector

Sales to the DIY were poor during lockdown because most retailers and distributors were closed as considered not essential businesses. Demand has surged from beginning of May, especially for outdoor decking, cladding and gardening wood products.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Sales to South Europe countries were most impacted because of the severity of the lockdown in Spain and Italy (around -25 %). Those losses were compensated by a strong demand in Northern Europe with exported volumes increasing more than 30 %.

Export to North Africa was stable with Morocco being the most affected market.

Sales to Asia have increased with traditional demand for Japan and opportunistic sales to China.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The current crisis is pushing sawmills to improve competitiveness. It will result that some sawmills will have to close and at the same time bigger ones will increase their capacity and invest.

6. Any other additional elements

Paper industry is declining, in particular in the graphic sector, while the panel industry is moving rapidly to recycled wood. This will cause a challenge for sawmills to find new structural outlets for their production of chips.

GERMANY

Source: Deutsche Säge-und Holzindustrie (DeSH)

General economic information

	2019	2020*	2021*
Population *(million)*	83.2	83.2	n.a.
GDP Growth *(%)*	0.5	-7.0	n.a.
Inflation rate *(%)*	1.4	-0.1	n.a.
Unemployment rate *(%)*	2.9	4.5	n.a.
Construction industry			
Buildings permits (units)	311 156	up	n.a.
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development *(%)*	3.0	2.5	n.a.
Average working time in sawmilling *(h/week)*	40	40	40

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	23 505	24 000	24 500
Imports	5 131	5 000	5 000
Exports	9 220	9 500	10 000
Consumption	19 416	19 500	19 500

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	1 169	1 100	1 150
Imports	371	330	330
Exports	746	650	720
Consumption	794	780	760

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	3	3	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

Corona confronts the German sawmill industry with additional challenges.
The amount of damaged wood again significantly higher in the fourth year.

In the German economy, Corona has led to a severe slump. The gross domestic product (GDP) in the 2nd quarter of 2020 is 10.1% lower than in the 1st quarter of 2020 and thus experiences the strongest decline since 1970. According to current estimates, economic research institutes expect the GDP for 2020 to be about 7% lower.

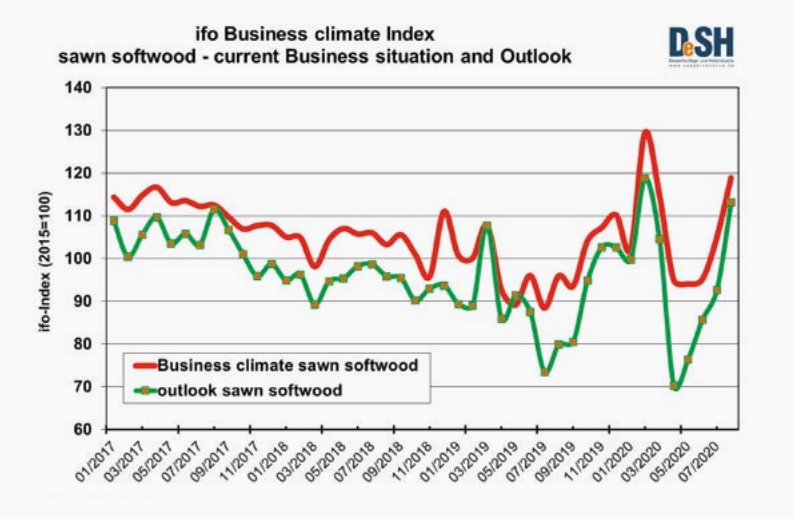
The extensive efforts of the German government to support the economy were welcomed and also used by the economy. The 700 million euro economic stimulus package is also important for the sawmill industry. This is intended to preserve the forests, among other things, by providing for the conservation and sustainable management of forests and extensive modernization and digitization projects. In addition, a greater use of wood as a building material is to be promoted. The 2.5 billion euro CO_2 building renovation program and the reduction in value-added tax also fit in with this. Our companies can also benefit from the €25 billion as a bridging aid for small and medium-sized companies with corona-related loss of sales, as well as from additional programs for the energy-related renovation of municipal buildings and climate adaptation measures at social institutions.

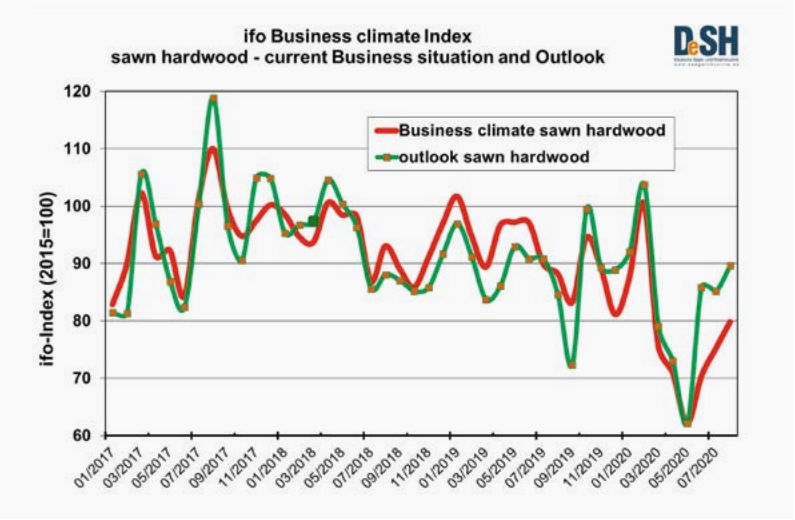
Coping with the amount of damaged wood, which increases again significantly in the 4th year, the German sawmill industry is additionally challenged by the corona pandemic.

At the beginning of the year, there was still a justified hope that the sawmill industry would be able to make its contribution to coping with the increasing amount of damaged wood in 2020 by cutting more logs. Against this background, the Corona pandemic has had a considerable impact on the sawn timber markets. In particular, the temporary lockdown and closure of borders in several neighboring countries, but above all the severe impairment of long-distance exports to Asia to important consumer countries have significantly reduced export opportunities. Restricted exports unsettle the sawmills and lead to restrained production.

In the meantime, it has become apparent that the individual customer sectors of the sawmill industry are developing very differently under the limited possibilities during the Corona pandemic.

The ifo business climate index on the current business situation and expectations for the coming months shows that expectations for softwood have already recovered significantly. Expectations for sawn hardwood have also been rated significantly higher again for the next few months, although starting from a very low level.

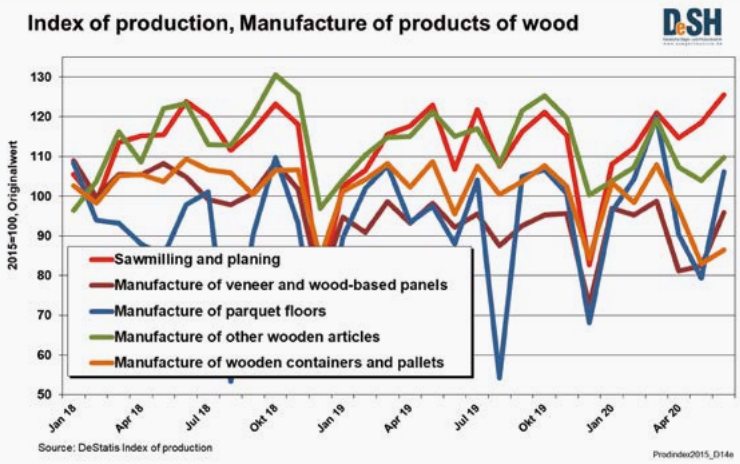




Contrary to initial fears, construction remains at a high level even during the corona period, resulting in very steady domestic demand overall.

The other timber industry sectors were also able to recover to a large extent after the slump and have recently recorded a significant improvement in production activity. The packaging sector remains an exception and is only gradually beginning to recover from the corona-related slump in production.

Production data are not yet available for the 2nd quarter of 2020. In the 1st quarter of 2020 – before Corona – another positive development was recorded.



Sawn softwood production

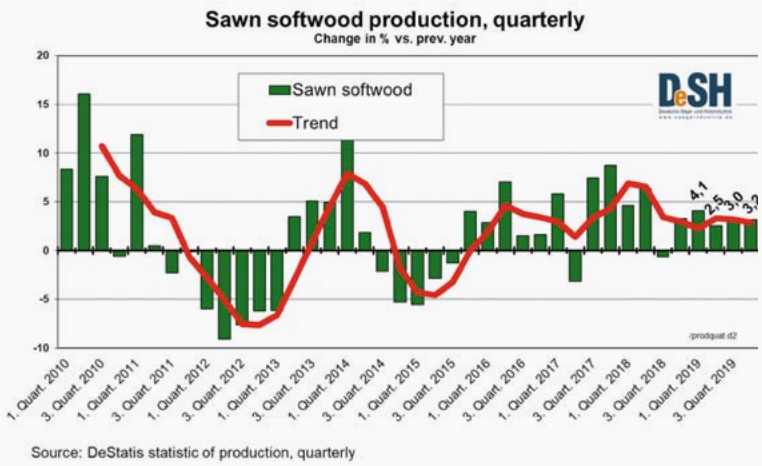
Year	Softwood rough Prod. in m³	Change in % vs. prev. year	Softwood planed Prod. in m³	Change in % vs. prev. year	Softwood total Prod. in m³	Change in % vs. prev. year
Jahr 2019	18.694.168	+ 1,4 %	4.810.352	+ 10,7 %	23.504.520	+ 3,2 %
Quarter	**Prod. in m³**	vs. prev. qtr.	**Prod. in m³**	vs. prev. qtr.	**Prod. in m³**	vs. prev. qtr.
1. Quart. 2019	4.467.891	+ 1,2 %	1.161.524	+ 16,7 %	5.629.415	+ 4,1 %
2. Quart. 2019	4.877.372	+ 2,1 %	1.207.918	+ 4,2 %	6.085.290	+ 2,5 %
3. Quart. 2019	4.815.184	+ 1,4 %	1.275.934	+ 9,9 %	6.091.118	+ 3,0 %
4. Quart. 2019	4.533.721	+ 0,9 %	1.164.976	+ 13,2 %	5.698.697	+ 3,2 %
1. Quart. 2020	4.782.635	+ 7,0 %	1.257.092	+ 8,2 %	6.039.727	+ 7,3 %

DeStatis, statistic of produktion, quarterly

Sawn hardwood production

Year	Hardwood rough Prod. in m³	Change in % vs. prev. year	Hardwood planed Prod. in m³	Change in % vs. prev. year	Hardwood total Prod. in m³	Change in % vs. prev. year
Jahr 2019	519.522	- 4,8 %	649.149	+ 6,2 %	1.168.671	+ 1,0 %
Quarter	**Prod. in m³**	vs. prev. qtr.	**Prod. in m³**	vs. prev. qtr.	**Prod. in m³**	vs. prev. qtr.
1. Quart. 2019	139.395	+ 0,0 %	167.303	+ 14,5 %	306.698	+ 7,4 %
2. Quart. 2019	142.444	- 7,3 %	152.787	- 9,3 %	295.231	- 8,4 %
3. Quart. 2019	124.047	- 4,6 %	193.260	+ 27,3 %	317.307	+ 12,6 %
4. Quart. 2019	113.636	- 7,5 %	135.799	- 6,3 %	249.435	- 6,9 %
1. Quart. 2020	117.947	- 15,4 %	169.060	+ 1,1 %	287.007	- 6,4 %

DeStatis, statistic of produktion, quarterly



Source: DeStatis statistic of production, quarterly

Beech sawn wood

Source: DeStatis, foreign trade
in m³

WA 4407 9200

Export	Jan-June 2019	Jan-June 2020	Change %
total	**286.636**	**225.152**	**-21,5**
PR China	85.032	68.668	-19,2
USA	32.931	32.034	-2,7
Mexico	24.998	26.383	5,5
Poland	22.900	19.347	-15,5
Vietnam	14.815	7.164	-51,6
France	9.663	5.798	-40,0
India	9.283	5.138	-44,7
UAE	7.564	4.524	-40,2
Italy	5.663	4.512	-20,3
Austria	3.506	4.047	15,4
UK	5.984	3.961	-33,8
Belgium	7.448	3.459	-53,6
Morocco	4.285	3.450	-19,5
Japan	4.205	3.423	-18,6
Saudi Arabia	3.071	3.244	5,6

Oak sawn wood

Source: DeStatis, foreign trade
in m³

WA 4407 9190

Export	Jan-June 2019	Jan-June 2020	Change %
total	**63.960**	**43.562**	**-31,9**
Poland	8.229	6.134	-25,5
Denmark	8.064	5.460	-32,3
Netherlands	7.999	4.709	-41,1
Czech Republic	4.353	3.741	-14,1
Vietnam	4.436	2.900	-34,6
Switzerland	2.206	2.335	5,8
Indonesia	5.603	2.206	-60,6
Bulgaria	1.918	2.176	13,5
India	1.746	2.056	17,8
Austria	2.325	1.830	-21,3
PR China	2.388	1.387	-41,9

The decline in sawn timber exports has led to great uncertainties in production. One of the first measures taken to combat the spread of Corona was the closure of the borders, including for the transport of goods in some neighboring countries. At a very early stage, there were also problems with long distance export deliveries to important customer countries in Asia and elsewhere.

Uncertainties in the export market also influence the production activities of sawmills. For many export-oriented softwood and especially hardwood sawmills, export is a determining factor.

Exports of sawn hardwood, especially to the main consumer countries and distance sales to Asia were in some cases significantly lower in the first half of 2020.

In the case of softwood, the reluctance and uncertainty in production and sales caused by corona was only felt for three months. The declining export of sawn softwood to the Far East - with the exception of China - was contrasted by significant increases in exports to the USA. The USA is currently experiencing a special boom in the demand for sawn timber and is proving to be surprisingly receptive to German sawn softwood. In the first half of 2020, significantly more sawn softwood was also exported to China.

Sawn softwood
Source: DeStatis, foreign trade
in m³

Export	January - June 2018	2019	2020	Change %
total	**4.094.423**	**4.567.093**	**4.526.170**	**-0,9**
USA	431.021	524.821	779.067	48,4
PRChina	66.256	380.101	540.297	42,1
Netherlands	496.298	477.438	455.453	-4,6
Belgium	358.602	375.538	404.128	7,6
Austria	473.575	474.159	393.751	-17,0
France	420.574	441.632	348.937	-21,0
Italy	252.149	266.920	232.212	-13,0
UK	224.557	287.666	226.487	-21,3
India	126.416	189.033	109.680	-42,0
South Korea	73.391	74.340	91.271	22,8
Taiwan	18.353	57.823	85.498	47,9

In 2019, the raw materials market was characterized by the increasing amount of damaged wood, mainly due to beetle infestation, but also due to the drought and weakening of trees.

Wood harvesting, in 1000 m³ without bark

Year 2015 - 2019

Forest, total	Year	Oak	Beech	other non conif. wood	Spruce, Fir, Douglas	Pine, Larch, Weymouth	total
Logs, Sleepers, Poles	2015	645	2.278	433	20.776	6.248	30.381
	2016	725	2.290	457	18.601	6.111	28.183
	2017	707	2.204	403	20.175	6.345	29.834
	2018	790	2.425	511	27.923	6.297	37.946
	2019	655	2.272	363	30.998	4.230	38.517
cuttings total	2015	2.079	11.484		29.486	12.564	55.613
	2016	2.135	11.007		26.478	12.574	52.194
	2017	1.948	10.649		28.878	12.017	53.491
	2018	2.032	10.996		39.423	12.100	64.550
	2019	1.740	9.977		47.168	9.321	66.771

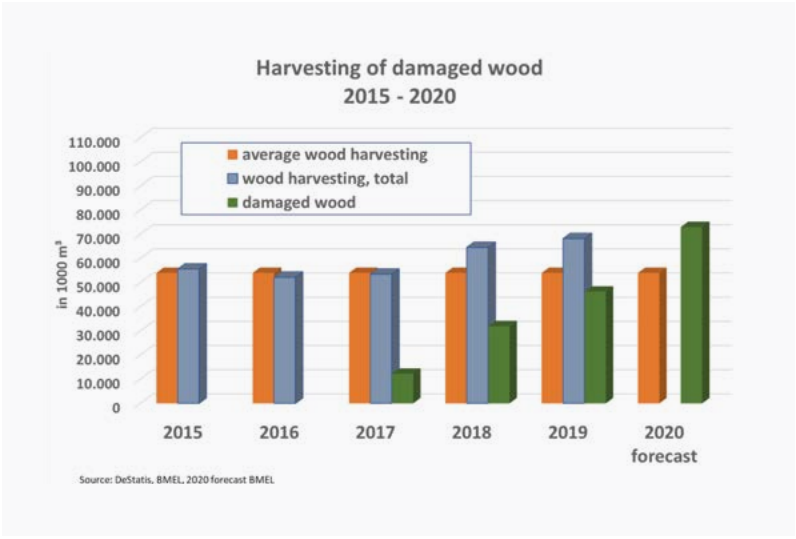
Source: DeStatis, Wood harvesting statistics, FS 3 R 3.3.1

The total volume of timber felled in 2019 increased significantly to 66.8 million m³ due to the high amount of damaged wood, especially wood infested by beetles. Of this, 38.5 million m³ were sawable logs.

In the current year, the amount of damaged wood caused by the continuing drought is continuing to rise. Estimates have now been accumulated by the Federal Ministry of Agriculture to 178 million m³ of damaged wood and have been revised upwards for the years 2018-2020. For the year 2020, an accumulation of 73 million m³ is expected. Apart from softwood, other types of wood, especially beech, are also affected by the dry damage and its consequences.

The sawmills are making a decisive contribution to the management of damaged wood, especially wood infested by beetles, by continuing to cut at a high level. The considerable export efforts of the sawmills make it possible to cut at a high level beyond the limited capacity of the domestic market.

The forest reacts to the increasing amount of wood from forced utilization by expanding the export of softwood logs. In the first half of 2020, 3.5 million m^3 have already been exported. The main buyer country is China with 2 million m^3.



Sawn timber balance

In the current phase of uncertainty regarding the further accumulation of damaged wood and the further course of the corona pandemic, it is hardly possible to assess the coming development of the sawn softwood and sawn hardwood market.

Based on the data available so far for the current year, it is only possible to venture a forecast for the year with some reservations. We consider the following development in production and foreign trade to be possible:

Sawn softwood

	Unit	2019	2020	2021
Production	*1.000 m³*	23.504,5	24.000	24.500
Imports	*1.000 m³*	5.131,2	5.000	5.000
Exports	*1.000 m³*	9.220,1	9.500	10.000
Consumption	*1.000 m³*	19.415,6	19.500	19.500

Sawn hardwood

	Unit	2019	2020	2021
Production	*1.000 m³*	1.168,7	1.100	1.150
Imports	*1.000 m³*	370,7	330	330
Exports	*1.000 m³*	745,6	650	720
Consumption	*1.000 m³*	793,8	780	760

2020, 2021 forecast

Domestic sawmill sales remained at the level of the previous year, mainly due to the influence of price developments in the first half of 2020. Sales from sawmill exports to the euro zone declined significantly, partly due to lower sales in this area.

Sales to countries outside the euro zone continued to rise sharply and now account for more than one fifth of total sales. Compared to the same period of the previous year, 2.6% or approx. 310 more people were employed.

Sawing industry, planing and impregnation plants

Turnover, Enterprises, Employees

in Mio EURO	Jan.-June 2019	Jan.-June 2020	Change in % vs. prev. year	June 2019	Change in % vs. prev. year	Change in % vs. prev. month
Turnover, total	2.147,6	2.136,2	-0,5	382,8	12,3	5,3
of it Domestic turnover	1.280,3	1.277,8	-0,2	234,4	13,0	7,4
of it Foreign turnover	867,3	858,4	-1,0	148,5	11,2	2,1
Foreign turnover Euro zone	476,2	391,8	-17,7	382,8	12,3	5,3
Foreign turnover outside Euro zone	391,1	466,7	19,3	76,9	28,2	-6,1
Share of foreign turnover in %	*40,4*	*40,2*		*38,8*		
Enterprises	99	100	0,8	101	1,0	0,0
Employees	12.141	12.454	2,6	12.654	3,3	0,7

Enterprises with 50 and more employed ***Source: DeStatis, statistic of enterprises***

ITALY

Source: Federlegno, European Commission

General economic information

	2019	2020*	2021*
Population *(million)*	60.4	60.2	60.1
GDP Growth *(%)*	0.3	-6.0	3.5
Inflation rate *(%)*	0.6	0.2	0.6
Unemployment rate *(%)*	9.9	11.2	9.6
Construction industry			
Buildings permits (units)	54 739	n.a.	n.a.
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development *(%)*	1.4	n.a.	n.a.
Average working time in sawmilling *(h/week)*	40	n.a.	n.a.

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	474	n.a.	n.a.
Imports	3 887	n.a.	n.a.
Exports	350	n.a.	n.a.
Consumption	4 010	n.a.	n.a.

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	600	n.a.	n.a.
Imports	597	n.a.	n.a.
Exports	164	n.a.	n.a.
Consumption	1 034	n.a.	n.a.

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	-
Hardwood	4	3	3-4

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Even though the first two months of the year were quite positive, COVID-19 and other factors have affected the raw material availability: the stop in China, the rains in Brazil to the heat in Russia which didn't not allow access to forest sites and therefore to the removal of logs, up to the four-week strike occurred in Finland of sawmills and plywood companies with problems both on production and on shipments. Importers have adjusted their stock according to availability and purchase times. Longer purchasing times have created speculations that led to both an increase in the number of items/volumes required for the same delivery and prices.

Strong decrease by -35% of log's import in 2019 because both of windstorms and beetle disturbances.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Very good especially roofs and beadings.

b. Sales to the pallets sector

Positive trend during COVID-19.

c. Sales to the DYI sector

Strong increase of demand during COVID-19.

d. Sales to the furniture sector

The carpentry sector has suffered.

3. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

High demand of softwood by United States.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

Government has adopted strong measures to support households and firms' liquidity and to provide credit to the economy such as social safety nets, suspending tax payments, and public guarantees on new loans to firms etcetera.

Even though the spread of the epidemic in Italy had significant repercussions on economic activity in the first half of the year, the second half has returned to growth. But there is still a climate of uncertainty for the months to come, with the hope that "Recovering Fund" could have a direct impact on demand and production capacity.

The Italian Government established also a measure called "super bonus 110%" on building renovations which are going to have positive repercussion on the use of wood. From the 1st July 2020 to the 31st December 2021 this bonus can be used as a tax deduction in 5 years or as a discount on the invoice with the transfer of credit to the company that carried out the work or to a banks or other financial intermediaries or with the direct transfer of credit by who get the benefit. FederlegnoArredo has made an agreement with the bank Intesa Sanpaolo on this topic to support associated companies and the entire supply chain. The partnership offers a package of innovative solutions that respond to a double need: to support them in the execution phase of the works and to liquidate the tax credits acquired through the discount on the invoice.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

Italy is working hard for the whole European market, with products always available and prices competitive.

LATVIA

Source: Association of Latvian Timber Producers and Traders

General economic information

	2019	2020*	2021*
Population *(million)*	1.9	1.9	1.9
GDP Growth *(%)*	2.2	-4.6	4.6
Inflation rate *(%)*	2.8	0.3	1.9
Unemployment rate *(%)*	6.2	9.2	7.8
Construction industry			
Buildings permits (units)	2 984	2 089	2 000
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development *(%)*	7.2	1.7	1.5
Average working time in sawmilling *(h/week)*	40	n.a.	n.a.

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	2 660	2 600	2 660
Imports	1 085	920	1 085
Exports	2 906	2 700	2 900
Consumption	839	820	845

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	600	520	600
Imports	40	34	40
Exports	378	359	378
Consumption	262	195	262

* Estimates

Availability of logs

	2019	2020	2021
Softwood	2	2	3
Hardwood	2	2	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-2%
Imports	-20%
Exports	-12%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Log supply has no changes since 2nd quarter of 2020. Latvian State Forests (owns 53% of forest land in Latvia) continue operate business as usual, providing log contracted volumes and securing stable deliveries. Private forest owners, on the other hand, now are facing with industrial wood sales problems. As a result, harvesting activities in private sector has noticeably dropped. In spite of turbulences in log supply, sawmills operations still continued to stay on a high level – firstly, due to high stocks of winter logs and secondly, thanks to sawlog import activities.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

In general, COVID-19 didn't impact sawmilling industry operational possibilities– no mass disease cases in mills or production stops due to lack of labour force have been recorded. Also, any rigid restrictions were not applied in Latvia. Appearance of COVID revealed itself in construction sector via less productivity due social distancing. In DIY sector even higher activity was noticed, as people were using lockdown time for dwelling renovation. Consumer shopping in furniture segment on domestic market, quite opposite, were made with higher caution. In spite of this, big furniture producers saw the same level or even slightly higher than 2019 in the first half of the year of 2020.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Situation on markets is similar to other countries conclusions.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

No labour shortage noticed due to COVID-19. Government provided several support options – state guarantees for loans with higher risks and in several cases – short-term direct payments for companies to cover part of wages costs during lockdown in April-June 2020.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

We would hesitate to make any forecasts – situation has too much unknown factors. But looks, that COVID-19 influence could have more or less short term impact. In a long term – forest industry could more suffer from expanding biodiversity requirements and most of all from unprofessional "green deal" implementation. Weather situations in Latvia during summer 2020 were unfavourable for bark-beetle spread.

NORWAY

Source: Treindustrien, UNECE/FAO

General economic information

	2019	2020*	2021*
Population *(million)*	5.3	5.4	5.4
GDP Growth *(%)*	1.2	-2.9	4.3
Inflation rate *(%)*	2.2	1.3	3.2
Unemployment rate *(%)*	3.7	5.1	4.5
Construction industry			
Buildings permits (units)	31 643	n.a.	n.a.
Housing starts (units)	31 643	27 000	26 000
Housing completions (units)	30 373	n.a.	n.a.
Wage Development *(%)*	3.5	1.7	2.0
Average working time in sawmilling *(h/week)*	37.5	37.5	37.5

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	2 650	2 550	2 500
Imports	964	1 000	1 000
Exports	694	850	700
Consumption	2 920	2 700	2 800

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	n.a.	n.a.	n.a.
Imports	n.a.	n.a.	n.a.
Exports	n.a.	n.a.	n.a.
Consumption	n.a.	n.a.	n.a.

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	3
Hardwood	-	-	-

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The raw material situation has been satisfactory in 2020. The bark beetle situation in Europe causes some concern with regards to future availability. Changes in demand in the pulp wood market may also affect availability of sawlogs in the coming months and next year.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

The DIY sector has experienced a boost during the crisis, with a significant increase in sales to the building products trade. Many people spent the spring and summer at home fixing up their houses. The market for impregnated wood and terrace flooring has especially had a boost.

Great uncertainty because of the pandemic has led to several projects being put on hold in the construction sector. However, activity has been better than what was predicted at the beginning of the pandemic, even in the housing market. Public procurement and extraordinary government funding, in addition to record low interest rates, have contributed to market activity during the crisis.

In the construction sector the market is turning towards more renovation, with increased activity in the renovation market for office buildings, public buildings and apartment buildings. This is also in line with principles of circular economy to prolong the lifespan of existing buildings. Major economic sectors such as travel, aviation, arts and entertainment and oil and gas are going through difficult times, and the future is uncertain. This affects the general purchasing ability in society, which in turn may also affect the construction industry and especially the private housing market. The demand for new office buildings may change because of our new working routines, with more people working from home. Policy and measures directed at the renovation market, linked with environmental goals, are important to create new market opportunities if the market for new houses and buildings should decrease.

3. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

International demand for Norwegian sawn wood has been good, with only minor brief closures in certain markets due to virus outbreaks.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

The last months have been demanding with the coronavirus pandemic and periods of great uncertainty. Nevertheless, most of the businesses in the wood industry have maintained production during the crisis and many have delivered good results. Due to several efforts taken to protect the units from infection there have only been minor challenges when it comes to labour shortages and/or liquidity problems. There has been very few layoffs in the wood industry.

The Norwegian government provided several support measures for business in general, but no specific measures aimed at the sawmill industry. Government support to cover salary during sick leave/quarantine is one example. Support systems for layoffs have also been important to avoid unemployment in several sectors, thus keeping up the purchasing power. At the beginning of the COVID-19 outbreak the unemployment rate in Norway increased, and reached 10 per cent by April. In September the unemployment rate has decreased to 4.1 per cent (4.5 per cent including those who are partially unemployed).

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The outlook for the sawmill industry is positive, but it is difficult to predict market developments from 2021 onwards. The interest in building with wood is increasing in all market segments.

ROMANIA

Source: Associatia Forestielor Din Romania (ASFOR)

General economic information

	2019	2020*	2021*
Population *(million)*	19.4	19.5	19.5
GDP Growth *(%)*	4.1	-6.0	4.0
Inflation rate *(%)*	3.8	2.5	2.8
Unemployment rate *(%)*	3.9	5.2	6.9
Construction industry			
Buildings permits (units)	16 000	18 000	13 000
Housing starts (units)	12 000	9 000	13 000
Housing completions (units)	10 000	2 000	2 000
Wage Development *(%)*	13.0	5.0	5.0
Average working time in sawmilling *(h/week)*	40	40	40

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	3 500	3 000	2 900
Imports	360	50	50
Exports	1 150	1 150	1 150
Consumption	2 800	1 800	1 700

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	1 600	900	1 000
Imports	130	50	50
Exports	650	600	600
Consumption	1 080	250	350

* Estimates

Availability of logs

	2019	2020	2021
Softwood	3	3	3
Hardwood	3	4	4

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	↓ 5
Imports	↓ 25
Exports	↓ 5
Consumption	↓ 10

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

- the purchase of the raw material, as standing or converted timber was not interrupted from a procedural and calendar point of view and was drawn in the economic circuit in a diminished amount by approx. 40%;
- however, the manufacturing industry is blocked by the crisis on the market (lack of external and internal orders);
- raw material stocks (formed before the crisis) make it difficult to anticipate a balance or stability;
- the export / import of raw wood (in very small quantities) expressed in value was approx. 10% in favour of export.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

There were no differences compared to 2019.

b. Sales to the pallets sector

Production at the entire packaging complex fell by more than 15%.

c. Sales to the DYI sector

It has constantly positioned itself both as a supply segment and as a market segment.

d. Sales to the furniture sector

The lack of sale of furniture products led to a setback in the supply of raw materials by approx. 40%.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

The market to the EU, Egypt, Emirates, Japan and China supported the export of wood and wood products, this positioning only 10-12% below 2019.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

There was financial support both for technical unemployment and for supporting small and medium enterprises.

The labour force has been partially oriented towards telework, the economic sectors dependent on the wood industry have not created significant influences in the field.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The timber industry (along with furniture) has a substantial contribution in the timber trade, so that the fluctuations are not significant (as a production and capitalization activity in a reasonable period of time).

7. Any other additional elements

In this period with many negative effects and influences, the theme of forests (wood) is subject to new legislative, financial, administrative provisions, which, overlapping the first, extend the term with beneficial economic, social and environmental elements (through high value of products, job demand, etc.) stipulated in the national forestry strategy.

SWEDEN

Source: Swedish Forest Industries Federation

General economic information

	2019	2020*	2021*
Population *(million)*	10.3	10.4	10.5
GDP Growth *(%)*	1.2	-4.8	3.4
Inflation rate *(%)*	1.8	0.5	1.1
Unemployment rate *(%)*	6.8	8.5	9.5
Construction industry			
Buildings permits (units)	57 000	50 000	n.a.
Housing starts (units)	52 000	44 500	41 500
Housing completions (units)	58 000	53 000	47 000
Wage Development *(%)*	2.6	n.a.	n.a.
Average working time in sawmilling *(h/week)*	n.a.	n.a.	n.a.

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	18 600	18 180	18 100
Imports	430	490	220
Exports	12 700	13 950	12 400
Consumption	5 500	5 400	5 200

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	n.a.	n.a.	n.a.
Imports	n.a.	n.a.	n.a.
Exports	n.a.	n.a.	n.a.
Consumption	n.a.	n.a.	n.a.

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	-	-	-

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-4%
Imports	+26%
Exports	+13%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The supply of sawlogs has been relatively good in Sweden for 2020. No significant impacts due to the coronavirus. Most effects seen have been leading up to the summer in a time period where many companies still were in the planning process of preparing for a bark beetle outbreak. This resulted in an increased availability of spruce, and decreased availability of pine.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

On the demand side there has been a surge in demand from the diy sector primarily. As people have spent more time at home, they have also spent more time and resources on improving on it. However, demand from other sectors and construction in particular has declined, and as a total the domestic demand has been relatively stable. Expectations are that the diy sector will normalize in line with the economy and situation for the work force in general.

By the end of 2020 wood consumption from the construction sector, as a whole, is expected to have declined by about 3-5%, and to decline further by 3-5% in 2021. In 2022 the market is projected to start to rebound and increase by more than +5%, however still not reaching comparable levels to those of 2019. In general wood as a material in the construction sector is expected to be impacted significantly less than the sector in general and for other materials.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Exports of Swedish sawn wood so far in 2020 has been very strong, and in some months the highest seen in many years. Some of the most notable developments for the first 6 months have been the significant increase in trade with China (+60%) and the USA (+80%), both part of the largest export destinations outside of Europe together with Egypt (+30%) and Japan (+25%).

Disruptions in trade with the UK, due to the corona pandemic, has led to a decline of Sweden's largest export market (-15%), by mid-year indications were that trade was again back to normal levels on a monthly basis. Despite that the exports to European markets on an aggregate level has remained fairly stable at +3% compared to 2019.

Indications of low stock levels throughout the value chain in the UK and the US imply that export to these markets might remain good in near time. While markets such as the MENA countries and China are somewhat more uncertain.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

There has been typically no government subsidies or funding, due to the corona pandemic directed to the sawmilling sector specifically in Sweden. There has been some utilisation of more generic government funded support schemes by Swedish sawmills, but compared to other sectors the utilisation has been fairly low. Most notably the Swedish production of sawn wood has decreased despite a high demand, but more often this has rather also been an effect of a pure planning process in relation to uncertainties of the effects on the markets due to the pandemic.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The domestic competitive landscape is still relatively stable, and the outlook for Swedish sawmill industry will likely be most impacted by how the global sawn wood market will balance over the next few years. Domestic demand will however likely take until 2022-2023 to fully recover.

SWITZERLAND

Source: Holzindustrie Schweiz

General economic information

	2019	2020*	2021*
Population *(million)*	8.6	8.7	8.7
GDP Growth *(%)*	0.9	-6.0	3.8
Inflation rate *(%)*	0.4	-0.4	0.6
Unemployment rate *(%)*	2.3	3.2	3.0
Construction industry			
Buildings permits (units)	52 000	51 000	n.a.
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	53 000	51 900
Wage Development *(%)*	0.4	0.4	0.4
Average working time in sawmilling *(h/week)*	42.5	42.5	42.5

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	1 077	1 075	1 073
Imports	307	311	315
Exports	201	200	199
Consumption	1 183	1 186	1 189

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	48	49	50
Imports	45	46	47
Exports	22	22	23
Consumption	72	73	74

* Estimates

Availability of logs

	2019	2020	2021
Softwood	4	4	4
Hardwood	3	3	3

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-5%
Imports	+20%
Exports	-17%
Consumption	-2%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

At the beginning of 2020, the bark beetle has attacked a big chunk of our forests. That gave the Swiss sawmill industry some wood with not the best quality for their products.
The end of 2020 will stay mostly identical. The raw material's price will continue to decrease as a result of the bad quality. Also, the quantity of raw wood will increase. At the moment, the COVID-19 pandemic didn't affect the industry too much due to the Swiss government's decision not to lockdown the entire country. Most parts of the country's economy remained active during the crisis.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The construction sector is doing quite well by now. In the beginning of the crisis, in the French and Italian speaking parts of Switzerland the building sites have been closed for some weeks by the regional governments. In the German speaking part, the building sites were running all the time. For the second half of 2020, we expect a slight decrease of demand.

b. Sales to the DYI sector

The DIY stores had been completely locked down from March to April. Since the reopening at the end of April, the DIY markets are facing higher demand than ever before. Many people used the time they were forced to stay at home (homeoffice, no holidays abroad) to renovate their homes. The situation will probably remain for the rest of 2020.

c. Sales to the furniture sector

There is not an important furniture sector in Switzerland. There are some small manufacturers in the luxury segment. For them, the situation was difficult for the last few months, but not as bad as expected. At the beginning of the crisis, the Swiss suppliers of the furniture industry (chipboard producers) have lost most of the orders from one day to the next, due to the complete lock-down in Italy and other European countries. The future situation for the furniture industry is difficult to predict. It depends on the available household incomes (private sector) and on the development of the furniture industries in our neighbouring countries.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

With various lockdowns in the EU, the market of exportation completely stopped. Most companies in this segment have used governmentally supported short-time work to survive. The others didn't notice a big difference since the beginning of this year. We think that the construction sector will be affected during the next year and after because of all the projects that couldn't take place this year due to the reluctance and the fear of investors. Many companies are going to take a step back in their investment plan to compensate the loss of profit they may have made.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

The Swiss government provided a 60 billion Swiss francs budget to offer a 0% loan to every business asking for it. All taxes, social taxes and bills were suspended or the payment delay was upgraded to 90 days.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

We think that significant changes will take place during the next and the year after next. Probably the construction sector which will be less active because there were less investments. This is going to impact the pallet sector and eventually the furniture sector in new construction. The DIY is in good shape and will probably stay stable during the next year.

UNITED KINGDOM

Source: Timber Trade Federation and European Commission

General economic information

	2019	2020*	2021*
Population *(million)*	66.8	66.9	67.0
GDP Growth *(%)*	1.5	-9.7	6.0
Inflation rate *(%)*	1.8	0.9	1.3
Unemployment rate *(%)*	3.8	3.9	n.a.
Construction industry			
Buildings permits (units)	n.a.	n.a.	n.a.
Housing starts (units)	189 000	n.a.	n.a.
Housing completions (units)	214 000	n.a.	n.a.
Wage Development *(%)*	n.a.	n.a.	n.a.
Average working time in sawmilling *(h/week)*	n.a.	n.a.	n.a.

* Estimates

Sawn Softwood (in 1,000 m^3)

	2019	2020*	2021*
Production	3 410	2 984	3 618
Imports	6 394	5 718	5 939
Exports	n.a.	n.a.	n.a.
Consumption	9 611	8 542	9 372

* Estimates

Sawn Hardwood (in 1,000 m^3)

	2019	2020*	2021*
Production	n.a.	n.a.	n.a.
Imports	519	n.a.	n.a.
Exports	22	n.a.	n.a.
Consumption	n.a.	n.a.	n.a.

* Estimates

MARKET STATEMENT

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-2%
Imports	-20%
Exports	-12%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Log supply has no changes since 2nd quarter of 2020. Latvian State Forests (owns 53% of forest land in Latvia) continue operate business as usual, providing log contracted volumes and securing stable deliveries. Private forest owners, on the other hand, now are facing with industrial wood sales problems. As a result, harvesting activities in private sector has noticeably dropped. In spite of turbulences in log supply, sawmills operations

still continued to stay on a high level – firstly, due to high stocks of winter logs and secondly, thanks to sawlog import activities.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

In gene The recovery from the pandemic lockdown for timber and panel imports would appear to be underway.

The month of June was a much better month for timber and panel imports compared to the previous two months. Although the difference between June 2020 and June 2019 was a reduction in volume of 14%, this compares with a 39% reduction in April followed by a 35% reduction in May.

This improvement indicates that it is now likely that monthly import volumes for the rest of the year will continue to approach the levels of 2019, although this is by no means certain. If the recovery continues throughout the remainder of the year at similar levels.to last year, the likely outturn for all the main timber and panel products for 2020 on this basis will be around 20% lower than in 2019.

This is broadly in line with the early responses from the NSD Committee's Softwood Import Volume Forecast.

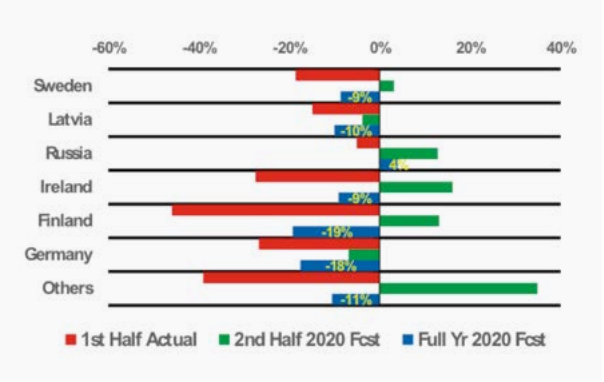
The overall improvement in June was better than originally forecast for that month and this has raised the end-year 'post-Covid' forecast for all the main timber and panels imported by the UK in 2020 to around 8.5 million m^3.

The continuing uncertainty surrounding the rest of 2020 could however both raise or lower this volume.
Uncertainty is about the only feature of 2020 that can be guaranteed because as the influence of the coronavirus hopefully reduces the spectre of the UK's exit from the European Union resurfaces and looms once more on the horizon.

Timber Trade Federation Members are forecasting an import volume of 5.72 million m^3 in 2020, **down by 11%** from the 2019 total of 6.39 million m^3.

In 2021, imports are forecast to **rise by 4%** to 5.94 million m^3.

There is a reasonable consistency among Members' forecasts. This is demonstrated by Members providing an upbeat prediction for the 2nd half of 2020.



In total, softwood imports in the first half 2020 were 24% below the same period in 2019 (made up from the average of the red bars above).

Members forecast an improvement in the second half of 2020 as shown by the green bars above and in total, this equates to a 6% increase over the second half of 2019.

The net effect is an 11% decrease for the full year 2020. The blue bars show how this 11% decrease is arrived at from the average of each country and 'others'.

As mentioned above, growth of around 4% is predicted for 2021.

Total country-by-country breakdown of deliveries for the year 2020 and 2021 are available below.

NSD Forecast for 2020 at August 2020

Country	000m3	Country Share	% Change over 2019 Actual
Sweden	2,437	43%	-8.6%
Latvia	1,021	18%	-10.0%
Finland	710	12%	-19.2%
Russia	320	6%	3.7%
Germany	381	7%	-17.5%
Ireland	366	6%	-9.1%
Others	483	8%	-10.6%
Total	5,718	100%	-10.6%

NSD Forecast for 2021 at August 2020

Country	000m3	Country Share	% Change over 2020 Fcst
Sweden	2,555	43%	4.8%
Latvia	1,008	17%	-1.3%
Finland	790	13%	11.3%
Russia	320	5%	0.0%
Germany	428	7%	12.3%
Ireland	336	6%	-8.1%
Others	502	8%	3.9%
Total	5,939	100%	3.9%

4.6 ADVOCACY ACTIONS COVID-19 PANDEMIC

This exhaustive overview about sawnwood markets as impacted by the Coronavirus outbreak is concluded by examining the main actions that EOS carried out to voice to the European institutions the concerns of the sawmill industry.

In March 2020, amongst different stakeholders, EOS was contacted by the EU Commission, which asked to fill a questionnaire related to the effects of COVID-19 on the EU Sawmill Industry.

Together with the data collection, EOS also emphasized to the EU Commission that *"the European sawmill industry fully supports for the long-term aims of the European Union to decarbonize our economy and meet the commitments of the Paris Agreement. The timber industry is the only sector in Europe able to provide carbon neutral materials to be used in construction and in everyday products"*.

However, at this critical time, we called on the EU institutions to give short-term priority to tackle the COVID-19 emergency. ***The virus-related turmoil has the potential to plunge Europe into recession and provoke a 2008-2009 type of crisis.*** *The European sawmill industry needs therefore financial support to tackle the looming crunch. Small and medium enterprises will be disproportionately affected. Specific support measures should therefore be addressed to small and medium companies. As immediate action, it is vital that the transport of goods is kept open within the EU even at this difficult time.*

China has gone on to become the largest sawnwood importer globally in the space of just 10-15 years: any major disruption in China will surely reverberates on the global sawmill industry at some point. For many sawmills across Europe, China is by far the largest export market.

"As the coronavirus is spreading throughout China, there are many fears that the virus could disrupt the wood trade in the country and could cause multiple problems in the global wood supply chain. There is industry concern that if the coronavirus would spread in coastal towns and cities, then access to Chinese ports could be restricted with little warning. Major trade shows in China related to the wood industry are being postponed. DOMOTEX asia/ CHINAFLOOR 2020 officials stated that after studying and evaluating the announcements, guidance and news

released by relevant Chinese departments and in order to protect the health and safety of the exhibitors and visitors, they have decided to postpone the show scheduled for 24th-26th of March.

Wood is transported to China by containers. Some of the arrived vessels are still waiting for unloading, which results in higher costs. This might pose a cashflow problem for the sawmill industry in the coming months as payments are delayed with goods stuck outside ports. It can be expected that the lead time from vessel to stocks may become long. The container accumulation in China in general, not only in timber business, has resulted with a plummeting container availability in Europe and further increases in freight rates. Should the situation deteriorate EU Member States and Institutions might consider the implementation of some measures (e.g. loans at favourable rates, relaxation of state aids) that would help sawmills survive.

At the moment, there is no certainty on how long and widespread the coronavirus outbreak will be and what impact will have on medium-term trade. What is certain is that the virus has already started to impact the wood trade in China, which can have serious implications for European and global wood trade flows."

At the end of March, EOS also addressed a letter to the Commissioner, Mr Thierry Breton calling for a Coherent European Roadmap for Recovery. The text of the letter is here reported.

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

Brussels, 30 March 2020

CALL FOR A COHERENT EUROPEAN ROADMAP FOR RECOVERY

Dear Commissioner,
Dear Mr Thierry Breton,

On occasion of the European Council held on 26 March, the EU leaders called for measures necessary to get back to a normal functioning of our societies and to sustainable growth.

To this end, the EU Commission has been invited to work on a proposal for a Roadmap for recovery accompanied by an Action Plan.

The European Sawmill Industry urges policymakers to include the bio-based industries – and in particular, the wood manufacturing industries in the expected recovery action plan.

Considering that the EU Council called for a roadmap that will simultaneously create an European environment-friendly industrial fabric, EOS calls for actions that support industries using biological resources to generate high-value bio-based products. Demand for bioproducts is rapidly growing worldwide and represents the only immediate and effective way to reduce carbon emissions.

In this respect, it is important to highlight that the U.S. Department of Homeland Security and the U.S. Department of Labor have both identified the wood products industry as an **"essential critical infrastructure workforce"** in the nation's response to the coronavirus pandemic. Wood industries have been identified as "life-sustaining business" and this includes sawmills.

In the framework of the **EUROPEAN ROADMAP FOR RECOVERY**, the European Sawmill Industries:

- call for an European-wide COVID-19 recovery plan with a coherent strategy plan that supports the manufacturing industries and particularly SMEs.

- urge policy makers at European and National levels to supply a financial system able to guarantee liquidity to companies - prioritizing small and medium size industries;

- call for facilitating the recovery of the construction sector, which the European sawmill industries depend on;

- in line with the Regulation on the Coronavirus Response Investment Initiative (whereas number 4), we emphasise the opportunities related to the timber-based emergency relieve infrastructure. This might be ready-to-assemble hospital modules or quarantine units made out of cross-laminated timber;

- in line with the Communication from the Commission on the implementation of the Green Lanes under the Guidelines for border management measures to protect health and ensure the availability of goods and essential services, urge Member States and policy makers to ensure EU internal borders are kept open for land, sea and air transport:
    - o Availability of trucks at affordable rates should be ensured;
    - o Equally, availability of containers on vessels at affordable rates to facilitate the circulation of good also outside Europe needs to be ensured.

On behalf of the European Sawmill Industry, the EOS team is at your disposal for any questions that you may have.

We will continue to provide you with updates of the current crisis that is affecting our companies.

Additionally, in April 2020, at the request of the European Federation of Building and Woodworkers (EFBWW), EOS, together with CEI-Bois, the Furniture Sectors organisations - EFIC and UEA and the Wood-based Panel Industry (EPF) has been invited to collaborate in a joint letter on the effect of the social impact caused by the COVID-19 and correlated recommendations.

The letter calls for specific actions to simultaneously protect workers in the woodworking and furniture industries against health and safety hazards and to absorb and curb the negative consequences of this crisis and to keep companies functioning to the extent possible.

In order to maximise the visibility of the joint requests, this letter was disseminated amongst the competent DGs of the EU Commission, the Members of the EU Parliament and at Council level. The EOS Members had the opportunity to use this letter as a tool for enforcing their requests at National level.

COVID-19: To fight the Corona pandemic, the European Woodworking and Furniture Industries propose measures to protect workers' health, support economic activity and the sector's recovery

Facing the Covid-19 outbreak, the world is fighting a pandemic of unprecedented proportions in modern times, currently causing a full-blown health emergency.

This is a joint statement of the Social Partners from the two recognized European Social Dialogues for the Woodworking sectors (CEI-Bois and EFBWW) and for the Furniture sectors (EFBWW, EFIC and UEA), and the Social sectorial Federations of the Wood Panel Industry (EPF) and the European Organisation of the Sawmill Industry (EOS).
The undersigned European associations represent the European Woodworking and Furniture Industries, worth 1.7% of the EU GDP and employing more than 2 million Europeans, the 5th largest manufacturing sector in the EU in terms of employment. In light of these difficult times, we wish to reiterate our commitment to supporting public authorities to overcome this crisis.

We underline that the key priority and focus of the national, regional and local social partners of the Woodworking and Furniture Industries be on protecting a safe and healthy work environment for contractors, workers, owners and society. Jointly, we underline the need for a fast economic recovery and for measures to revitalise the sectors after the crisis.

We call national employer and workers organisations of the Woodworking and Furniture Industries to work together with the national, regional and local governments in order to do everything possible:

- To ensure that specific measures are taken to protect all workers in the woodworking and furniture industries against Health and Safety hazards and job or income losses;
- To absorb and curb the negative consequences of this crisis and to keep companies functioning to the extent possible;
- To keep borders open for goods at all times. Checks or health screenings of freight vehicles carrying goods should be thorough and well organized to minimize time losses and the impact on truck drivers. The functioning of the single market, provided it does not endanger public health, should be upheld and enforced. The free movement of workers across national borders should remain possible as long as there are no health threats.

We ask the national social partners of the woodworking and furniture industries and national/regional/local authorities to honour the right to compensation, rehabilitation, and curative services for woodworking and furniture workers infected with COVID-19.

We underline the importance of our industries for the overall economy, for the transition towards a climate-neutral Europe and for rural development, to name some important aspects. In many Member States a de jure or de facto lock down situation has been imposed by national authorities to prevent the further spread of COVID-19. We recognize the responsibility of politicians and the enormous pressure they are currently facing. We are of the opinion that it could be helpful that the national, regional and local authorities find an agreement with the employers and workers organisations of the Woodworking and Furniture Industries to identify essential activities. This decision process should be done after a careful risk-assessment and with specific preventive measure for contractors, workers and society. We also underline the importance of our sectors for the immediate future after the crisis and for the long-term perspectives of our European Industry and Economy as a whole. Wood and wooden products, as the most appropriate basis for a circular and recycling-oriented economy are absolutely vital for Europe and especially for the Green Deal, the Circular Economy Action Plan and the Renovation Wave. We also underline the importance of our sectors for the immediate future after the crisis and for the long-term perspectives of our European Industry and Economy as a whole. This insight should guide EU and national recovering plans for the period after the crisis and should be reflected in all related programmes, in line with the joint statement of the Members of the European Council on COVID-19 crisis released on 27 March.

For this, we strongly urge the national employer and workers organisations of the Woodworking and Furniture Industries to negotiate jointly with the national/regional/local authorities swift practical solutions to take practical temporary solutions in order to allow woodworking and furniture activity to continue working, in compliance with the national restrictive measures, during the current exceptional circumstances.

We strongly encourage that all public authorities provide financial support for companies in the Woodworking and Furniture Industries that are obliged to stop their commercial activities or suffer from a significant drop in demand due to COVID19 and to:

- Allow an extended recourse to temporary unemployment, without penalising companies and workers, as it has always been the case in some EU countries;
- Provide regular updates on the necessary information and safety equipment in order to continue to work in correct conditions, for those companies who can do it / decide to do it, both now and in the coming months where activity will slowly restart;
- Provide an exceptional legal framework, which enables companies to ensure their economic survival during this exceptional crisis period;
- Ensure that there is no administrative delay and a swift procedure to support companies and workers;
- Promote and implement accessible initiative to reskill and upskill (Council Conclusions from 26 March 2020) workers and promote apprenticeships after the end of the crisis, to support the recovery of the economic sectors;
- Protect companies that experience financial difficulties due to the COVID-19 crisis against their creditors and oblige banks and other financial institutions to support the economy and the woodworking and furniture industries.

In order to facilitate the lifting of confinement measures, we ask that the national social partners of the Woodworking and Furniture Industries to take the following elements into account and that these actions are properly enforced:

- Provide clear Health and Safety information, guidance and training to all workers and all those who are in contact with workers, regardless whether they have COVID-19 disease symptoms or not – according to international, EU and national specific recommendations – and involve workers and their representatives in all planning and execution of related measures at company level;

- Provide all needed Personal Protective Equipment in sufficient quality and quantity;
- Provide all facilities to keep the needed level of hygiene at workplaces;
- Companies to guarantee that all necessary preventive and protective measures are taken to minimise occupational safety and health risks;
- Observe that proper protocols and behaviour is respected at the workplace. The fear of the coronavirus must not lead to discrimination or indecent behaviour.
- Ensure a safe distance between workers at the workplaces, in all facilities and circumstances, in particular as regards posted workers, and this during working time and all breaks;
- Ensure that transportation of all workers is done in compliance with the specific requirements;
- Take appropriate measures to ensure that posted workers are not accommodated in collective spaces where social distancing cannot be respected;
- Where needed ensure, in an open and constructive dialogue, that posted workers can safely return home;
- Guarantee that no worsening of working conditions occurs after temporary unemployment or other forms of work stoppage.
- Ensure a safe restart of furniture and woodworking trades in those countries where trading activities are locked down for safety reasons at the moment. Certainly, the protection of staff and customers comes first, however good examples from the food and non-food sectors show that business operations are possible under strict hygienic rules and with limitations of customers per sales area.

In case economic activities in our sectors are stopped by national decrees of the responsible authorities, we ask that the national social partners of the Woodworking and Furniture Industries seek a common solution with their authorities for the following circumstances:

- Guarantee as much as possible financial stability for workers and companies.
- Evaluating feasible solutions for temporary unemployment in order to prevent negative consequences on income;
- To prevent companies from liquidity problems, adequate funds should be made available, immediately for the current situation and via national programmes for the recovery after the crisis;
- The construction sector, one of the pillars of the economy and a very important partner for the woodworking industries, needs to be supported, too. Public procurement oriented at low-carbon timber construction will play a crucial role for an European green recovery, supporting the market in times of substantial decrease of private demand.

For EFBWW and employer federations in the Woodworking and Furniture Industries the first priority is that work can take place in a safe way. Therefore, we urgently ask all our affiliated organisations to take the current COVID-19 treat very seriously and take all actions needed, which simultaneously guarantees the sustainability and viability of companies, while securing the income, social protection, well-being and health of their workers.

EFBWW and employer federations in the Woodworking and Furniture Industries ask for an open dialogue with the European Institutions to identify and implement the appropriate measures allowing for a quick recovery after the crisis. We invite our national affiliates to do the same at their level. We believe that our industries can play an important role in the achievement of the goals of the Green Deal.

CEI-Bois represents 21 European and National organisations from 15 countries and is the voice of the European woodworking sector: close to 180.000 companies generating an annual turnover of 144 billion euros and employing 1 million workers.

EFIC is the voice of the Furniture industries in Europe. Founded in 2006, EFIC now represents more than the 70% of the total turnover of the industry and its membership is composed of 16 national associations and 1 individual company member. The EU Furniture industry employs around 1 million people in about 120 000 enterprises and generates a turnover of 96 billion Euros.

European Furniture Manufacturers Federation (UEA) is a European-level social partner organisation representing European employers and involves furniture national organisations from 6 countries. UEA supports furniture National associations exchanging information, participating to specific projects and to the work of the European Social Dialogue Committee on Furniture, of which UEA is an official social member. UEA involves: ACN (Czech Republic), APIMA (Portugal), APMR (Romania), CENFIM (Spain), MOBIDER (Turkey) and BFM (UK). It aims to maintain and strengthen the permanent contacts among members and to act as their voice towards other trade organizations, EU authorities and international entities such as WTO, OECD, UNIDO. It aims to establish and represent the general interests of its members while ensuring the greatest possible influence on rules, decisions and directives made or issued by international organizations and authorities

The European Panel Federation has members in 25 countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood panel industry has an annual turnover of about 22 billion Euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe.

Through its member federations and associated members, the European Organisation of the Sawmill Industry (EOS) represents some 35,000 sawmills manufacturing sawn boards, timber frames, glulam, decking, flooring, joinery, fencing and several other wood products. Together they represent around 80% of the total European sawn wood output in a sector that has a turnover of around 35 billion EUR and employs about 250,000 people in the EU.

The EFBWW is the European Trade Union Federation grouping 75 national free trade unions from 34 countries, representing members in the Building, Building Materials, Wood, Furniture, Forestry and Allied sectors. The EFBWW is an officially recognised European social partner for the Construction, wood and Furniture sectors, defending workers' rights at EU level.

Our primary goal: a secure and sustainable supply chain

Timflow – the GPS traceability monitoring system for log deliveries is extended to other customers

In the past three years, Timflow has become an integral part of HS Timber Group's Due Diligence System. Registered transports, GPS endowed trucks - and full photo documentation from loading until reception of the logs at the production sites - secure a sustainable supply chain.

Due to its success, some of our suppliers have started to use Timflow to monitor their logyards, as well. We support this by providing them the infrastructure, the digital services and 100% safe data for free. This extended traceability is an important step and will further increase the transparency of knowing where the timber comes from.

To see how it works: **www.timflow.com**

Partner for Europe's forestry

HS Timber Group is a reliable and important partner for the forestry and timber industries in Europe. The group imports from other European countries about 50% of the timber that is processed in the Romanian sawmills. Close cooperation with our partners is based on trust and open, transparent communication and thereby leads to mutual success.

Planting trees for the forest of tomorrow

HS Timber Group supports reforestation activities in Romania. Forest regeneration often takes place naturally without the need of external interventions. When this is not possible, the owner is legally required to carry out reforestation activities.

But there are cases when forest owners cannot cover the reforestation costs. There, *Tomorrow's Forest* project comes to meet the need of helping private owners to regenerate their forests. The successful project has already reached a milestone in mid-2020, as over 600,000 seedlings have been planted, which means a 60% completion of the programme. By entering into this strategic alliance, HS Timber Group aims to implement the company's CSR commitment more purposefully and more effectively.

www.padureademaine.ro

HS TIMBER GROUP

Perfection in Timber.

HS Timber Group is a long-established wood processing company of Austrian origin with very strong roots in Central and Eastern Europe, especially Romania. HS Timber Group exports products to over 70 countries worldwide. Employing more than 3,700 people, HS Timber Group primarily operates in the timber industry but is also involved in lumber trading and bioenergy production. The timber industry division of HS Timber Group operates three sawmills and two wooden panel productions in Romania and one sawmill in Germany.

www.hs.at

SPECIAL FOCUS

SAWMILLING INDUSTRY IN POLAND

The sawmilling industry in Poland is especially important for the development of industries based on raw wood material.

Forest-based sector in Polish economy

The forest-based sector is an important element of Polish economy and a part of the global and European market in wood and products of wood processing. Forestry and the directly related to it wood sector [1] generate approximately 2.2% of Polish Gross Domestic Product (2018), of which forestry accounts for 0.3% and the wood sector for 1.9%. Forestry and the wood sector produce more than 3.6% of global production (approximately 0.3% and 3.3%, respectively) and 2.5% of gross value added (0.3% and 2.2%). Total employment in the forest-based sector in Poland was almost 0.4 million people in 2018, of which 11% was employed in forestry and 89% in the wood sector. Wood and wood products are also very important for foreign trade, for they account for approximately 9% of the export value and 4% of the import value. Furniture is one of the main commodity groups of Polish export (its share is almost 5%).

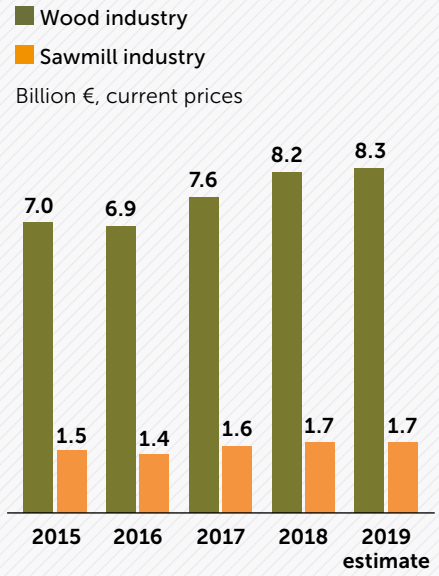
Sawmilling industry as a basic element of the wood-processing chain in Poland

The sawmilling industry in Poland is especially important for the development of industries based on raw wood material. Placed at the beginning of the "wood processing chain", the sawmilling industry supplies wood materials to industries manufacturing final products, inter alia, to the producers of builder's carpentry and joinery products, flooring materials, packaging, and furniture.

The scarcity and huge, difficult to unambiguously define, number of operating small and micro companies (often family companies, which solely render services or sometimes operate only periodically) is specific to Polish sawmilling industry. It is estimated that there are 9.3 thou. entities [2] operating in the sawmilling industry, i.e. 14% of total number of companies in the wood sector and 30% of companies grouped in the traditionally understood wood industry [3] (as at the end of 2019). In relation to the entities operating in Polish industry altogether and manufacturing, the sawmilling companies are 2.5% and 2.7%, respectively. Almost 92% of sawmilling companies employs fewer than ten people, 115 companies (1%) 50 people and more, and only 14 companies (0.2%) are big entities employing more than 249 people. Sold production of the sawmilling industry in Poland accounts for approximately 21% of sold production value generated in the wood industry altogether (simultaneously it

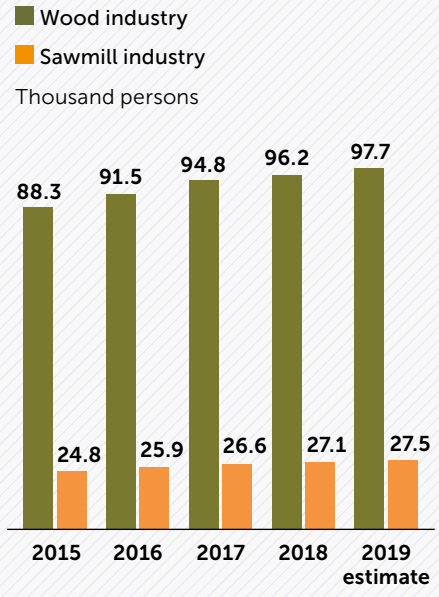
1. The wood industry, pulp and paper industry together with paper processing, and furniture industry (acc. to Statistical Classification of Economic Activities in the European Community (NACE) – section C, chapter 16 "Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials", 17 "Manufacture of paper and paper products" and 31 "Manufacture of furniture").
2. Acc. to the National Official Business Register – REGON kept by the President of Statistics Poland.
3. Nace section C, chapter 16 "Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials" (without furniture industry and pulp and paper industry and paper processing).

FIGURE 1:
Sold production of the sawmilling industry in Poland in the years 2015-2019



Data concern economic entities employing more than nine people.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

FIGURE 2:
Average employment in the sawmilling industry in Poland in the years 2015-2019



Data concern economic entities employing more than nine people.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

is 6% of sold production of the wood sector and 0.6% and 0.7%, respectively, of industry altogether and manufacturing) – fig.1.

In 2018 and in 2019 (estimate), the value of sold production of Polish sawmilling industry was approximately € 2 billion, meaning a more than 14% increase (in current prices) in relation to 2015. Almost 16% of its value was generated by micro companies employing fewer than 10 people. In Poland the sawmilling industry provides jobs for approximately 32 thou. people, who account for 29% of the employed in the wood industry and for 9% in the entire wood sector (in relation to industry altogether and manufacturing it is slightly more than 1%). 14% of the employed in the sawmilling industry work for small companies (which employ fewer than 10 people) – fig. 2. In the years 2015-2019 the average employment in the sawmilling industry in Poland increased more than 7%.

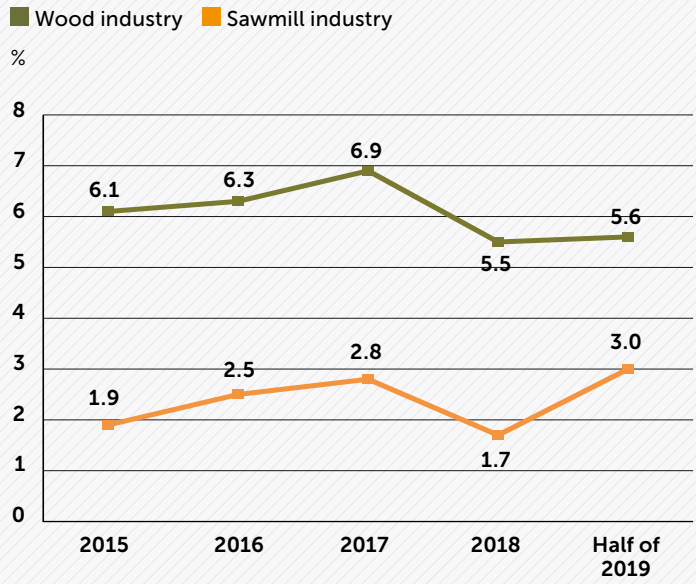
Although Polish sawmilling industry has considerable potential, it is characterised by relatively worse economic condition than the average of the other wood industries (recently their economic and financial results, especially in the case of the wood-based panel industry and builder's carpentry and joinery, have been generally better than those achieved by industry altogether or manufacturing). This largely results from the specificity of the production processes of the sawmilling industry and the relatively low value added (reflected in the prices of sawmilling products). Huge dependence on the raw wood material prices is the reason why the relations between the incurred costs and gained incomes are less favourable than in the other wood industries. In the period 2015-2019 net profitability of Polish sawmilling industry ranged from 1.7% to 3.0%, while that of the wood industry ranged from 5.5% to 6.9% (and profitability of the entire wood sector ranged from 6.5% to 6.8%) – fig. 3. Usually, the sawmilling industry is the first to suffer from the problems emerging on the wood

In the years 2015-2019 the average employment in the sawmilling industry in Poland increased more than 7%.

market, predominantly wood shortages and price increase. However, the prices of this industry's products are relatively stiff, thus the increase in wood prices does not cause an automatic increase in the prices of the sawmilling industry products.

In the coming years the development of Polish sawmilling industry (as the development of wood sector and Polish economy) will largely depend not only on the situation on the wood market, but predominantly on the condition of global and European economy, especially the EU economy. The source of uncertainty are the actual consequences of Brexit, the intensifying trade war between USA and China, climate crisis, and possible escalation of conflicts in the Middle East and Ukraine. The foreseen serious slowdown of the global economy due to the coronavirus pandemic is a significant threat to the development of the sawmilling industry – the basic link in wood processing.

FIGURE 3:
Profitability of net sales in the sawmilling industry in Poland in the years 2018-2019



Data concern economic entities employing more than nine people.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

Base of raw wood material for the sawmilling industry in Poland

In Poland the sawmilling industry operates using a relatively abundant domestic base of raw wood material:

- 9.3 million hectares of forests, including 77% stewarded by the State Forests,
- 2617.9 million m^3 of growing wood (gross merchantable bole) (4th place in the European Union), including 78% stewarded by the State Forests.

Recently wood harvesting has systematically increased in Poland – to 46.7 million m^3 in 2018 (a more than 12% increase in relation to 2015), of which 45.8 million m^3 was wood from forests and 0.9 million m^3 from afforested areas (table 1).

TABLE 1:
Wood removals by assortment in Poland in the years 2018-2019

ASSORTMENT[1]	Wood removals[2]	
	2018	2019 estimate
	1000 m^3	
Total	**46711.2**	**44084.0**
Merchantable bole	44790.8	42076.0
coniferous:	34594.1	32390.9
large-size wood for general purposes (sawlogs)	14876.0	14240.0
large-size wood for special purposes (veneer logs, peeler logs	87.7	102.0
medium-size logwood (pit wood)	188.3	168.9
medium-size wood for industrial processing (pulpwood and other wood for industrial processing)	17558.7	16115.0
medium-size fuelwood	1883.4	1765.0
non-coniferous:	10196.7	9685.1
large-size wood for general purposes (sawlogs)	2636.9	2590.0
large-size wood for special purposes (veneer logs, peeler logs)(veneer logs, peeler logs)	193.1	190.1
medium-size wood for industrial processing (pulpwood and other wood for industrial processing)	5248.9	4910.0
medium-size fuelwood	2117.8	1995.0
Small-size wood:	1658.2	1730.0
for industrial processing	308.1	267.0
fuelwood	1350.1	1463.0
Stump wood	7.2	8.0
Forests chips	255.0	270.0
Industrial roundwood	**41352.7**	**38853.0**

1. Merchantable bole – roundwood of at least 5 cm diameter at the small end (without bark) or at least 7 cm (with bark);
   Large-size wood – roundwood of at least 14 cm diameter at the small end without bark (coniferous) or at least 22 cm (non-coniferous);
   Medium-size wood – roundwood of at least 5 cm diameter at the small end (without bark) and a maximum diameter of 24 cm at the large end without bark;
   Small-size wood – roundwood of a maximum diameter of 5 cm at the large end without bark or of 7 cm with bark, calculated in grouped pieces or in stacks.
2. Wood from forest and from trees and shrubs outside the forest. Trees and shrubs outside the forest are productive and protective clusters in public and private areas excluding forests and green land with cities and rural. The term do not include forests, forest land and land designated for afforestation, in accordance with lawful decisions, orchards, plantations, forest and shrub nurseries, cemeteries, estate green belts within cities and rural (city and rural parks, estate forests, public utility greenery), coastal belt zones, home gardens and allotments, and trees and shrubs surrounding monumental places.

Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

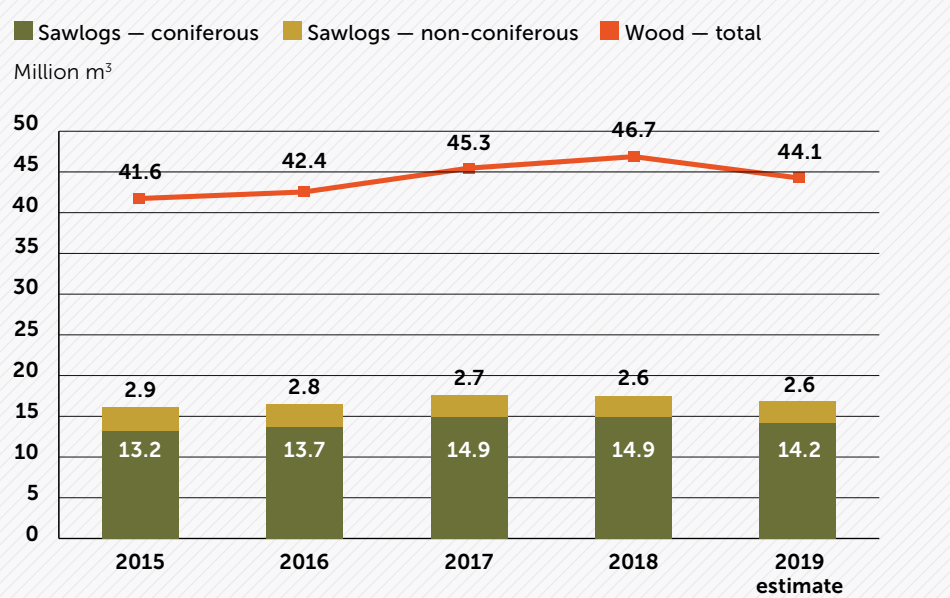
Wood harvesting in Poland has increased to 46.7 million m^3 in 2018 (an increase of more than 12% compared to 2015).

Polish wood market's specificity lies in the fact that one producer dominates the market – the State Forests National Forest Holding. In 2018 almost 95% of wood from forest originated from this supplier. The harvested raw material is dominated by coniferous wood (77%), and more than 88% of it is industrial wood intended for material processing (in 2018 the amount was 41.4 million m^3, and in 2019 estimated 38.9 million m^3). It is assessed that the 2019 decrease in harvesting to 44.1 million m^3 (more than 5% compared to the previous year) largely resulted from the necessity of fast managing huge amounts of wood (according to estimates approximately 10 million m^3) from windfalls in the preceding two years (created by the hurricane in August 2017) and means return to wood harvesting in accordance with the 10-year plans of forest organisation.

In Poland the sawmilling industry processes primarily large-size wood for general purposes. Recently, this wood accounted for 42%-43% of harvested industrial wood; however, faced with shortages of this assortment, the sawmilling industry also uses medium-size wood: sawlogs and wood for industrial processing. Harvesting of sawlogs (dominated by coniferous species, while their share has grown systematically in recent years from 82% in 2015 to 85% in the years 2018-2019) amounted to 17.5 million m^3 in 2018 and 16.8 million m^3 in 2019 (fig. 4).

> In 2018, almost 95% of wood from forests came from the State Forests National Forest Holding.

FIGURE 4:
Wood removals in Poland in the years 2015-2019 (from forest and from trees and shrubs outside the forest)

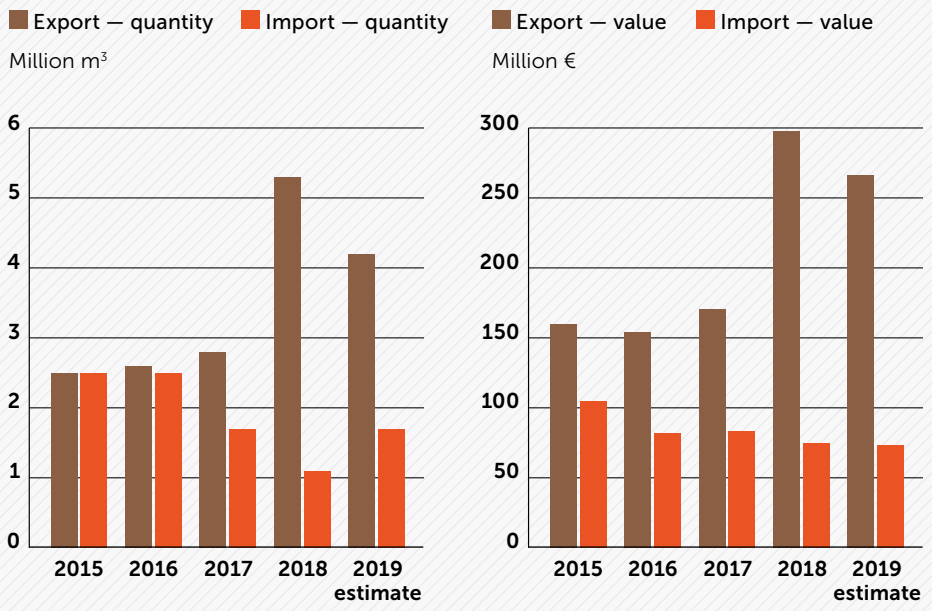


Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

Most of harvested raw wood material is consumed in Poland. In 2018 5.6 million m^3 of wood was exported (12% of the harvested volume), and in 2019 probably 4.4 million m^3 (10%). Primary exported item is industrial wood – fuelwood export is relatively insignificant (in the period 2018-2019 it amounted to 244 thou. m^3 and 150 thou. m^3, respectively) – fig. 5. Demand for Polish wood is primarily generated by the European Union countries (in 2018 more than 48% of the exported raw material was sent to Germany), while China has become a new important export market for Polish wood – in 2018 9% of Polish wood exports was consumed by China (according

to estimates, in 2019 China's share within the geographical structure of Polish wood exports increased to 16%). On the other hand, wood import has been insignificant for the Polish wood market recently (mainly due to relatively high transport costs). In 2018 Poland imported 1.1 million m^3 of raw wood material (2% of domestic harvesting volume), and the estimate for 2019 is 1.7 million m^3 (which means that import increased to almost 4% in relation to domestic wood harvesting volume). Poland imports wood primarily from the EC countries, i.e. Latvia (20% of import in 2018), Slovakia (17%), Lithuania (17%), and Germany (13%). The geographical structure of wood import has significantly changed recently, i.e. only small amounts of wood originate from the formerly most important supplier – Belarus – due to the restrictions on wood export from this country. As in the case of wood export, the import of wood is also dominated by industrial wood. Poland imports only small amounts of – in the period 2018-2019 its import amounted to approximately 60 thou. m^3.

FIGURE 5:
Foreign trade in industrial roundwood in Poland in the years 2015-2019



* Based on CN classification (Combined Nomenclature); volume – conversion from mass (tonnes) using standard conversion factors of UNECE/FAO.
* Since 2016 including 4403 11/12 (wood in the rough, whether or not stripped of bark or sapwood, or roughly squared, treated with paint, stains, creosote or other preservatives – coniferous and non-coniferous).
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

> In 2018 more than 48% of the exported raw material was sent to Germany.

Foreign trade in sawlogs is also of importance for the sawmilling industry in Poland. Recently a drop in the share of sawlogs within the industrial wood exports has been observed due to the growing national demand – in 2018 the share dropped to 38% (2 million m^3), while in 2015 it was 54% (1.3 million m^3). Poland's main exports are coniferous sawlogs (in 2015 it accounted for 90% of total sawlogs export and in 2018 for 79%) – table 2.

TABLE 2:
Sawlogs exports and imports in Poland in the years 2015-2018

SAWLOGS	Export					Import				
	million m³									
	2015	2016	2017	2018	2019 estim.	2015	2016	2017	2018	2019 estim.
Coniferous	1.2	1.2	1.1	1.6	1.5	0.1	0.07	0.1	0.1	0.2
Non-coniferous	0.1	0.2	0.2	0.4	0.3	0.1	0.06	0.05	0.03	0.03
Total	**1.3**	**1.4**	**1.3**	**2.0**	**1.8**	**0.2**	**0.1**	**0.2**	**0.1**	**0.2**

* Based on CN classification (Combined Nomenclature); volume – conversion from mass (tonnes) using standard conversion factors of UNECE/FAO.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

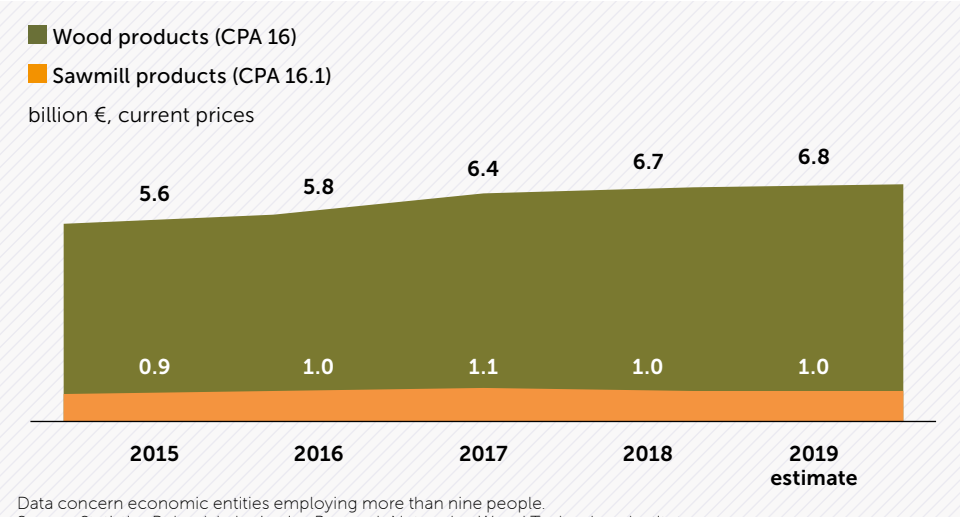
On the other hand, the sawlogs share within the industrial wood import ranged from 8% in 2015 (199 thou. m³) to almost 13% in 2018 (141 thou. m³). Import is also dominated by coniferous species, whose share within the sawlogs import ranged from 62% in 2015 to 79% in 2018.

Products of the sawmilling industry in Poland

The basic product of the sawmilling industry is sawnwood of various processing stages. However, not all companies operating in this industry are solely sawmills. The sawmilling industry, apart from sawnwood, also produces structural elements, flooring materials, wall panelling, wooden packaging, pallets, wooden garden products etc. Recently the value of sales of the sawmilling industry products in Poland was approximately € 1 billion (fig. 6) [1], which was 16.8% of total sales of the wood industry products in 2015 and 15.6% in 2018. In relation to the sales of all wood products, i.e. products of the entire wood sector, in the years 2015-2018 it was 4.3% and 3.9%, respectively, and in relation to the sales of the products of industry altogether and manufacturing approximately 0.4%.

> Recently the value of sales of the sawmilling industry products in Poland was approximately € 1 billion

FIGURE 6:
Value of sales of the sawmilling industry products in Poland in the years 2015-2019



Data concern economic entities employing more than nine people.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

1. Sold production of products acc. to the Statistical Classification of Products by Activity (CPA), Version 2.1.

According to official reporting, Poland produces approximately 5 million m^3 of sawnwood annually, of which 88% are coniferous species (table 3). However, it is estimated that these values are considerably understated [1]. The estimates based on harvesting and sales of sawlogs (which allow for the balance of foreign trade in sawlogs and the assumed sawing efficiency), tell us that recently the annual production of sawnwood ranged from 8.6 million m^3 in 2015 to 9.4 million m^3 in 2018. In 2019, due to the fall in harvesting and sales of sawlogs, the production of sawnwood also decreased – probably to 8.6 million m^3.

TABLE 3:
Production of major sawmilling industry wood products in Poland in the years 2015-2019

WOOD PRODUCTS	2015	2016	2017	2018	2019 estim.
Sawnwood *(1000 m^3)* acc. Statistics Poland*	**4835**	**4945**	**5031**	**5013**	**4940**
coniferous	4315	4356	4419	4400	4360
non-coniferous	520	589	612	612	580
Sawnwood *(1000 m^3)* – Ł-WTI estimate	**8590**	**8870**	**9160**	**9400**	**8580**
coniferous	6970	7310	7720	8090	7400
non-coniferous	1620	1560	1440	1310	1180
Veneers *(1000 m^3)*	20.5	22.4	22.6	22.0	21.0
Wooden flooring materials (excluding parquet panels) *(1000 m^2)*	6993	6511	6708	6848	6900
Parquet panels of wood for mosaic floors *(1000 m^2)*	2051	2007	2068	2327	2500
Parquet panels of wood (excluding those for mosaic floors) *(1000 m^2)*	60205	63908	66845	61971	60500
Pallets and pallet collars of wood *(million units)*	101,2	106.7	122.3	141.7	142.5

* Since 2016 including impregnated and non-impregnated sleepers.
Data concern economic entities employing more than nine people.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

> Poland produces approximately 5 million m^3 of sawnwood annually, of which 88% are coniferous species.

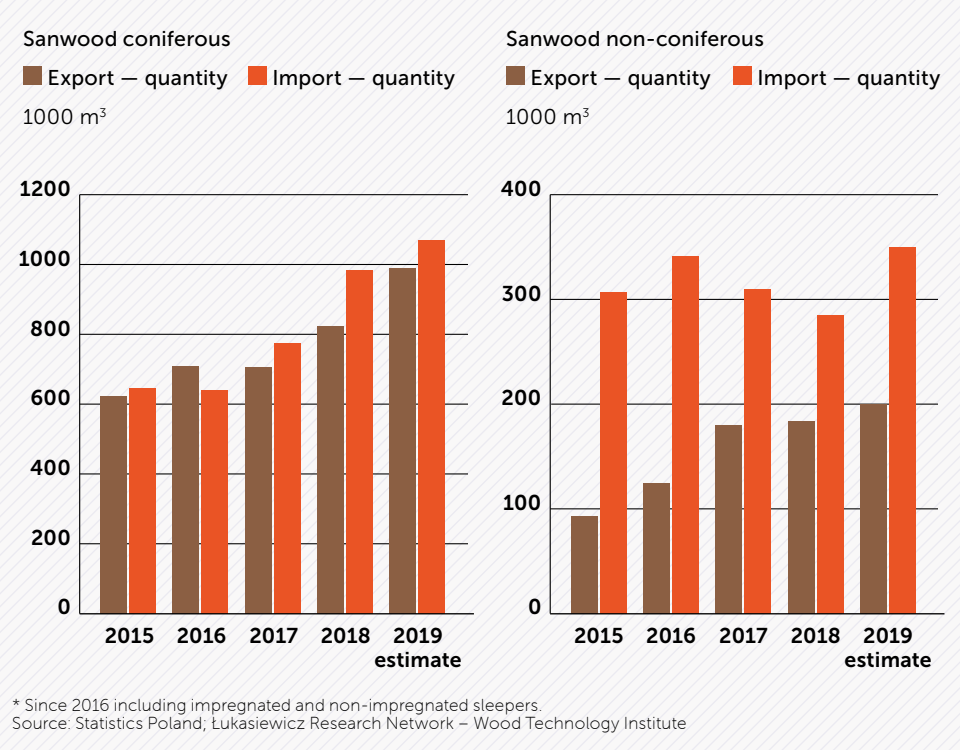
It is probable that in 2019 the production of veneers, which was 21-23 thou. m^3 in the last years, also decreased due to the shortages of appropriate, high-quality veneer logs, while an upward trend was observed in the case of production of most types of flooring materials (including mosaic floors) and pallets.

Demand for Polish sawnwood is also created by foreign consumers (fig. 7). Recently Poland's export of sawnwood ranged from 0.7 million m^3 in 2015 to 1 million m^3 in 2018 (the estimate for 2019 is 1.2 million m^3) and it was primarily coniferous sawnwood (0.8 million m^3 in 2018, i.e. 82% of total sawnwood export). The species structure of sawnwood export is dominated by pine (77% of coniferous sawnwood export in 2018) and spruce (14%). Major consumer of these exports is the European Union – in 2018 more than 97% of coniferous sawnwood was exported to the EU countries, mainly to Germany (31%), Italy (18%), and France (11%). Export of non-coniferous sawnwood is relatively insignificant and has not exceeded 0.2 million m^3 recently. In terms of species, it is dominated by oak (51% in 2018) and beech (34%). Compared to coniferous

1. Statistic reporting is obligatory for sawmilling companies employing more than nine people. Moreover, statistic reporting of some companies does not allow for manufactured sawnwood consumed directly in further processing (reporting only allows for the production of sawnwood intended for sale).

sawnwood, a relatively large amount of non-coniferous sawnwood is exported to the non-EC countries (almost 36% in 2018), including China (27% in 2018). In 2018 non-coniferous sawnwood was also exported to Lithuania (18%) and Germany (14%).

FIGURE 7:
Foreign trade in sawnwood in Poland in the years 2015-2019



* Since 2016 including impregnated and non-impregnated sleepers.
Source: Statistics Poland; Łukasiewicz Research Network – Wood Technology Institute

On the other hand, sawnwood import increased from 1 million m³ in 2015 to 1.3 million m³ in 2018 and to estimated 1.4 million m³ in 2019. The import is also dominated by coniferous sawnwood (in 2018 its import amounted to almost 1 million m³ and 78% of total sawnwood import). The primary imported coniferous sawnwood is pine (69% of coniferous sawnwood import in 2018) and spruce (21%). Coniferous sawnwood is imported to Poland from both the non-EC countries and the EU countries. In 2018 it was imported from Belarus (33%), Ukraine (17%), and Sweden (15%). In 2018 Poland also imported 0.3 million m³ of non-coniferous sawnwood (its import in previous years was at a similar level). The primary imported species are oak (44% of imported non-coniferous sawnwood) and birch (19%). Poland imports non-coniferous sawnwood mainly from the non-EU countries (69% in 2019). In 2018 non-coniferous sawnwood was imported from Ukraine (40%), Russia (17%), and Germany (16%). Sawnwood of various tropical species constituted only a small percentage of the imported non-coniferous sawnwood (4%-6% recently) – in 2018 the import of tropical species sawnwood amounted to approximately 17 thou. m³.

Wooden construction as a stimulus of the development of the housing market in Poland

The sawmilling industry and its potential are important for the development of the construction industry in Poland, especially of wooden construction which may be the answer to many current key challenges resulting from the sustainable development paradigm, which assumes that economic

> Coniferous sawnwood is imported to Poland from both the non-EC countries and the EU countries.

growth considers social and environmental issues. The attractiveness of wooden constructions resides in its features, such as: the relatively short construction time, low weight of the structure, energy-saving and low-emission characteristics, durability, the fact that it is resident-friendly (including the positive effect on the resident's heath) and environment-friendly or easy to convert or modernise. Polish state policy regards eco-construction, which in Poland also includes wooden construction, as one of strategic sectors, which may be a driver of the Polish economy development, and as one of so-called flag-ship projects, i.e. programmes whose implementation is especially important for the attainment of the set development goals of the country (with this end in view, inter alia, the company Polskie Domy Drewniane S.A. was established). According to the priorities of Polish housing policy, Poland is also a country where wooden construction is to be a larger than before stimulus of the housing development in the coming years. In medium-term (till 2030) the innovative technologies, making it possible to erect energy-saving wooden buildings (also multi-storey), are to facilitate the reduction of a housing deficit (observed for many years in Poland and estimated to be, according to different sources, 1.3-2.2 million dwellings), provided an appropriate housing development strategy is implemented.

Wooden construction, which in Poland is largely based on the resources and capacity of the sawmilling industry, has high development potential, which has not been fully utilised until now. It is estimated that approximately 800 companies producing 5000 wooden houses annually operate in Poland (6-7% of single-family houses put in commission annually). The demand for Polish wooden houses is largely created by foreign customers. Approximately 4000 wooden houses are constructed annually outsize Poland (while the import of wooden houses is insignificant and estimated to be approximately 50 pieces annually). It is assessed that there are actual premises for the systematic development of wooden construction through the creation of a market in it and the demand for wooden houses (through, inter alia, change of the perception of this type of construction in society), and thus for increasing its share within the structure of the entire housing construction. This, however, requires a series of actions at the national level and of strategic nature, which will define the housing and construction policies in Poland anew, and the development of tools which will allow effective implementation of these policies into economic practice.

Special role of the industry self-government in Poland at the time of crisis...

A common challenge to wood industries – common actions

The year 2020 surprised all, also the wood industries, with the coronavirus pandemic.

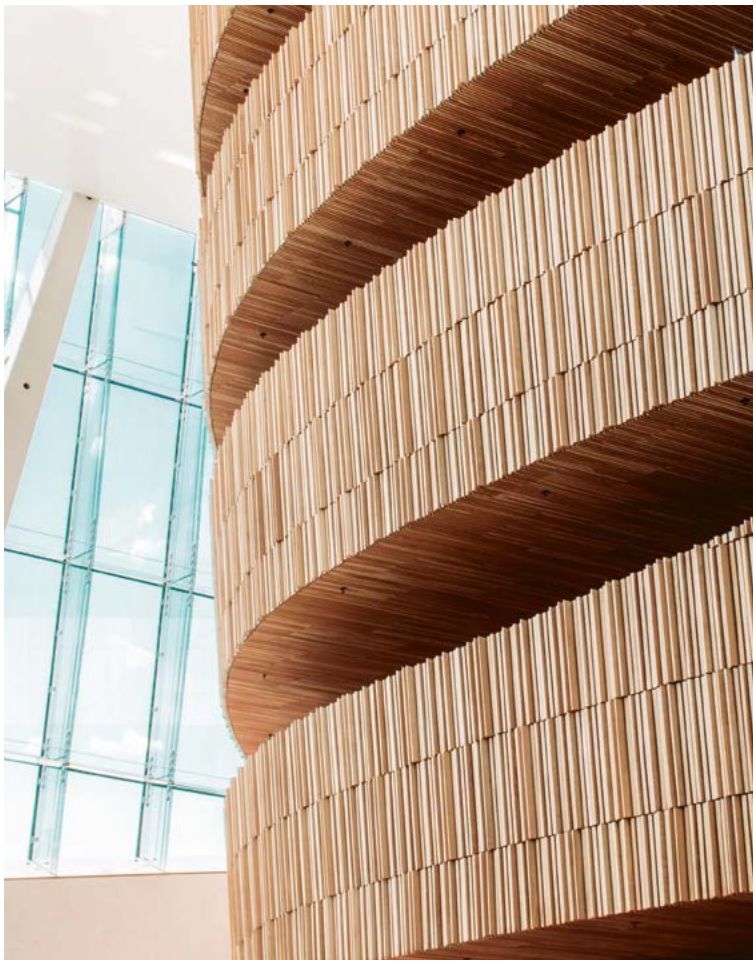
Wooden construction, (...) has high development potential, which has not been fully utilised until now.

The current situation in Europe and on the global markets is unprecedented. Many countries closed their borders. In Poland the state of epidemic was declared. Factories are being closed, also sawmilling companies and those processing wood further, including furniture factories. Although the government worked up so-called "anti-crisis shield", i.e. a set of actions and legislative solutions aimed at reduction of the negative economic effects connected with the declaration of the state of epidemic on the territory of Poland and with limitations resulting from it, many entrepreneurs (both from the SME sector and the large company sector) assess these actions as insufficient to diminish loses which are already suffered by some.

Due to the precedential nature of this phenomenon and the fact that we are at the beginning of this dynamically developing state of threat, at the time being it is difficult both to determine the duration of this extraordinary state and to assess its short- and long-term consequences for Polish wood industry, including the sawmilling industry. However, it is anticipated that for a dozen or so months Polish entrepreneurs will have to act in the conditions of limited demand and supply. After only few weeks the industry is already suffering from clear symptoms of economic slowdown. A decrease in production and sale, gradual company closures, and financial effects resulting from the incapability of delivering on the long-term contracts concerning collection of wood from the dominant producer (the State Forests NFH delivers 95% of wood to Polish market) are only few of many challenges which already have to be faced by wood companies, including sawmilling companies.

In this extraordinary situation the industry self-government has been very active, especially the Polish Economic Chamber of Wood Industry, which cooperates with, inter alia, the Polish National Committee of EPAL and the Wood Industry Association. With the view of survival of wood companies and their future development, their representatives canvass the state authorities for protective measures that would consider the specificity of the wood industries in Poland, especially in terms of the conditions of supply of domestic raw wood materials and the lines of its sale. It should be noted that when individual countries isolate themselves and former supply chains are broken, the relatively high degree of self-sufficiency in terms of supplies from the domestic raw material base may turn out to be favourable and secure local manufacturing of wood products by Polish producers (at least for some time). However, the relatively high dependence on export throughout the value chain becomes a significant issue, especially in the case of furniture production, manufacturing of flooring materials or building materials. At the time of crisis, some earlier actions of the Chamber are

> The State Forests NFH delivers 95% of wood to Polish market.



also very useful, for they resulted in new modern tools facilitating trade and access to information bases and latest knowledge in various fields (inter alia, the auction portal www.e-handeldrewnem.pl, providing information on limitations and periodical extraordinary legislative solutions or on the changes of dates of the industry conferences, fair and other events).

Changes in R&D conducive to innovation in the sawmilling industry in Poland

The global crisis revealed the weaknesses of operating within the network of global links and dependencies. In the long term it will be necessary not only to defeat the effects of the crisis but also to operate in the conditions of increased competition. All market players will have to re-define their business models and development strategies. It will be necessary to reduce loses, re-link the broken supply chains, and accelerate changes in the field of digitalisation and automation. Innovativeness will gain in importance in different spheres of operation of companies, including sawmilling companies. In Poland these processes should be supported by the reform of science and research. The scientific policy of the state clearly accents the importance of linking education, research and theory with practice (the "Constitution for Science" Act, https://www.gov.pl/web/nauka/konstytucja-dla-nauki-2).

As regards the wood industry and the sawmilling industry, there are two faculties of wood technology in Poland (in Poznan and Warsaw) and, additionally, many other higher education institutions (polytechnical and artistic) which offer attractive education programmes useful in the wood industry. Modern R&D units at industrial companies have also been developing dynamically (laboratories, constructional offices and construction-technological offices, study and project offices etc.). Research and initiatives, from which they can benefit, are also carried out in innovation centres or technology transfer centres and in clusters.

A relatively new solution is the concept of so-called implementation doctorate (having the financial support of the ministry of science), which would facilitate adjusting research to individual needs of companies and fast implementation of the research results into economic practice.

The establishment of the Łukasiewicz Research Network on April 1st, 2019, was an impulse to increase the commercial offer of science directed at economy, for the Network is to deliver attractive, complete and competitive business solutions in various fields (automatics, chemistry, biomedicine, ICT, materials, and advanced manufacturing). The goal of the Network is to conduct application research and development works important for the implementation of the economic, innovation and science policies of Poland. The establishment of the Network is to improve knowledge transfer from science to economy, create more effective cooperation between its institutes, enhance coordination of research topics, and help gather knowledge and resources in individual thematic fields. With its 8000 employees and 35 research institutes (at present) located in 11 Polish cities, the Łukasiewicz Research Network is the third largest research network in Europe (https://lukasiewicz.gov.pl). The Wood Technology Institute in Poznan also became part of the Network. The Institute creates innovative solutions directly for the wood-based industries (www.itd.poznan.pl) and offers research services carried out by its Accredited Testing Laboratory as well as certification services rendered by its Certification Centre of Wood Industry Products.

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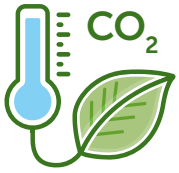
Poznan, March 2020

SPECIAL FOCUS

RECENT DEVELOPMENTS IN MEASURING ENVIRONMENTAL IMPACTS AND THEIR IMPORTANCE IN PROMOTING SAWN WOOD

Systems showing environmental impacts like carbon footprints are becoming increasingly popular.



Introduction

Wood has many benefits that can help the current climate emergency, but perhaps most important are three that can be measured by **Life Cycle Assessments** (LCAs);

1) **Timber uses little energy in production and so has a small carbon footprint**
2) **Timber stores carbon within it, which was removed from the atmosphere as the tree grew. This can be stored for a long time maintaining a reduced level of atmospheric CO_2**
3) **Timber can be used in a way that replaces other materials with higher carbon footprints, such as steel or cement, and so has high abatement potential (or substitution effect).**

LCAs have been used to assess the importance of all of these attributes and there are now many reports in the scientific and popular press that show these benefits. Unfortunately, what often makes the news are the reports that go against the general consensus, and which try to show forestry or timber as having a worse environmental impact than other industries. There will always be bad examples of unsustainable forestry or bad uses of timber as both industries are globally so extremely diverse, which other industries and less rigorous or reactionary reporting will always try to portray as being representative of the whole industry.

However, as the way in which we display and use LCA results becomes more standardised and the results harder to dispute, especially through Environmental Product Declarations (EPDs) and potentially through the ECs proposed Product Environmental Footprints (PEF) initiative, there is an opportunity to overrule these anecdotes and show the genuine benefits of wood. This article reports the recent developments in this area, and why it is so important for the sawn wood sector to maintain input into their development.

Environmental assessments require LCA Data

There is a great deal of demand for data on the environmental impact of products, as such LCA based results for individual products and systems showing environmental impacts like carbon footprints (aka Global Warming Potential – GWP) are becoming increasingly popular. Architects for example are being asked by their clients for lower and lower impacting building and fit-out designs, and there are now many national initiatives that will require the environmental impact of construction works to be assessed. Much of this work will be performed through computer driven design tools, such as Computer Aided Design (CAD) programs, where data on environmental impacts can sit alongside structural data. These Building Information Modelling (BIM) systems are very much where the use of timber can shine, but only if the data used allows meaningful calculations. For example, if the data does not report how much biogenic carbon is stored in a wood-based product

then no further calculations regarding its benefit can be made. So, what is being displayed and what is being proposed?

Product specific data from LCAs

The term Life Cycle Assessment can apply to a great variety of studies and can be performed in a way that encompasses any question regarding environmental performance the author may want to look at. This can be done with relatively little restriction of what is reported as long as it can convince a peer reviewer that it has been conducted fairly and adheres to the relatively open set of ISO standards (ISO14040+). It might be a national level assessment on the abatement potential of timber in construction or the effect of replacing steel framing with wood for example.

When it comes to the presentation of the impact of one product in an EPD however, the scope is very much reduced as it must comply with various rules for it to be valid. These Product Category Rules (PCRs) are developed under a programme with a great deal of industrial and technical support. The result is that the EPD from one company can be compared with the EPD from another, or the results from many EPDs can be added together to assess the impact of a whole building.

Product Environmental Footprint (PEF)

The PEF initiative is slightly different to EPDs in that it was not born out of a commercial response to the request for data, or promoting what can robustly be displayed, but a more of an idealistic approach of what would be good if it could be displayed. As such, some of the impact categories presented by PEF are less reliable, though GWP is one of the few categories that are agreed upon as important.

In 2019 an EC mandate effectively forced the existing standard for construction EPDs (EN 15804 A1) to be updated in order to harmonise with PEF, even though it is still not completed. Of the 20 impact categories originally displayed in established construction EPDs only 4 of them matched those proposed in PEF. The result was that many new additional impact categories, such as water scarcity and ionizing radiation, were added to the revised version (EN 15804 A2). Many of these new indicators carry a disclaimer stating "The results of this environmental impact indicator shall be used with care as the uncertainties on these results are high or as there is limited experienced with the indicator".

While PEF is still being developed there is a danger that further impact categories may be added. One being discussed regards biodiversity, which is not possible to perform without bias. This is because it is impossible to quantify the actual number of all living things that may be affected by the production of the product, and so a great deal of assumptions mush be made, which inevitably introduces bias toward fossil materials.

One seemingly good outcome is that the quantity of stored biogenic carbon is now clearly displayed in PEF and now the very latest construction EPDs, as the GWP (Global Warming potential) is now split into GWP_{fossil} $GWP_{biogenic}$ and $GWP_{land\ use\ and\ land\ use\ change}$ as well as a total. This means that it is now easy to see the quantity of the stored carbon in timber, whereas before it was up to the EPD producers' discretion if it was included in the single GWP indicator displayed.

Simplifying PEF results

The real danger with PEF is that the results are intended to be further "simplified", though it actually requires the methodology to be somewhat more complex to enable this. This is because PEF is being developed with the intention of applying it to all products from food to footwear as well as construction and there is an assumption that consumers do not want to see results from each impact category. This means that instead of a PEF showing, for example, one

© JRC

PEF

is a multi-criteria measure of the environmental performance of a product or service throughout its life cycle.

result for its carbon footprint and a separate one for ozone depletion potential, PEF will display a single score (or ecopoint).

The intention of this single score is that the product can be benchmarked against other products that perform the same function. From this, a best-in-class can be shown or they could be graded, much like electrical goods' A-E system. Whilst this may provide a simple label for the consumer, it is extremely difficult to assess fairly in practice. It also does not provide a full picture of why it was graded in this way, and any product with a slightly different intended use to the standard product, or with multi functionality, may not be graded in a favourable light.

To create this single score the results from each life cycle stage first needs to be totalled into one result. This in itself is concerning for timber as the method proposed for this assumes that all CO_2 stored is returned to the atmosphere at some point in the future, even if it is likely to be reused or recycled. As such the quantity of stored carbon Is not reported.

The results then need to be "normalised" so that the units used for each impact category, $kgCO_2e$ and MJ etc, can be presented as one unit. This requires taking a benchmark entity (the impact of the average European citizen for example) and then multiplying the results accordingly. The next stage involves "Weighting" the results, which involves multiplying them by an agreed value based on their perceived importance. Current proposals would multiply GWP_{fossil} by approx. 25% of the weighting and less to other impact categories. Though currently $GWP_{biogenic}$ is given the factor of zero i.e. it will not be included.

Another concerning point is that the weighting applied to the impact factors mentioned previously that require a disclaimer in EPDs, as they are not considered reliable, actually receive total more total weighting than GWP_{fossil}. Given the enormity of the climate change emergency, to remove a simple result from the view of the consumer and then over-rule it by other untried indicators seems somewhat irresponsible, hence why it is so important for the timber industry to push for EPDs over PEF unless it can be made more transparent.

There is an opportunity for PEF to be a useful tool if the results are presented by lifecycle stage and not aggregated into a single score. This could support many of the whole building assessment initiatives. One such initiative is Level(s) which was also proposed by the EC, but like PEF, it was also found to be too complex during a testing phase. It is hoped that it can also be simplified for the user and by maintaining focus on Climate Change related issues, such as material choice and building efficiency.

> "In addition, a calculation function could be added to AutoCAD programmes to show this carbon storage benefit to architects and designers and their clients.

Measuring the benefit of stored carbon

EPDs can clearly show that wood has a low carbon footprint when compared to other materials. This information can be also used to show lower impacts for whole

construction projects. However they do not report the effect time has on storing carbon nor do they show that storing carbon for longer increases this benefit. This is because there is currently no consensus on how to quantify the benefit of stored carbon.

An example of this beneficial effect can be considered on a national level by considering an option to mitigate climate change by planting more trees. This would appear to be an effective option because as the trees grow they will adsorb CO_2. However, when they are mature in some 40 years, this adsorption will in effect stop. Some have argued, to leave the new plantations as wild spaces, but this is rather limited in mitigating climate change. Only a certain quantity of carbon can be stored for all the land used.

If we consider removing the mature trees for timber in longer term uses, such as construction or furniture and many other uses, then a large quantity of the CO_2 can be prevented from returning to the atmosphere while another forest can be grown and thus more carbon is stored. There comes a point where it becomes difficult to store more carbon as the older material comes to the end of its use and the carbon is potentially lost (e.g. if burned) however this may take a very long time (equivalent to many forest planting/growing rotations) depending on reuse/recycling rates.

As a simplified example of this, if all the carbon from the first rotation is still stored in timber products after a further three rotations then approximately three times the amount of carbon will be stored than leaving the trees to mature. The effect of this is seldom quantified in national inventories of carbon nor at a product level which perhaps it should be in order to incentivise extending a product life cycle.

At a product level it is quite complicated to apply an equation to the benefit of extending the time that carbon is stored especially if we assume it will be released eventually. If we study the effect of CO_2 being released directly from the chemical reactions needed in the production of cement, and the potential for some of this to be recovered through re-carbonation we can consider the opposite situation to carbon storage. During the life span of the cement and the time that the CO_2 is in the atmosphere, it contributes to climate change and by assuming some of this is recovered we miss the effect of this damage caused.

There are a number of methods in the scientific press that already provide formulas to assess the benefit of carbon storage and thus provide a figure relative to the GWP already presented on EPDs. Examples to show the effect of storing the carbon could be added to EPDs (there are currently no rulings to prevent this). In addition, a calculation function could be added to AutoCAD programmes to show this carbon storage benefit to architects and designers and their clients. However, the timber industry must agree on, and perhaps standardise, a method to do this.

Conclusion

Sawn wood is a vastly important material capable of providing many solutions in the fight against climate change. LCA based declarations can show these benefits, but we must ensure these benefits are displayed and communicated effectively if we are to quash spurious claims from other industries and bad press.

Writer information.
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EOS expresses gratitude to Dr. Norton for his precious contribution to the EOS Annual Report 2019/2020.

5 The Bark Beetle outbreak

5.1 INTRODUCTION

Scientists agree that climate change is largely caused by increasing emissions of greenhouse gases, especially carbon dioxide. This has an impact on forests, making them more vulnerable and at greater risk from invasive species and natural disturbances such as disease, fire and insect infestations. In the first 10 to 20 years after disturbance, forests often can be carbon sources because decomposition of residues and dead organic matter releases more carbon than is taken up through photosynthesis. With time, growth rates increase, decay of residues decreases, and maturing forests become net carbon sinks. As forests grow older their growth potential and associated carbon uptake decreases.

Forest disturbances such as pests and wildfire can lead to the destruction of entire forest stands having – at the same time – significant impacts on the productive capacity of forestry sectors. The risk is that many forest owners, who have neither the capital nor the time or know-how for the changes caused by climate change, are not going to continue cultivating and manage their forests. Consequently, the negative effects will manifest as: decrease in traffic safety, no maintenance of roads and paths, deterioration of entire groups of trees, etc.

In the light of the climate change impact on the European forests, the European Sawmill Industry emphasises the need of a multi-stakeholder approach and a Europe-wide effort to tackle this problem. Holistic market-oriented solutions should be elaborated on the basis of environmental science-based arguments. We need solutions in order to make European forests resilient to climate change disturbances and able to secure the provision of sustainable timber for the European wood processing industries. While in the short-term there will be an abundance of raw materials in the market, it would not be reckless to assume that in medium-term the sawmill industry will face a shortage of fresh and good quality raw materials.

Main challenges for the EU sawmill companies:

- Preparing for slightly declining volumes and prices globally
- Adjustment of purchasing strategy to a continuously changing raw materials situation
- Securing ability to compete internationally
- Transition of changing conditions into strategic company development

A third consecutive year of bark beetle infestation is expected to ravage the European forests, in particular spruce trees. The warm winter of 2019-2020 and spring drought across parts of Central-Western Europe have aggravated the situation, and the coronavirus pandemic has limited interventions in the forests, and has also blocked domestic and export markets.

Overall, between 2017 and 2019, it has been estimated that over 270 million m³ of standing timber in Central Europe has been damaged by a combination of factors, primarily driven by changing climate conditions featuring hotter, drier summers and warmer winters. Nevertheless, data are estimation, because currently Europe doesn't have any system for collecting data on forest disturbances.

Bark beetle infestation: what is happening in europe. (Data refer to june 2020 — sources, Timberonline and Fordaq)

In April 2019, the European Forest Institute has published a report titled "Living with bark beetles: impacts, outlook and management options".

This report was prepared in response to the alarming increase in impacts of bark beetle outbreaks in Europe's conifer forests. It aims to inform policies on how to adequately respond to an expected intensification of bark beetle disturbances, as well as to the social and political conflicts caused by some recent outbreaks and the efforts to manage them.

According to the report, **bark beetle disturbances are projected to increase** all across temperate Europe in the future. **The strongest relative short-term increase is expected in the Sub-Atlantic region of Europe, i.e. Germany, France, Denmark, the Netherlands, Belgium and Luxembourg.** For this region, the average annual bark beetle damage projected for 2021-2030 is almost six times higher than what was observed from 1971–2010.

To efficiently manage bark beetle outbreaks, as the Report underlines, it is necessary to explicitly define management objectives, which will often require participatory approaches that engage multiple stakeholders. A clear set of management objectives that is accepted by a broad group of stakeholders will also reduce the probability of societal conflicts. Reaching this objective might require implementing improved education and communication programmes at all administrative levels, from governments to local area managers.

Based on the course of previous calamities, published forecasts and numerous expert discussions, Holzkurier's editorial team assumes that the peak is reached in 2019-2021. Even if one supposes that the calamity is slowly subsiding, another 500 million m³ of damaged wood would accumulate in the coming five years, and thus a volume of nearly 750 million m³ over a period of ten years. This information is nevertheless not supported by the FEA Study that instead **predicts that the peak has not been reached yet**. (If the peak will be reached/ is reached depends on the forests surface that is taken into consideration.)

France

In the Vosges forests of France, the alert came early, in a press release dated April 16 from the Vosges Chamber of Agriculture: *"We have already mentioned sporadic bark beetles signs of infestation in March, but the cold week of April 1 tempered the expansion. In the early hours of Monday April 6, the winter spruce trees had not yet been attacked. But a week later, in Easter Monday, the first attacks could be observed. The bark beetles will attack first the weakened trees. They will colonize these trees, reproduce and lay eggs there which will become larvae and then insects within 8 weeks "*.

Belgium

Alert in Wallonia: *"A new infestation with bark beetles, insects which attack and weaken spruces, has been noted recently, and there are risks of a further increase in the number of beetles, which had already destroyed a million cubic meters these last two years in Wallonia. It is estimated that the volume*

of beetle spruces (public and private) amounted to 390,000 m³ in 2018 and 600,000 m³ last year".

Dach Countries

Since mid-April, bark beetles have also been spotted in large parts of Germany, Austria and Switzerland. In addition to infestation of fresh storm wood that is still in the forest, standing timber infestation is also reported in many places. With the mild winter followed by an excessively dry spring, which further weakens the spruce, the bark beetles spread met the best conditions. While efforts are focused on cleaning up the damage from the Sabine storm and thus reducing the outbreaks of bark beetles while controlling the fire risk, it is almost impossible to sell the damaged wood.

Switzerland

In Switzerland, the bark beetle is already present in the entire north side of the Alps and occasionally in the rest of the country. In addition, a lot of storms and other damaged wood had to remain in the forest. In 2019, the Nordic spruce bark beetle *(Ips duplicatus)* from Scandinavia and Russia was first discovered in Switzerland. Experts predict that it will spread all over Switzerland. No special countermeasures are possible, since the usual way of combating bark beetle also affects the new species. **Only the cutting of infected spruce trees in winter can stop the spread of the bark beetle.**

Austria

Lower Austria, Upper Austria and part of Styria record favourable temperatures for bark beetles, some of which were already visible in January.

Germany

Similar things happen in Germany. In warmer locations up to 800 m above sea level, infestation in Bavaria began in mid-April. In Middle and Lower Franconia as well as in Lower Bavaria, traps were occasionally above the warning threshold for infestation of 3000 bark beetles / trap / week.

In Thuringia, the infestation was visible at Easter and a third generation of beetles is expected, despite the fact that it has been possible to largely destroy the larvae refuges. Among other things, ThuringiaForst hired almost 100 additional forest protection helpers and coordinators last year.

In Hesse, HessenForst expects the number of bark beetles to increase again this year. All forces are therefore focused on the removal of damaged wood. The top priority is to save the intact forest stands in East and South Hesse.

The bark beetle density in Saxony is enormous. The bark beetle season also started in Saxony in mid-April, as the Ministry of Forestry informed. This is shown by the current catch results of the nationwide bark beetle monitoring. More than 80% of the traps have higher catch numbers than in the record year 2019 at the same time. If the first wave of bark beetle infestation has already been completed and new trees are already infected, this is particularly important for the mountainous areas. Forestry workers at the state-owned enterprise Sachsenforst are currently prioritizing rapid detection of infected trees, swift removal of damaged wood and timely debarking of felled spruces.

Other Regions:

- In Brandenburg, however, the first forest fires of the year have so far been more worrying than the insects that are already active. Either way, the drought is present and expected to favour the bark beetle spread.
- In Mecklenburg-Vorpommern, the first infestation signs were visible on April 15. The very high temperatures create a very favourable ground for new attacks.
- In Rhineland-Palatinate, and in Saarland, the infestation started on April 16 and should continue, while the export of logs to China has stopped.
- North Rhine-Westphalia: The bark beetles are everywhere except in the extreme south.
- Lower Saxony: for the time being, rain and low temperatures are delaying the infestation.

Schleswig-Holstein: low temperatures, few bark beetles, but this could change quickly, so the forests of the north are placed under close surveillance.

Finally, as legislative proposal to tackle the bark beetle problem, the German Federal Government is expected to will provide € 700 million to deal with the damage in the German forest after two years of drought. The aid will also be used for "investments in modern operating machines and equipment" and on "promoting a modern timber industry including the greater use of wood as a building material".

In addition to the specific points on the topic of wood, the industry will also benefit from the reduction in VAT and the CO_2 building renovation program.

5.2 WORKSHOP ON PRO-ACTIVE MANAGEMENT OF FORESTS TO COMBAT CLIMATE CHANGE DRIVEN RISKS, 3-4 SEPTEMBER 2019, ISTANBUL

The Turkish General Directorate of Forestry hosted the workshop Pro-active Management of Forests to Combat Climate Change Driven Risks: Policies and measures for increasing forest resilience and climate change adaptation, on September 3-4, 2019 in Istanbul in the framework of the FOREST EUROPE Work Programme 2016-2020.

The workshop aimed at opening the discussion on a broader framework for climate change adaptation and pro-active disturbance risk management based on solid scientific evidence combined with expert-knowledge that should be endorsed at the policy level in order to promote its application at the operational level.

EOS took part the workshop as participant and panellist. The key information raised during the two days meetings are summarised below:

- Recent observations prove that extreme climatic events and associated disturbances are affecting forests across different bioclimatic regions in Europe. Rising atmospheric CO_2 concentration, higher temperatures, changes in precipitation, flooding, duration and frequency of drought periods have significant impacts on forests. These climatic changes will also consequently influence and cause biotic (frequency and consequences of pests and diseases outbreaks) and abiotic disturbances (changes in fire occurrence, changes in wind storm frequency and intensity) with strong implications within forests ecosystems.
- Evidence based climate change adaptation and pro-active disturbance risk management should be supported by wider forest monitoring efforts than are currently available.
  - To inform climate change adaptation practice, improved access and interpretation of climatic and site water balance observations (e.g. soil water deficits as early warning signal) would be desirable.
  - With the exploration and testing of adaptive forest management practices such as assisted migration new monitoring needs arise to gather and review empirical evidence of the effectiveness of climate change adaptation measures.
- To plan and target pro-active risk management it is important to expand the scope of monitoring also to inform on preparedness and prevention as well as the recovery phase after the immediate disturbance impact. Defining purpose and setting strategic objectives for each stage of the disaster risk management cycle should be the starting point for determining monitoring procedures for each situation to steer efforts towards an optimal
- Outcome.
  - New technologies should be adopted for monitoring, mapping, risk assessment, and informing decisions, e.g. on prioritizing areas, where to allocate resources. Specific tools, datasets and methods can be chosen from the diversity of what is available on the market, depending on the level of detail needed

and diverse requirements to inform general public, the government, or private sector.

- Insect population dynamics and associated damages are currently monitored to different degree by regional and national institutions, but not systematically compiled at international level.
  - The scale and speed of recent outbreaks calls for enhanced coordination of national monitoring activities. Responsible entities and platforms should be identified. It would be desirable to make international compilations frequently available, e.g. through the discussed European forest risk facility. Regular compilations would be valuable to inform trans-national pro-active disturbance risk management.
- Detection and recognition of new threats is of increasing importance and monitoring the risk of invasive species and pests should be continued, and appropriate preventive measures should be applied.

Copy of the report is available at the following link: https://foresteurope.org/wp-content/uploads/2016/08/WS_report_CC_Adaptation.pdf

5.3 STUDY ON A REAL TIME EUROPEAN FOREST MONITORING SYSTEM

Following the recommendations of the **EOS Task force on "Forestry and Raw material"** held on 27 November 2017 and following the EOS Board Members decision, EOS established a task force of scientists in order to assess what is currently available in terms of data/knowledge in the forest as regards general provision of raw materials, including damaged roundwood forecast; approach should be all-encompassing and neutral.

At the beginning of June, the final Study on a REAL TIME EUROPEAN FOREST MONITORING SYSTEM elaborated by three researchers from authoritative institutes, Dr Andreas Kleinschmit from FCBA forêt, bois, construction et ameublement, Prof Raffaele Cavalli, from the Università di Padova, and Dr Silvio Schueler, from the Austrian Federal Research and Training Centre for Forests, Natural Hazards and Landscape, was delivered to the EOS Members.

Since the very beginning of the elaboration of this project, the competent services of the European Commission have been in close contact with the three researchers and the EOS Secretariat. Additionally stakeholders were consulted and a workshop was organised on the 20 February, in Brussels. Moreover a web meeting was organised on 28 May with the Cabinet of the Commissioner Wojciechowski.

On 16 June another web joint meeting was hosted with DG ENVI, DG CLIMA, DG AGRI, DG JRC and the European Environmental Agency, while on 8 July, EOS gave a presentation of the Study on occasion of the EU Expert Group on Forest-based Industries and Sectorally related issue.

As first positive result of an intense advocacy action, the EU Commission has announced (*in the recently published "2030 biodiversity Strategy"*) that will work with other data providers to further develop the Forest Information System for Europe. (*Please see the EOS press release at the end of this paragraph*). Additionally, as important achievement, also the ITRE Report "The European Forestry Strategy: The way forward" (European Parliament) states that the EU Parliament *"calls on the European Union to create a monitoring network for European forests to collect information at local level (reforestation, temperatures, parasitic diseases, natural disasters) linked to Copernicus earth observation programmes, which can produce reliable forecasts in real time to improve sustainable forest management."*

The **REAL-TIME EUROPEAN FOREST MONITORING SYSTEM** aims at providing accurate information to the wood processing industries and allow them to remain competitive and assure best performance in the context of a circular and sustainable Green Economy. At the same time, this tool is expected to be beneficial to guarantee healthy and resilient ecosystems.

Executive Summary of the Study on a Real-Time European Forest Monitoring System RT-EFMS

The authors of this study analysed the current events across Europe, which had measurable huge, mostly negative impacts on forests and the forest-based sector. Based upon the understanding, it was discussed and analysed how facilitate the creation of capacities within Europe to tackle these issues and how to accompany the paradigm shift needed to restore and increase resilience in the forests.

The European forest ecosystems, representing around 42% of European surface, are facing various impacts by climate change effects, leading to unpredictable outcomes and uncertainties for the society at large and in peculiar for forest-based industries, a green booster for the circular bio-economy. Climate change challenges and impacts are global and cross-border issues. Ecosystems, specifically forests are not limited by geopolitical borders, creating extra burden and difficulties to develop best solutions by combining and connecting expertise, competences and building knowledge-based capacities. Due to a multitude of negative events in the very recent years throughout Europe that caused huge calamities in forest ecosystems (droughts, storms, insects, nematodes, fungi, snow and ice, fires, floods ...) EOS set-up a small team of experts to work on ideas on how to best tackle the situation and on how to prepare for the future.

It has to be stated that good knowledge, expertise and even long-lasting experience are at hand across all parts of the European forest and forest-based sectors. There are also many networks of specialists who focus on specific aspects in forest research or inventories. But none of the existing tools, instruments, models, networks is sufficient enough to address the overall complex framework and to provide information and expertise for today's and future adaptation to climate change and for reinforcing resilience in the ecosystems as well as in the depending value chains. The forestry-wood chain is threatened by the current developments.

The frequencies and the dimension of impacts require concise actions, huge capacities and competences to be mobilised in a very short manner. Adaptation strategies as well as urgent actions to manage incidents lack good data and real life-time actual information. Therefore is has turned out to be essential to focus on the development of such a monitoring system that will be based upon a vibrant expert network, connecting local forest information to a European network information system that shall be coordinated by an expert team, which will digest and analyse the date to provide actualised knowledge and information back to users to support their specific needs. Essential tools like the Forest Information System for Europe – FISE, developed by the European Environment Agency (EEA) as well as the Copernicus system and many other existing inventories, models, decision support systems etc., could be further fine-tuned by feeding-in regularly actualised data on forest ecosystems. An independent expert group could provide forecast information taking various scenarios of development into consideration for accompanying the adaptation and management strategies. Such a Real-Time European Forest Monitoring System (RT-EFMS) can only function if coordinated within a vibrant expert network with focal points for data collection and providing expertise.

A strong forest-based sector, with healthy resilient forest ecosystems and sustainable value chains connected will avoid a distressed circular bio-economy that will be essential for a sound, integrative and sustainable society.

To order a copy of the Study, please contact the EOS Secretariat: info@eos-oes.eu

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

PRESS RELEASE, 20 MAY 2020

A tool like a "REAL-TIME EUROPEAN FOREST MONITORING SYSTEM" represents the essential element to develop a European Forestry Strategy. This instrument will allow the wood processing industries to remain competitive and assure best performance in the context of a circular and sustainable Green Economy. At the same time, this tool will be beneficial to guarantee healthy and resilient ecosystems. Climatic factors, abiotic and biotic disturbances have a direct impact on forests, on the functioning of forest ecosystems and consequently on the wood value chain.

The European Organisation of the Sawmill Industry welcomes the call to develop a Forest Information System for Europe published today in the framework of the 2030 Biodiversity Strategy in which the EU Commission has announced that "a new EU forest data and information architecture will be presented in the upcoming EU Forest Strategy".

Throughout the last decade European forests experienced a series of abiotic and biotic disturbances which left unprecedented damage. Major abiotic disturbances include various storms, occurring in Poland, Western Europe (particularly in Germany) and in the southern Alpine regions in which besides the damage to forests, the storm and flooding event caused major harm to society and infrastructure. Also, forest fires established new records in the past years and affected forest ecosystems in Mediterranean (Portugal, Greece), the Pyrenees, the Alpine region and since 2018 also the boreal North. Not only do fires destroy timber resources but also vulnerable forests of the Natura 2000 network.

Overall, between 2017 and 2019, it has been estimated that over 270 million m^3 of standing timber in Central Europe has been damaged by a combination of factors, primarily driven by changing climate conditions featuring hotter, drier summers and warmer winters. (Source: Forest Economic Advisors Report "Central Europe Beetle & Windstorm Timber Distaster: Outlook to 2030".)

The ongoing bark beetle crisis and the abiotic disturbances strongly challenge the long-term availability of timber resources and stable market conditions especially as data on forest resources are mainly available at national level, while bioeconomy actors operate at European and global level. At present, single players (forests companies as well as timber industries) only have limited national data sources to gauge the extent of the damage, while both weather-related disturbances and bark beetles infestations are spanning throughout several countries. Also, timber markets at EU level are fully integrated. Furthermore, wood harvest and damage statistics differ among countries and partly even among regions, making data comparability very challenging.

The European Sawmill Industry chiefly relies on EU wooden materials (almost no logs are imported). This value chain is thus based on security of supply and produces carbon-neutral products. Representing more than 80% of the forests owners' incomes, the European Sawmill Industries play an important role in the development of sustainable forest management and in the forestry value chain.

Wood products create an opportunity to provide long-term carbon storage benefits by storing carbon and by substituting more energy-intensive materials. They offer a reliable and effective way to develop a sustainable and environmentally friendly Europe. Mapping and forecasting disturbances in forests is therefore essentials to both well-informed management plans and to a competitive European wood processing Industry.

For more information visit our website www.eos-oes.eu
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5.4 TEMPORARY OBLIGATION FOR THE AUSTRIAN SAWMILL TO BUY DAMAGED WOOD IN SURROUNDING AREAS

Last June 2020, due to the bark beetle outbreak, the Austrian legislator proposed to amend the Austrian Forest Act including a **temporary obligation for the Austrian Sawmill to buy damaged wood in surrounding areas**. This amendment to the Austrian Forest Act did not contain any specifications regarding the terms of delivery (delivery periods, quality, quantity, price, etc.) under which the purchase obligation exists; thus, forest owners might dictate the terms of delivery at their discretion.

Although the economic and environmental implications caused by forest disturbances (such as bark beetles) cannot be disregarded, **this proposal appeared to be a breach of the European internal market law and didn't contain any elements that might imply a derogation of the European internal market rules** (indeed derogations are possible if the internal market restrictions are not going to be used for economic gain or to protect the national internal market. At a first glance the Austrian law proposal does not seem justified.).

Please find reported below copy of the Austrian law change proposal:

"If in times of a threatening mass propagation of forest pests the sustainable forest management of a certain region is endangered, the Federal Minister for Agriculture, Regions and Tourism may by decree provide for more detailed orders on the obligation of wood-processing enterprises (WPE) to purchase damaged wood from this region for a limited period of time during the time of such endangerment. A region is to be defined as an area within the perimeter of the specific WPE, which may also include areas of neighbouring countries depending on the location of the endangered forest areas."

Representatives of the European Forestry Value chain acknowledged the Austrian legislator decision to amend the current Austrian Forest Act stressing that this provision could potentially create a market distortion and hamper the realisation of a fully integrated Single Market.

In a joint statement (here reported) the Representatives of the European Forestry Value chain recalled that the compliance with the Single Market rules is a key driver of growth and the main engine for economic recovery. In these challenging times a well-functioning Internal Market is more important than ever.

Brussels, 17 June 2020

JOINT STATEMENT: CALL FOR COMPLIANCE WITH THE SINGLE MARKET RULES

Representatives of the European Forestry Value chain acknowledge the Austrian legislator decision to amend the current Austrian Forest Act introducing the following provision: "*If in times of a threatening mass propagation of forest pests the sustainable forest management of a certain region is endangered, the Federal Minister for Agriculture, Regions and Tourism may by decree provide for more detailed orders on the obligation of wood-processing enterprises (WPEs) to purchase damaged wood from this region for a limited period of time during the time of such endangerment. A region is to be defined as an area within the perimeter of the specific WPE, which may also include areas of neighbouring countries depending on the location of the endangered forest areas*."

This provision, if adopted and implemented, may represent a breach of the European Internal market rules, in particular Article 34,35 TFEU, thus potentially creating a market distortion and hampering the realisation of a fully integrated Single Market.
Compliance with the Single Market rules is a key driver of growth and the main engine for economic recovery. In these challenging times a well-functioning Internal Market is more important than ever.

A third consecutive year of bark beetle infestation is expected to ravage the European forests, in particular spruce trees. The warm winter of 2019-2020 and spring drought across parts of Central-Western Europe have aggravated the previous year's situation, and the coronavirus pandemic has limited interventions in the management of forests, temporarily blocking domestic and export markets. Climatic factors, abiotic and biotic disturbances, have a direct impact on forests, on the functioning of forest ecosystems and consequently on the European wood value chain. These industries depend on different wood resources, qualities (such as dryness and moistures) and conditions.

Representatives of the European Forestry Value chain are willing to engage both at European and at national level to identify the most suitable solutions that will be beneficial for the entire forest industry value chain and provide credible support to forest owners, for instance by financially supporting them in replanting the damaged forest area.

SIGNATORIES:

Jérôme Roche, Secretary General, **CEETTAR: European Organisation of Agricultural, Rural and Forestry Contractors.**
Patrizio Antonicoli, Secretary General, CEI-Bois: **European Confederation of Woodworking Industries**
Jori Ringman, Director General, **CEPI: Confederation of European Paper Industries**
Gabriella Kemendi, Secretary General, **EFIC: European Furniture Industries Confederation**
Silvia Melegari, Secretary General, **EOS: European Organisation of the Sawmill Industry**
Thomas Goebel, General Secretary, **ETTF: European Timber Trade Federation**
Isabelle Brose, Managing Director, **FEP: European Federation of the Parquet Industry**

5.5 EU PARLIAMENT – QUESTIONS FOR WRITTEN ANSWER TO THE EU COMMISSION ABOUT THE BARK BEETLE PROBLEM

At the beginning of 2020, three Members of the EU Parliament (MEP) presented questions for written answer to the EU Commission related to the bark beetles and the effects on our Industry.

The text of the questions for written answer to the EU Commission is reported below.

Question for written answer E-002848-19 to the Commission by MEP Ulrike Müller (Renew) on compatibility with EU competition law of mandatory use of bark-beetle-infested timber for public-works projects

The severe drought in summer 2018 put many forests in a number of regions in Europe, including southern Germany, under enormous stress. Furthermore, pest infestation has greatly increased as a result of storm damage. In particular the bark beetle is causing considerable economic harm in coniferous forests, with timber prices falling sharply.

1. In the Commission's estimation, can the Member States affected instruct their authorities to use timber from bark-beetle-infested trees for public-works projects?

2. Would that be compatible with EU competition law?

Answer given by Ms Vestager on behalf of the European Commission

The Commission is aware of the outbreaks of bark beetle in many areas of the EU.
Any instruction from a Member State to its public authorities to use bark-beetle-infested timber, would need to be compatible with EU public procurement rules. The relevant directives apply above certain thresholds [1].

They require that the procurement is based on the principles of equal treatment, non-discrimination, mutual recognition, proportionality and transparency [2]. In addition, Internal Market rules remain in full application. Public authorities should take these, including the harmonised standards for timber products, duly into account when drafting their procurement documentation.

EU competition rules apply in principle and in the vast majority of cases to the behaviour of private undertakings, not to measures adopted by Member States.

The exception to this is Article 106 of the Treaty on the Functioning of the European Union, which allows the application of the EU competition rules to public undertakings and undertakings to which Member States grant special or exclusive rights. It would need to be established whether the Member State's instruction is directed at such a public undertaking.

Furthermore, determining whether such a situation would be compatible with EU competition rules, would require a detailed analysis of the relevant markets, including the position of all significant undertakings on those markets, as well as an assessment of the effects of any envisaged measure on those markets and the undertakings active on those markets.

1. https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en
2. See Recital 1 of Directive 2014/24 https://eur-lex.europa.eu/legal content/EN/TXT/HTML/?uri=CELEX:32014L0024&qid=1571748870184&from=EN

Question for written answer to the Commission E-000048/2020 by Peter Lundgren on "Public buildings made out of wood"

In response to natural disturbances that lead to a large quantity of calamity-affected wood on the market, we need to come up with an EU-level mechanism so as to ensure that a share of public buildings is built with CO_2-neutral materials, including wood. The market share of these CO_2-neutral materials should be designed as a minimum threshold with no upper ceiling. The Member States should be free to set their own thresholds.

- What view does the Commission take regarding a shared EU strategy in order to ensure that public buildings are built out of wood?
- What view does it take regarding a minimum threshold of buildings built out of wood?

Answer given by Ms Vestager on behalf of the European Commission

1. The EU legal framework for the marketing of construction products is based on the principle of technological neutrality, which is applicable also to building materials. The European Green Deal [1] announces a number of key actions and policies that will steer consumers and businesses towards more sustainable solutions, including in the construction sector. For instance, policy reforms such as the revision of the Emissions Trading System and Member State targets to reduce emissions in sectors outside the Emissions Trading System will help to ensure effective carbon pricing throughout the economy, facilitating an increase in sustainable public and private investment. The Green Deal also announces a new circular economy action plan, which will focus in particular on resource-intensive sectors such as construction. Lastly, the Commission will review the Construction Products Regulation [2], which should ensure that the design of new and renovated buildings at all stages is in line with the needs of circular economy. Whilst all these policies abide by the principle of technological neutrality, they could lead in the future to an increase of wood-based materials to be used in buildings, both public and private ones.

2. For the reasons mentioned above, and since regulating construction works belongs to the competence of Member States, the Commission cannot set such a minimum threshold of building built out of wood.

1. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of Regions of 11 December 2019, The European Green Deal.
2. Regulation (EU) No 305/2011 laying down harmonised conditions for the marketing of construction products repealing Council Directive 89/106/EEC.

Question for written answer E-000046/2020 to the Commission by MEP Peter Lundgren on bark beetles

When national capacities to respond to forest fires are surpassed, European countries often show solidarity by sending assistance in the form of water bombing planes, helicopters, firefighting equipment and personnel. The Emergency Response Coordination Centre (ERCC) is the Commission's emergency response hub. When an affected country activates the Civil Protection Mechanism, the ERCC coordinates assistance at EU level and ensures that help provided is efficient and effective. In this way, the Commission facilitates and co-finances assistance delivered to the affected area. A similar approach would be effective against bark beetle attacks.

First, we need a monitoring service that provides information about bark beetle attacks as soon as they occur. Second, we need to create an emergency response hub at EU level that allows bordering countries to step in and help clear damaged wood from affected forests following outbreaks in Member States. This method helps to contain bark beetle attacks. In order to properly respond to emergencies, unbureaucratic procedures are required to allow for rapid EU-level response.

What view does the Commission take regarding a possible EU-wide coordinated effort to fight the problem of bark beetle attacks?

Answer given by Ms Kyriakides on behalf of the European Commission

Bark beetles are a big group of insects, many of them native in the EU. For pests not qualifying as Union quarantine pests (European Scolytidae), there is no legal basis for EU control plans.

The European Agricultural Fund for Rural Development provides Member States with support for the restoration of damage to forests caused, inter alia, by pest outbreaks. Support is also provided for preventive actions against pests and diseases, where the risk of a disaster is supported by scientific evidence and recognised by public authorities. Furthermore, support may be granted for the storage of round wood cleared from damaged forests, to prevent its further damage by fungi or insects. Such measures need to be included in the Member States' rural development programmes.

Eligible operations must be compatible with the Member State's forest protection plan. The Commission is ready to assist if the Member State considers that a review of the rural development programme is necessary.

Non-European Scolytidae beetles are Union quarantine pests under Regulation (EU) 2019/2072 [1] establishing uniform conditions for the implementation of the new Plant Health Law (Regulation (EU) 2016/203 [2]). The latter imposes to Member States the obligation to survey for potential presence of all Union quarantine pests. Member States are under the obligation to report to the Commission and other Member States potential findings and take eradication measures. Emergency measures can also be taken at EU level, including requirements for import or internal movement of plants, plant material or other objects, for pests not yet listed but qualifying as Union quarantine pests.

EU co-funding can be provided in case of outbreaks of Union quarantine pests or for general surveillance.

1. Commission Implementing Regulation (EU) 2019/2072 of 28 November 2019 establishing uniform conditions for the implementation of Regulation (EU) 2016/2031 of the European Parliament and the Council, as regards protective measures against pests of plants, and repealing Commission Regulation (EC) No 690/2008 and amending Commission Implementing Regulation (EU) 2018/2019, OJ L 319, 10.12.2019, p. 1–279.
2. Regulation (EU) 2016/2031 of the European Parliament of the Council of 26 October 2016 on protective measures against pests of plants, amending Regulations (EU) No 228/2013, (EU) No 652/2014 and (EU) No 1143/2014 of the European Parliament and of the Council and repealing Council Directives 69/464/EEC, 74/647/EEC, 93/85/EEC, 98/57/EC, 2000/29/EC, 2006/91/EC and 2007/33/EC, OJ L 317, 23.11.2016, p. 4–104

Question for written answer E-004240/2019 to the Commission by MEP Joëlle Mélin on bark beetle infestation in Europe

The bark beetle, an insect that is just millimetres long, is spreading across forests, particularly in Germany and France. The bark beetle blocks the circulation of sap by attacking the bark of spruce trees and boring holes into the tree to lay its eggs, from which emerge larvae that also attack the bark, resulting in the tree's death in less than four weeks.

After devastating an area equivalent to 3 300 football pitches in the German region of Saxony, the epidemic spread to eastern France, and now almost all of the spruce forests in the northern half of the country have been affected.

The timber sector estimates that 400 000 m^3 of spruce trees were affected in 2018, which is the equivalent of a year and a half's harvest. At the end of April 2019, the French National Forestry Office estimated that 50% of spruce trees in France were infested with bark beetles. Under normal conditions, the figure for dead or diseased trees is 15%.

In response to this crisis affecting the timber sector in Europe, does the Commission intend to address the problem and provide assistance to the countries affected in order to limit the spread of the infestation while facilitating a shift towards trees that are suited to the new weather conditions?

Answer given by Mr Wojciechowski on behalf of the European Commission

The European Agricultural Fund for Rural Development provides Member States with support for the prevention and restoration of damage to forests from fires, natural disasters and catastrophic events, provided that appropriate measures are included in their rural development programmes. In case of prevention actions against pests and diseases, the risk of a disaster shall be supported by scientific evidence and recognised by public authorities. Support may also be granted for the storage of round wood cleared from damaged forests, to prevent its further damage by fungi or insects.

Eligible operations must be compatible with the Member State's forest protection plan. For the restoration of forest potential damaged, support shall be conditional on the Member State's formal recognition of the state of the natural disaster and the fact that it has caused the destruction of at least 20% of the relevant forest potential. The Commission is ready to assist if the Member State considers that a review of the rural development programme is necessary.

It is also possible to grant State aid under the applicable State aid rules for the prevention and restoration of damage caused by harmful organisms. Moreover, de minimis aid could also be envisaged [1] for a maximum amount of EUR 200,000 per undertaking over any period of three fiscal years.

In the case of restoration of damaged forests, the selection of tree species shall take account of the need for resilience to climate change, to natural disasters and biodiversity, and biotic and abiotic conditions of the area concerned.

1. Regulation (EU) No 1407/2013, OJ L 352, 24.12.2013

Question for written answer E-001056/2020 to the Commission by MEP Peter Lundgren

Bark beetles are having an increasingly negative impact on Europe's forestry industry. The total volume of damaged trees in Central Europe rose from 27.5 million cubic metres in 2017 to 118.1 million in 2019. As a result, trees are being felled earlier, and as a result the market has been flooded with timber.

Does the Commission have a strategy as regards the action that is going to be taken together with the Member States to tackle this problem?

Answer given by Mr Sinkevičius on behalf of the European Commission

As stated by the Commission in its reply to written question E-000046/2020, bark beetles are a big group of insects, many of them native in the EU. Non-European Scolytidae beetles are Union quarantine pests under Regulation (EU) 2019/2072 [1] establishing uniform conditions for the implementation of the new Plant Health Law (Regulation (EU) 2016/2031 [2]). The latter imposes to Member States the obligation to survey for potential presence of all Union quarantine pests. Member States must report to the Commission and other Member States potential findings and take eradication measures. EU co-funding can be provided in case of outbreaks of Union quarantine pests or for general surveillance. For pests not qualifying as Union quarantine pests (European Scolytidae), there is no legal basis for EU control plans.

The European Agricultural Fund for Rural Development [3] can provide support to Member States for prevention of forests damage from pest outbreaks, for the subsequent restoration and for infrastructural investment for storing damaged wood. To benefit from such support the Member States need to include the relevant measures into their Rural Development Programmes.

Any action taken by the Member States to address bark beetle outbreaks must be compliant with applicable EU provisions, such as the Birds [4] and Habitats [5] Directives, including the conservation objectives established for Natura 2000 sites.

The upcoming 2030 Biodiversity Strategy will include actions on ecosystem restoration, which would increase the resilience of European forests. In addition, the future EU Forest Strategy will also contribute to forest preservation and restoration in Europe, to help to increase the resilience of forests in Europe. Climate change affects both natural ecosystems and pest population dynamics, increasing forests' overall vulnerability. Enhanced forest resilience will also be addressed in the new Climate Adaptation Strategy, with a view to expanding efforts to climate-proof society, economy and ecosystems.

1. Commission Implementing Regulation (EU) 2019/2072 of 28 November 2019 establishing uniform conditions for the implementation of Regulation (EU) 2016/2031 of the European Parliament and the Council, as regards protective measures against pests of plants, and repealing Commission Regulation (EC) No 690/2008 and amending Commission Implementing Regulation (EU) 2018/2019, OJ L 319, 10.12.2019, p. 1–279.
2. Regulation (EU) 2016/2031 of the European Parliament of the Council of 26 October 2016 on protective measures against pests of plants, amending Regulations (EU) No 228/2013, (EU) No 652/2014 and (EU) No 1143/2014 of the European Parliament and of the Council and repealing Council Directives 69/464/EEC, 74/647/EEC, 93/85/EEC, 98/57/EC, 2000/29/EC, 2006/91/EC and 2007/33/EC, OJ L 317, 23.11.2016, p. 4–104
3. https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/ruraldevelopment_en
4. Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds, OJ L 20, 26.1.2010, p. 7–25
5. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora, OJ L 206, 22.7.1992, p. 7–50.

6 EOS Advocacy Actions

On 2 July 2019, the European Council adopted the decision proposing Ursula von der Leyen to the European Parliament as candidate for President of the European Commission. The proposed candidate was elected by the European Parliament on 16 July 2019.

On 10 September 2019, the Council, by common accord with President-elect Ursula von der Leyen, adopted the list of persons whom it proposes for appointment as members of the Commission until 31 October 2024. They had been selected on the basis of the suggestions made by the member states. On 27 November 2019 during the plenary session in Strasbourg, a large majority of members of the European Parliament voted in favour of the von der Leyen Commission. Ahead of the vote, the President-elect presented her team of Commissioners to the European Parliament. She reaffirmed her strong commitment to working closely with the European Parliament on the defining issues of our generation: fighting climate change, harnessing digitalisation, building a social market economy for today's world. She called for Europe to show leadership in the world and for the Commission to be geopolitical in the way that it thinks and acts. She underlined the need for Europe to care for the things Europeans cared for and to find common solutions to shared challenges.

On 28 November, the European Council appointed by written procedure the new Commission for the period from 1 December 2019 to 31 October 2024.

Following the nomination by the European Parliament Mr Thierry Breton, France's nominee for the internal market portfolio as Commissioner-designate for Internal Market the EOS Secretariat co-signed together with CEI-Bois, EPF (European Wood based panel Federation) and FEP (European Parquet Federation) a joint letter promoted by EFIC, the European Furniture Industry Confederation, to the recently appointed Commissioner Mr Breton, in order to request to further reinforce the collaboration with DG GROW by identifying an interlocutor within Mr Breton Cabinet and set up a more organic and organised dialogue with our Industries.

Mr Thierry Breton
Commissioner for the Internal Market
European Commission
1049 Brussels, Belgium

18 November 2019

Subject: Reinforced collaboration with the European Woodworking and Furniture Industries

Dear Mr Breton,

The European Woodworking and Furniture Industries are key contributors to a prosperous, competitive and sustainable European economy.

The sector includes more than 300.000 companies, employs about 2 million people across the EU and is responsible for a production value of around 230 billion € with overall exports to non-EU countries exceeding 35 billion €. Together, the Woodworking and Furniture Industries are the 2nd largest manufacturing sector by number of enterprises and the 4th by number of persons employed. Moreover, they are key bioeconomy players and providers of climate-positive solutions. The natural carbon storage property of wood and its low-impact processing cycle mean that wood-based products help to mitigate climate change, just by being used.

The signatories of this letter have since always believed that European policies should address the many economic and regulatory related challenges faced by the Woodworking and Furniture industries through a strong, regular and coordinated dialogue with the sector representatives. Because of this, the European Woodworking and Furniture industries have a historical, consolidated and effective cooperation with the European Commission's General Directorate for Internal Market, Industry, Entrepreneurship and SMEs.

Considering the significant value of the entire supply chain, in terms of turnover, import/export and employment in the EU Member States, we urge you to further reinforce the above mentioned collaboration by identifying an interlocutor within your Cabinet in order to set up a more organic and organised dialogue with such an important European Industry.

Signatures of representatives:

Patrizio Antonicoli	**Gabriella Kemendi**	**Silvia Melegari**	**Clive Pinnington**	**Isabelle Brose**
Secretary General	**Secretary General**	**Secretary General**	**Managing Director**	**Managing Director**
CEI-BOIS	**EFIC**	**EOS**	**EPF**	**FEP**

The European Wood & Furniture industry

CEI-BOIS: Founded in 1952, CEI-Bois is the European Confederation of the Woodworking Industries; composed of 18 National Organisations, 4 European Sector Federations as well as 1 Private Industrial Group. The industry employs around 1 million workers in 171 000 companies across the different sub-sectors and generates a turnover of around 133 billion euros.

EFIC is the voice of the united furniture industries in Europe. Founded in 2006 by seven national federations representing furniture producers, EFIC now represents more than the 70% of the total turnover of the industry. EFIC membership is composed of 15 national federations and one single company. The European furniture sector employs about 1 million workers in close to 120 000 companies and is highly export-oriented, mainly intra-EU.

EOS is the European Organization of the Sawmill Industry and represents a sector which comprises 35 000 sawmills across Europe, employs around 250 000 people across the EU and is responsible for a turnover of around 37 billion m^3. EOS Members come from 12 countries across Europe and represent about 80% of the total European sawn wood output. The European sawmill industry is a sector chiefly made up of SMEs and microenterprises. The EU sawmill industry processes timber which comes almost exclusively from sustainably-managed European forests.

EPF: The European Panel Federation has members in 25 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.

FEP is the European Federation of the Parquet Industry based in Brussels. It reunites 50 European Parquet Producers, 21 major Suppliers to the industry and 8 National associations and represents their interests at all relevant levels. In terms of activity, the total production of parquet in FEP territory exceeds 75 million m^2 while the consumption is close to 80 million m^2.

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6.1 THE CLUB DU BOIS MEETING ON 8 JANUARY 2020

CLUB DU BOIS

On 8 January 2020, the 8th edition of the Club du Bois was organised under the chairwomanship of MEP Mrs Maria Noichl, at the Brussels premises of the European Parliament. The event is a joint initiative of the three Brussels based organisations: the European Confederation of Woodworking Industries (CEI-Bois), the European Organisation of the Sawmill Industry (EOS) and the European Panel Federation (EPF).

The 8th edition of the Club du Bois focused on the priorities of the wood-working industries for the period 2019-2024 and **on the role of wood products in achieving several of the climate mitigation objectives recently proposed in the EU Green Deal**.

The event gathered an important number of MEPs, industrialists and experts from the wood manufacturing and forest-based family. In particular the organizers extended their gratitude for the presence and active participation in the debate of the following Members of the Parliament:

- Mrs Maria Noichl, Germany, Group of the Progressive Alliance of Socialists and Democrats;
- Mrs Simona Bonafè, Italy, Group of the Progressive Alliance of Socialists and Democrats;
- Mr Michal Wiezik, Slovakia, Group of the European People's Party (Christian Democrats);
- Mrs Delara Burkhardt, Germany, Group of the Progressive Alliance of Socialists and Democrats;
- Mrs Maria Soraya Rodriguez Ramos, Spain, Renew Europe Group;
- Mr Pietro Fiocchi, Italy, European Conservatives and Reformists Group;
- Mr Mauri Pekkarinen, Finland, Renew Europe Group;
- Mr Petri Sarvamaa, Finland, Group of the European People's Party (Christian Democrats);
- Mr Seb Dance, UK, Group of the Progressive Alliance of Socialists and Democrats;
- Mr Eero Heinäluoma, Finland, Group of the Progressive Alliance of Socialists and Democrats;
- Mr Carlos Zorrinho, Portugal, Group of the Progressive Alliance of Socialists and Democrats;
- Mr Alvaro Amaro, Portugal, Group of the European People's Party (Christian Democrats);
- Mrs Patrizia Toia, Italy, Group of the Progressive Alliance of Socialists and Democrats;
- Mr Christian Allard, UK, Group of the Greens/European Free Alliance;
- Mrs Elena Lizzi, Italy, Identity and Democracy Group (represented by her assistant).

Additionally, the former Member of the European Parliament, Mr Paul Brannen (UK) attended the Club du Bois meeting confirming his dedication to the cause of using wood as an environmentally friendly construction material.

The evening was opened by the Club du Bois Chairwoman, MEP Mrs Maria Noichl. "Without doubt, wood is one of the most versatile renewable resources used in material applications. Using wood is a climate friendly solution for Europe", Mrs Noichl emphasised. She recalled as well that wood products store carbon during their life cycle. Recycling wood products allows them to continue to store carbon indefinitely. This regenerative use of wood extends the carbon cycle which has great advantages to society, especially in the mitigation of climate change. When wood cannot be re-used or recycled, it can still produce green energy through combustion.

Mrs Noichl welcomed first time attendees at this cross-party, cross-national, cross-committee contact group between Parliament and the Woodworking Industries.

In particular, a special thanks was given to the Italian MEP Mrs Simona Bonafè who has kindly agreed to become the new Chairwoman of this discussion forum, and took up this role at the end of the meeting. Mrs Noichl concluded her welcome speeches introducing the three key speakers of the evening, and expressing gratitude to the hosts and organisers of Club du Bois for their engagement on behalf of the European woodworking industries.

Presentation by EPF Chairman, Dr Paolo Fantoni on "Wood-based Panels: An innovative industry turns a traditional material into a model of the circular economy, and a climate champion", with special focus on Extended Producer Responsibility (EPR) and developing work with wood education with universities.

Introducing the market development of European wood-based panels (WBP), Dr Fantoni explained that EPF, the European Panel Federation, represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood in more than 25 countries. The European wood-based panels industry has an annual turnover of about 22 billion euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe.

Regarding the year 2018, the sector (WBP) had a production of 59.3 millions m^3 being the seventh consecutive year of growth. However, in year 2019, production is expected to have declined slightly due to the general economic situation and production is estimated to have been 57.6 millions m^3. Significantly, average annual WBP growth in the period 2013-2018 was 2.4%, compared to a European GDP increase of 1.8%. In a very simplistic but important way, this shows that wood-based panels have gained market share in Europe during recent years.

Dr Fantoni explained that the production of wood-based panels incorporates almost all industrial circularity concepts. Although the sector is currently still using some virgin wood material, the production of wood panels is

based on a circular process now using recovered wood and industrial by-products for approximately 50% of its resource need. In particleboard, this figure rises to 66% with 40% coming purely from wood waste. Innovation has been at the heart of this and the panel sector, as recalled by Mr Fantoni, is a pioneer and great advocate of the cascading approach through the use of post-consumer waste wood and industrial wood residues.

Wood and wood-based products have huge potential across a range of sectors, and they are a key contributor for reducing carbon emission particularly in the construction sectors. The use of wood-based panels in construction, for both new and refurbishing buildings is without doubt an environmentally friendly choice.

Regretfully, Mr Fantoni underlined that some barriers (mostly legislative ones) still persist in the internal market thus hampering the full potential of the sector.

For this reason, Mr Fantoni stressed the need for:

- EU Harmonisation, not Regionalism
  - EPF supports One Europe, not different rules and regulations in every country
  - Recent developments, especially challenges to Construction Products Regulation in Germany, threaten this
- Level Playing Field, especially for Raw Materials
  - Wood for industry is scarce, and could become more so (pressure on plantations and biodiversity requirements)
  - Need Parliament to make sure that any subsidies for Bioenergy (burning wood) do not create market distortions

Mr Fantoni closed his intervention with three calls for action on behalf of the Federation he represents:

Extended Producer Responsibility
The next step towards the Circular Economy;
Panels and furniture should be returned to the value chain.

"Renovation wave" should be integrated in the EU Green Deal
Panels can be structural, decorative, or can insulate;
Local supply using local material – "Made in the EU";
Panels are a sustainable, resource efficient and have natural carbon storage.

Investing in Skills and Education
EPF is committed to the next generation of woodworkers;
Currently creating a network of University specialists;
Intention is to motivate the EU Commission to support and to develop this together.

In conclusion Dr Fantoni urged MEPs to support the use of wood-based panels be it in construction, in furniture, in packaging or in other applications. Panels can be a model for both the Circular Economy and the European Green deal. Wood-based panels show the way ahead in how we can offer industrial growth with environmental and climate benefits, and not at their expense.

Presentation by EOS Chairman, Mr Sampsa Auvinen on "Overview of the economic and politic dynamics that characterise the European sawmill industries including considerations on raw material supply and forest diseases".

Mr Auvinen, recalled that the European sawmill industry consists of about 35,000 sawmills scattered around Europe. European sawmills are chiefly microenterprises (more than 29,000) with strong connections to the rural

areas and local communities where they are located. They account for a yearly production value of over EUR 36 billion and employ about 250,000 people across Europe. The European sawmill industry is responsible for a production of around 112 million m^3 (data from 2018, including production of both sawn softwood and hardwood) and, depending on the year, around 25-28% of the European sawnwood production is exported to non-European countries, making the European sawmill industry a fully globalized industry. The largest overseas markets of the sector include China, Japan, the United States, and Middle East and North African countries.

Looking at the non-EU Market, Mr Auvinen made three recommendations:

1. The EU Commission should be vigilant that trade agreements are correctly implemented and enforced, and the use of the dispute settlement systems simplified and accelerated.

2. Looking at trade relations, the EU Commission should reinforce its trade promotion activities in key markets having a focus on the manufacturing industries and enforcing coordination with Industry Organisations, the various Chambers of Commerce and EU delegation in Third Countries.

3. The manufacturing sectors – including SMEs – should be assisted to open trade opportunities in growing non- EU markets.

Mr Auvinen stressed that over 90% of logs used come from European Forests. While you may not connect healthy forests with selling wood, they are actually intimately connected providing income (2/3 of the forest owner revenues sawmill represents +2/3 of the forest owners incomes) to pay ongoing costs for forest management activities.

Furthermore, Mr Auvinen, presented the dramatic situation that forests are facing due to climate change and the increase of forest disturbances such as pest diseases, fire and drought. Only in 2018, damaged wood estimated was estimated 112 million sm^3. Securing raw material supply at affordable price and in a predictable way is a key factor for maintaining the competitiveness of the European manufacturing industries.

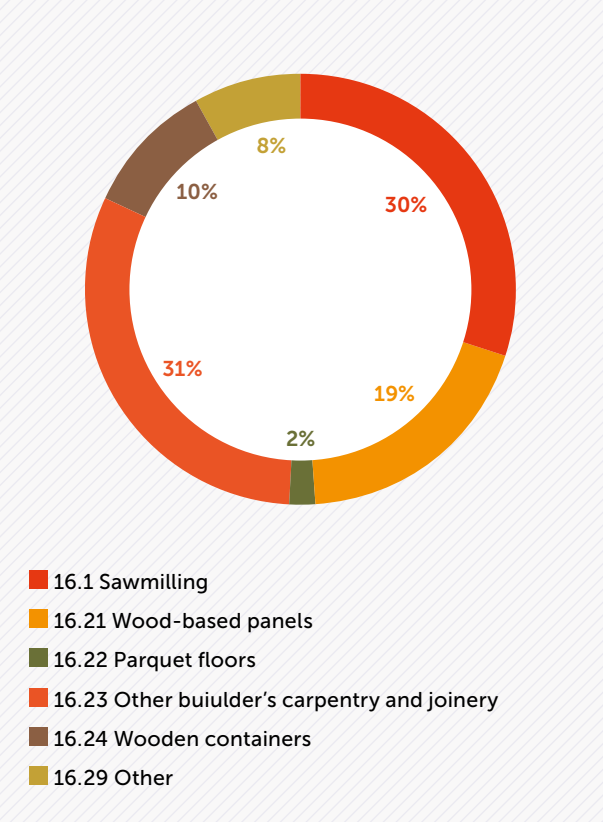
Raw material supply is one of the most important issues affecting the development of the mechanical wood industries. Therefore, demand projections should be made, and these projections should be revised on a yearly basis in order to provide the sector with a sustainable growth through accurate planning.

Presentation by CEI-Bois Board of Directors Member Keith Fryer on "European Woodworking Industries priorities for the EU Term 2019-2024"

The European woodwoorking industry consists of around 170.000 companies generating an annual turnover of 133 billion EUR and employing more than 1 million workers in the EU (2017), as Mr Fryer explained.

Furthermore, Mr Fryer presented the European Woodworking Industries' manifesto for the EU term 2019-2024, which illustrates how the European Woodworking Industry can help the EU to reach its key goals, such as the reduction of GHG emissions in line with the Paris Agreement and the deployment of an EU circular Bioeconomy, while ensuring jobs creation and employment stability.

Production value by sub-sector in EU 28



On behalf of CEI-Bois, Mr Fryer presented the 6 priority actions of the Confederation:

1. **Wood availability and sustainability**: Ensuring the legality of timber and timber products produced in the EU and imported from third countries is also a key aspect of sustainability at global scale. For this reason, environmental loopholes in the EU Timber Regulation should be avoided by extending its scope to all wood products and ensuring a consistent implementation among Member States.

2. **Circular Bioeconomy**: call for taking into account the carbon storage and material substitution effects of wood products. The EU should further promote the development of the circular bioeconomy and make sure that the other policies are consistent with this objective. EU policies should also take into account the carbon storage and material substitution effects of harvested wood products in the framework of the EU 2050 Long-term Strategy.

3. **Competitiveness of Wood in Construction**: Timber construction has the potential to offer sustainable solutions to the housing challenges in the EU. Building with the renewable material wood is particularly well fit for new construction and renovation in dense urban areas, answering the requirements and dynamics of climate change resilience and environmental performance of 21st century city development.

4. **Free but Fair Trade policies**: The success of the wood-working industry requires free and fair trade, while maintaining or improving standards and lowering operating costs.

5. **Research and Innovation**: the woodworking industry, together with the other stakeholders of the Forest-Based Sector Technology Platform, developed a Vision to 2040, that includes 10 ambitious targets for enhancing the potential of the sector.

6. **Social Affairs and Industrial Relations**: through the active and proactive involvement of the European Social Affairs dialogue, the Confederation contributes dynamically, including through agreements and projects management & implementation, to the designing of the European social and employment policy.

After a dynamic exchange of views with the participants, the Club du Bois meeting was ended by a closing remark of the new Club du Bois Chairwoman, Mrs Bonafè. Mrs Bonafè expressed her willingness to collaborate with the wood-working sector in the new legislative period 2019-2024 and beyond, to enhance its competitiveness, and to increase its prominence in our day lives.

Brussels, 9 January 2020

PRESS RELEASE

Club du Bois organisers call European policy makers to explore the full potential of one of the most climate positive EU manufacturing sectors: the Woodworking Industry

The European Confederation of Woodworking Industries (**CEI-Bois**), the European Organisation of the Sawmill Industry (**EOS**) and the European Panel Federation (**EPF**), organised the 8th edition of the ***Club du Bois***, under the chairwomanship of MEP Mrs Maria Noichl, on 8 January 2020, at the Brussels premises of the European Parliament.

The event gathered an important number of MEPs, industrialists and experts from the wood manufacturing and forest-based family, offering them the opportunity to learn about the priorities of the European Woodworking Industries for the term 2019-2024. The evening was opened by a welcoming speech from MEP Mrs Maria Noichl and followed by three presentations from EPF Chairman, Dr Paolo Fantoni, EOS Chairman, Mr Sampsa Auvinen and by CEI-Bois Board of Directors Member, Mr Keith Fryer.

The Woodworking Industry lies at the heart of the circular bioeconomy providing a sustainable and carbon neutral product to be used in the construction sector and as everyday material. By using wood, legally harvested from sustainably managed forests, Europe can achieve several of the objectives presented in the recently adopted ¨The European Green Deal¨ and become the world's first climate neutral continent by 2050.

Dr Paolo Fantoni highlighted the role that wood-based panels can play in the ¨renovation wave¨, reminding of their sustainability, resource efficiency and natural carbon storage properties. Panels are a model example of the Circular Economy thanks to the industry's innovative approach of turning one industry's waste into another sector's product, with 40% of typical particleboard today coming from recovered (recycled) waste wood. EPF is excited to work with universities and the EU institutions to ensure that future generations are trained and skilled in working with wood. Given their proprieties and characteristics, wood-based panels are model examples of both the Circular Economy and the Green Deal. ¨*Panels can break the old model of economic progress or environmental protection. Instead we can offer new industrial growth with environmental (and climate) benefits*¨ commented Dr Fantoni.

Mr Sampsa Auvinen described the raw material supply question as the most important issue affecting the development of the primary mechanical wood industry. Securing raw material supply at affordable prices and in a predictable way is a key factor to maintain competitiveness of the European sawmill industry. Mr Auvinen called for an EU resource management system aiming to establish a harmonised knowledge-based information on European forests resources, material flows and stock. The system should also take into consideration frequency of natural disturbances and the impact on wood supply. Mr Auvinen recalled the central role of the European sawmill industry in the forest industry: making up two thirds of the forest owners' incomes, the sawmill industry plays a key role in motivating forest

owners to sustainably manage their forests and supply wood raw material to the forest industry. ¨*A healthy sawmill industry is thus vital for the forest industry and the forest-based industries alike*¨ he added.

Mr Keith Fryer presented the European Woodworking Industries' manifesto for the EU term 2019-2024, which illustrates how the European Woodworking Industry can help the EU to reach its key goals, such as the reduction of GHG emissions in line with the Paris Agreement and the deployment of an EU circular Bioeconomy, while ensuring jobs creation and employment stability. The manifesto focuses on 6 priorities - *Wood Availability and Sustainability, Circular Bioeconomy, Competitiveness of Wood in Construction, Free but Fair Trade, Research & Innovation and Industrial Relations & Social Affairs* - and gives an overview of the potential and needs of the sector. ¨*The European Woodworking sector sits at the heart of the European circular Bioeconomy and is a key driver for jobs and growth*¨ Mr Fryer concluded.

The European Woodworking Industry can successfully achieve socially fair economic growth while reducing pollution and harm to the environment. This is why the European policies, such as the forthcoming Industrial Strategy and new Circular Economy Action Plan, to name a few, should explore the full potential of one of the most climate positive European manufacturing sectors.

The meeting ended with a Q&A session and the formal handover of the *Club du Bois* Chairwomanship from MEP Mrs Maria Noichl to MEP Mrs Simona Bonafè.

For additional information please visit http://www.clubdubois.eu/ or contact:

CEI-Bois Secretariat, info@cei-bois.org

CEI-Bois, the European Confederation of Woodworking Industries represents 21 European and National organisations from 15 countries and is the body backing the interests of the whole industrial European wood sector, with close to 180.000 companies generating an annual turnover of 144 billion euros and employing 1 million workers in Europe.

EOS Secretariat, info@eos-oes.eu

EOS, the European Organisation of the Sawmill Industry represents the interests of the European sawmilling sector on European and International level. Through its member federations and associated members, EOS represents some 35,000 sawmills in 12 countries across Europe manufacturing sawn boards, timber frames, glulam, decking, flooring, joinery, fencing and several other wood products. Together they represent around 80% of the total European sawn wood output in a sector that has a turnover of around 35 billion EUR and employs about 250,000 people in the EU.

EPF Secretariat, info@europanels.org

EPF, the European Panel Federation, has members in 25 countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The European wood-based panels industry has an annual turnover of about 22 billion euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe.

6.2 THE EUROPEAN GREEN DEAL

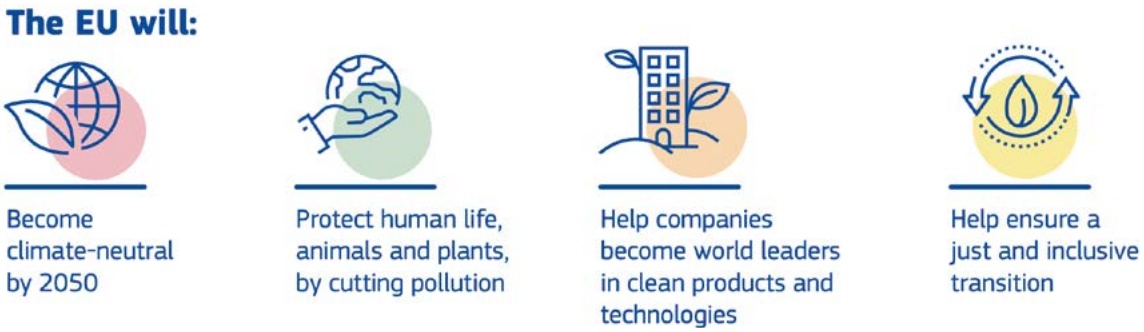
The EU is committed to limit global warming to well below 2°C above pre-industrial levels, in line with the 2015 Paris Agreement. In November 2018, the Commission adopted the 'Clean planet for all' strategy, aiming for a prosperous, modern, competitive and climate-neutral economy by 2050. It analyses scenarios for long-term decarbonisation, as a basis for a debate on the move towards an emission-neutral economy. Following up on the Commission's clean planet strategy, the EU will develop its long-term low carbon strategy under the Paris Agreement. In line with the previous European Parliament's position, a large majority of Member States favour climate neutrality in the EU by 2050, although the June 2019 European Council did not reach a unanimous conclusion on the date.

On 11 December, the European Parliament debated on the European Green Deal in an extraordinary plenary session where the EU Commission officially presented its Communication.

The European Green deal aims to make Europe the first climate-neutral continent by 2050, while boosting the competitiveness of European industry and ensuring a just transition for the regions and workers affected. Preserving Europe's natural environment and biodiversity, a 'farm to fork' strategy for sustainable food, and a new circular economy action plan are other key elements.

"The European Green Deal is about improving the well-being of people. Making Europe climate-neutral and protecting our natural habitat will be good for people, planet and economy. No one will be left behind."

Source statement and image below: The EU Commission.



Key information for the Sawmill Industries:

To set out clearly for the conditions for an effective and fair transition, to provide predictability for investors and to ensure that the transition is irreversible, the Commission announced to propose the FIRST CLIMATE LAW by March 2020.

As the EU increases its climate ambition, the Commission will propose a carbon tax border adjustments mechanism, for selected sectors, to reduce the risk of carbon leakage.

Moreover, the EU Commission will develop requirements to ensure that all packaging in the EU markets is reusable or recyclable by 2030, will develop a regulatory framework for biodegradable and bio-based plastics and implement measures on single use plastic.

By March 2020, a NEW INDUSTRIAL POLICY was also expected aiming at addressing the twin challenge of the green and digital transformation. Together with the new Industrial Strategy a NEW CIRCULAR ECONOMY ACTION PLAN will help modernise the EU's economy. The Circular economy action plan will include a 'sustainable product policy' to support the circular design of all products based on a common methodology and principles. Actions will focus in

particular on sectors such as textile, constructions, electronic and plastics.

To be noted that the EU Commission is also expected to propose to work with stakeholders on a new initiative on BUILDINGS RENOVATION in 2020. This will include an open platform bringing together the buildings and construction sector, architects and engineers and local authorities to address barrier to renovation (focus on energy saving).

For the coming year, a NEW EU FOREST STRATEGY is also expected. It will have as its key objective effective afforestation and forest preservation and restoration in Europe, to help to increase the absorption of CO_2, reduce the incidence of forest fires and promote the bioeconomy, in full respect for ecological principles favourable to biodiversity. The national strategic plans under the common agriculture policy should incentive forest managers to preserve, grow and manage forest sustainably.

Moreover, the European Parliament adopted on Wednesday, the 15 January its position on the European Green Deal, unveiled by Commission President von der Leyen in a plenary debate in December. *(The resolution was adopted with 482 votes for, 136 against and 95 abstentions).*

The Members of the EU Parliament want the upcoming Climate Law to include higher ambitions for the EU's 2030 goal of emissions reductions *(55% in 2030 compared to 1990, instead of "at least 50% towards 55%", as proposed by the Commission)*. The EU should adopt these targets well in advance of the UN climate change conference in November, MEPs say. They also want an interim target for 2040 to ensure the EU is on track to reach climate neutrality in 2050.

EOS is extremely pleased to see that our call for including forest-based products and bioeconomy in the framework of the Green Deal is now an integrated part of the European Parliament Green Deal Resolution. The European Parliament also requested Member States to "encourage the promotion of timber construction.

Please find reported below some of the most positive statements of the European Parliament Green Deal Resolution.

- "Believes that sustainably-sourced renewable materials will play an important role in the transition to a climate-neutral economy, and highlights the need to stimulate investments in the development of a sustainable bioeconomy where fossil-intensive materials are replaced with renewable and bio-based materials in, for example, buildings, textiles, chemical products, packaging, shipbuilding and, where sustainability can be assured, energy production; stresses that this will have to be done in a way that is sustainable and respects ecological limits; highlights the potential of the bioeconomy to create new green jobs, including in rural parts of the EU, and to stimulate innovation; calls for support for research and innovation in sustainable bioeconomy solutions that should take into account the need to protect unique biodiversity and ecosystems; calls for the efficient implementation of the EU Bioeconomy Strategy as part of the European Green Deal;"

- "Underlines the need for the existing building stock to be renovated into nearly-zero-energy buildings in order to achieve carbon neutrality by 2050 at the latest: underlines that the buildings sector has a high energy-saving potential and potential for on-site production of renewable energy, which can boost employment and help SMEs expand; considers that a smart and forward-looking legislative framework is essential; welcomes, therefore, the proposals to reduce national regulatory obstacles for renovation and the revision of the Construction Products Regulation; calls for rigorous enforcement of the Member States' obligations to renovate public buildings in line with the EED; encourages the promotion of timber construction and ecological building materials;"

- "Calls on the Commission to present a new, ambitious EU Forest Strategy to give appropriate recognition to the important, multifunctional and cross-cutting role that European forests, the sector and sustainable forest management have in the fight against climate change and biodiversity loss, also taking social, economic and environmental

aspects into account; recalls the need for action to combat illegal logging in Europe; stresses that afforestation, reforestation and restoration efforts should aim at enhancing biodiversity as well as carbon storage;"

- "Calls for a green EU single market to boost the demand for sustainable products with specific provisions such as the expansion of the use of green public procurement; welcomes, in this respect, the commitments of the Commission to propose further legislation and guidance on green public procurement; calls for procurement by EU institutions to lead by example; underlines the need, moreover, to review and revise EU public procurement rules in order to ensure a truly level playing field for EU companies, especially those producing sustainable products or services, such as in the field of public transport."

6.3 THE EUROPEAN CIRCULAR ECONOMY ACTION PLAN

On 11 March 2020, the European Commission published the "**Circular Economy Action Plan The European Green Deal**". The document includes an overview of the key legislative actions expected in the following years.

The Action Plan calls for accelerating the transition towards a regenerative growth model that gives back to the planet more than it takes, advance towards keeping its resource consumption within planetary boundaries, and therefore strive to reduce its consumption footprint and double its circular material use rate in the coming decade. Through a circular economy, which aims to maintain resources in the economy for as long as possible, the commission hopes to create a 'green growth' model.

Overall, the Circular Economy Action Plan is characterized by the following key areas of action:

1. **The commission sees the circular economy as a tool for achieving carbon neutrality**. According to the action plan there is potential for synergy between a circular and carbon-neutral economy.

2. **The commission aims to introduce restrictions on microplastics intentionally added to products** along with measures to combat the unintentional release of microplastics in the environment. **It also plans to promote bio-based and biodegradable plastics** and introduce restrictions on plastic waste.

3. The action plan includes measures to **provide better information on the environmental footprint of products along with a legislative proposal in 2020 setting minimum standards for sustainability labels to prevent greenwashing**.

4. The commission aims to introduce a new set of measures in 2021 to facilitate the repair of products, with a priority for electronics that will include a right to update obsolete software. It will also incentivise products-as-services where companies keep the ownership and responsibility throughout product lifecycles.

5. Roadmap for reducing waste.

6. **Sustainable packaging**. The directive on packaging and packaging waste (94/62/EC) will be reviewed with a view to reduce over-packaging and non-recyclable mixtures of packaging materials as well as push for packaging that is designed for re-use and recyclability.

7. The EU Cohesion funds and the European Regional Development Fund along with other EU funding instruments will support the circular economy action plan, together with SME guarantees and the Invest EU programme that aims to mobilise private financing.

Although this EU Action Plan doesn't have a binding legislative implication, it already frames what the EU Commission will do in the following years having a relevant impact on the entire wood value chain. This does not mean that the impact will necessary be positive and it will be essential to have an active role in the future developments.

However, there are some **POSITIVE STATEMENTS OF THE ACTION PLAN**, which are reported below:

- Supporting the sustainable and circular bio-based sector through the implementation of the Bioeconomy Action Plan;
  - To incentivise the uptake of carbon removal and increased circularity of carbon, in full respect of the biodiversity objectives, the Commission will explore the development of a regulatory framework **for certification of carbon removals** based on robust and transparent carbon accounting to monitor and verify the authenticity of carbon removals.
  - In line with the ongoing EOS request, the reference to "and increased circularity of carbon" indicates that the action will go beyond the mere forestry level. The *"development of a regulatory framework for certification of carbon removals based on robust and transparent carbon accounting to monitor and verify the authenticity of carbon removals"* seems – without mentioning it – **to be likely to encompass material substitution**.

Action plan elements that will implies an advocacy action:

- Design of sustainable products (chapter 2.1 page 6): the Commission will propose a **sustainable product policy legislative** initiative (It is unclear if the first stage will only address amongst others to furniture, **steel**, **concrete and chemical**).
- Construction and buildings (chapter 3.6 page 14). The Commission will launch a new comprehensive Strategy for a Sustainable Built Environment. It will promote circularity principles throughout the lifecycle of buildings by:
  - addressing the sustainability performance of construction products in the context of the **revision of the Construction Product Regulation**, including the possible introduction of recycled content requirements for certain construction products;
  - **using Level(s) to integrate life cycle assessment in public procurement** and the EU sustainable finance framework and exploring the appropriateness of setting of carbon reduction targets and the potential of carbon storage;
  - Furthermore, the 'Renovation Wave' initiative announced in the European Green Deal to lead to significant improvements in energy efficiency in the EU will be implemented in line with circular economy principles, **notably optimised lifecycle performance, and longer life expectancy of build assets**. As part of the revision of the recovery targets for construction and demolition waste, the Commission will pay special attention to insulation materials, which generate a growing waste stream.

Timeline of the expected legislative initiatives to be monitored:

A SUSTAINABLE PRODUCT POLICY FRAMEWORK

- Legislative proposal for a sustainable product policy initiative – Expected in 2021
- Legislative proposal on substantiating green claims – Expected in 2020
- Mandatory Green Public Procurement (GPP) criteria and targets in sectoral legislation and phasing-in mandatory reporting on GP – Expected as of 2021

KEY PRODUCT VALUE CHAINS

- Strategy for a Sustainable Built Environment – Expected in 2021 (Wood might lose its competitive advantage related to carbon neutrality)
- Review to reinforce the essential requirements for packaging and reduce (over)packaging and packaging waste - Expected in 2021

CROSSCUTTING ACTIONS

- Regulatory framework for the certification of carbon removals - Expected in 2023

LEADING EFFORTS AT GLOBAL LEVEL

- Proposing a Global Circular Economy Alliance and initiating discussions on an international agreement on the management of natural resources

6.3.1 A New Circular Economy Action Plan – Feedback of the European Sawmill Industry

Last January 2020, EOS responded to the stakeholders' consultation launched by the EU Commission in order to prepare for the EU Circular Economy Action Plan.

In consultation with its Members, EOS provided the below reported commets. These comments were also provided to the European Committee of the Regions (CoR) online stakeholders' consultation aimed at feeding into the preparation of its upcoming opinion on the new Circular Economy Action Plan.

In particular, in the framework of the European Committee of the Regions (CoR) online stakeholders' consultation EOS provided the following key considerations:

1. The New Circular Economy Action Plan should accelerate the transition towards a sustainable and green economy, putting the biobased industries at the heart of the industrial development while contributing to fighting climate change and preserving Europe's natural environment.

2. The new EU Initiative "A New Circular Economy Action Plan" should not be focused only on the recyclability factor of a material, but it should encourage the use of materials that since the production phase have a low impact in terms of CO_2 emissions.

3. There is a scientific consensus that humans are impacting the global environment: for this reason, we need to minimize the environmental impact associated with the consumption of a product or service. To do so, the following aspects should be taken into account: monitoring the carbon footprint, packaging sustainably, providing recycling options and product disposal and credible labelling with information about the environmental impacts of the products.

4. Our society has the possibility to reduce greenhouse gas emissions by applying circular principles to key economic sectors – such as the construction sector – and to reduce waste in the built environment, that currently accounts for a fifth of global emissions. To do so, sustainable and green materials, such as wood, should be favoured and their use promoted.

    a. **Adopting modular design would enable products to be easily disassembled**, components to be reused and materials to be recovered to extend their life cycle and reduce waste.

    b. **Promoting smart design, reducing material consumption and using lower-carbon alternatives.** Wood and other renewable materials can help to reduce dependence on carbon-intensive materials. Instead of emitting carbon, wood store it for decades. Wood residues and post consumer wood can also be burnt to generate green energy.

5. **Natural and reusable resources should be preferred while planning any new building or renovating an existing one. It will be essential to look at the emissions created during the entire life cycle of the building** – from the production of construction materials to the using phase and beyond. In this respect, it should be noted that the dry mass of wood is 50% carbon, and this carbon is taken away from the atmosphere and thus does not contribute to the greenhouse effect.

6. **Green Public Procurements can be a strong lever to emphasize and enforce circularity for both the public and private sectors and achieving circular cities.** More than half of the world's population now lives in urban areas. There were 512 cities globally in 2016 with at least 1 million inhabitants. By 2030, urban areas are projected to house 60 per cent of people globally and one in every three people will live in cities with at least half a million inhabitants (United Nations Report, 2016). Circular concepts should be applied in cities. Cities are home to a staggering amount and variety of assets and resources. The efficiency of each item can be improved by applying circular design, bringing positive social, economic and environmental impacts at a much larger scale.

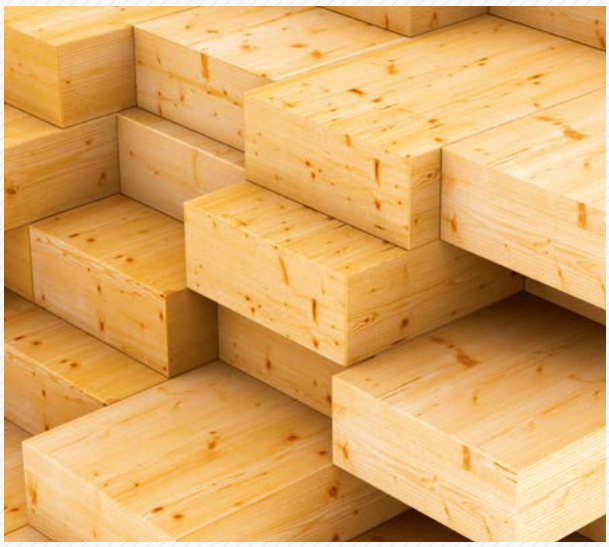
EOS believes that the sawmill industry lies at the heart of the circular economy providing sustainable and carbon neutral products to be used in the construction sector as everyday material.

EOS contribution to the stakeholders' consultation launched by the EU Commission

The European Organization of the Sawmill Industry (henceforth EOS) welcomes the opportunity to give a feedback on the New Circular Economy Action Plan. EOS acknowledges and welcomes the intention of the Plan, which aims to accelerate the transition towards a circular economy, reinforcing the EU's industrial base, while contributing to fighting climate change and preserving its natural environment.

There is a scientific consensus that humans are impacting the global environment: for this reason, we need to minimize the environmental impact associated with the consumption of a product or service. To do so, the following aspects should be taken into account: monitoring the carbon footprint, packaging sustainably, providing recycling options and product disposal and credible labelling with information about the environmental impacts of the products. EOS believes that the sawmill industry lies at the heart of the circular economy providing sustainable and carbon neutral products to be used in the construction sector as everyday material.

The new EU Initiative "A New Circular Economy Action Plan" should not be focused only on the recyclability factor of a material, but it should encourage the use of materials that since the production phase have a low impact in terms of CO_2 emissions.



The Sawmill Industry at the Heart of the Circular Economy

The Intergovernmental Panel on Climate Change has produced a report on "climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems" in August 2019 in which it states that *"Sustainable forest management can maintain or enhance forest carbon stocks, including by transferring carbon to wood products, thus addressing the issue of sink saturation. Where wood carbon is transferred to harvested wood products, these can store carbon over the long-term and can substitute for emissions-intensive materials reducing emissions in other sectors"*.
Considering that **more than 90% of the wood utilized by European sawmills is sourced from sustainably-managed European forests, sawnwood products are leading the way in the forest bioeconomy**, helping to reduce greenhouse gas emissions and transition Europe to a sustainable carbon neutral economy.

The Sawmill Industry is the first processor of logs, which are transformed into sawnwood to be used in construction or in furniture production. Wood residues from sawmill processes can be converted into a broad range of wood-based products including bio-composite materials, bioplastics, textiles and carbon-neutral biofuels. Sawnwood is the main product produced by a sawmill but as a result of the logs' processing, residues, including sawdust, bark, and chips are created.

The latter are not disposed of: **sawmills operate according to the resource efficiency principle maximising the added value of wood resources without creating any waste**. Indeed, sawdust and other sawmill residues are alternatively processed into other wood-based products or used for the bio-energy production depending on the market demand. At the same time, sawdust can be used as sand replacement in concrete in order produce a low-cost and lightweight material for use in construction. Cogeneration facilities produce as well, power for the operation and may also feed excess energy into the grid.

Bark can be burned for heat or used for landscaping. Wood pellets from sawdust offer very performing and clean solutions for residential heating. Chips for pulp, panels and residues for wood pellets and hog fuel move through industrial markets. Bark, hog fuel and shavings can be sold through industrial markets for fuel or retail markets for mulch and animal bedding.
These are often sold bagged in garden centres or farm supply stores or by the pick-up truck load at the mill. Such best practices are in some case centuries-old and an example of environmental sustainability. Based on the above, it is evident that the sawmill industry is an example of circularity.

The Sawmill Industry as a Solution-Provider in Making the Construction Sector more Circular

The construction sector is facing huge challenges to become more sustainable. During the World Circular Economy Forum held in June 2019 in Helsinki, it was shared that 60% of European office space is unoccupied (during office hours), 50% of steel used in buildings is in excess of what is needed and 15-25% of building materials are not employed in actual construction process but wasted, construction material processing causes about 30% of global air pollution: these are just some of the facts that call for new ways of planning and processes in the sector. Buildings are responsible for approximately 40% of energy consumption and 36% of CO_2 emissions in the EU, making them the single largest energy consumer in Europe.

A new approach is needed: buildings have to be seen as "banks of environmentally-friendly materials", not in the old-fashioned linear way: extraction – construction – use – demolition – waste. **Wood is the only renewable carbon neutral construction material**. Wood contributes to circular economy in three ways (as recognised in the above-mentioned IPCC report):

1. It substitutes energy-intensive materials
2. It stores carbon throughout its lifecycle
3. It has energy-efficiency benefits

Increasing the use of sawn wood materials in construction and in products such as furniture, cabinets, flooring, doors and window frames certainly is a significant opportunity to reduce emissions. With growing pressure to reduce the carbon footprint in buildings, designers are increasingly being called upon to balance functionality and cost objectives with reduced environmental impact. In the production phase, wooden houses consume less energy and have lower carbon dioxide emissions than houses built with other materials. There is scientific evidence that a wood-based construction is responsible for a lower climate impact by 40-50% regardless of the carbon storage effect. In the demolition phase, buildings should be designed to maximize the recovery and reuse of materials and components: wood gives the opportunity to reuse doors, windows, and other components that can be used again in new construction or remodelling. Reclaimed wood is primarily used in the manufacture of durable goods, and then whatever is left over can be used for energy (or heat) generation.

Wood waste from C&D activities can be delivered to wood waste recycling operations for new processing, while solid timber boards can directly find new applications. Markets for recycled wood include landscaping mulch, bedding material, boiler fuel, as well as fiber for composite board products, including pallets, and pellets.

Nevertheless, it should be noticed that – depending on national and local circumstances – there are a number of challenges affecting reuse. Value of products and materials can be an opportunity or a barrier. In case of low value/cheap products and materials, the incentive to reuse versus the cost of careful removal can be low or negative. Additionally, concerns might be raised related to reuse products without certification of tested performance particularly in a structural capacity. Often there is very little information on where the product has come from and its length of use in a particular application.
Overall, we need to reduce the production of construction and demolition waste and the extraction of natural resources in order to meet the climate objectives. Construction sites also need to become more circular.

- We have to radically simplify the way we build buildings. We have to reduce their weight, to minimize their impact on the environment, to make sure they are durable and sustainable. Wood, thanks to its renewable character and its properties, is the material that allows us to do that.

Additionally, **the renovation of existing buildings with wood constructions can contribute significantly to the sustainable urban redevelopment**. The renovation of building envelopes, such as façades and roofs, with highly insulated wooden components, can reduce the transmission heat losses and related heating energy demand of existing buildings significantly.

Modern treatments mean that wood can resist biological degradation even longer, as well as locking in carbon. The long-lasting nature of timber products makes them excellent value for money too. Properly maintained timber windows have in some instances lasted well over 100 years, while some wooden buildings in the Alps and Scandinavia, including churches, are many centuries old. Modern methods of construction mean that timber components can be pre-engineered off site and delivered ready to erect into a form or structure. This ensures that high levels of quality control are practised in the factory and that accurately manufactured components are assembled quickly and efficiently on site. An example of engineered wood product which is gaining momentum is cross-laminated timber (henceforth CLT), which is a product made from gluing layers of solid-sawn lumber together. Each layer of boards is orientated perpendicular to adjacent layers and glued on the wide faces of each board, usually in a symmetric way so that the outer layers have the same orientation. The difference with glulam is that laminations are not orientated in the same way. CLT enables completely different methods of building design and construction. In addition, it can be used instead of concrete and steel in the construction of tall and large buildings. CLT buildings can handle the world's strongest earthquakes with no loss of life or structural damage. They have excellent acoustic performance and are very efficient at insulation. Finally, CLT has comparatively low carbon emissions over the lifecycle of buildings and is seen, therefore, as a strong step towards sustainability.

To ensure that the potential of wood products is properly taken advantage of, national legislations across Europe need to be updated. This has been acknowledged by the European Commission itself, in the Staff Working Document published on March 4, 2019: *Sustainable Products in a Circular Economy – Towards an EU Product Policy Framework contributing to the Circular Economy.*

The Commission states in the document that: *National legislation on building codes is sometimes silent on materials, or not up to date with the development of building products which could increase the energy efficiency and performance of buildings from a sustainability perspective as well as replace energy intensive materials e.g. also in tall buildings. An example is the permitting use under these codes of wood-based products, in particular so-called engineered wood products (EWP) such as cross-laminated timber (CLT), laminated veneer lumber (LVL) and glued-laminated timber (glulam), which can efficiently retain a long-term carbon pool – especially in wooden buildings. It is therefore vital to raise awareness on these aspects. Currently direct reuse of construction products such as doors, windows or frames does not take place at large scale.*

EOS fully agrees with the above statement.

EOS is also of the opinion that the European Commission's initiatives impacting on the built environment, including the Circular Economy Action plan, should be closely aligned and designed in a way to ensure that circular economy principles are favoured, while at the same time red tape should be kept at a minimum. This is particularly important for the sawmill industries, a sector made up mostly of microenterprises, which do not have either in terms of personnel or in terms of finances the resources needed to cope with a high bureaucratic load. Life cycle assessments (henceforth LCAs) as well as green and circular procurement should be encouraged. LCAs should be designed so as to emphasize:

- **Low energy use**
- **Low embodied carbon**
- **Sequestered biogenic carbon**

Finally, the uptake of circular economy solutions across the EU is only possible if standards are harmonised and products are reclassified: nomenclatures such as the Statistical classification of economic activities in the European Community, abbreviated as NACE, and the trade-tracking Combined Nomenclatures need to be updated: products such as glulam and CLT need to have their own codes to properly track their growth.

6.3.2 European Parliament work related to the Circular Economy and EOS-EPF-FEP joint activities & message

As previously explained, last March, the European Commission published the "**Circular Economy Action Plan The European Green Deal**" aiming at accelerating the transition towards a regenerative growth model that gives back to the planet more than it takes, advance towards keeping its resource consumption within planetary boundaries, and therefore strive to reduce its consumption footprint and double its circular material use rate in the coming decade.

Last June, the European Parliament (EP) started its work related to the Commission proposal (although the first draft document is expected by Mid October). In order to maximise our possible contribution to the EU Parliament work, the EOS Secretariat together with the European Panel Federation and the European Parquet Federation had two web meetings respectively with the EP Rapporteur, MEP Huitema Jan and with the shadow Rapporteur MEP Pietikäinen Sirpa.

In a nutshell, the joint message can be summarised as follow:

- **Support sustainable and circular bio-based industries;**
- **Secure the supply for wooden raw materials and guarantee a level playing field** by avoiding unnecessary market distortions from support schemes for early energy recovery;
- **Increase the use of sustainable bio-based products and systems to fight climate change**, especially in construction and renovation, through the development of a regulatory framework for certification of carbon removals and the elaboration of Green Public Procurements to enable users to choose sustainable and climate friendly materials;
- **Promote resource efficiency, waste reduction and extension of the carbon life cycle** for the deployment of a circular bioeconomy;
- **Ensure that bio-based materials, including wood wastes, return to the value-chain**;
- **The lifecycle of a product should be based on more than simply its recyclability**, as recycling alone is not enough to create an environmentally friendly economy. All significant stages of the production use and after-use stages of the product need to be considered, **including carbon related considerations**;
- Immediately **set up an Expert Group called to define the criteria for a robust and transparent carbon accounting to monitor and verify the authenticity of carbon removal** in order to develop a regulatory framework for certification of carbon removals;
- In order to define criteria related to circularity, the Commission should set up an expert group where the business stakeholders are represented. Such criteria should also be considered during the revision of the Construction Products Regulation (CPR);
- Natural and reusable resources should be preferred while planning any new building or renovating an existing one. It will be essential to look at the emissions created during the entire life cycle of the building.

Here reported, the joint message prepared by EOS, EPF and FEP used in subsequent communications with other MEPs.

EPF/FEP/EOS Proposals to MEP HUITEMA Jan on the ENVI INI Report on the New Circular Economy Action Plan

EPF together with EOS and FEP represents 53% of the woodworking sector and we are an important part of the circular bioeconomy. In its EU Bioeconomy Strategy published in 2018, the European Commission calculated that the **Bioeconomy represents up to 18 million jobs and about 2.3 Trillion EUR turnover yearly**. Bioeconomy has indeed **proven potential to foster the economic recovery of the EU in line with the principles of circularity and the objectives of climate change mitigation**.

While the circular economy includes all kind of material streams with different utilization routes, only the bioeconomy provides renewable and carbon neutral products that can directly replace fossil carbon materials in almost all applications. The bioeconomy can contribute in several ways to the circular economy, including the utilization of organic side and waste streams from agriculture, forestry, fishery, food and feed and organic process waste. Also, biodegradable products can be returned to the organic and nutrient circle.

Wood based products are a key component of the **innovative and circular European Bioeconomy Industry**. Our products are sourced from sustainably managed forests in Europe and are mostly used for furniture, construction, and packaging.

Our products **store carbon dioxide throughout their whole life cycle** and have the **potential to substitute carbon and energy intensive materials** (such as steel and concrete) especially in the construction and renovation sectors.

A brand-new study[1] shows that European forests and the forest-based sector provide integrated solutions to the global climate challenge on a very large scale: **the overall positive climate effect is estimated at -806 million tons of carbon dioxide equivalents annually**. This corresponds to **20 % of all fossil emissions in the European Union**. About half is due to increased **carbon storage in forests and forest products (such as wood-based panels)** and the second half corresponds to the **fossil emissions prevented through substitution**.

EUROPEAN PANEL FEDERATION (EPF)

The **European Panel Federation** has members in 25 Member States and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood-based panels industry has an annual turnover of about 22 billion Euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe.

[1] Study: "Climate effect of the forest-based sector in the European Union" by Dr Holmgren, former Director General of the Centre for International Forestry Research (Sweden).

Our industry invests greatly in **innovative climate friendly products**, **that are favourable for both circular sustainability and climate change mitigation**. Wood-based panels can be structural, decorative or be used for thermal insulation. Our products (e.g. shelves, tables, floors) are found in everyday life; they are ubiquitous. To a very large extent our products are thought in Europe, made in Europe, and sold in Europe. We are resilient and lead the World in our sector.

In our largest product segment (particleboard) **on average 75% of the wood resource used comes from secondary raw materials –** either recovered wood and industrial by-products. We turn waste into innovative climate friendly products.
In its Communication on the New Circular Economy Action Plan, the European Commission proposes to "incentivise the **uptake of carbon removals and increased circularity of carbon**" and envisages to "explore the development of a **regulatory framework for certification of carbon removals** based on robust and transparent carbon accounting". The building sector and especially the Renovation Wave Initiative will be one of the engines of the recovery. **Using wood and wood-based materials in construction and renovation holds amazing potential to increase carbon removals, substitute carbon intensive materials, foster resource efficiency** (through circular use) **and enhance energy efficienc**y (due to high insulation properties).

EUROPEAN FEDERATION OF THE PARQUET INDUSTRY (FEP)

The European Federation of the Parquet industry has members in 20 countries and represents most of the European manufacturers of wood flooring. Parquet can be solid, mosaic or multilayer. Wood-based panels are used for the manufacturing of multilayer parquet – 83% of the European production – which can thus have a recycled content. All types of parquet are reusable and recyclable but, first and foremost, they are durable and a long-term carbon storage. Furthermore, parquet can replace fossil-based alternatives and substitute flooring solutions whose production is more energy-intensive.

In this context, FEP is also strongly supporting the exploration of a **regulatory framework for certification of carbon removals**. In addition, it is calling that the revision of the **Construction Products Regulation** (CPR), mentioned by the Commission in its Communication on the New Circular Economy Action Plan, ensures that the design of new and renovated buildings is in line with the circularity principles and leads to an increased use of sustainable and climate-friendly materials.

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY (EOS)

The New Circular Economy Action Plan should accelerate the transition towards a sustainable and green economy, putting the biobased industries at the heart of the industrial development while contributing to fighting climate change and preserving Europe's natural environment. There is a scientific consensus that humans are impacting the global environment: for this reason, we need to minimize the environmental impact associated with the consumption of a product or service. To do so, the following aspects should be taken into account: monitoring the carbon footprint, packaging sustainably, providing recycling options and product disposal and credible labelling with information about the environmental impacts of the products.

The Sawmill Industry is the first processor of logs, which are transformed into sawnwood to be used in construction or in furniture production. Wood residues from sawmill processes can be converted into a broad range of wood-based products including bio-composite materials, bioplastics, textiles and

carbon-neutral biofuels. Sawnwood is the main product produced by a sawmill but as a result of the logs' processing, residues, including sawdust, bark, and chips are created. The latter are not disposed of: sawmills operate according to the resource efficiency principle maximising the added value of wood resources without creating any waste. Indeed, sawdust and other sawmill residues are alternatively processed into other wood-based products or used for the bio-energy production depending on the market demand. Based on the above, it is evident that the sawmill industry is an example of circularity.

PROPOSALS:

We welcome the elaboration of your Report on behalf of the ENVI Committee on the New Circular Economy Action Plan. In this respect, we would like you to kindly consider including in the Report the following points to **support sustainable and circular bio-based industries**:

- The circular economy should maximise the use of sustainable, renewable and environmentally friendly materials and products designed to be easily maintained, reused, repaired or refurbished in order to extend their useful life, and later to be easily disassembled and recycled into new products.
- **Secure the supply for wooden raw materials and guarantee a level playing field** by avoiding unnecessary market distortions from support schemes for early energy recovery;
- **Increase the use of sustainable bio-based products and systems to fight climate change**, especially in construction and renovation, through the development of a regulatory framework for certification of carbon removals and the elaboration of Green Public Procurements to enable users to choose sustainable and climate friendly materials;
- **Promote resource efficiency, waste reduction and extension of the carbon life cycle** for the deployment of a circular bioeconomy;
- **Ensure that bio-based materials, including wood wastes, return to the value-chain** by fostering eco-design, increasing recycling targets and favouring wherever possible the use of secondary wooden raw materials for products ahead of eventual end of life incineration;
- **The lifecycle of a product should be based on more than simply its recyclability,** as recycling alone is not enough to create an environmentally friendly economy. All significant stages of the production use and after-use stages of the product need to be considered, **including carbon related considerations**.
- For this reason, as anticipated in the Circular Economy Action Plan, we urge the European Commission to immediately **set up an Expert Group called to define the criteria for a robust and transparent carbon accounting to monitor and verify the authenticity of carbon removal** in order to develop a regulatory framework for certification of carbon removals. Circularity of a product. The new Circular Economy Action Plan announces a Sustainable Product Policy, where the existing Eco-design Directive will be used to extend the scope of products as well as the circularity criteria (repairability, reusability, etc.). **In order to define criteria related to circularity, the Commission should set up an expert group where the business stakeholders are represented**. Such criteria should also be considered during the revision of the Construction Products Regulation (CPR).
- **Natural and reusable resources should be preferred while planning any new building or renovating an existing one**. **It will be essential to look at the emissions created during the entire life cycle of the building** – from the production of construction materials to the using phase and beyond. In this respect, it should be noted that the dry mass of wood is 50% carbon, and this carbon is taken away from the atmosphere and thus does not contribute to the greenhouse effect. Our society has the possibility to reduce greenhouse gas emissions by

applying circular principles to key economic sectors - such as the construction sector - and to reduce waste in the built environment, that currently accounts for a fifth of global emissions. To do so, **sustainable and green materials should be favoured, and their use promoted, particularly in Green Public Procurement**.

- Adopting modular design would enable products to be easily disassembled, components to be reused and materials to be recovered to extend their life cycle and reduce waste.
- Promoting smart design, reducing material consumption and using lower-carbon alternatives. (*Wood and other renewable materials can help to reduce dependence on carbon-intensive materials. Instead of emitting carbon, wood stores it for decades. Wood residues and post-consumer wood can also be burnt to generate green energy.)*

We would like, on behalf of our respective industries, to thank you for taking the time to listen to our concerns and reflect upon our proposals.

Yours sincerely,

European Panel Federation (EPF)
European Federation of the Parquet Industry (FEP)
European Organisation of the Sawmill Industry (EOS)

6.3.3 EEA Study entitled 'Cutting greenhouse gas emissions through circular economy actions in the buildings sector

In July 2020, the European Environmental Agency (EEA) published a Study entitled 'Cutting greenhouse gas emissions through circular economy actions in the buildings sector'. This study offers **positive arguments that the wood industries can use in their National advocacy actions aiming at promoting the use of wood products as construction materials**.

At the following link, you can download the briefing document: https://www.eea.europa.eu/themes/climate/cutting-greenhouse-gas-emissions-through/cutting-greenhouse-gas-emissions-through

The Study looks at the role that specific actions towards a more circular economy can play in reducing greenhouse gas emissions. The EEA assessment presents a new methodological approach, developed together with a consortium of European experts, which can help identify and prioritise circular efforts that can contribute to reducing emissions in any sector.

In its Circular Economy Action Planthe EU Commission announced that addressing the sustainability performance of construction products in the context of the revision of the Construction Product Regulation.

Key information for wood promotion actions:

1. The document clearly reports that **actions like reducing the use of concrete, cement and steel in the building sector can cut materials-related greenhouse gas emissions by 61% over a building's life cycle stages until 2050**.

2. It proposes to improve circularity and increasing the efficiency of materials management through:
   — extending product lifetimes;
   — reducing material losses;
   — recirculating materials and products;
   — preventing downcycling;
   — **substituting greenhouse gas-intensive materials with those with lower emissions**.

3. Steel, cement and concrete are some of the most emission and energy-intensive materials used in constructing buildings. These can be cut down if the demand for such materials is reduced through smarter design and production as well as reusing and recycling these materials at the end of building's life cycle.

4. In chapter 5 on the application of the methodology to the building sector, the study proposes explicitly:
   a. **"Use timber as the structural material in multi-story buildings instead of concrete and steel;**
   b. **Use timber as the structural material in residential buildings instead of mineral materials".**

Among policy recommendations, the study suggests specifically for the building sector to:

- **Conduct LCA and expert interviews on products in different geographies**, including benchmarking studies to feed more representative results into the methodology proposed in this study;
- Conduct further research on the demand structure outside the EU (for products produced within the EU) to provide sufficient knowledge on **how an EU circular economy can affect CO_2 emissions in this context**;
- Conduct further research on material demand for different end-use sectors to allow for a more detailed representation of demand and circular economy action impact (e.g. as regards the EU building stock, including different building types);
- In a subsequent application of the methodology, make sure to determine the applicability of a circular economy action to a sector's products (e.g. all residential housing, or only single-family homes, etc.) through expert discussions and transparently report decisions to show the intention of the assessment.

6.4 EU COMMUNICATION TITLED "A NEW INDUSTRIAL STRATEGY FOR EUROPE"

On 10 March, the European Commission presented a new Industrial Strategy in order to help Europe's industry lead the twin transitions towards climate neutrality and digital leadership. The Strategy aims to drive Europe's competitiveness and its strategic autonomy at a time of moving geopolitical plates and increasing global competition. The package of initiatives outlines a new approach to European industrial policy that is firmly rooted in European values and social market traditions. It sets out a range of actions to support all players of European industry, including big and small companies, innovative start-ups, research centres, service providers, suppliers and social partners. A **dedicated Strategy for small and medium-sized enterprises (SMEs)** aims to reduce red tape and help Europe's numerous SMEs to do business across the single market and beyond, access financing and help lead the way on the digital and green transitions.

A list of the most relevant elements of the Communications "**A New Industrial Strategy for Europe**", and "**The SME strategy for a sustainable and digital Europe**", are herewith summarised:

Communication a New Industrial Strategy for Europe

MOST RELEVANT ELEMENTS OF INDUSTRIAL STRATEGY	
Element	**Explanation**
Industry at the heart of decarbonisation	The European Green Deal is Europe's new growth strategy. At the heart of it is the goal of becoming the world's first climate-neutral continent by 2050. Industry has a leading role to play in what is the greatest challenge and opportunity of our times.
Raw Materials and energy supply need to be secure	To become more competitive as it becomes greener and more circular, industry will need a secure supply of clean and affordable energy and raw materials.
Standardisation and certification fundamental for the industry	The single market is very important for the industry. It depends on robust, well-functioning systems for standardisation and certification. These help to increase the size of markets and provide legal certainty. Developing new standards and technical regulations, coupled with increased EU participation in international standardisation bodies, will be essential to boost industry's competitiveness.
EU to sharpen trade defence, including anti-subsidies tools	The EU will make the most of its full toolbox of trade defence mechanisms. By mid-2020, the Commission will explore how best to strengthen anti-subsidies mechanisms and tool. This will be done in the White Paper on an Instrument on Foreign Subsidies which will address distortive effects caused by foreign subsidies within the single market. This will be followed up with a proposal for a legal instrument in 2021.
Sustainability of construction products	Europe also needs to address the sustainability of construction products and improve the energy efficiency and environmental performance of built assets. A more sustainable built environment will be essential for Europe's transition towards climate-neutrality.
Building a more circular economy	Europe also needs to address the sustainability of construction products and improve the energy efficiency and environmental performance of built assets. A more sustainable built environment will be essential for Europe's transition towards climate-neutrality. In line with Europe's new growth strategy, which gives back more than it extracts, Europe's industry must play a leading role in the ecological transition. This means reducing its carbon and material footprint and embedding circularity across the economy. To do this, we must move away from the age-old model of taking from the ground to make products, which we then use and throw away. We need to revolutionise the way we design, make, use and get rid of things by incentivising our industry. The new Circular Economy Action Plan puts forward a series of measures to allow the EU's industry to seize these opportunities. At the heart of it is a new sustainable product policy framework which will establish sustainability principles for all products, helping to make Europe's industry more competitive.

Communication "An SME Strategy for a Sustainable and Digital Europe"

MOST RELEVANT ELEMENTS OF INDUSTRIAL STRATEGY	
Element	**Explanation**
SMEs necessary to rejuvenate EU economy	Competitive sustainability is Europe's guiding principle for the future. Achieving a climate neutral, resource efficient and agile digital economy requires the full mobilisation of SMEs.
SMEs can benefit more from digital economy	Only a thriving community of SMEs using digital technologies and data can position Europe as a world leader in shaping the digital economy. Digitalisation can provide great opportunities for SMEs to improve the efficiency of production processes and ability to innovate products and business models. Using advanced disruptive technologies, such as blockchain and Artificial Intelligence (AI), Cloud and High Performance Computing (HPC) can dramatically boost their competitiveness. But SMEs do not yet fully benefit from data, the lifeblood of the digital economy. Many are not aware of the value of the data they create, and are not sufficiently protected or prepared for the upcoming data-agile economy. Only 17% of SMEs have successfully integrated digital technologies into their businesses, compared to 54% of large companies.
Every SME should have sustainability and digital advice nearby	The ambition is not only to deliver user-friendly and targeted advice on sustainability and digitalisation, but also to connect support structures so that every SME has advice nearby.
Need to reduce regulatory burden, which disproportionately affects SMEs	The single market is the go-to market for European SMEs. It accounts for 70% of the value of SME goods exports, and 80% of all exporting SMEs sell to other Member States. Complying with regulations, standards, labels and administrative formalities affects SMEs more than bigger companies due to their limited financial and human resources. These barriers deter many from doing cross-border business and scaling-up. If they do, they often use large platforms as intermediaries, leading to uneven levels of bargaining power. Tackling these barriers is a joint responsibility of the EU and Member States. From its part, the Commission is committed to reduce the burden on SMEs and to give them a stronger voice along the Better Regulation cycle. Under the regulatory fitness and performance programme (REFIT), the Commission systematically screens existing EU legislation with the aim to reducing burdens and simplifying legislation.
New information portal to raise awareness of SMEs on trade policies	Global markets are an important source of growth for SMEs. However, only 600,000 SMEs employing roughly 6 million people export goods outside the EU. In multilateral and bilateral dialogues, the Commission will promote an SME-friendly environment in third countries through the exchange of good practices with its partners. It will also launch a new information portal to raise awareness of SMEs on trade policies and provide detailed information on customs procedures and formalities for exporting to third countries. SMEs benefit more from rule-based trade opening than large companies, which have more resources for overcoming trade barriers. To simplify access to international markets by SMEs, the Commission is continuously negotiating new trade and investment agreements and challenging trade barriers that disproportionately affect SMEs
Improving Access to Financing	Access to finance is essential for SMEs to finance the investment needs for the transition. However, at all stages of development, small businesses struggle more than large enterprises to get finance. SMEs face a major finance gap in Europe of EUR 20-35 billion despite substantial support programmes at EU and national level, and in some Member States, access to finance remains one of the key problems they face. EU banking regulation must provide the foundation for a stable banking system that delivers adequate finance to all businesses. The EU banking package maintained the SME supporting factor and extended it to all loans provided to SMEs. The Commission will ensure that any future financial market legislation takes account of the interests of European SMEs and supports their uninterrupted access to a wide array of financing options.

With respect to the Industrial Strategy, in the next few months, EOS focused its advocacy activities on two key items:

- The Bioeconomy, which has been so far neglected in the Strategy, needs to be given appropriate standing in the European legislation
- The Industrial Strategy acknowledges that: *to become more competitive as it becomes greener and more circular, industry will need a secure supply of clean and affordable energy and raw materials*. At the moment, the focus of EU institution is on imported raw materials. We will emphasize that in an increasingly tense geopolitical context, unlike most fossil fuels-based products, wood-based products offer security of supply as raw materials can be sourced and produced in Europe.

6.4.1 EOS Letter to the Members of the EU Parliament "Bioeconomy shall be part of the new long-term strategy for Europe's industrial future"

In Mid April 2020, the European Parliament started its work related to the Initiative Report titled "**A new long-term strategy for Europe's industrial future**". According to a first insight, the industrial strategy *(review in the light of the economic implications caused by the coronavirus outbreak)* will be a priority topic of the European Union when Germany will takes over the rotating presidency of the Council of the EU in the second half of this year (July 2020).

Considering that the EU Communication titled "A New Industrial Strategy for Europe" disregards the value of the Bioeconomy in achieving a green and sustainable growth, while energy-intensive industries play a primary role in the Strategy, EOS sent a letter to all Members of the EU Parliament urging them to consider the key role of the Bioeconomy in achieving a sustainable and green Industrial Strategy.

Copy of the EOS letter is here reported.

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

20 April 2020

Dear Member of the European Parliament,

The European Organisation of the Sawmill Industry calls for a new long-term strategy for Europe's industrial future that includes the essential role of the sustainable bio-based industries and promotes the use of green and environmentally friendly products, such as wooden materials.

The European Commission itself has calculated the Bioeconomy as representing 18 million jobs and 2.3 Trillion EUR, yet this is largely disregarded in the leaked EU Strategy. We find this hard to believe and understand. Although some parts of the Bioeconomy are already long-established, in recent years, due to new technological developments, the Bioeconomy has proven to be a tool to reduce dependency on fossil fuels-based products and lead new and innovative bio-based solutions. In an increasingly tense geopolitical context, many of these solutions, unlike most fossil fuels-based products, also offer security of supply as raw materials can be sourced and produced in Europe.

Considering that the primary objective of the Industrial Strategy is to create favourable conditions for the development of an environment-friendly industrial fabric, the new European Industrial Strategy should include a Bioeconomy focused on the production and utilisation of biological resources to generate high-value bio-based products. Overall, the Bioeconomy encompasses the traditional Bioeconomy sectors, such as agriculture, forestry and forest-based industries, fisheries and aquaculture, as well as related processing and service industries, such as food, paper, textiles, construction, chemistry and biopharma. Demand for bioproducts is rapidly growing worldwide and represents an immediate and effective way to reduce carbon emissions. This is a major economic opportunity for Europe that shall not be missed.

For these above-mentioned reasons, the European Sawmill Industry would like to suggest you the following proposal for amendments.

- Calls on the Commission to consider the key role of the Bioeconomy in achieving a sustainable and green Industrial Strategy. The European Bioeconomy Industry is already a world-leading sector and its competitiveness should be fully recognised in the new long-term strategy for Europe's industrial future.

- Calls on the European Commission to create favourable market conditions in order to ensure that Europe will remain a global leader in developing, manufacturing, using and exporting bio-based solutions in order to move towards a low carbon future.

- Calls on the European Commission to prepare a “Renovation Wave’ Initiative and Strategy on the built environment” that favour climate friendly materials. The construction sector has opportunities over the short and long term to reduce emissions of carbon dioxide through the choice of materials with a low environmental impact and through energy-efficient structures. Increasing the use of wood products is part of the solution for the sustainable Europe’s industrial future.

- Calls on the European Commission to enhance support for European exporters to gain market share in non-European markets. EU SMEs should be particularly targeted. They need unbureaucratic backing in the form of market intelligence and access. European Investment Forum in big foreign markets focusing on the bioeconomy industries should be organized to facilitate connections between local stakeholders and European exporters.

- Calls on the European Commission to prepare “An update of the Skills Agenda for Europe in 2030” aiming at retraining and reskilling of the workforce for an evolving European Bioeconomy Industry. As the bioeconomy operates across a wide variety of sub industrial sectors, each have their own particular skills needs that shall be taken into account.

- In the framework of the “An update of the Skills Agenda for Europe in 2030”, calls investments and measures in skills to support growth and opportunity across Europe; in particular these measures will include actions to address the shortage of skills within the bioeconomy and establish a world class education system.

6.4.2 The EU Parliament: "A New Industrial Strategy for the EU Recovery, Reconstruction and Transformation"

On 6 May 2020 the EOS Secretariat received a copy of the draft working document "**A New Industrial Strategy for the EU Recovery, Reconstruction and Transformation**" elaborated by MEP Carlo Calenda, who is rapporteur for the European Parliament Industrial Strategy Report. The document was an early report focusing on the elements for an efficient recovery and reconstruction of the of the European Industry, in light of the current COVID-19 crisis. Although it was reasonable to think that additional key elements could still be added in the report (in subsequent stages), nevertheless – considering that the biobased industries (and consequently the entire wood value chain) were not recognised as a component of the Industrial Strategy, it has been essential to immediately start to advocate for this recognition.

Timeline:

The EP political groups had until 13 May for comments. The formal draft report was expected to be presented on 20 May, leaving a week (maximum 2 weeks) for amendments. The vote should follow in June/July.

The EOS requests:

Looking at the structure of the Calenda's document, 2 key points can be introduced and/or more emphasised in the Report:

1. Bioeconomy and the use renewable and sustainable materials should be introduced. Rebooting economic growth (disrupted by the contingencies measures imposed to stop the COVID-19 propagation) and climate change both represent a global problem that need a coordinated response. While dealing with immediate problems such as high unemployment, inflationary pressures or fiscal deficits, climate change imposes us to look to the future and take new ways of ensuring an environmentally friendly and sustainable growth. **A return to "business as usual" – meaning a dependence on fossil-based resources – is not a wise option.** The development of the European industrial ecosystems should equally merger economic, social and environmental needs. In contrast to the take-use-dispose paradigm typical of the traditional linear economy, **the European industrial ecosystems should be based on a circular economy where resources, preferably renewable and sustainable**, are kept in use for as long as possible. In this sense, the European Industrial Strategy and the recovery plan should **create favourable conditions for a Bioeconomy focused on the production and utilisation of biological resources to generate high-value bio-based products**.

2. More emphasis on green buildings – It is undeniable that the construction sector contributes greatly in the economic growth of a nation (estimated 9% of Gross Domestic Products) at the same time, according to United Nations Environment Programme, the building and construction sector accounts for 40% of worldwide energy use, 30% of energy-related greenhouse gas emission, nearly 12% of water use, and almost 40% of waste. For this reason, **the environmentally responsible and sustainable construction sector should be a focus of the EU recovery and Industrial plan**. Appropriate policies are needed to raise awareness of the benefits of green buildings, and to encourage the creation of green projects. Furthermore, Europe should facilitate the transition to green buildings and sustainable cities. In this sense, Green Public Procurement aiming at favouring the use of **sustainable materials in buildings** should be promoted.

EOS Members support:

In order to support these requests and to advocate for introducing a reference to the bio-industries in the Calenda's report, the EOS Members were asked to contact their National Members of the EU Parliament in the **ITRE committee**.

Summary of the calenda's working document:

The resolution is structured in four parts and it aims at finding effective solutions to exit the emergency phase, and support the industrial system in the reconstruction phase.

Phase 1 Recovery – focus is given to an appropriate financing to restart the economy, welcoming the Temporary State Aid Framework and giving preference to grants supporting scheme.

Toolkit phase 1 – it lists a series of characteristics for an effective Recovery Fund (RF) that should be be put in place quickly. It should be diversified among the sectors, with a mention of tourism and aviation as particularly hit sectors. The RF should both support national fiscal scheme aimed at incentivizing equity injections by the private sector and also allow companies to convert part

of the loans given by RF in equity support. Additionally, a stronger defensive toolkit toward unfair global competition is mentioned.

Phase 2 Reconstruction and Transformation – to be noted in this phase, a push towards a climate neutral production and circular economy, with a call for "a dashboard of climate targets as a roadmap to shape the industry of the future" and to "orient future industrial and investment decisions". Some actions related to specific sectors and policy areas are the following:

- **Maximise the energy efficiency and carbon savings potential of buildings stock.** Along with the upcoming proposal on the renovation wave policies, energy efficiency of buildings should be fully prioritised and accelerate deep renovations to enable not only better energy performance of buildings but also to **provide a healthy and zero emissions buildings stock**. In addition, the policies should also **define minimum indoor climate criteria**, especially for the most vulnerable occupants such as children, elderly and sick persons (social care, healthcare facilities) or low-income groups (social housing);
- Supporting the **development of smart and zero emission cities**;
- Boost digitalization to stay competitive at global level, i.e. investments in 5G and 6G, data economy, artificial intelligence, smart production and mobility. Innovation and reskilling, as well as an integrated approach at local, regional and EU level.
- Play a proactive role in the reform of the WTO and strengthen rules to increase transparency and notification and establish trade and sustainable development chapters in the FTAs.

Toolkit phase 2 – in this section, climate change provisions are largely supported. The Parliament asks the Commission for an allocation of 120 billions for the Horizon Europe programme; with 35% of it to be devoted to climate change with climate proofing provisions to be introduced into all legislation and avoiding investment with a potential negative climate impact. **Environmental and social criteria should be made mandatory in public procurement** and replace the "lowest price criteria" when awarding contracts.

From a trade perspective, the resolution calls for the approval of International Procurement Instrument with the highest social and environmental standards and the establishment of Foreign Direct Investment screening to protect EU know-how, industries and strategic infrastructure.

Finally, it is interesting to see that the Rapporteur proposes:

- to **establish a due diligence obligations that cover the whole supply chain and enlarging the scope of minerals and metals covered**.
- to introduce **a social and environmental traceability along the entire production chain**. In this line, due diligence obligations that cover the whole supply chain should be established. *(Unclear if this measure should apply to specific sectors or to the entire EU production.)*

Additionally, a joint letter was prepared by the wood value chain represented by EPF, EOS, CEI-BOIS and FEP. The President of EPF, Mr Fantoni delivered our common requests on behalf of our Organisations, creating a bridge between the Italian MEP and the EU wood Industries.

In a nutshell, the joint letter states:

- The European Industrial Strategy and the recovery plan should create favourable conditions for a Bioeconomy focused on the production and utilisation of natural, sustainable climate friendly resources to generate high-value industrial products.
- An environmentally responsible and sustainable construction sector should be at the heart of both the EU recovery plan and New Industrial Strategy. Appropriate policies are needed to raise awareness of the benefits of green buildings, and to encourage the creation of green projects within the framework of the Renovation Wave and the Sustainable Built Environment Initiative to maximise the energy efficiency and carbon savings potential of buildings stock.

Bruxelles 13/05/2020

Egregio Onorevole Calenda

L'Europa ed il mondo politico debbono fare i conti con l'epidemia di Covid-19, la quale non solo rappresenta una grave emergenza sanitaria pubblica, ma ha causato un grave shock negativo per le economie globali e dell'Europa. Purtroppo, anche la Sua visita presso il nostro stabilimento, fortemente attesa lo scorso 21 marzo, è stata annullata. Sicuramente, il team Fantoni sarà lieto di accoglierLa non appena sarà possibile tornare a spostarsi in completa sicurezza.

Quest'oggi, mi permetto di scriverLe in merito al rapporto industriale, che Lei insieme ai colleghi eurodeputati state preparando. Un ambizioso progetto di ripresa economica nel quale la filiera legno deve assolutamente far parte. Attraverso il supporto dell'On. Bonafè, le organizzazioni del legno presenti a Bruxelles, EPF, CEI-Bois e EOS hanno provato ad organizzare un incontro con Lei al fine di poterLe illustrare quelle che sono le opportunità che la nostra filiera offre per uno sviluppo industriale competitivo e ecosotenibile.

In allegato, copia del messaggio congiunto che EPF, CEI-Bois, FEP e EOS hanno preparato. Spero che nei prossimi giorni, Lei possa prendere in considerazione una video chiamata con i rappresentanti delle sopraccitate organizzazioni.

In estrema sintesi, mi permetto di riassurmLe i punti chiave delle richieste della filiera legno:

- Lo sviluppo di ecosistemi industriali europei deve fondarsi su considerazioni economiche, sociali e ambientali. Contrariamente al paradigma di "produzione-consumo-smaltimento" tipico della tradizionale economia lineare, gli ecosistemi industriali europei dovrebbero basarsi sui principi dell'economia circolare in cui le risorse, preferibilmente rinnovabili e sostenibili, sono mantenute in uso il più a lungo possibile. In questo senso, la strategia industriale europea ed il piano di risanamento dovrebbero creare condizioni favorevoli per una bioeconomia incentrata sulla produzione e l'utilizzo di risorse naturali, sostenibili e rispettose del clima finalizzate a generare prodotti industriali di alto valore.
- Il settore dell'edilizia dovrebbe essere al centro sia del piano di risanamento dell'UE sia della nuova strategia industriale. Per tale motivo, sono necessarie politiche appropriate per sensibilizzare l'opinione pubblica sui benefici degli edifici che favoriscono l'utilizzo di materiali ecologici. Servono inoltre azioni concrete per favorire progetti di rinnovamento e ristrutturazioni ecosostenibili, efficienza energetica e risparmio di carbonio negli edifici.

Nella speranza di potere condividere con Lei uno scambio di idee e di proposte, Le porgo i miei più cordiali saluti

Paolo Fantoni

EPF Chairman

Brussels, 13 May 2020

Dear Honourable Member of the European Parliament,
Dear Mr Calenda,

We the undersigned, would like to kindly draw your attention as Rapporteur on the New Industry Strategy on behalf of the Committee on Industry, Research and Energy and within the framework of the elaboration of your working document “A New Industrial Strategy for the EU - Recovery, Reconstruction and Transformation”, to the following points:

1. Rebooting economic prosperity (disrupted by the contingencies measures imposed to stop the COVID-19 propagation) and climate change both represent global challenges that require a coordinated response. While dealing with immediate problems such as high unemployment, inflationary pressures or fiscal deficits, climate change obliges us to look to the future and find new ways of ensuring an environmentally friendly and sustainable prosperity. **A return to “business as usual” - meaning a dependence on fossil-based resources - is not an option.** The development of the European industrial ecosystems should equally merge economic, social and environmental concerns. In contrast to the take-use-dispose paradigm typical of the traditional linear economy, **the European industrial ecosystems should be based on the principles of circular economy** where resources, preferably renewable and sustainable, are kept in use for as long as possible. In this sense, **the European Industrial Strategy and the recovery plan should create favourable conditions for a Bioeconomy focused on the production and utilisation of natural, sustainable climate friendly resources to generate high-value industrial products**.

2. It is undeniable that **the construction sector contributes greatly to the economic growth of Europe (an estimated 9% of EU-27 Gross Domestic Product)** at the same time, according to United Nations Environment Programme, the building and construction sector accounts for 40% of worldwide energy use, 30% of energy-related greenhouse gas emission, nearly 12% of water use, and almost 40% of waste. For this reason, **an environmentally responsible and sustainable construction sector should be at the heart of both the EU recovery plan and New Industrial Strategy**. Appropriate policies are needed to raise awareness of the benefits of green buildings, and to encourage the creation of green projects within the framework of the Renovation Wave and the Sustainable Built Environment Initiative to **maximise the energy efficiency and carbon savings potential of buildings stock**. Furthermore, Europe should facilitate the transition to green buildings and sustainable cities. In this sense, Green Public Procurement aimed at favouring the use of climate friendly, zero fossil-carbon materials in buildings should be promoted.

Yours sincerely,
European Panel Federation (EPF)
European Organisation of the Sawmill Industry (EOS)
European Federation of the Parquet Industry (FEP)
European Confederation of Woodworking Industries (CEI-BOIS)

*The **European Panel Federation (EPF)** has members in 25 countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood panel industry has an annual turnover of about 22 billion Euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe. www.europanels.org*

*Through its member federations and associated members, the **European Organisation of the Sawmill Industry (EOS)** represents some 35,000 sawmills manufacturing sawn boards, timber frames, glulam, decking, flooring, joinery, fencing and several other wood products. Together they represent around 80% of the total European sawn wood output in a sector that has a turnover of around 35 billion EUR and employs about 250,000 people in the EU. www.eos-oes.eu*

*The **European Federation of the Parquet Industry (FEP)** reunites more than 50 European parquet manufacturers, 8 national parquet associations and around 20 suppliers to the industry. It is the main body representing and defending the interests of the European parquet industries at all relevant levels. www.parquet.net*

*The **European Confederation of Woodworking Industries (CEI-Bois)** represents 21 European and National organisations from 15 countries and is the body backing the interests of the whole industrial European wood sector: more than 180.000 companies generating an annual turnover of 133 billion euros and employing 1 million workers in the EU. www.cei-bois.org*

6.4.3 EOS Contribution to the stakeholder consultation on the Industrial Strategy launched by the Committee of the Regions

In May 2020, EOS provided answers to the to the stakeholder consultation launched by the Committee of the Regions on "A new industrial strategy for Europe".
Through a written consultation revolving around six specific questions, the Committee of the Regions, lead by the Rapporteur Jeanette Baljeu (NL) was developing an opinion on "A new Industrial Strategy for Europe" on the basis of the Commission homonym document.

Written stakeholder consultation "A new industrial Strategy for Europe"

Committee of the Regions Opinion on A new Industrial Strategy for Europe
Rapporteur Jeanette Baljeu
Contribution submitted by the European Organisation of the Sawmill Industry (EOS)

1. What should be the focus of the development of European industrial ecosystems, including in the light of the current COVID-19 situation?

Rebooting economic growth (disrupted by the contingencies measures imposed to stop the COVID-19 propagation) and climate change both represent a global problem that need a coordinated response. While dealing with immediate problems such as high unemployment, inflationary pressures or fiscal deficits, climate change imposes us to look to the future and take new ways of ensuring an environmentally friendly and sustainable growth. A return to "business as usual" –meaning a dependence on fossil-based resources – is not a wise option.

The development of the European industrial ecosystems should equally merger economic, social and environmental needs. In contrast to the take-use-dispose paradigm typical of the traditional linear economy, the **European industrial ecosystems should be based on a circular economy where resources, preferably renewable and sustainable, are kept in use for as long as possible**.

2. In your opinion, should the EC adapt competition rules and the State aid framework to new technological and global market development? If so, could you give us an example?

In line with the considerations already expressed by BusinessEurope on several occasions, the EU must strength member states' and companies' ability to face global competition, including by further strengthening the European single market, fighting unfair trade practices, and by promoting European standards through comprehensive trade deals.

The EU should reflect on the **possibility of to use environmentally-related taxes in order to offer favourable market conditions to green products and materials**.

In order to facilitate the transformation to a low-carbon economy, state aid exemptions should be allowed for services & products with a clear low-carbon purpose and in presence of a low-carbon development plan. (In line with the Article 107(3b) TFEU: in the context of the European low-carbon transition, the potential exemptions to 'an important project of common European interest' and to 'facilitate the development of certain economic activities' (107(3c.)) are relevant). **Projects related to the development of the Bioeconomy should be recognised as important project of common European interest.**

3. How could the position of Local and Regional Authorities (LRAs) be strengthened through the new Industrial Strategy? What could the role of members of the Committee of the Regions be in this?

It is undeniable that the construction sector contributes greatly in the economic growth of a nation (estimated 9% [1] of Gross Domestic Products) at the same time, according to United Nations Environment Programme, the building and construction sector accounts for 40% of worldwide energy use, 30% of energy-related greenhouse gas emission, nearly 12% of water use, and almost 40% of waste. For this reason, **the environmentally responsible and sustainable construction sector** should be a focus of the EU recovery and Industrial plan. **Local and Regional government policies are needed to raise awareness of the benefits of green buildings**, and to encourage the creation of green projects. Furthermore, **Local and Regional governments should facilitate the transition to green buildings and sustainable cities. In this sense, local authorities and municipalities should promote Green Public Procurement aiming at favouring the use of sustainable materials in buildings**.

In its role of Consultative body of the EU Commission, the Committee of the Regions (CoR) should advocate for the need to put in place policies that facilitate the transformation of urban spaces and promote sustainable cities and communities. The CoR also should facilitate the green building promotion in civic and community messaging (newsletters, municipal mission statements, awards).

4. What is needed in your opinion to ensure fair competition globally and within the EU internal market?

In order to ensure fair competition (within the EU and globally), it is important to develop and **promote harmonised and comparable standards**. Companies are often confronted with multiple regulations and standards creating de facto an obstacle to trade.

Free Trade agreement should include Dispute Settlement Sample Clauses for facilitating the resolution of technical barriers to trade and/or more generic barriers to trade.

5. What role should LRAs play in the Pact of Skills in order to ensure an inclusive digital transition of Industry?

The building industry needs to adapt to new social, ecological and financial conditions and consequently it will need to adopt new technologies and solutions aiming at reducing overall the ecological footprint of the built environment. **The lack of workers and professionals with green building expertise represent a barrier to the growth of green buildings.** Embodied carbon, or the materials that go into a building's construction like steel and cement, makes up 11% of global emissions: for this reason, **it is essential to encourage life-cycle thinking throughout the construction process**, providing support to the industry in what can often prove to be a complex field of expertise.

Labour market policies need to ensure that workers and firms are able to adjust to the changes brought by the greening of the economy, including by seizing new opportunities. **Local and Regional Authorities (LRAs) can facilitate the transfer of successful education and training programs** from advanced regions to regions where knowledge is at present scarcer.

1. https://ec.europa.eu/growth/sectors/construction_en

6. Do you think the European Commission sets the right priorities? What should be emphasised more? What is missing?

The new long-term strategy for Europe's industrial future should include the essential role of the sustainable bio-based industries and promote the use of green and environmentally friendly products.

The European Commission itself has calculated the Bioeconomy as representing 18 million jobs and 2.3 Trillion EUR, yet this is largely disregarded in the EU Industrial Strategy. This is hard to believe and understand. Although some parts of the Bioeconomy are already long-established, in recent years, due to new technological developments, the Bioeconomy has proven to be a tool to reduce dependency on fossil fuels-based products and lead new and innovative bio-based solutions. In an increasingly tense geopolitical context, many of these solutions, unlike most fossil fuels-based products, also offer security of supply as raw materials can be sourced and produced in Europe.

Considering that the primary objective of the Industrial Strategy is to create favourable conditions for the development of an environment-friendly industrial fabric, the European Industrial Strategy and the recovery plan should **create favourable conditions for a Bioeconomy focused on the production and utilisation of biological resources to generate high-value bio-based products**. Overall, the Bioeconomy encompasses the traditional Bioeconomy sectors, such as agriculture, forestry and forest-based industries, fisheries and aquaculture, as well as related processing and service industries, such as food, paper, textiles, construction, chemistry and biopharma. Demand for bioproducts is rapidly growing worldwide and represents an immediate and effective way to reduce carbon emissions. This is a major economic and environmentally opportunity for Europe that shall not be missed.

Finally, European decision-makers should draw the right conclusions from this pandemic: a small virus basically upended the European economy causing what it is set to be the hardest economic crisis since the end of the Second World War. This means that a climate-related general crisis might create unprecedented havoc. A better focus on the Bioeconomy can help thwart this dangerous prospect.

On 25 June 2020 the ECON commission of the Committee of the Regions adopted unanimously the report on "A New Industrial Strategy for Europe".

In line with the proposals sent by EOS to the ECON commission, the Report states:

- "welcomes the new Circular Economy Action Plan which puts forward a series of measures to allow the EU's industries to **seize the opportunities of a more circular and bio-based approach that will ensure a cleaner and more competitive industry by reducing environmental impacts**, alleviating competition for scarce resources and reducing production costs; it can further reduce
- the dependency on energy and resource imports; underlines **the importance of the transition to a bio-based and circular economy** also for employment, and of a sustainable built environment as a key element of that transition".

6.5 EUROPEAN CLIMATE POLICY

The EU is competent to act in most areas of environment and climate policy, although its action is limited by the principle of subsidiarity and the requirement for unanimity in Council on certain topics (such as tax, land use and the energy mix). Although large parts of environmental and climate policy are set at EU level, the main responsibility for implementation lies with Member States, and in some cases with regional and local authorities. Under Articles 191 to 193 of the Treaty on the Functioning of the European Union, EU environmental policy is designed to provide 'a high level of protection' and is based on four principles (precaution; preventive action; rectification of damages at source; and 'the polluter pays').

6.5.1 The European Climate Law

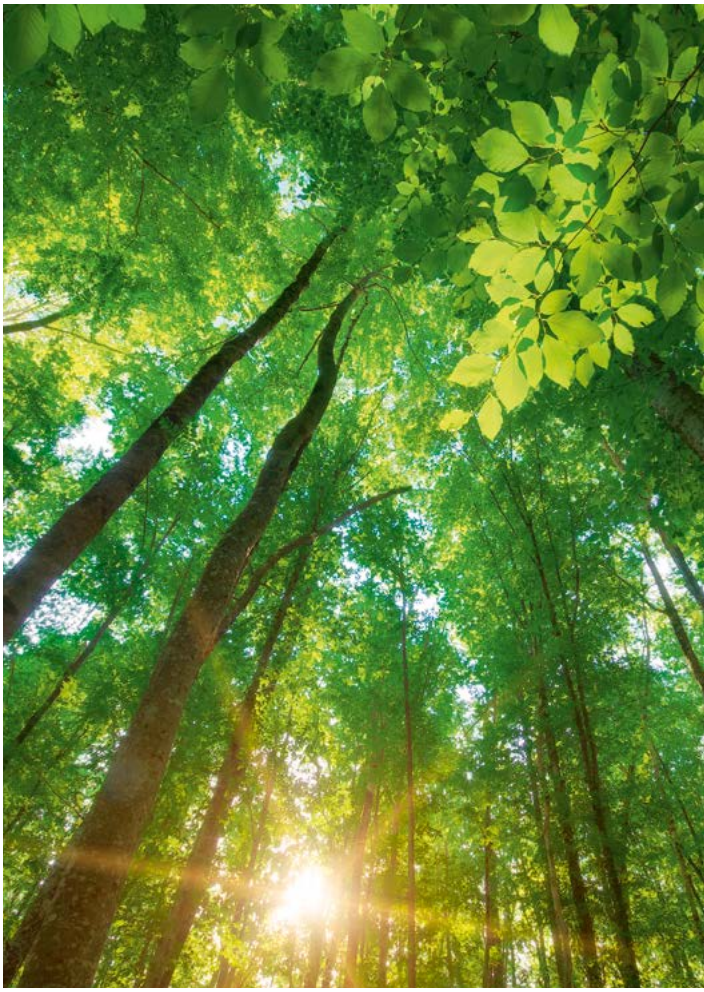
As part of the European Green Deal, on 4 March 2020, the European Commission adopted a legislative proposal for a **European Climate Law**, setting the objective for the EU to become climate-neutral by 2050 and establishing a framework for achieving that objective.

The proposed European climate law aims to complement the existing EU policy framework by setting the long-term direction for EU climate action; it raises the ambition relative to the existing measures, which are expected to reduce GHG emissions by only 60% by 2050, compared to 1990 levels. The Commission is expected to present an impact-assessed climate target plan by September 2020, to increase the 2030 target to from 40% to at least 50% and towards 55% compared with 1990 levels and intends to propose to amend the climate law accordingly. The proposed regulation would require EU institutions and Member States to take the measures necessary to achieve the collective climate-neutrality objective, taking into account fairness and solidarity among Member States. By 30 September 2023, and every five years thereafter, the Commission would have to assess collective progress towards climate neutrality and on adaptation, the consistency of relevant EU and Member State measures with the climate neutrality objective, and the adequacy of relevant EU and national measures for progressing on climate adaption.

→ The Clima Law applies to anthropogenic emissions and **removals by natural (such as forests)** or other sinks of the greenhouse gases emissions. The transition to climate neutrality will requires changes across the entire policy spectrum and a **collective effort of all sectors** of the economy and society.

→ To be noted: the Climate Law allows **the Commission to review targets every five years and propose new emissions-cutting benchmarks, in 2035, 2040 and 2045 "by delegated acts"** *(meaning without having to go through full negotiations with the European Parliament and EU member states)* and having consulted with national experts. Acknologing that "delegate acts" traditionally create tensions at political level, the draft Regulation introduces the possibility that the delegation of the power can be revoked at any time by the European Parliament or by the Council. (As per Article 9 of the draft Regulation).

The EU regulatory framework for achieving the targets up to 2030 was set during the 8th parliamentary term. Council and Parliament have adopted new rules and



2030 emission targets for specific sectors, strengthening and extending previous targets. Specifically:

- Energy and industry: the EU emissions trading system (ETS), which covers around 45% of the EU's greenhouse gas emissions, has been reformed. Emissions covered under the ETS must be reduced by 43% by 2030 compared with 2005 levels.
- Transport, buildings and agriculture: the Effort Sharing Regulation requires emissions in these sectors to be cut by 30% by 2030 compared with 2005 levels. Specifically on transport, revised CO_2 standards for cars and vans and the first-ever CO_2 standards for trucks and buses require that the CO_2 emissions of new vehicles do not exceed 30% of today's levels by 2030.
- Land use and forestry: the regulation on the land-use sector requires greenhouse gas emissions from land use and forestry to be offset by the removal from the atmosphere of at least an equivalent volume of CO_2 in the period from 2021 to 2030. Energy efficiency: a directive adopted in December 2018 sets a binding energy efficiency target of 32.5% for 2030.
- Renewable energy: a directive adopted in December 2018 sets a new renewable energy target of 32% for 2030.

Prior the publication of the EU Clima Law, the European Commission gathered feedbacks from stakeholders, including business associations.

EOS prepared a feedback by emphasizing the following points:

- Importance of using wood-based products to decarbonize the economy
- Necessity to keep forests healthy so they can provide their services, including timber supply, even in the future
- Wood is one of the few natural and renewable raw materials available in Europe and, unlike other materials, does not need to be imported from third countries: security of supply.

EOS Feedback to European climate law – achieving climate neutrality by 2050

The European Organization of the Sawmill Industry (EOS) welcomes the European Commission's goal to become more ambitious in reducing its CO2 emissions while, at the same time ensure that no EU citizen is left behind in the transition.

Today, 55% of the world's population lives in urban areas, a proportion that is expected to increase to 68% by 2050. Projections show that urbanization, the gradual shift in residence of the human population from rural to urban areas, combined with the overall growth of the world's population could add another 2.5 billion people to urban areas by 2050, with close to 90% of this increase taking place in Asia and Africa. This will imply the need for more buildings and more products.

Protecting the environment means ending our dependence on fossil fuels-based products. The European climate law should build a legislative framework that create favourable conditions for placing on the market sustainable and climate friendly products and enhancing solutions that already exist such as the Bio-Economy.

The European sawmill Industry is the backbone of the bioeconomy and has a great potential to reduce CO_2 emission by providing the most sustainable environmental products particularly in the construction sector. Nevertheless, specific EU interventions are needed:

1. The climate law should create a mechanism that rewards "CO_2 saving".

If the EU is to achieve its zero-carbon target in 2050, an enhanced use of wood-based products in construction is fundamental. The Intergovernmental Panel on Climate Change has produced a report on "climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems" in August 2019 in which it states that "Sustainable forest management can maintain or

enhance forest carbon stocks, including by transferring carbon to wood products, thus addressing the issue of sink saturation. Where wood carbon is transferred to harvested wood products, these can store carbon over the long-term and can substitute for emissions-intensive materials reducing emissions in other sectors.

To this end, the Climate Law needs to recognize the benefits of wood as a building material. Wood is remarkably strong in relation to its weight, and it provides good insulation from the cold. Wood is highly machinable and can be fabricated into all kinds of shapes and sizes to fit practically any construction need. **Wood** is also the perfect example of an environmentally sustainable product; it is biodegradable and renewable and **carries the lowest carbon footprint of any comparable building material**. In addition, no high-energy fossil fuels are required to produce wood[1]. The Updated Bioeconomy Strategy, published by the European Commission in October 2018, states that "the circularity and defossilisation of major economic sectors, including [...] the wooden construction sector, offer possibilities for long-term carbon sequestration and implementation of the low carbon economy"[2]. **EOS thus calls for a climate law that in line with the Bioeconomy Strategy calls for encouraging the utilization of wood as a building material.** A mechanism that rewards "CO_2 saving" should be put forward in the Climate Law (substitution effects of wood products). Everyday life is dominated by non-renewable consumables and products. Bio-based applications are still representing a minor share of materials consumed and we need to create the conditions to enhance the use of timber in construction.

2. The climate law should mobilise financial resource for developing green industries bioeconomy in the first place.

Efforts are needed to mobilise the financial sector in accelerating the move towards a prosperous and sustainable Europe in 2050. To achieve this, a stable, fair and favourable investment framework in Europe will be key in order to boost innovation and competitiveness in Europe.

3. Security of raw materials supply shold be integrated in the climate law.

In an increasingly delicate geopolitical landscape, with trade tensions on the rise, security of supply will be one of the defining geopolitical issues of the coming decade. The EU Commission has recognized that: *while international competition for raw materials is becoming more intense and production is moving towards other world regions, the EU is looking for ways to implement more responsible and sustainable sourcing strategies*[3]. EOS would like to stress that wood is one of the few natural resources abundant in the EU, thus boosting the utilization of wood would also have the positive effect of enhancing the EU raw material security. Indeed, the raw material (industrial roundwood) utilized by the European sawmill industry comes for more than 95% from sustainably-managed European forests: *de facto,* unlike other materials, no roundwood is imported from areas where geopolitical tensions are high.

1. http://www.understandconstruction.com/wood.html
2. A sustainable Bioeconomy for Europe: strengthening the connection between economy, society and the environment, p.46. To ensure that the potential of wood products is properly taken advantage of, national legislations across Europe need to be updated. This has been acknowledged by the European Commission itself, in the Staff Working Document published on March 4, 2019: Sustainable Products in a Circular Economy - Towards an EU Product Policy Framework contributing to the Circular Economy. The Commission states in the document that: National legislation on building codes is sometimes silent on materials, or not up to date with the development of building products which could increase the energy efficiency and performance of buildings from a sustainability perspective as well as replace energy intensive materials e.g. also in tall buildings. An example is the permitting use under these codes of wood-based products, in particular so-called engineered wood products (EWP) such as cross-laminated timber (CLT), laminated veneer lumber (LVL) and glued-laminated timber (glulam), which can efficiently retain a long-term carbon pool - especially in wooden buildings. It is therefore vital to raise awareness on these aspects. Currently direct reuse of construction products such as doors, windows or frames does not take place at large scale.
3. https://ec.europa.eu/jrc/en/news/securing-raw-materials-future

6.5.2 **2030 Climate Target Plan**

On 18 March, the European Commission opened up the consultation on the 2030 Climate Target Plan. The objective of this initiative is to **propose an increased climate target for 2030 to prepare the EU for the transition towards climate neutrality by 2050, including through an amendment of the recently proposed European Climate Law**. This initiative will assess the economic, social and environmental impacts. It will provide elements of the overall broad architecture of policy measures across sectors to achieve the revised climate ambition. This includes a preliminary analysis of options for the energy legislation, which will feed into a review and revision, where necessary, of the relevant targets and legislation. An analysis of the ambition of the national energy and climate plans will also feed into this assessment.

→ Based on this assessment, **this initiative will present the type and ambition of action and policies** required beyond climate and energy, **including** transport, price mechanisms, agriculture, **forestry and nature-based solutions** and green infrastructure, industry, digital economy, waste, water, **environment and consumer choices**.

→ This initiative should therefore provide insights in the required updates to the overall climate and energy framework and ensure overall coherence of the specific policy updates **by June 2021**, notably regarding the Emissions Trading System Directive (ETS)8 including its carbon leakage measures and possible alternatives; the Effort Sharing Regulation (ESR); **the Land Use, Land Use Change and Forestry Regulation (LULUCF regulation)**.

Next Steps:

- DG CLIMA is working on an impact assessment regarding the 2030 level of ambition;
- The Impact assessment itself should be published by September, followed by a 3-month public consultation. According to our understanding, the 2030 level of ambition is one of the key elements of the Climate Law. As previously explained, it will also set the frame for the revision of important pieces of legislation in 2021 including the EU ETS, Effort sharing, and LULUCF.

In a nutshell, **the EOS response to the EU Commission's consultation focuses on the role of biomass-based products and nature based solutions in achieving a sustainable, circular and environmental economy (in the framework of the LULUCF Regulation)**.

EOS response – Feedback to the 2030 climate target plan.

The Commission intends to propose an increasing of the EU's GHG emission reductions target for 2030 to at least 50% and towards 55% compared with 1990 levels. In this respect, the EOS response focuses on the role of biomass-based products and nature-based solutions in achieving a sustainable, circular and environmental-friendly economy.

According to the Regulation on Land Use, Land Use Change and Forestry (Regulation EU 2018/841), EU Member States are requested to comply with the so called "no debit rule", which requires EU Member States to ensure that emissions from the LULUCF sector do not exceed removals from 2021 to 2030. Meaning: the LULUCF sector shall not become a net source of GHG emissions.

Today more than two-fifths of Europe is tree-covered. Between 1990 and 2015, the area covered by forests and woodlands increased by 90,000 square kilometres - an area roughly the size of Portugal.

In Europe, 33% of the total land area (215 million ha) is covered by forests, with a positive trend of increase for the forested areas. Other wooded lands cover an additional area of 36 million ha. 113 million ha are covered by coniferous forests, 90 million ha by broadleaved ones and 48 million ha by mixed forests. (Source: JRC). Many of Europe's forests are managed to produce wood to make paper, or timber for construction, or as fuel. As trees in those forests are felled, more are planted, and **European forests expand by an area the size of 1,500 soccer pitches every day**. (Source: the World Economic Forum).

Nevertheless, **forests might be negatively affected by climate change causing an increase of the forest disturbances**. Climate change have an effect on important abiotic (re, drought, wind, snow and ice) and biotic (insects and pathogens) disturbance agents. Warmer and drier conditions particularly facilitate, drought and insect disturbances, while warmer and wetter conditions increase disturbances from wind and pathogens. Widespread interactions between agents are likely to amplify disturbances, while indirect climate effects such as vegetation changes can dampen long-term disturbance sensitivities to climate. Future changes in disturbance are likely to be most pronounced in coniferous forests and the boreal biome. (Source: Nature Climate Change 7:395-402 - July 2017)

The European Sawmill Industry calls for:

→ **A 2030 climate target plan that takes into consideration the negative impact of climate change on forests and mobilise resources for tackling them with scientific evidence.**

→ **The creation of an EU Forest Resource Monitoring System aiming at providing real-time information on the european forest resources and aiming at forecasting the impact of natural disturbances on wood availability.**

As recognised in the above-mentioned Regulation EU 2018/841 (whereas n°5), the LULUCF sector provides biomaterials that can substitute fossil- or carbon-intensive materials and therefore plays an important role in the transition to a low greenhouse-gas-emitting economy. To be noted that the same consideration is reported in the IPPC Special Report, published in August 2019 that reconfirms that where wood carbon is transferred to harvested wood products, these can store carbon over the long-term and can substitute for emissions-intensive materials reducing emissions in other sectors.

The European Sawmill Industry believes that:

→ **While the regulation eu 2018/841 is an adequate instrument for calculating the emission from the lulucf sector, it could be further extended. Product substitution should be considered as an effective long-term climate change mitigation strategy that complements the forest carbon sequestration.**

Harvested wood products can retain the carbon for various periods of time, depending on the end uses. In wood products, carbon is bound until the products decay or until these are burned as bio-energy source. On the other hand, using HWP in place of more GHG-intensive materials and using wood bioenergy to substitute for fossil fuels result in reduced fossil fuel emissions. When legally harvested from sustainably managed forests, wood products play a key role in decarbonising the economy, particularly the construction sectors.

In order to achieve the GHG emission reductions target for 2030 to at least 50% and towards 55%, the EU commission should:

→ **Put in place a mechanism that rewards the carbon neutrality of wood products and the material substitution.**

→ **Launch, as first step, a comprehensive study in order to explore potential mechanisms to allocate carbon units for storage in wood products.**

Increasing the use of wood or wood-based materials in construction and in products such as furniture, cabinets, flooring, doors and window frames represents a significant opportunity for emission reductions. With growing pressure to reduce the carbon footprint in buildings, designers are increasingly called upon to balance functionality and cost objectives with reduced environmental impact. Wood is a natural choice. **It's renewable, recyclable, and has a lighter carbon footprint than other construction materials.** Wood used for the construction of buildings, especially multi-use buildings (e.g. office buildings), have the highest level of avoided emissions for all solid wood products when substituting steel and concrete. This is mostly due to the amount of material being displaced and the emission-intensity of steel and concrete.
(Source: https://cfs.nrcan.gc.ca/publications?id=37087).

Additionally, it is the only structural building material with third-party certification systems in place to verify that products come from a sustainably-managed resource. European producers use wood coming only from sustainably-managed forests to ensure that the wood we use minimizes its footprint on local ecology, habitats and peoples.

6.5.3 Land Use, Land Use Change and Forestry (LULUCF)

The land use, land use change and forestry (LULUCF) sector is assigned an important role in both global and EU climate policy because to date, it is the only sector with the large-scale potential to sequester carbon from the atmosphere. The Paris Agreement highlights the potential contribution of the LULUCF sector by setting an objective to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century in order to meet its overall goal of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

One year on from the adoption of the EU Regulation on land use, land use change and forestry (LULUCF), last June 2019 experts convened by the European Commission have completed an assessment of Member States' national forestry accounting plans to evaluate their compliance with the main principles and requirements set out in the Regulation.

The LULUCF Regulation adopted in May 2018 sets a binding commitment for each Member State to ensure that accounted emissions from land use are at least compensated by an equivalent removal of CO_2 from the atmosphere through other action in the sector.

In order to estimate the impact of additional action in European forests on their ability to remove CO_2 from the atmosphere, a forest reference level has to be established against which future removals will be accounted. The reference level estimates future baseline removals by forests by projecting past forest management practice. Member States were to submit to the Commission their national forestry accounting plans, including a proposed forest reference level for the period from 2021 to 2025, by 31 December 2018. Following the process set out in the Regulation, the Commission established an expert group including representatives from Member States, technical specialists, NGOs and research organisations, representatives of Norway, Iceland and the EFTA Surveillance Authority, and observers (**EOS is an observer in this group**) from various interested stakeholder groups to assess the plans. Following meetings in Brussels on 6 February and during 1 April to 12 April 2019, the expert group adopted its synthesis report conclusions on the national plans. The technical assessment process and the

conclusions of the expert group serve as a basis for the formulation of technical recommendations for improving the national plans. Member States submitted then to the Commission their revised forest reference levels based on the synthesis report conclusions and technical recommendations by 31 December 2019. Further information is available in the Register of Commission Expert Groups: https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3638&news=1

On 26-27 May 2020, EOS attended, as observer, the 4th meeting of Expert Group on Land Use, Land Use Change and Forestry. This web meeting was hosted as an informal stocktaking, allowing the exchange of opinions on the National Forestry Accounting Plans (NFAPs) and common challenges, where the Commission presented its preliminary assessment.

The minutes and all documents related to this meeting are publicly available at the following link: https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeeting&meetingId=20855

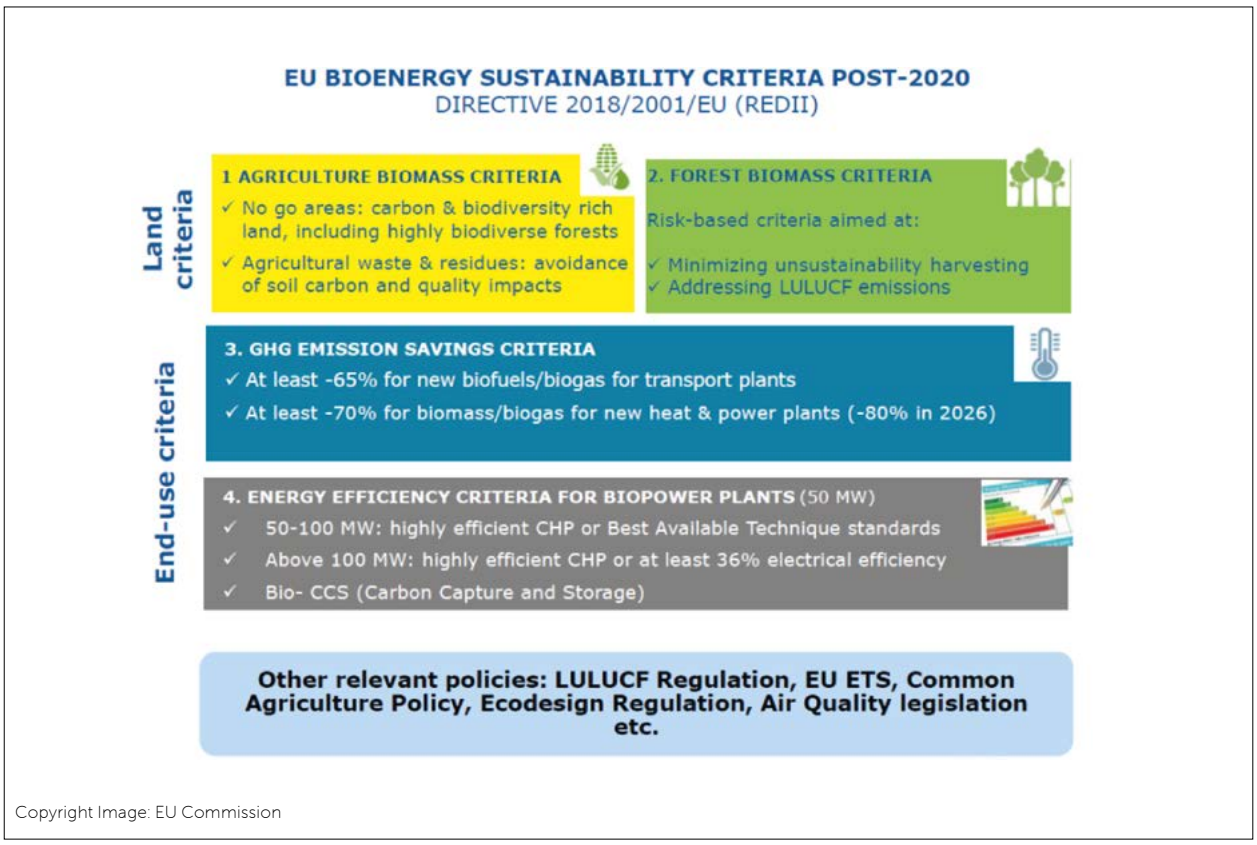
Following the LULUCF expert group on the 26th and 27th May 2020, on the assessment of revised National Forestry Accounting Plans and Forest Reference Levels (the amount of carbon dioxide that will be absorbed or emitted by forests in the coming five years) proposed by Member States, the Commission launched an experts consultation on the draft delegated act. National experts were allowed to send comments and change' proposals by 6 of July 2020. For more information and documents: https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeeting&meetingId=21396

According to the information received, the Commission is expected to adopt the Forest Reference Levels in October 2020.

6.6 REDII BIOENERGY SUSTAINABILITY CRITERIA

Nutshell information:

- The existing Renewable Energy Directive 2009/28 (RED) lays down the policy framework to promote renewable energy in the European Union, including achieving an overall 20% share of renewable energy by 2020 and the related national renewable energy targets. On 1 July 2021, the RED will be repealed by the recast of the Renewable Energy Directive (EU) 2018/2001 (REDII), which sets the framework for the promotion of renewable energy in the European Union from 2021 to 2030.
- As set out in Article 30 of REDII, Member States are responsible for the implementation of the EU bioenergy sustainability criteria. To this end, they must require economic operators (i.e. bioenergy producers) to show that the biofuels, bioliquids and biomass fuels concerned comply with the relevant land sustainability criteria (related to land use), GHG saving criteria, and energy efficiency requirements. Economic operators have two methods to do this:
  - by providing the relevant national authority with data/evidence required under the Directive; or,
  - by using 'voluntary' certification schemes recognized by the Commission. Member States have to require that economic operators arrange for an adequate standard of independent auditing of the information submitted.
- In the working plan related to the Biodiversity Strategy, the EU Commission has announced:
  - Assessment of the EU and global biomass supply and demand and related sustainability;
  - Study on the sustainability of the use of forest biomass for energy production;
  - Operational guidance on the new sustainability criteria on forest biomass for energy.



The REDIIBIO project provides technical assistance to the Commission for the efficient implementation of the new sustainability criteria for forest and agricultural biomass under the REDII (call for tender ENER/C1/2019-439). The general objective of the REDIIBIO project is to develop a range of approaches to implement the new sustainability criteria for forest and agriculture biomass as they stand, including identifying tools to demonstrate compliance. The REDIIBIO project consortium is led by Navigant and includes the European Forest Institute (EFI), the Institute for European Environmental Policy (IEEP), the Oeko Institute and the Spatial Informatics Group (SIG). At the beginning of July 2020, the consortium involved in the elaboration of the REDIIBIO project, launched yesterday a consultation in order to gather feedback from stakeholders on the proposed approaches/methods and ensure accuracy and objectivity of the overall project findings. The consultation was anticipated by an ad hoc workshop on 25 June, attended by EOS.

Among the different tasks, the project develops a proposal for a guidance document on the implementation of the new **risk-based sustainability criteria for forest biomass**, including explaining relevant concepts, developing a method to apply those criteria, and identifying available evidence to show sustainability compliance.

Recital 102 of REDII states that "*woody raw material should only be sourced from forests that are harvested in accordance with the principles of sustainable forest management that are developed under international forest processes and that are implemented through national law or best management practices at sourcing area level. Operators should take the appropriate steps to minimise the risk of using unsustainable forest biomass for the production of bioenergy and ensure that carbon stocks can be tracked. To that end, operators should put in place a risk-based approach*".

REDII includes two sets of sustainability criteria for forest biomass:

1. One set of criteria in Article 29.6 which aim is to minimise the risk of using forest biomass derived from unsustainable production; and
2. One set of criteria in Article 29.7, which aim is to ensure compliance with Land use, Landuse Change and Forestry (LULUCF) requirements.

Compliance with these forest biomass criteria can be demonstrated in two ways:

- Level A): the harvesting criteria are complied with by the national or subnational legislation applicable in the area of harvest, as well as monitoring and enforcement systems.
- Level B): for each criterion for which compliance cannot be demonstrated at national or subnational level, compliance needs to be demonstrated through management systems applicable to the forest sourcing area level.

Important:

The sustainability criteria apply to all forest biomass used for the production of biofuels, bioliquids and solid and gaseous biomass fuels consumed in the EU. Forest biomass includes **logs**, **logging residues** (e.g. **branches**, **tree-tops**, **stem parts**, **small-diameter trees**), stumps and roots, which are directly generated by forestry.

These criteria **do not apply to**:

1. **Processing residues from forest-based industries, such as sawdust and wood shavings that result from sawmilling or wood milling.** To avoid the risk of fraud, the REDII Directive clarifies that processing residues shall not be a primary aim of the production process and the process shall not be deliberately modified to produce them.

2. **Wood wastes (e.g. discarded furniture, wood that was used in construction) that are being repurposed and further processed into biofuels, bioliquids and biomass fuels.** However, according to the Directive, wastes have to fulfil the greenhouse gas emissions saving criteria laid down in Article 29 paragraph 10 of the REDII.

Feedback were expected **until Friday 24th of July 2020**.

Link to the REDBIOII project: https://www.efi.int/projects/rediibio-red-ii-sustainability-criteria

Written Answer given by Ms Simson on behalf of the European Commission to a question (Rule 138) by Michal Wiezik on "RED II sustainability and greenhouse gas emission savings criteria"

According to the Commission Impact Assessment on Bioenergy Sustainability [1], households consume about half of the solid biomass for energy. As regards commercial and industrial biomass, around 75% is consumed in installations with a thermal capacity above 20 MW and 25% in smaller installations.

The recast Renewable Energy Directive [2] sets out sustainability criteria and minimum energy efficiency criteria for large-scale biomass-based electricity plants.

Differently from other renewable energy technologies, such as wind and solar, that do not involve combustion, the efficiency of conversion of solid biomass into energy varies significantly depending on the type of conversion [3] and the inherent efficiency of the bioenergy installation.

In energy statistical accounting, bioenergy is treated similarly to combustible fossil fuels. For combustibles, energy supply can differ substantially from final energy consumption, due to the losses that occur during combustion of the fuel. The energy efficiency of biomass combustion is generally in the range of 15-40% to produce electricity only, 60% and more in installations that combine heat and power production (CHP), and up to 90-95% in recent highly efficient CHP installations and heat-only biomass boilers.

According to energy statistics, solar and wind power have a conversion ratio of 1:1 from production to final consumption, given that in the energy balances they are reflected directly by the final electricity produced and without consideration of their conversion efficiencies.

In terms of land use intensity, and based on IRENA's estimates for Europe, wind requires 0.4 m^2 to produce one MWh, solar (photovoltaic) 8.7 m^2, while biomass figures for dedicated feedstocks vary between 220 (corn) and 479 m^2 (soybean biofuels) [4]. Other studies present estimates with similar orders of magnitude. However, in the case of biomass from residues and waste, land footprints are close to zero.

1. https://ec.europa.eu/energy/sites/ener/files/documents/1_en_impact_assessment_part4_v4_418.pdf
2. Directive (EU) 2018/2001: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L2001
3. i.e. to deliver electricity, heat, or combined heat and power
4. Fritsche, U. et al. (2017) Energy and land use — Global land outlook working paper. United Nations Convention to Combat Desertification and IRENA .

Priority question for written answer P-001532/2020 to the Commission by MEP Michal Wiezik – Subject: "RED II sustainability and greenhouse gas emission savings criteria"

Based on a study by the Commission's Joint Research Centre[1], energy accounts for nearly half (48%) of the total use of woody biomass and demand is predicted to significantly increase. The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) report [2] focusing on the region of Europe has already highlighted a decline in ecosystem services partly due to the intensification of forestry to provide biomass-based fuels. Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (RED II) contains sustainability and greenhouse gas (GHG) emission savings criteria for biomass fuels, which are to be applied by mid-2021 to decrease potential risks and damage.

How much of the total solid biomass burned in the EU, including by households, will be covered by these criteria, given that they only apply to installations with a total rated thermal input equal to or exceeding 20 MW?

How efficient is the burning of solid biomass compared to the production of energy by solar or wind power?

1. Camia A., Robert N., Jonsson R., Pilli R., García-Condado S., López-Lozano R., van der Velde M., Ronzon T., Gurría P., M'Barek R., Tamosiunas S., Fiore G., Araujo R., Hoepffner N., Marelli L., Giuntoli J., 'Biomass production, supply, uses and flows in the European Union. First results from an integrated assessment', EUR 28993 EN, Publications Office of the European Union, Luxembourg, 2018.
2. IPBES (2018): Summary for policymakers of the regional assessment report on biodiversity and ecosystem services for Europe and Central Asia of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. M. Fischer, M. Rounsevell, A. Torre-Marin Rando, A. Mader, A. Church, M. Elbakidze, V. Elias, T. Hahn. P.A. Harrison, J. Hauck, B. Martín-López, I. Ring, C. Sandström, I. Sousa Pinto, P. Visconti, N.E. Zimmermann and M. Christie (eds.). IPBES secretariat, Bonn, Germany. Available at: https://ipbes.net/sites/default/files/ipbes_6_15_add.4_eca_english.pdf

6.7 2030 BIODIVERSITY STRATEGY

On 20 May, the European Commission has published the 2030 Biodiversity Strategy. The new Biodiversity Strategy tackles the key drivers of biodiversity loss, such as unsustainable use of land and sea, overexploitation of natural resourcees, pollution, and invasive alien species. It includes an annex file reporting the expected legislative initiatives.

Key information for the Sawmill Industries:

At least 30% OF THE LAND SHOULD BE PROTECTED in the EU. This is a minimum of an extra 4% for land.

→ Member States will be responsible for designating the additional protected and strictly protected areas. All protected areas will need to have clearly defined conservation objectives and measures. The Commission, working with Member States and the European Environment Agency, will put forward in 2020 criteria and guidance for identifying and designating additional areas, including a definition of strict protection, as well as for appropriate management planning.

→ The Commission will aim to agree the criteria and guidance for additional designations with Member States by the end of 2021. Member States will then have until the end of 2023 to demonstrate significant progress in legally designating new protected areas and integrating ecological corridors.

The Commission will propose a dedicated EU Forest Strategy in 2021 in line with our wider biodiversity and climate neutrality ambitions. It will include a roadmap for planting at least 3 billion additional trees in the EU by 2030.

→ In addition to strictly protecting all remaining EU primary and old-growth forests, the EU must increase the quantity, quality and resilience of its forests, notably against fires, droughts, pests, diseases and other threats likely to increase with climate change.

→ To gain a better picture of the health of European forests, the Commission will work with other data providers to further develop the Forest Information System for Europe. This will help produce up-to-date assessments of the condition of European forests and link all EU forest-data web-platforms.

- Regarding the development of the Forest Information System for Europe, EOS together with the three researchers, Prof Cavalli, Dr Schuler and Dr Kleinschmit will have web meetings (at the end of May and beginning of June) with the cabinet of the Agriculture Commissioner Wojciechowski and the head Unit of DG ENVI.

When proposing FURTHER LEGISLATION AND GUIDANCE ON GREEN PUBLIC PROCUREMENT, the Commission will integrate criteria and monitoring to boost nature-based solutions.

The Commission will develop in 2021 methods, criteria and standards to describe the essential features of biodiversity, its services, values, and sustainable use. These will include MEASURING THE ENVIRONMENTAL FOOTPRINT OF PRODUCTS AND ORGANISATIONS ON THE ENVIRONMENT, including through life-cycle approaches and natural capital accounting.

Timeline key actions for the sawmill industries:

- New EU FOREST STRATEGY including a roadmap for planting at least 3 billion additional trees in the EU by 2030 – Indicative timeline: 2021
- Further develop the Forest Information System for Europe – Indicative timeline: as of 2020
- FORESTRY PRACTICES. Guidelines on biodiversity-friendly afforestation and reforestation and closer to-nature-forestry practices – Indicative timeline: 2021
- **BIOENERGY.** To better understand and monitor the potential climate and biodiversity risks, the Commission is assessing the EU and global biomass supply and demand and related sustainability.
  - Assessment of the EU and global biomass supply and demand and related sustainability – Indicative timeline: ongoing
  - Study on the sustainability of the use of forest biomass for energy production – Indicative timeline: 2020
  - Operational guidance on the new sustainability criteria on forest biomass for energy – Indicative timeline: 2021
- Methods, criteria and standards to better integrate biodiversity considerations into public and business decision-making at all levels, and to measure the ENVIRONMENTAL FOOTPRINT OF PRODUCTS AND ORGANISATIONS – Indicative timeline: 2021

Next steps:

The Commission invites the European Parliament and the Council to endorse these two strategies and its commitments.

Relevant documents:

- View the Communication: **EU Biodiversity Strategy for 2030 – Bringing nature back into our lives**
- **Factsheet: EU 2030 Biodiversity Strategy**
- View the Commissioner Virginijus Sinkevičius **statement at press conference on Biodiversity Strategy**, Brussels 20 May 2020
- **Factsheet: Economic impact of biodiversity.** The world already lost an estimated € 3.5-18.5 trillion per year in ecosystem services from 1997 to 2011, and an estimated € 5.5-10.5 trillion per year from land degradation. Biodiversity underpins EU and global food security. Biodiversity loss risks puts our food systems and nutrition at risk.
- EU Parliament Resolution calling for biodiversity binding targets at global and EU level. **European Parliament resolution of 16 January 2020 on the 15th meeting of the Conference of Parties (COP15) to the Convention on Biological Diversity**.

Safeguarding nature – EU 2030 Biodiversity Strategy – EOS comments

The European Organisation of the Sawmill Industry (EOS) use and purchase wood coming only from the European Forests – E*U territories*; for this reason, the considerations made in relation to the EU Biodiversity Action Strategy are related only to the EU forests.

EOS believes that the Strategy should support Member States with evidence based knowledge about the current conditions for the effective wood production and biodiversity conservation. By using wood products – legally harvested from sustainably managed forests – Europe can achieve several of the objectives presented in the recently adopted "The European Green Deal" and become the world's first climate-neutral continent by 2050.

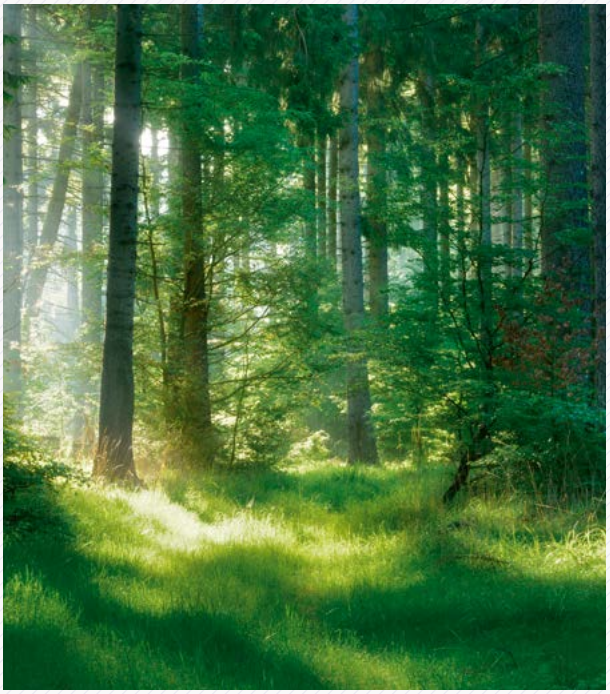
Forests play a variety of roles for society and the ecosystem. In addition to wood production, forests are also important recreation and leisure areas. They contribute towards protecting the environment, biodiversity and the soil as well as acting as a CO_2 sink. For these reasons it is essential that forests are protected against natural disturbances such as forest fires and pests. While one might not connect healthy forests with selling wood, they are actually intimately connected. Income from woods can help forest owners to invest in sustainable forest management. Scientific studies proved that unmanaged forests are often susceptible to disturbances, including insects and disease outbreaks and generate a much greater carbon debt if they are combusted during a wildfire, rather than managed forests.

Over the last few years, hot and dry summers have caused a dramatic increase in calamity-damaged logs in Central Europe (heat, drought, bark-beetle attacks) which have upended the market at European level. The European Forest Institute has recently predicted a six-fold increase in bark-beetle attacks in the decade 2021-2030 as compared to the period 1970-2010, which is a concern for the industry and for the biodiversity as well. Securing the long-term health of forests is vital for the sawmill industry, the first processor of raw materials in the forest-based sector.

Sawn timber is the greatest source of financial revenue for forest owners. It is estimated that around 85-90% of revenue for forest owners is indeed generated through sales of raw materials. Overall, the forest-based economy, mainly composed of SMEs, is an essential part of rural economies and provides around 1 million jobs in Europe (excluding the furniture sector).

Timber production and Biodiversity

- Scientific studies had proven that plantations can play an important role in biodiversity conservation and restoration of forest species, particularly when management aims to balance environmental and economic goals. Managed plantations can be beneficial to biodiversity, particularly in degraded landscapes and can positively influence the nutrient soil cycle. Additionally, productivity (in terms of wood supply) is higher in planted forests than in natural forests. Nevertheless, it is undeniable that disagreement over the environmental value of plantations exist; for this reason, EOS call for an EU 2030 BIODIVERSITY STRATEGY that evaluates changes and trade-offs in ecosystem, goods and services associated with plantations.



- Considerations about biodiversity should not disregard forests resistance and resilience to climate change. There is a need to understand what mixtures of trees species can provide the best resistance and stability to climate change while preserving biodiversity without negatively affecting the quality and quantity of wood production. Additionally, it should be noted that also the forests outside the conservation areas are also significant for biodiversity protection.

- Connected to the above, forest tree breeding might be introduced in some areas. It consists in the application of genetic, reproductive biology and economics principles to the genetic improvement and management of forest trees. A typical forest tree breeding program starts with selection of superior phenotypes (plus trees) in a natural or planted forest, often based on growth rate, tree form and site adaptation traits. To counteract climate-induced decline and maintain/enhance forest productivity and meet the growing needs of society and the bioeconomy, we may enhance the resilience of forests through the selection/development of new genotypes, through traditional methods of genome sequencing and selection of desired traits and/or novel methods of genome improvement.

- The political solutions on biodiversity should be compatible with the market-driven tools. There is a massive development in LCAs and environmental footprints which actually create some business value. To take care or our natural resources we need to make sure that sustainability is a good business too.

- Illegal logging is one of the main causes of deforestation and causes considerable environmental damage and biodiversity loss. It has serious implications for climate change, and make forests more vulnerable to fires. The European Organisation of the Sawmill Industry condemns any form of illegal logging. For this reason, sawmill companies are investing on the best technologies available on the market to guarantee the traceability of the purchased logs. The interdependency between population growth, climate change and environmental degradation request global measures against illegal logging more necessary than ever.

- Biodiversity monitoring and audit system should rely on tangible and measurable biodiversity goals having taken into considerations regional conditions. Change in biodiversity should not only focus on human activity, but consider as well ecological/natural change. Eliminating the demand for industrial forest products from high conservation value forests would not necessarily remove pressure to clear the same forests for agriculture or other commercial purposes.

- Assisted migration needs to be encouraged if local conditions allow. It is the purposeful movement of species to facilitate or mimic natural population or range expansion. Substantial evidence suggests that most tree species will not be able to adapt through natural selection or migrate naturally at rates sufficient to keep pace with climate change, leaving forests susceptible to forest health risks and reduced productivity. Assisted migration is a prudent, proactive, inexpensive strategy that exploits finely tuned plant-climate adaptations wrought through millennia of natural selection to help maintain forest resilience, health and productivity in a changing climate.

- Finally, it is important to consider that 60% of the European forests are privately owned, mostly by individuals and families (estimated: more than 16 million forest owners) with small and fragmented properties.

Brussels, 15 May 2020

JOINT STATEMENT

The EU forest sector's role in ensuring sustainable forest management and conserving biodiversity

For the sustainable development and resilience of EU forests, including biodiversity conservation, the following issues raised by the European forest and the forest-based sectors need to be considered in the upcoming EU Biodiversity Strategy.

1. SFM is the ABC of biodiversity conservation in forests

Sustainable Forest Management (SFM), with its variety of practices adapted to local circumstances, should be seen as an opportunity to safeguard biodiversity, taking into consideration the impact of climate change while ensuring that other multiple ecosystem services provided by forests can be delivered in a balanced way.

The future Biodiversity Strategy should further promote SFM, whose definition, principles and detailed criteria have been agreed as part of the Forest Europe process[1], which is under continuous development, and are already an integral part of national legislations and voluntary certification systems.

2. Are more restrictions the best way to preserve forests?

Any type of protection should take into account the current requirements of subparagraph 3 of article 2 of the Habitats Directive according to which the economic, social and cultural requirements, and regional and local characteristics need to be respected when interpreting the species and habitats protection provisions.

Placing more restrictive measures, e.g. through strict protection, is a high-risk solution considering future climate change projections and the ever more common adverse events engendering negative effects on forests. In addition, it would encumber forest owners and managers with unbearable burdens which would, in turn, only result in a counterproductive impact on the delivery of the multiple services that society expects from EU forests, including the climate change mitigation aspect which should be further considered in the Strategy.

[1] Helsinki Resolution H1 (1993)

A dynamic approach to nature conservation as part of SFM is key to the successful implementation of the Biodiversity Strategy. It should focus on well-defined protection objectives which are based on verified data, rather than risk adverse results due to large-scale restrictions. Impact assessment, improved implementation of existing measures on already-designated sites, voluntary approaches, better knowledge as well as effective financial tools, along with the involvement of motivated forest owners and managers, are indispensable solutions to reach the stated objectives.

3. The future EU Forest Strategy should pave the way

The EU Forest Strategy should be used as the main framework to coordinate all policies related to forestry, including the aspects related to biodiversity, while having due regard to the prevailing roles of Member States' forest policies and laws and the subsidiarity principle. We call on EU decision-makers to develop a holistic, multi-dimensional and inclusive EU Forest Strategy post-2020, with SFM principles at its core, which will ensure an effective and balanced further development of the EU instruments related to forests.

In this context, any guidelines related to forest management practices must be part of and developed under, not alongside, the new EU Forest Strategy. These should also be produced and agreed on through strong collaboration between the European Commission and Member States and with the involvement of forest owners and managers as well as other relevant stakeholders.

We would like to emphasize that the EU can rely on its remarkable forestry sector and the people who make sustainable forest management happen. Because they are the custodians of forest biodiversity, they must be at the heart of the EU Biodiversity Strategy.

6.7.1 EU Commission Working Group Nature and Forests

The EOS Task Force "Forest and Raw material" had a web meeting on 18 meeting in order to prepare for the upcoming EU Commission Working Group Nature and Forests where EOS is an observer.

The working group on "Nature and Forests" aims at providing an inclusive platform for constructive, solution-oriented dialogue among stakeholders at the interface between nature and forestry. The working group, being a temporary sub group of the Commission's Coordination Group on Biodiversity and Nature, ties its work to the wider biodiversity and nature discussions with stakeholders. **The concrete deliverables will feed in the implementation of the 2030 EU Biodiversity Strategy and the EU forest Strategy that will be adopted in 2021 building on the Biodiversity Strategy**.

The Working Group "Nature and Forests" on 30 June and 1st July, had in agenda the following topics:

- Mapping and protection of old-growth forests;
- Biodiversity-friendly afforestation and reforestation;
- Integration of biodiversity in forest management (closer-to-nature forestry practices);
- Natura 2000 and forests guidance.

Considering that the experts involved in the Working Group on "Nature and Forests will guide the EU Commission in the implementation of the proposals launched in the framework of the recently adopted "2030 Biodiversity Strategy" and consequently implications on wood supply should not be disregarded, **the EOS Secretariat would like to collect comments and views of its experts**.

Brief Report: Task force meeting on 18 june 2020 from 10 am to 12 cet

Elements of an afforestation plan for the EU

- In the framework of FOREST Europe, "Guidelines for Afforestation and Reforestation" was published already in 2008 and these should be taken into considerations.
- The Biodiversity Strategy 2030 announces a "roadmap for planting at least 3 billion additional trees in the EU by 2030". Nevertheless, it is unclear who will finance this action and what is the clear objectives of it (carbon sink? Timber production? Purely aesthetic? Biodiversity?). Which trees species will be planted and according to which principles and criteria? How climate change resilient trees species will be selected? Furthermore, who is to manage these new trees and forests as they will most likely be planted on marginal agricultural land today not used for farming (as otherwise, the planting of trees would risk compete with food production). Will these forested areas be calculated as part of the forest cover in Europe on the future and if so, will the overall biodiversity, carbon sequestration and water management targets also imply to these newly afforested areas? If so, this need to be taken into consideration when the planting programme is being formulated.
- The EU has many different types of forests, reflecting its geoclimatic diversity, for this reason elements such as "location of the afforestation", "choice of forest species composition and genotypes", "suitable species provenance and reproductive materials", "site preparation" and post-planting practices" should be decided at National level, as is already the case today.

Old growth forests

- Lack of a single accepted definition of what constitutes old growth, both at international and European level. A few, but far from a majority of European Members States have different definitions and criteria correlated to the concept of old- growth forests (some Countries refer to primeval, pristine or virgin forests). Several definitions for old-growth forests are given diverse on the basis of different approaches, including forest age. Overall terms such as virgin or old-growth forests are often used ambiguously. Additionally, the criteria adopted by a Country may not be applicable to another Country.

Integration of biodiversity in forest management (closer to nature forestry practices)

- "Closer to nature forestry practices" is an ideological model of forestry practices without unequivocal scientific basis.
- Depending on landowner objectives, stand composition may comprise exclusively native species and/or include a variable amount of non-native species to promote the production function, or to promote the resistance of forests to future stresses and disturbances. "Closer to nature forestry practices" may not be a suitable option in Nordic Countries were spruce will be take over on other species.
- Pro Silva, a non-governmental organization, serves as an umbrella for national non-governmental organizations promoting close-to-nature forest management in Europe. Nevertheless, this organisation promotes ideological principles. Pro Silva calls for limiting the use of heavy harvesting machinery on soils → it is then unclear how forests will be demanded to do harvesting operations.
- Often native species benefit from their interactions with introduced species (sometimes non native species better resists to pests). Again, a "closer to nature forestry practices" might not be the best forest management option. On the contrary, when harvesting larger areas and then replanting, the forest owner/manager has the choice to plant seedlings which have been specifically developed to adopt to changed conditions due to climate change. When relying on natural regeneration, you lose out on this opportunity.
- Maintaining and even enhancing the biodiversity can, should be and often is integrated to the sustainable forest management practices. It is possible to set targets and biodiversity indicators to the commercial use of forests. The methods vary depending on the vegetation zone and ecosystems. These methods should rely on the solid scientific research.
  - (The NGO's like to state that they have scientific evidence, but that is only partly true. At least in Finland we have noticed, that there is very little research on the real effects of the un-even-aged forest management in the long run. It may even decrease the condition of the forest nature if implemented poorly. For certain we know, that no method itself can make miracles if the biodiversity targets, key actions and key indicators and not integrated to the forest management itself).

Natura 2000 and forests

- In 2017, the European Commission has published an updated guidance for Member States authorities, stakeholders and EU citizens on how to conserve and manage Natura 2000 network of protected areas. Prior any new initiative the ongoing actions should be reassessed.
- Natura 2000 lack of a real implementation action plans and controls.
- The biodiversity Strategy 2030 announces that minimum of an extra 4% protected land must be defined. Nevertheless, it is still unclear how this 4% will be identified and which Member States will be requested to protect more land.

General Comments

- The "Working group on Forests and Nature" should be as inclusive as possible. In particular its work should be coordinated with the long time established EU committees and working group active on forestry and forest products industries, such as the Standing Forestry Committee.
- It is undeniable that environmental actions at forest level will bring a decrease in access to the raw material. For this reason, two factors should be taken into consideration: Loss of competitiveness of the EU wooden products.
- Imported wood products from third Countries should be subjected to the same environmental standards than European products.

Next Steps

- 23/06 internal coordination meeting with CEPI, COPA-COGECA-CEPF and EUSTAFOR;
- 30 June -1st July Meeting Forests & Nature (The EOS Secretariat will report about this meeting and will send out a doodle pool for fixing the date of the next meeting.)

6.7.2 Request for a balanced approach in all EU policies related to forests. Joint Letter.

As already stated by the EU Commission, the post 2020 Forestry Strategy will be built on the Biodiversity Strategy. Thus, it might be assumed that environmental protection objectives will be prioritize over any other forests related aspect. Overall, there is a legitimate concern that the implementation of the "Biodiveristy Strategy 2030" will lead to a reduction in the use of forests resources and possibly to limit Member States competence on forestry & forest management. For this reason, it is absolutely needed that Member States ensure coordination among their own Agriculture Ministry and the Environmental Ministry.

On 23 June, on occasion of a web-meeting with EUSTAFOR, CEPF, CEPI and COPA-COGECA, it has been agreed to contact the Brussel-based attachés in order to better explain the concerns presented in our joint letter (please see copy of the letter here reported and co-siged by a large coalition). In parallel, it was decided to mobilise our Members and ask them to contact their Ministry competent on Forests in order to stress the need to maintain the multifunctional role of forests and to fully engage in the Biodiversity discussion having a holistic approach.

To:
Deputy Permanent Representatives in the European Union

Copy:
Member State Representatives in the Council Working Party on Forestry
Member State Representatives in the Council Working Party on Environment

Brussels, 23 June 2020

Subject: Forest-based sector stakeholders seeking Member States' decisions ahead of the CGBN sub-working group on Forests and Nature

Dear Deputy Permanent Representative,

Ahead of the meeting of the Commission's sub-working group on Forests and Nature of the Co-ordination Group for Biodiversity and Nature (CGBN) on 30 June and 1 July 2020, we, the stakeholders of the European forest-based sector, would like to reiterate the need for a balanced approach in all EU policies related to forests.

The Commission's path in implementing the EU Green Deal planned for the period 2020-2021 raises a number of questions and concerns originating from the way forests have been addressed in the EU Biodiversity Strategy for 2030, the announced delay of the new EU Forest Strategy, as well as the recent interpretation provided by European Commission representatives, concerning the question of competence over forests and forestry in the EU.

With the hope of engaging in a necessary discussion and reaching an urgent resolution at the upcoming meeting of the CGBN sub-working group on Forests and Nature, the undersigned stakeholders wish to address the EU Member States (MS) in seeking their guidance and conclusive decisions on the following issues:

1. **Clarification of the question of competence over forestry in the EU**

The EU has many different types of forest ecosystems with a large bio-geo-climatic diversity. For this reason, their management has always been subject to Member States' competence through national or regional legislation. Moreover, for those EU policies which impact forests and fall under shared competences, the principle of subsidiarity applies. Therefore, the recent statements of Commission representatives on competence over forestry create legal uncertainty and risk hampering the formulation of forest policies at Member State level.

As stakeholders, we would very much welcome clear guidance on how Member States (MS) wish to conclude this discussion with the Commission. Our request has become even more important following the publication of the Biodiversity Strategy for 2030 and ahead of substantive discussions on its main forest-related objectives and targets to take place in the CGBN sub-working group on Forests and Nature. We notice that the Commission seems to already be working on the implementation of its Biodiversity Strategy for 2030 without waiting for the responses from the Council and European Parliament.

2. Confirmation of the Mandate for the CGBN sub-Working Group: Its scope, timeline and governance

Ahead of the 2nd meeting of this sub-working group, it is essential that Member States fully agree on its mandate and objectives. During the first meeting, the MS, stakeholders and various EU Commission Directorates raised many questions regarding the mandate and the topics. It seems, however, that some of these concerns were not taken into account in the revised version. Furthermore, in light of the publication of the EU Biodiversity Strategy for 2030, the position of the MS is needed so that the sub-working group remains focused on aspects of biodiversity and nature conservation and does not expand to general forest management issues.

3. The Future EU Forest Strategy and its content have become an urgent issue

We are convinced that a robust EU Forest Strategy (EU FS) post-2020 is needed to unlock the full potential of sustainably managed and multifunctional forests, their products, and services, in reaching the objectives of the UN Sustainable Development Goals, the EU Green Deal and the EU recovery plan from COVID-19. The EU FS should remain the main policy tool to integrate European forests, forestry and the forest-based sector into all other policy areas. The Standing Forestry Committee (SFC) is, and should continue to be, the leading committee on all related issues linked to forestry and Sustainable Forest Management (SFM).

We call on EU Member States to actively engage with the Commission and stakeholders, without delay, ahead of the publication of the new EU FS, in order to develop a holistic, multi-dimensional and inclusive Strategy that will ensure an effective coordination of the EU instruments related to forest management (e.g. enhancement of sustainable silvicultural practices, climate change adaptation, biological diversity and genetic resilience, risk management, forest restoration, afforestation and reforestation, forest information, monitoring and reporting, ecosystem services, research, etc.), and will effectively work out comprehensive and holistic forest-relevant input to all other policy areas both inside the EU (e.g. rural development, bio-based circular economy, industrial policy, climate, biological diversity, human health and well-being, taxonomy, timber legality and trade, international forestry agreements, research and development) and where the EU acts internationally (at pan-European and UN levels).

4. The forestry targets of the EU Biodiversity Strategy for 2030 must be focused and realistic

SFM ensures that the conservation of biodiversity is encompassed within management activities. As forest caretakers, we are highly concerned about how the vision of forest management will be further developed at EU level as it would deviate from the commitment to sustainability and multifunctionality. If additional policy instruments are proposed, they must be scientifically sound and based on internationally agreed definitions. We caution that a one-size-fits-all approach is not suitable due to the many forest specificities and heterogenous conditions existing across Europe.

It is essential to assess the impact of any measurable targets for ecosystems and biodiversity on all three pillars of sustainable development and, specifically, on the adaptation of forests to changing climatic conditions as well as the role of forests in climate change mitigation and the EU's climate neutrality objectives. The introduction of targets for establishing more protected and strictly protected areas will hamper adaptation measures and will decrease the area available for sustainable wood production in the EU and lead to counterproductive climate mitigation processes such as the so-called "harvest leakage effect" (i.e. stricter limitations within the EU resulting in increased imports of non-EU timber with unknown effects on forest ecosystems outside of the EU). While the emphasis should be placed on the enhancement of monitoring and measuring systems, rather than on setting stricter targets, all future targets should be flexible enough to take into consideration the diverse biogeographical, socio-cultural and financial conditions of each Member State, as well as the yet unforeseen effects of climate change.

We believe that the EU Nature Restoration Plan should be built on existing EU nature legislation, which the recent fitness check concluded to be fit for purpose. Before any new legislation is considered in this respect, and in order to better meet biodiversity conservation targets, gaps in the implementation of existing nature legislation on already-designated sites should first be identified. Any new EU-wide restoration action will require a well-defined and clear baseline and must rely on detailed planning and identification of focus areas at Member State level.

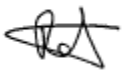
*****

In conclusion, we are convinced that European multifunctional forests and forest-based products are at the core of the EU Green Deal agenda. Sustainable Forest Management fulfils multiple objectives and provides various products and services to society. With its variety of practices adapted to local circumstances, it is best suited to enhance prospects for all ecosystem services that forests can provide, including biodiversity and nature, climate, human health and well-being as well as the bio-based circular economy.

We call on the Member States to shape the future forest-related policies at EU level within realistic, implementable, yet visionary goals, and to ensure that the future EU Forest Strategy and the structures it sets out at EU level serve as the main framework to address all aspects related to forest management, keeping in mind that any future EU policies that impact the sustainable management of the EU's forests will affect the members of our organisations directly as they are, in fact, the ones who will ultimately be required to put them into practice.

Sincerely yours,

Jean-Marc Jossart, Secretary General
Bioenergy Europe



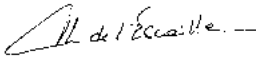
Jérôme Roche, Secretary-General
European Organisation of Agricultural, Rural and Forestry Contractors (CEETTAR)

Patrizio Antonicoli, Secretary General
European Confederation of the Woodworking Industries (CEI-Bois)

Fanny-Pomme Langue, Secretary-General
Confederation of European Forest Owners (CEPF)

Jori Ringman, Director General
Confederation of European Paper Industries (CEPI)

Pekka Pesonen, Secretary-General
European Farmers and European Agri-Cooperatives (Copa and Cogeca)



Thierry de l'Escaille, Secretary-General
European Landowners' Organization (ELO)

Silvia Melegari, Secretary General
European Organisation of the Sawmill Industry (EOS)

Piotr Borkowski, Executive Director
European State Forest Association (EUSTAFOR)

Maximilian Hauck, Technical Consultant
European Federation of Forest-Owing Communities (FECOF)

Isabelle Brose, Managing Director
European Federation of the Parquet Industry (FEP)

Johan Elvnert, Managing Director
Forest-based Sector Technology Platform (FTP)

Michael Diemer, President
Union of European Foresters (UEF)

Leire Salaberria, Director General
Union of Foresters of Southern Europe (USSE)

6.8 THE POST 2020 FORESTRY STRATEGY

The current EU Forest Strategy (EUFS) runs until 2020. The Agriculture and Fisheries Council in its conclusions of April 2019 already recognised the need for a new EU forest strategy.

On occasion of the exchange of views related to the Post 2020 Forestry Strategy, the at the Council ("Agriculture and Fisheries") meeting on 14-15 October 2019 it was underlined that *"A stronger and independent EU forest strategy post 2020 is needed to keep the right balance and coherence between the forests' contributions to the EU challenges and, due to the crosscutting importance of forests and the forest sector in providing sustainable solutions for the many challenges of our time, should be an integral and fundamental part of the EuropeanGreen Deal. As competence for f orestry policy lies with the Member States, they need to be closely involved in designing the future strategy."*

At EU Commission level, the New EU Forest Strategy (originally expected to be published by the EU Commission in Q4 2020), it is expected to be delayed in 2021.

6.8.1 The post 2020 Forestry Strategy: Works of the European Parliament

On 21 January, EOS attended the informal meeting organised by the Honourable Pekkarinen who has been appointed as Rapporteur for EU Parliament Industry, Research and Energy Committee (ITRE) Own-initiative reports related to forests and forestry. Namely:

- **The European Forest Strategy – The Way Forward**
- **Stepping up EU Action to Protect and Restore the World's Forests**
- **An EU legal framework to halt and reverse EU-driven global deforestation**

The meeting had the objective to preliminary collects key points from the forestry stakeholders.

Here reported the considerations that EOS proposed to be included in the Reports.

Post 2020 European Forestry Strategy Consideration of the European Organisation of the Sawmill Industry

The European Organisation of the Sawmill Industry (EOS) use and purchase wood coming only from the European Forests – *EU territories*; for this reason, the following considerations are mainly related only to the EU forests. Currently, there are no imports of logs (HS 4403 code) coming from Ukraine or Belarus. From Russia imports are relatively marginal: 1.1 million m^3 in 2018 according to Eurostat (mainly birch).

The European sawmill industry is the first transformer of the European forest biomass within the forest-based sector followed by pulping industries. The development of the forest bioeconomy industries is intertwined with the overall economic development of the sawmill Industries. Comparably, the health of forests has a direct impact on the competitiveness of the Sawmill Industry and it is of paramount importance for the sector.

For this reason, the European Sawmill industry calls the EU Parliament to put forward policies, in order to create the condition for resilient forests and to enhance the development of bioeconomy.

EOS believes that, in the long term, an European sustainable forest management strategy (post 2020) aimed at maintaining or increasing forest carbon stocks while producing an annual sustained yield of timber will generate the largest sustained mitigation benefit for Europe. Nevertheless, over the last few years, hot and dry summers have caused a dramatic increase in calamity-damaged logs in Central Europe (heat, drought, bark-beetle attacks) which have upended the market at European level. Prices of the raw material collapsed, and overall products profitability decreased. The European Forest Institute has recently predicted a six-fold increase in

bark-beetle attacks in the decade 2021-2030 as compared to the period 1970-2010, which is a great concern for the industry. Securing the long-term health of forests is vital for the sawmill industry, the first processor of raw materials in the forest-based sector.

In the past two years, the volume of damaged wood (mainly caused by bark beetles propagation) amounted to around 200 million m^3 in Central Europe and Italy (damaged wood for both years: 2018 and 2019). **In 2017 the amount of damaged wood was 27.5 million m^3, in 2018 over 80 million m3, and in 2019 118 million m^3.** This situation has upended the market at European level. As consequence, prices of the raw material collapsed, and overall products profitability decreased. The European market has not been able to fully absorb the quantity of logs cut due to the natural calamities. Sawmill industries were forced to stop production in order to alleviate pressure on the European timber market. In the meantime, **Europe has rapidly become a major supplier of softwood logs to China.** Germany alone shipped above 3 million m^3 of softwood logs to China (i.e. over 1800% more than in 2018). Softwood log imports from the Czech Republic saw a similar development with 2.3 million m^3 and thus an increase of 1255%. The fact that significant quantities of unprocessed logs had to be exported to China shows that there would be a potential to expand the wood processing in Europe: while deliveries to China were an important outlet to supply logs which could not be processed in Europe, it would have been preferable to add value to our raw materials here in Europe.

The EU sawmill industry believes that **an EU forest resource monitoring system aiming at providing real-time information on the European forest resources, materials flows, stocks and capable to make forecast should be created**. The wood processing industries need information about the wood resource with a time horizon long enough to forecast possible changes in technology investment and products design. This tool should purely address the wood resource and flow and should not serve at regulating timber markets in Member States.

→ **What it is needed:**

- A vivid network for monitoring European Forests → assessing the wood availability taking into consideration forest and market disturbances;
- Gathering information from local level to inject the system;
- Reliable forecasts on real-life-time → Actual –real time data in standardised formats are needed to further enhance the forestry sector through sustainable management;
- Links to large scale earth observation programmes and institutional support for timely and coordinated monitoring.

As previously explained, the EU market has not been able to fully absorb the quantity of logs cut due to the natural calamities. Sawmill industries were forced to stop production in order to alleviate pressure on the European timber market. In the meantime, Europe has rapidly become a major supplier of softwood logs to China. Supplying countries to China included Germany, Czech republic, Poland and France, all these countries were impacted by storms and insects in 2018 and 2019. The EU forestry Strategy should be a comprehensive tool that, while securing sustainable provision of raw materials for EU wood-processing industries, **creates the conditions to enhance the standing of the bioeconomy products in the wider economy**. **Their quality must be guaranteed through certification and normative standards, and their positive externalities highlighted**, especially for the environment. **Public procurement can be a valuable tool** for their promotion, particularly in construction.

The construction sector (new and refurbished buildings) can make a real difference by using wooden construction materials that both capture carbon for their entire life span as well as are produced with very little CO_2 emissions during production. Carbon storage in wood products can help decrease the amount of CO_2 emissions in the atmosphere. For this reason, **a mechanism that rewards "CO_2 saving" should be put forward when revising the relevant climate and energy legislation** (*substitution effects of wood-based products as a tool for climate change mitigation*). Everyday life is dominated by non-renewable consumables and products. Bio-based applications are still representing a minor share of materials consumed. **The new EU Forestry Strategy been a tool for facilitating the uptake and development of bio-based products holistically**.

- As stated in the "IPCC Special Report on climate change, desertification, land degradation, sustainable

land management, food security, and greenhouse gas fluxes in terrestrial ecosystems" published in August 2019, "*sustainable forest management can maintain or enhance forest carbon stocks, and can maintain forest carbon sinks, including by transferring carbon to wood products, thus addressing the issue of sink saturation (high confidence). Where wood carbon is transferred to harvested wood products, these can store carbon over the long-term and can substitute for emissions-intensive materials reducing emissions in other sectors*".

Illegal logging is one of the main global causes of deforestation and causes considerable environmental damage and biodiversity loss. It is mainly driven by poverty or demand for agriculture commodities. It has serious implications for climate change, and make forests more vulnerable to fires. The European Organisation of the Sawmill Industry condemns any form of illegal logging. At the same time, because the EUTR is mandatory as well for the European companies, sawmills are investing on the best technologies available on the market to guarantee the traceability of the purchased logs. At the same time, it is necessary to **have a uniform implementation of the EUTR across Europe and with concrete requirements**. Two (out of 3) key elements of the due diligence, namely the **"risk assessment" and the "risk mitigation", lead to arbitrary interpretation and create uncertainty on operators**.

Adaptation of forest management in order to improve the EU forest resources resistance and resilience to a changing climate is very important. Varying conditions in European forests calls for different solutions in different parts of EU. EU should strongly support research in this field while analysing possible impacts on wood quality and quantity.

In order to have more resilient and healthier forests, the EU Parliament should invites Member States **TO EXPLORE THE OPPORTUNITIES RELATED TO FOREST TREE BREEDING**. This practice consists in the application of genetic, reproductive biology and economics principles to the genetic improvement and management of forest trees. A typical forest tree breeding program starts with selection of superior phenotypes (plus trees) in a natural or planted forest, often based on growth rate, tree form and site adaptation traits. To counteract climate-induced decline and maintain/enhance forest productivity and meet the growing needs of society and the bioeconomy, we may enhance the resilience of forests through the selection/development of new genotypes, through traditional methods of genome sequencing and selection of desired traits and/or novel methods of genome improvement.

Additionally, **ASSISTED MIGRATION needs to be encouraged** if local conditions allow. Assisted migration is the purposeful movement of species to facilitate or mimic natural population or range expansion. Substantial evidence suggests that most tree species will not be able to adapt through natural selection or migrate naturally at rates sufficient to keep pace with climate change, leaving forests susceptible to forest health risks and reduced productivity. Assisted migration is a prudent, proactive, inexpensive strategy that exploits finely tuned plant-climate adaptations wrought through millennia of natural selection to help maintain forest resilience, health and productivity in a changing climate

As stated by EEA (the European Environmental Agency) increasing impacts from climate change are already affecting species' distribution, range and interaction and becoming a more significant threat to biodiversity in the coming decades. **BIODIVERSITY MONITORING AND AUDIT SYSTEM SHOULD RELY ON TANGIBLE AND MEASURABLE BIODIVERSITY GOALS HAVING TAKEN INTO CONSIDERATIONS REGIONAL CONDITIONS.** Change in biodiversity should not only focus on human activities in the forests but consider as well ecological/natural change. Eliminating the demand for industrial forest products from high conservation value forests would not necessarily remove pressure to clear the same forests for agriculture or other commercial purposes. Looking at a broader picture it should be recalled that ecosystems disturbance and degradation are the result from direct and/or indirect effects of fossil fuel extraction (oil, natural gas, and coal. By 2035, oil demand is projected to increase by over 30%, natural gas by 53%, and coal by 50%). Biobased materials derived from forestry feedstocks, including wood products are potentially greener alternatives than their petroleum-based counterparts.

Background information:

Over the last few years, hot and dry summers have caused a dramatic increase in calamity-damaged logs in Central Europe (heat, drought, bark-beetle attacks) which have upended the market at European level. The European Forest Institute has recently predicted a six-fold increase in bark-beetle attacks in the decade 2021-2030 as compared to the period 1970-2010, which is a great concern for the industry. Securing the long-term health of forests is vital for the sawmill industry, the first processor of raw materials in the forest-based sector.

In Europe forests, the forest land ownership base is highly fragmented, and this makes it very difficult to control a major pest outbreak quickly or effectively, as the beetles can simply travel across the network and infect forests that belong to multiple owners. At the same time, estimating damages is equally challenging. Another major challenge is the in-country utilization of the affected/damaged timber: often additional logs supply can't be absorbed by local sawmills when the maximum capacity is reached. Selling the salvaged timber in many foreign markets (such as China) has been an important solution, but it can not been seen as the optimal one.

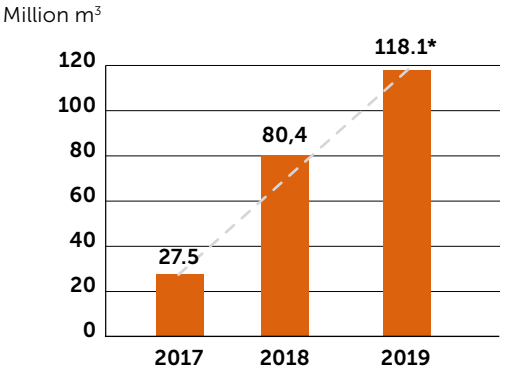
In the past two years, the volume of damaged wood amounted to around 200 million m^3 in Central Europe and Italy - damaged wood for both years: 2018 and 2019. (EOS comment: other countries which have been affected such as *France, Denmark, Sweden and Poland are not here so the damaged amount at EU level is even higher; the countries in the graph should be the most affected ones though*). The picture below shows the sharp increase of damaged wood in selected countries in Central Europe.

In relative terms, **Czech Republic was again affected the most in 2019**. The volume of wood damaged last year is expected to reach around 33 million m^3, which would again be a marked increase compared to previous years (2018: 24 million m^3; 2017: 10 million m^3).

Austria saw a volume of 10 million m^3 of damaged wood in 2019, **5.5 million m^3 of which were damaged by bark beetles – a new record**. Since regular logging had to be further reduced (-3% to 9 million m^3), overall logging should amount to 19 million m^3 and should thus be slightly below that of 2018. As is the case in Germany, there were big differences from region to region. Bark beetle infestation continues to affect mainly the regions north of the Danube.

Damaged wood in Central Europe 2017-2019

Total volumes of damaged wood in Germany, Czech Republic, Austria, Slovakia, Switzerland and Italy (in million m^3); estimate for 2019



*Holzkurier estimate
Source: Destatis, Federal Ministry of Food and Agriculture (Berlin); Federal Ministry for Sustainability and Tourism (Vienna); Austrian Chamber of Agriculture; Czech Republic 2018 uhul.a/ Czech Statistical Office; Federal Statistical Office (Switzerland)
© Timber-Online

In Germany, a total of 83 to 85 million m^3 of log wood (including hardwood logs) were harvested. **A good part of the additional quantity was damaged coniferous wood. This would bring the percentage of damaged wood to over 80% of overall harvesting**. Eight out of ten cubic meters were not part of regular planned logging. Those additional logs were not ordered by any buyer and therefore had to be sold outside of regular delivery profiles – with all the negative consequences for the log price. When analyzing damaged wood in 2019, the flow of softwood logs from Germany to China has to be mentioned as well. Holzkurier estimates that it reached around 3 million m^3 which corresponds to a tenfold increase year on year.

Regarding Sweden, I would like to inform you that at the moment the risk map shows that roughly a fifth of the forests in South Sweden is seriously threatened. It shows that most at risk are southern and parts of central Sweden where considerable bark-beetle damage have already occurred in 2019. Last year, the highest-ever incidence of beetle-damaged wood was observed in Sweden at 6.67 million m^3 nationwide. (Source: EUWID)

The meeting was followed by the conference organised by the forest owner representatives: EUSTAFOR, CEPF, Copa-Cogeca and ELO, in order to highlight the multi-functional role of EU forests. The conference was hosted by MEP Petri Sarvamaa (Rapporteur on the EU Forest Strategy on behalf of the EP AGRI committee).

→ On occasion of this Conference, EOS highlighted that - while recognising the climate challenge that forests are and will face due to climate change, it should not be disregard that currently wood products are the only sustainable material capable to decarbonise the construction sectors. EOS reiterated its message to create the conditions to enhance the standing of the bioeconomy products in the wider economy and boost the use of timber in construction.

On 22 January, the EP AGRI Committee had the first exchange of views about the Initiative Report on the post 2020 Forestry Strategy titled "The European Forest Strategy – The Way Forward".

A brief summary of the views rasised during the debate – attended by EOS – is here available.

Rapporteur Petri Sarvamaa (EPP, FI)

- EU forests are diverse in terms of size, structure, biodiversity, and management approaches. This should be taken into account;
- the EU forest strategymust remains a Member State competence;
- a strong, holistic and independent EU forest strategy is needed;
- the strategy should have a view on sustainable forest management, taking into account the multifunctional role of forests;
- EU forest strategy should not be subordinate to any other strategy;
- the strategy should be an efficient policy coordination tool between the forest related policies, and it should create coherence and synergies with other sectors that influence forest management;
- the biodiversity aspects related to forests need to be mainstreamed into the strategy and designed in cooperation with the forest sector;
- sustainable and active forest management has an important role in achieving EU energy, climate and environmental objectives;
- climate change mitigation must be addressed as one important service that forests and the forestry sector can offer;
- the entire forestry value chain is fundamental to the bioeconomy, which provides jobs and economic welfare;
- the uptake of the circular bioeconomy must be promoted by strong research and innovation policies;
- decreasing the dependency of fossil-based materials and energy is very important and may lead to increased opportunities, especially in the rural areas;
- the ecological and social pillars are very important in the sustainable forest management, nevertheless, the economic pillar is equally important to answer the call of the climate battle.

Shadow Rapporteur Carmen Avram (S&D, RO)

- forests should be the main player in climate policy;
- under the Green Deal, common measures are needed;
- Romania is a dramatic example of bad forest management;
- out of every two trees cut in Romania, one is illegally logged;
- 20 million metric cubes of wood annually vanish from Romania and "end up in some living room or bedroom in Europe";
- it would be necessary to have better enforcement of management plans, to update forest inventories on a European level, to have fair classification of forests, and to have better protection rules for all forests in the EU.

Shadow Rapporteur Fredrik Federley (RE, SE)

- he emphasised the importance of striking a balance between tackling illegal activities in one Member States and not blocking the development of bioecomy all around EU;
- he pointed out that forests provide new bio-based chemicals that can replace fossil based ones and they created jobs across the continent;
- when a forest is fully grown, it doesn't absorb carbon dioxide;
- while part of forests area needs to be protected, we need as well to continue using forests after 2050 or 2060 and to absorb carbon dioxide.

Anna Deparnay-Grunenberg (Greens/EFA, DE)

- she raised the question of how the EU can protect the last original forests;
- need to discuss what sort of management system would be good for the EU forests taking into consideration that there are numerous different types of forests;
- Europe is facing a climate crisis and a discussion on the role of forests is essential.

Shadow Rapporteur Mazaly Aguilar (ECR, ES)
- speaking about forestry is very popular at the moment, and many people are aware of the importance of forests;
- when it came to the status quo in forestry, it is important to understand the diversity of the EU and the responsibility of each Member States.

Isabel Carvalhais (S&D, PT)
- forests have an important role in rural communities;
- importance of having agroforestry policy positions that would assist in climate action.
- forestry is not just related to climate, but also to socio-economic issues;
- the forest strategy needs to be a cornerstone for protecting European forests.

Irene Tolleret (RE, FR)
- she suggested the establishment of a system for certifying European forests to be included in international treaties, and to ensure that there is the same level of protection across the world;
- the EU should ban products related to deforestation;
- a specific budget line for forests is necessary.

Ulrike Müller (RE, DE)
- forests need to be protected;
- in Germany, there are 2 million private forests that are managed responsibly;
- she wanted to ask if everyone was aware of the levels of CO_2 that were released with the burning of forests, and how much CO_2 was stored by forests.

Gilles Lebreton (ID, FR)
- forests are fundamental to Europe because they made up 43% of the EU's territory;
- forests are extremely important for the environment because they mitigate climate change, and they are important for the economy because they are part of rural development. 3 million jobs has been created through the forests;
- forests must remain a national competence, and this should not be undermined in light of the Green Deal.

Asim Ahmedov Ademov (EPP, BG)
- the serious consequences of forest fires and droughts need to be taken into consideration;
- we need more sustainable management of forests and this requires close cooperation between Member States;
- forests must be protected, and more forest lands is needed;
- "without forests, there is no Green Deal".

Krzysztof Jurgiel (ECR, PL)
- forestry shall remain a competence of Member States;
- need to have a sustainable and balanced approach in forestry issue;

Elsi Katainen (RE, FI)
- the Green Deal might affect the forests through the EU climate law, the circular economy regulation, and the biodiversity strategy;
- sustainable forest management needs to be at the core of the strategy together with the economic, social and environmental dimensions.

Martin Hausling (Greens/EFA, DE)
- there are terrible mistakes in forest management. For example, despite management systems, many trees had suffered in Germany and Portugal;
- the EU biodiversity strategy has an important role to play;
- it is necessary to involve new approaches in forest management;

Simone Schmiedtbauer (EPP, AT)
- Austria requires sustainable management of forests;
- forests needs to be protected;
- it is important to remember that 3 million jobs are associated with forests.

Balázs Hidvéghi (EPP, HU)
- forests have an important role to play, both environmentally and economically;
- Need to be consistent across different policies in order to form a good basis to reverse the reduction in forest areas around the world.

Ivan David (ID, CZ)
- in the Czech Republic, 33% of the territory is forests;
- the drought caused serious consequences for coniferous forests in the Czech Republic, and if this trend continue there would be a drammatic reduction in the "forest reserve". Some areas would be stripped of forests all together;
- he emphasised the importance of understanding the role of forests, particularly in light of climate change;
- subsidies needs to be in place to provide appropriate forest management.

Michael Wiezik (EPP, SK)
- some forests are still primary forests, and primary forests could not be improved through active management;
- the only thing that could be done for primary forests is to protect them.

Anne Sander (EPP, FR)

- she stressed the need for a European strategy on forests;
- Need to think about how to protect European forests against fires and parasites.

Mihail Dumitru, Deputy Director-General of DG AGRI

- the recently adopted communication on the Green Deal committed the Commission to prepare a new EU forest strategy covering the whole forest cycle;
- the new strategy would set the framework for forestry to comply with the new Green Deal in a balanced and coherent way while addressing the major threats for forests;
- key objectives are the absorption of carbon dioxide, preventing forest fires, and promoting the bioeconomy;
- the new EU biodiversity strategy will adopted by the end of the month;
- the Green Deal called for forest restoration and preservation in Europe;
- the sustainable management of existing forests must be ensured and enhanced, including prevention of disasters and adaptation to climate change;
- there is a risk of losing forests due to pests and fires;
- forests will continue to be part of the CAP.

On 23 April 2020, a bilateral phone call meeting with MEP Sarvamaa who is the leading Rapporteur of EU Parliament Report on "The European Forest Strategy – The Way Forward" was organised in order to have a preliminary discussion on the amendments proposed by the Members of the EU Parliament and to have an update about the EU Parliament working time framework.

MEP Sarvamaa and a coalition of Members of the EU Parliament had endorsed and put forward the three main requests presented by EOS:

- the creation of an EU forest resource monitoring system aiming at providing real-time information on the European forest resources and aiming at forecasting the impact of natural disturbances on wood availability;
- a uniform implementation of the EUTR across Europe and for concrete requirement avoiding arbitrary interpretation of the EUTR due diligence system;
- positive role of wood in terms of material substitution *(although EOS was also advocating for the creation of a mechanism that rewards "CO_2 saving" when revising the relevant climate and energy legislation -substitution effects of wood-based products as a tool for climate change mitigation).*

Amendments of interests for the European Sawmill Industry

The Reports "The European Forest Strategy – The Way Forward" by MEP Sarvamaa had received in total 482 amendments. In a nutshell:

Regarding the positive role of wood in terms of material substitution, the Romanian MEP Buda has underlined the fact that a foreseeable increase in demand for wood and biomass must be accompanied by sustainable forest management; emphasises, in this respect, the need to increase funding for research into the substitution of fossil fuels and fossil-fuel materials (AM 179). While MEP Mrs Deparnay-Grunenberg on behalf of the GREEN/ALE notes that timber should be kept for uses with a longer life cycle in order to increase the global carbon dioxide storage (AM 180). In line with these amendments also AMs 185, 186, 188, 196.

The French MEP Sander also emphasised "the need to promote the use of wood as a sustainable construction material" AM 227.

Two **extremely negative amendments** have been put forward by the French MEP Bompard who described "*the logging and the wood industry are among the most dangerous industrial sectors and have high levels of accidents at work, occupational disease*" (AM 88 and 98). EOS is certainly opposing to these, while EOS fully supports the amendments proposed by the Finnish MEP Hakkarainen who stresses that "the Union should allocate sufficient funding to measures for the forest-based sector, corresponding to the new expectations of that sector, including investment in the development of forest areas and in improving the viability of forests, maintaining networks of forest roads, forestry technology, innovation, and processing and taking into use forestry products". (AM 396)

Instead, in a positive spirit, the AM 473 by MEP Bombard urges "Member States to prioritise continuing high-quality vocational training in eco-construction and timber-related trades, and to provide the necessary public expenditure and investment in the field in order to anticipate the future needs of the EU's timber industry" can certainly be supported.

Several amendments request the legislators to **bind the new Forestry Strategy** to the 2030 Biodiversity Strategy (in particular we recall AMs: 296, 295, and 297 – to be rejected) while the amendments 72, 77 and 133 calls for

the **conservation of especially primary and old-growth forest**s. In line with the view of MEP Sarvamaa, **EOS considers that these amendments (72,77, and 133) should be rejected because at EU level there is no common definition of "old-growth forests"** and for this reason it is impossible to forecast what percentage of forests in Europe is "old growth" and should be protected.

A coalition of Member of the EU Parliament called for concrete requirements **avoiding arbitrary interpretation of the EUTR due diligence system** (AM 433) while the French MEP Sander proposed for a **unique certification system** in EU *"Calls on the Commission and the Member States to develop a single European certification label providing clearer information for European consumers"* (AM 440). MEP Buda (RO) is also proposing a **tracking and transparent information function for timber** (AM 455) and a coalition of MEP is further enhancing this idea calling for an "implementation of an **EU-wide digital wood-traceability mechanism** for data gathering" (AM 459)

The need for a **monitoring the impact of natural disturbances on the forest value chain** has been put forward by a coalition of Members of the EU Parliament (AM453) and by many individual MEP. The coalition has proposed "Stresses the need to develop an EU wide Forest Information System for Europe under the shared responsibility of all of the relevant Commission Directorates General; stresses the importance of providing real-time, science-based and balanced information on European forest resources and aiming at forecasting the impact of natural disturbances and their consequences with socio-economic indicators for the development of any forest-related EU policy". (Similar AMs: 323, 344, 343, 346, 445, 446, 447, 448, 449, 450, 451...)

→ Regarding the **cascading use of wood** two amendments are put forward (AM 303 and AM 316). The wordings of the first amendments is not compromising the EOS Members, it rather express a logical use of the raw material: *"prioritise the most efficient use of wood following the 'cascading principle' starting from using it for most value adding applications, i.e. for construction and furniture purposes"*. The second amendment (AM 316) is instead more critical because it *"calls for a resource-efficient principle in forest management and notes that using wood for burning should be the final stage of the cascading use process"*. This might be interpreted as a call for "deciding at political level" what is the efficient use of the forest resources.

6.9 TAXONOMY

In March 2018, the European Commission presented an action plan on sustainable finance, in order to facilitate investments in sustainable projects and assets across the EU. While, a month after, the Commission put forward a package of three proposals, including measures to create a sustainable taxonomy for the EU; provide clarity on how environmental, social and governance factors can be taken into account for investment decisions; and establish low-carbon benchmarks. The first proposal focuses on establishing a common language for sustainable finance (e.g. a unified EU classification system, or taxonomy) through a framework of uniform criteria, as a way to determine whether a given economic activity is environmentally sustainable.

Ahead of the trilogue negotiations on EU Taxonomy regulation (Autumn 2019) the bioenergy, agriculture and forest sectors raised the attention of the European legislator on the importance of a coherent and consistent legislative framework if we truly want to boost investment in sustainable technologies. Copy of the joint statement is available in the following pages.

Existing situation:

Currently, Member States differ in their interpretations of sustainable investment. Some have labelling schemes or market-led initiatives in place to determine what qualifies as 'green' for investment purposes, while others do not have any rule in place but are likely to legislate in this field, based on their own definition of sustainable investment. National labels based on different criteria, determining which economic activities qualify as environmentally sustainable, make it difficult for investors to compare green investments, thus discouraging them from investing across borders. Existing divergences are also a burden on economic operators, who need to comply with different standards in different Member States.

JOINT PRESS RELEASE
UNDER EMBARGO UNTIL 23/10/19, 6:00 AM CET

INVESTORS WON'T EYEBALL SUSTAINABLE TECH WITHOUT A COHERENT FRAMEWORK. CAN BRUSSELS HELP?

Ahead of the trilogue negotiations on EU Taxonomy regulation, the bioenergy, agriculture and forest sectors would like to raise the attention of the European legislator on the importance of a coherent and consistent legislative framework if we truly want to boost investment in sustainable technologies.

Brussels, 22 October 2019 - We support the final objective of the sustainable finance regulation: to enable financial flows to support sustainable growth and transition to a carbon neutral economy. Private investors need a sound regulation to increasingly support mitigation actions such as accelerating investments in renewable energy technologies.

Such objective is however undermined by a significant divergence between the recently approved sustainability requirements within the recast of the Renewable Energy Directive (REDII) and those of the Technical Expert Group's (TEG) draft report on Sustainable Finance. This lack of coherence casts a shadow over the likelihood of achieving long-term EU climate and energy goals.

Bioenergy: a tool for decarbonisation

Bioenergy, representing a staggering 63% of the total renewable energy consumption, is the largest renewable source in the EU. Among other benefits, it greens industrial processes across sectors, covering more than 8% of EU industrial energy demand. Furthermore, the sector can grow sustainably in the next decades enabling the decarbonisation of EU economy.

EU-wide, long-term sustainability criteria for the bioenergy sector and risk assessment systems can provide market stability; the Renewable Energy Directive has put in place such systems and market operators are gearing up to ensure compliance. As highlighted in the Deforestation Communication[1], from 2021 bioenergy will be the only sector for which mandatory sustainability requirements apply.

[1] COM (2019)352 final

JOINT PRESS RELEASE
UNDER EMBARGO UNTIL 23/10/19, 6:00 AM CET

A regrettable divergence

Regrettably, the technical screening criteria proposed by the TEG are not in line with the recently agreed legislation. They are also unrealistic in the short term.

The forest and agriculture biomass sustainability requirements of REDII have been agreed in the context of a transparent and inclusive legislative process, their impact thoroughly assessed. They are based on a "Best Available Technology" principle, stakeholders have been consulted, and the Council of the EU and European Parliament as co-legislators have scrupulously worked together towards a sound output.

To keep investments flowing in the direction of sustainable bioenergy projects and achieve EU climate and energy targets, the bioenergy industry, together with agriculture and forest biomass producers recommend an approach based on a progressive transition. The sustainability technical criteria proposed in the Sustainable Finance Regulation should mirror the sustainability requirements agreed in REDII to maintain a sound investment environment. Only high ILUC risk biofuels must be excluded by the TEG and any further requirement should be supported by an adequate assessment and the expertise of sector representatives duly considered.

Reaching a target is a matter of getting the trajectory right. The European climate and energy legislation already provides the tools to assess if results are on track and to fill gaps when needed. The sustainability requirements adopted by REDII should be implemented before opting for an untested, top-down designed new set of requirements.

PRESS CONTACTS

Nathalie Hemeleers *Policy Director* hemeleers@bioenergyeurope.org

Claudio Caferri *Communications Officer* caferri@bioenergyeurope.org

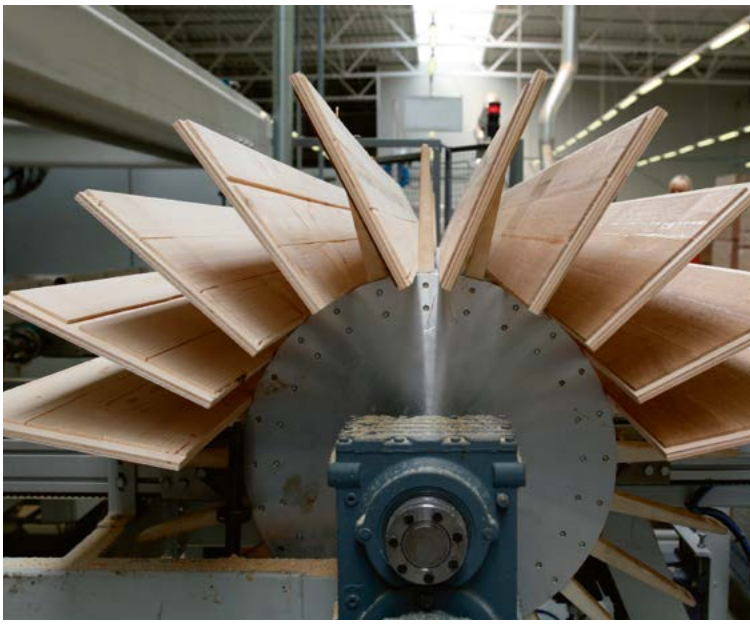
On the 9th March 2020 the EU Commission published the Revised TEG Report "**Taxonomy: Final report of the Technical Expert Group on Sustainable Finance**", including the technical annexes and on 12 March, a correlated web conference was hosted (and attended by EOS) in order to present the main findings and the next steps.

On occasion of the web conference, Mario Nava, Director for Horizontal Policies, Directorate General for Financial Stability, Financial Services and Capital Markets Union, European Commission explained that the final report marks the end of their cooperation with the TEG itself. Nevertheless, the EU Commission will establish a Platform on sustainable finance from this autumn.

The elements of interests for the Sawmill Industries are the following:

Technical screening criteria: substantial contribution to climate change mitigation:

- Forestry → **the forest Taxonomy focuses on 'greening of' activities, to protect and enhance forest carbon stocks and sinks**. It is recommended that the Commission consider how "enabling" activities involving long-lived and harvested wood products **could operate within the Taxonomy.** The Platform should therefore improve the holistic consideration of forests' (and forest products) mitigation potential across their entire value chains, and across all sectors of the economy, including end of life.
- Construction and real estate activities; The development of reliable thresholds for carbon emission embodied in buildings and construction activities utilising wood. These thresholds should be based on a wide and consistent set of data able to benchmark best practice across different building uses and typologies (i.e. houses, flats, offices, etc.). In parallel, the methodology to be used to assess embodied emissions should be defined in detail on the basis of widely-accepted LCA and CEN/TC350 standards, with particular care to ensure that the beneficial impact of carbon sequestration in timber products sourced from sustainably-managed forests is adequately recognised. This should include the end of life of wood and construction timber.
- Manufacture of low carbon technologies:
  - Manufacture of eligible energy efficiency equipment for buildings (High efficiency windows & High efficiency doors).



Activities for Climate Change mitigation & adaptation

CLIMATE MITIGATION – **There has been a change in the terminology for "GREENING OF" "GREENING BY" activities. Those are now become respectively:**

1. Economic activities that make a substantial contribution based on their own performance (i.e. an economic activity being performed in a way that is environmentally sustainable).

2. Enabling activities: economic activities that, by provision of their products or services, enable a substantial contribution to be made in other activities. For example, an economic activity that manufactures a component that improves the environmental performance of another activity. Based on the report, criteria for those activities will be regularly revised.

CLIMATE ADAPTATION – **The same dual distinction has been maintained when defining criteria for climate adaptation. Specifically:**

1. Adapted activities: an economic activity is adapted to all material physical climate risks identified for the economic activity to the extent possible and on a best effort basis; and/or

2. Activities enabling adaptation of an economic activity: the activity reduces material physical climate risk in other economic activities and/or addresses systemic barriers to adaptation, and is itself also adapted to physical climate risks.

Additional considerations:

The TEG recommends **that social objectives are integrated and technical screening criteria for "polluting or brown" sectors significantly harming the environment should be developed**. This in light of having a three-level Taxonomy with substantial contribution (green), significant harm (brown) and a middle category of no-harm/ no contribution.

On 23 March the EU Commission launched a feedbacks consultation process related to the Regulation on a climate change mitigation and adaptation. The Taxonomy Regulation requires the Commission to adopt Delegated Acts to establish technical screening criteria for determining under which conditions a specific economic activity is considered to contribute substantially to one or more of the EU's environmental objectives while not causing significant harm to any of the other EU's environmental objectives. This initiative represents the first Delegated Act setting out these economic activities and technical screening criteria, focusing on climate change mitigation and adaptation and building on the recommendations of the Technical Expert Group on Sustainable Finance (TEG). A second Delegated Act will be adopted in 2021 to set out corresponding activities and associated technical screening criteria in relation to the other four environmental objectives defined in the Regulation taxonomy.

Here reported copy of the short contribution submitted by EOS in the framekork of the consultation.

EOS RESPONSE - COMMISSION DELEGATED REGULATION ON A CLIMATE CHANGE MITIGATION AND ADAPTATION TAXONOMY

EOS welcomes efforts to mobilise the financial sector in accelerating the move towards a prosperous and sustainable Europe in 2050. To achieve this, a stable, fair and favourable investment framework in Europe will be key.

The future Taxonomy's criteria and thresholds should be impact assessed prior to their application, to avoid unintended consequences for the sectors in which they will apply. The TEG report presents important inconsistencies as well as technical and methodological flaws that could prevent investors from making fully informed decisions on their investments. Therefore, the future Taxonomy should be above all internally consistent and conducive to a level playing field that allow businesses and investors to invest in sustainable solutions that meet their varying needs. **Metrics and thresholds are essential elements in EU legislation and should thus be properly impact assessed prior to application** and receive scrutiny by the co-legislators and stakeholders.

The future Taxonomy should better tackle environmental sustainability but also the social and economic pillars of sustainability. Focusing mainly on carbon emissions reduction, the TEG report needs to tackle **better concepts such as circular economy, resource efficiency and energy efficiency for their significant environmental and health benefits (e.g. lower ecological and resource depletion, better air quality) as well as economic benefits** (e.g. independent, secure and reliable supply of raw materials and energy, reduced dependence on imports, improved competitiveness). Not doing so risks compromising the very notion of (all-around) sustainability, which is essential to make fully informed and successful investment decisions for the future. On the contrary, integrating those dimensions into the Taxonomy would render it more comprehensive and better aligned with other major EU policy priorities, including fostering reindustrialisation and employment in Europe, and help make the move to a sustainable society an economic success for Europe.

Forests are at the heart of the transition to low-carbon economies. **Forests and forest products have a key role to play in mitigation and adaptation**, not only because of their double role as sink and source of emissions, but **also through the potential for wider use of wood products to displace more fossil fuel intense products**.

Evidence from numerous life-cycle assessments (LCAs) of wood-based products in the construction sector indicates that, typically, wood-based materials have a lower emission footprint than competing materials over the complete life cycle of the product (including use and disposal), and the production stage of wood-based materials results in lower GHG emissions than the production stage of functionally comparable non-wood materials.

In the elaboration of the delegated acts, EOS stresses the need to ensure policy coherence with the existing legislations (such as the LULUCF Regulation and the recast of the Renewable Energy Directive) and avoid significant burdens on the undertakings. In the framework of sustainable forest management, EOS calls for the recognition of both PEFC and FSC as equally reliable certification systems in order to prove responsible management of forests.

Platform on Sustainable Finance

By the end of the year, a Platform on Sustainable Finance will be created. The Platform will be the main body of the governance and will have several tasks among which revising the criteria and considering the inclusion of additional economic sectors.

→ The complexity of this topic imposes us an investigation of whom may apply to be part of the platform on behalf of the Sawmill Industry.

Green & Sustainable finance is a big focus in Brussels at present. In the autumn, the Commission is expected to present a second legislative package, including an EU standard for green bonds, a sustainability label for retail investment products and a revision of corporate disclosure duties regarding environmental impacts. Additionally, the Commission opened a consultation in order to review the Non-Financial Reporting Directive (NFRD) as part of broader efforts to fight climate change and channel more private cash into green investments (*as set out in the European Green Deal Communication and the European Green Deal Investment Plan, the European Commission has committed to reviewing the NFRD in 2020 as part of its strategy to strengthen sustainable investment in Europe. Meeting the objectives of the European Green Deal will require additional investments across all sectors of the economy, the bulk of which will need to come from the private sector.*) Valdis Dombrovskis, the executive vice president in charge of economic affairs, in his comments said there is a "*sustainability reporting gap*" in the green disclosures investors want from companies. The consultation asks whether the Commission should lower the threshold for reporting requirements to companies with 250 employees, a € 20 million balance sheet or a € 40 million turnover.

On 18 June, the European Commission welcomed the adoption by the European Parliament of the Taxonomy Regulation. This will help create the world's first-ever "green list" – a classification system for sustainable economic activities. By enabling investors to re-orient investments towards more sustainable technologies and businesses, this piece of legislation is considered, by the EU Commission, instrumental for the EU to become climate neutral by 2050.

As set out by the Regulation, on the same day, the Commission launched a call for applications for members of the Platform on Sustainable Finance. This platform will be an advisory body composed of experts from the private and public sector. It will assist the Commission in the preparation of technical screening criteria (the so-called 'delegated acts'), which will develop the taxonomy further. They will also advise the Commission on the further development of the EU Taxonomy to cover other sustainability objectives and provide advice on sustainable finance more broadly.

This call for experts is of particular importance because with the support of these experts the EU Commission will adopt the LIST OF ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES AND THEIR TECHNICAL SCREENING CRITERIA (gradually) through delegated acts. Among the economic activities that make a substantial contribution to climate change mitigation, FORESTRY (afforestation - rehabilitation & reforestation - reforestation - existing forest management - conservation forest) and CONSTRUCTION (construction of new buildings - building renovation - individual renovation measures - installation of renewables on site and professional, scientific and technical activities - acquisition and ownership of buildings) have been already identified. EOS and CEI-Bois jointly proposed Dr. Andrew Norton (technical advisor for both organisations) as expert to this platform.

Thought the support of a Technical Expert Group (TEG) the EU Commission has already determined a list of environmentally sustainable economic activities and developed indicative (non mandatory) technical screening criteria that determine under which conditions these activities are considered environmentally sustainable. The Commission will adopt the list of environmentally sustainable economic activities and their technical screening criteria gradually through delegated acts.

The Platform will support the European Commission in preparing delegated acts as set out in the Taxonomy Regulation by providing advice. In accordance with Articles 10 and 11 of the Taxonomy Regulation, the Commission will determine the technical screening criteria on climate change mitigation and climate change adaptation, and thereby the list of economic activities, through a series of delegated acts that are expected to adopted by the European Commission by 31 December 2020.

The technical screening criteria should translate existing environmental- and climate policies, best-in-class and best available practices for different economic sectors into a clear and easy to use list of activities for investors.

In particular, the technical screening criteria need to:

- be based on scientific-evidence;
- contain thresholds where possible;
- build on relevant Union (environmental) legislation, such as labelling and certification schemes and methodologies for assessing environmental footprint (including the on-going work on Product and Organisation Environmental Footprint.
- ensure that activities are treated equally if they contribute equally towards one or more environmental objectives to avoid distorting competition in the market;
- take into account the nature and the scale of the economic activity;
- take into account the risk of certain assets becoming stranded as a result of losing value due to the transition to a more sustainable economy.

6.10 MAXIMISING THE ENERGY EFFICIENCY POTENTIAL OF THE EU BUILDING STOCK

Today, roughly 75% of the EU building stock is energy inefficient meaning that a large part of the energy used goes to waste. Such energy loss can be minimised by improving existing buildings and striving for smart solutions and energy efficient materials when constructing new houses. The EU recently introduced new ambitious policies to help steer member states towards better energy efficiency in buildings.

In the framework of the Parliament Report *"Maximising the energy efficiency potential of the EU building stock"*, amendments on the ITRE (European Parliament Committee on Industry, Research and Energy) Report have been published. Most of the amendments tabled by the main political groups seem to be going in the right direction. This report examines the potential of energy efficiency in buildings, and, in the context of the current crisis suggests that a European renovation wave could assist with an economic recovery by creating local jobs, upskilling workers, and creating resilient communities.

Irish Green Rapporteur *(a rapporteur is a member of the European Parliament made responsible for handling a legislative proposal)* Ciaran Cuffe tabled the following amendments:

- AM 238: 20a. (new) ***Acknowledges the potential of certified wood as a sustainable building material and carbon sink in the limits of sustainable availability****; (Please kindly noticed that the reference to "certified wood" has been taken by the Taxonomy TEG Report. Certified wood is perceived as a criterion for sustainability and legality.)*
- AM 247: 22. Calls on the Member States to maximise the reuse, recycling, and recuperation of materials, ***including*** in their procurement strategies, ***by increasing Green Public Procurement (GPP) 1m targets and through streamlining energy efficiency, environmental and social criteria for building renovations, while ensuring a level playing field in public tenders***.

The Danish MEP Pernille Weiss on behalf of the EPP Group tabled the following:

- Am 237: 20a. ***(new) Reminds that sustainable building materials such as wood are essential for achieving low-carbon and long-lasting building stock, and that construction opens an opportunity to store carbon into bio-based building products***;
- Am 249: 22. Calls on the Member States ***to adopt a life-cycle approach in line with the circular economy*** to maximise the reuse, recycling, and recuperation of materials in their procurement strategies.

Considering that the 386 amendments were expected to be revised in compromised amendments, EOS has been invited to co-draft a joint letter to the rapporteur aiming to ensure that a reference of the contribution of wood products in building is recognised in the final compromised text. The letter was slightly amended and sent also to other relevant actors in drafting the legislation, including shadow rapporteurs. *(Each political group may have a shadow rapporteur to negotiate the draft legislation with the rapporteur).*

Copy of the joint letter is here reported.

Dear Honourable Member of the European Parliament,
Dear Mr Cuffe,

We the undersigned, would like to warmly congratulate you on the content of your Draft Report on maximising the energy efficiency of the EU building stock on behalf of the Committee on Industry, Research and Energy and on the amendments you tabled on behalf of the GREENS/EFA Group. Within the framework of the elaboration of the compromise amendments, we would like to kindly draw your attention to the following points that we believe to be fundamental for the successful implementation of the Renovation Wave and the development of a sustainable built environment. We therefore would like to call for:

- **Empowering consumer choices** for favouring sustainable and climate-friendly products and solutions for construction and renovation;
- **Increasing off-site prefabrication of building components** such as walls and roofs since it constitutes a very promising way to accelerate large scale renovations and constructions in a cost-efficient manner;
- **Securing a level playing field** and avoiding unnecessary market distortions for wooden raw materials and additional carbon emissions from support schemes for energy from biomass;
- Reducing embodied energy and **increasing the use of sustainable materials** in buildings;
- Assessing the environmental and energy performance by categories of buildings to **identify the most climate-friendly solutions for construction and renovation**, reflecting the results into a minimum green public procurement threshold for sustainable products to boost the use of biogenic carbon storing materials and solutions for better resource and energy efficiency;
- **Defining accurate accounting rules to measure and confirm the substitution effect of using biogenic products instead of carbon-intensive materials** in order to extend carbon storage via greater use of natural products and increase the total harvested wood products' carbon stock in the built environment. Such rules should consider the increased circularity of carbon through removals and storage in wood construction. As proposed by the new Circular Economy Action Plan, their integration in a "regulatory framework for certification of carbon removals" should be explored;
- **Ensuring that bio-based materials used for construction and renovation, including all wood wastes, should return to the value-chain** by fostering eco-design, increasing recycling targets and favouring wherever possible the use of secondary raw materials for construction and renovation products (without compromising product safety and performance standards) ahead of eventual end of life incineration.

We thank you for taking the time for considering our proposals and we look forward for the publication of your own initiative report.

Yours sincerely,

European Panel Federation (EPF)
European Organisation of the Sawmill Industry (EOS)
European Federation of the Parquet Industry (FEP)
European Federation of Building and Woodworkers (EFBWW)
Zero Waste Europe (ZWE)

The **European Panel Federation (EPF)** has members in 25 countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood panel industry has an annual turnover of about 22 billion Euros, creates over 100,000 jobs directly and counts more than 5,000 enterprises in Europe. www.europanels.org

The **European Federation of the Parquet Industry (FEP)** reunites more than 50 European parquet manufacturers, 8 national parquet associations and around 20 suppliers to the industry. It is the main body representing and defending the interests of the European parquet industries at all relevant levels. The primary goal of FEP is to strengthen and improve the position of wood flooring amongst other floor covering products as well as to enhance the growth, prosperity and stature of the European parquet manufacturing industry – thereby protecting its interests and reinforcing its image. www.parquet.net

Through its member federations and associated members, the **European Organisation of the Sawmill Industry (EOS)** represents some 35,000 sawmills manufacturing sawn boards, timber frames, glulam, decking, flooring, joinery, fencing and several other wood products. Together they represent around 80% of the total European sawn wood output in a sector that has a turnover of around 35 billion EUR and employs about 250,000 people in the EU. The European Sawmill Industry recognises that it is imperative to combat climate change and at the same time avoid curbing economic and social development. Sustainably managed forests and products derived from these forests play an essential role in mitigating climate change by reducing greenhouse gases emissions and contribute to an environmental-friendly economic growth. The positive effects of using wood from sustainably managed forests can be strengthened if actions are taken to use more long-life wood products. www.eos-oes.eu

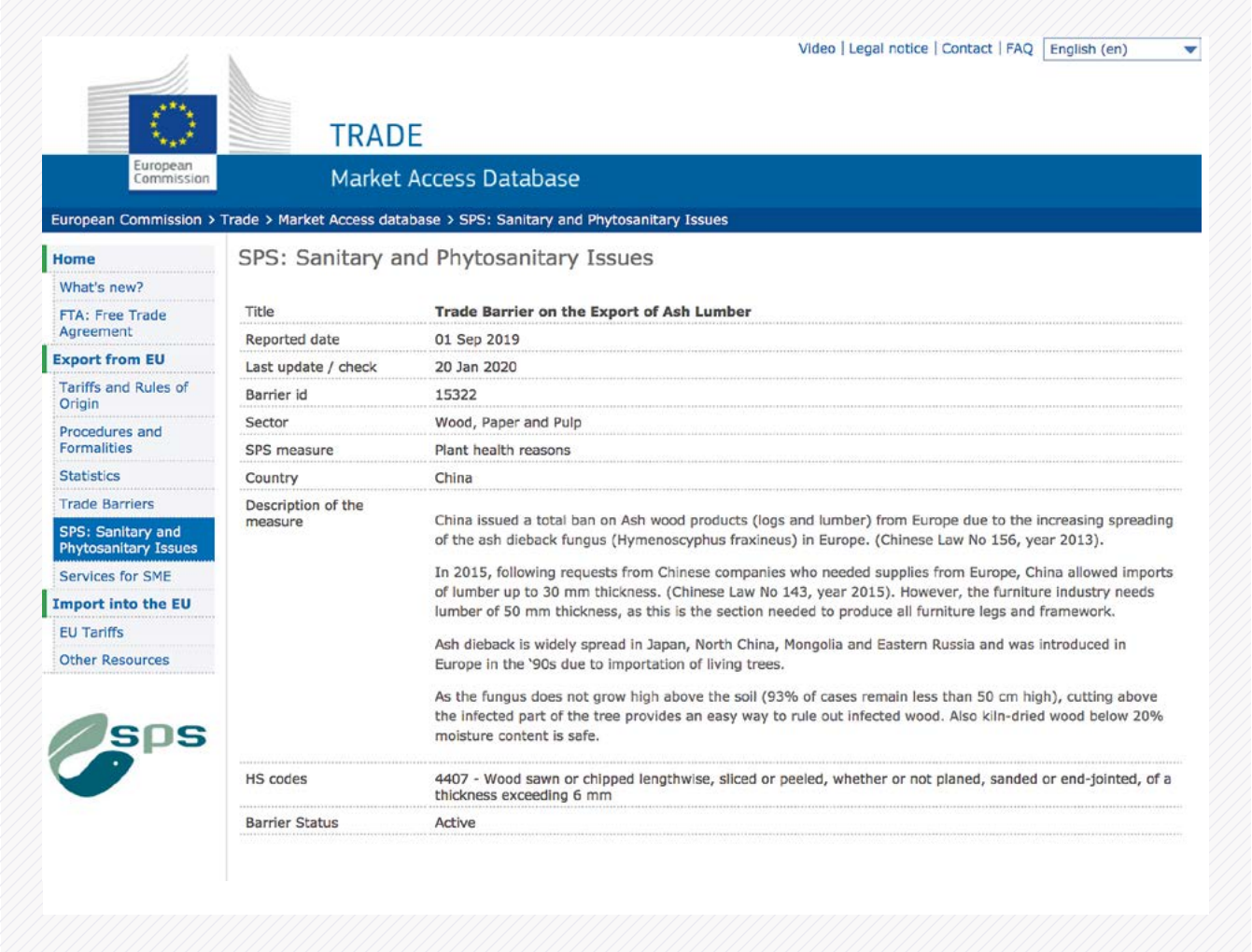
The **EFBWW** is the **European Trade Union Federation** grouping 75 national free trade unions from 34 countries, representing members in the Building, Building Materials, Wood, Furniture, Forestry and Allied sectors. The EFBWW is an officially recognised European social partner for the Construction, wood and Furniture sectors, defending workers' rights at EU level. www.efbww.eu

Zero Waste Europe (ZWE) is the European network of communities, local leaders, businesses, experts, and change agents working towards the same vision: phasing out waste from our society. We empower communities to redesign their relationship with resources, to adopt smarter lifestyles and sustainable consumption patterns, and to think circular. www.zerowasteeurope.eu

6.11 THE EUROPEAN TRADE POLICY

6.11.1 Barrier on the Export of Ash Lumber to China

On May 11, the European Commission has recognized the existence of a phytosanitary barrier on the export of ash wood products to China. Information is available on the EU Commission website:. https://madb.europa.eu/madb/sps_barriers_details.htm?isSps=true&barrier_id=15322



The EU Commission has advised the EOS Hardwood Members affected by this barrier to trade to contact their embassies in China and their national representations in Brussels, in order to urge the Institutions to take immediate actions. Indeed, more EU states participate in this initiative, the higher the possibilities that at some point the barrier is removed. Likewise, it should also be recognised that negotiating trade issues with China is becoming increasingly difficult for political reasons.

The European Organisation of the Sawmill Industry and EOS Hardwood Members prepared a common letter and sent it to:

- **Agriculture Advisors of respective country in China**
- **Agriculture Advisors of Permanent Representation of National State in Brussels**

The goal of the letter was to encourage the EU Member States to contact the EU delegation in China and show that for the EU Member States this is an important issue.

European Organization of the Sawmill Industry (EOS)
24, Rue Montoyer
1000, Brussels, Belgium

Delegation of the European Union to China
15 Dongzhimenwai Dajie, Sanlitun, Chaoyang District
Beijing, People's Republic of China

To the Attention of: Mr Ulrich Weigl, Head of Trade and Investment Section and Mr Damien Plan, Counsellor for Agriculture

Dear Mr Weigl,

Dear Mr Plan,

On behalf of the Members of the European Organisation of the Sawmill Industry (henceforth EOS), we would like to bring to your attention a trade issue which is causing economic losses to a traditional industrial sector - the European sawmill industry. A sector chiefly made up of micro and small enterprises mainly located in rural areas, the European sawmill industry employs around 250,000 people and is responsible for a turnover of around EUR 35 billion.

China has put up unsubstantiated technical barriers to the export of logs and lumber of ash from Europe.

Originally China issued a total ban on Ash wood products (logs and lumber) from Europe due to the increasing spreading of the ash dieback fungus (*Hymenoscyphus fraxineus*) in Europe. (Chinese Law No 156, year 2013).

In 2015, following requests from Chinese companies who needed supplies from Europe, China allowed imports of lumber up to 30 mm thickness. (Chinese Law No 143, year 2015). However, the furniture industry needs lumber of 50 mm thickness, as this is the section needed to produce all furniture legs and framework.

Ash dieback is widely spread in Japan, North China, Mongolia and Eastern Russia and was introduced in Europe at the end of the twentieth century due to importation of living trees.

As the fungus does not grow high above the soil (93% of cases remain less than 50 cm high), cutting above the infected part of the tree provides an easy way to rule out any possible spread by logs that contain infected cankers and should be recommended to avoid any risk of infected wood. Also, kiln-dried wood below 20% moisture content is safe.

Moreover, there is no phytosanitary rationale behind the decision to allow imports of lumber up to 30 mm thickness and ban 50 mm thickness lumber.

At the same time, it should be noticed that since the restriction on import of European ash lumber was introduced, Vietnam has played a key role in supplying ash lumber to China. European ash logs

are shipped to north Vietnam in the region of Hanoi, then moved to China, either unprocessed or processed into lumber. This goes to the detriment of the European sawmill industry, which cannot process logs in Europe, and it is thus forced to miss out on this opportunity to add value to a European raw material.

In short, due to this Chinese phytosanitary regulation, European sawmills are banned from accessing a major market.

Further to some communication with the Chinese State Forestry Administration (now State Forestry and Grassland Administration), the representative of an EU Member State had a meeting with the department for supervision on animal and plant quarantine of general administration customs of China in July 2018. This department is responsible for the two legal references issued in 2013 and 2015. During that meeting, scientific evidence was given as well as explanations about kiln-dried lumber and graphics of temperatures applying to 50 mm ash lumber drying. More than 50 support letters from Chinese buyers and users were also handed over to support the case. The Chinese administration did consider the request but stressed that it was not urgent and that this issue should be solved through government bodies.

The barrier has recently been recognized by the European Commission in the market access database (more information on the following link:

https://madb.europa.eu/madb/sps_barriers_details.htm?isSps=true&barrier_id=15322).

Some Member federations of EOS, including those representing France and Austria, are acutely affected by this problem, which they have raised with their respective national representations in China. Other countries might also raise this issue with their national representations.

We would like to emphasize, though, that EOS works on unanimity so the present letter we attest that the whole European sawmill industry is fully behind this initiative. We kindly suggest that you raise this issue with the Chinese authorities.

We trust that you could handle this delicate and important matter appropriately. The Chinese market is extremely important for ash lumber producers, particularly in these extremely challenging times.

Yours faithfully,

Sampsa J. Auvinen, EOS President

Maria Kiefer-Polz, EOS Vice-President for Hardwood

6.11.2 **Brexit**

On 9 July the EU Commission published the Communication "Getting ready for changes: Communication on readiness at the end of the transition period between the European Union and the United Kingdom".

This Communication provides an overview of the main areas of change that will take place in any event, as of the end of the transition period, whether there is an agreement on a future partnership between the European Union and the United Kingdom or not. The changes described will result automatically from the fact that, as of 1 January 2021, the transition period allowing for the temporary participation of the United Kingdom in the EU Single Market and Customs Union will cease.

What will happen on 1 January 2021?

The transition period stipulated in the Withdrawal Agreement ends on 31 December 2020. It is no longer possible to extend this period. This would have required a joint decision on an extension by 1 July 2020. The UK let this deadline pass. As of 1 January 2021, the UK will thus no longer be part of the single market or the customs union.

Even if an agreement on the future relationship is concluded by the year's end, the EU's relationship with the UK will fundamentally change and it will be very different from when the UK was a member of the single market. Take customs formalities, for example, which will then be necessary.

Like the EU member states, the citizens and businesses and the entire EU must prepare for the consequences of the end of the transition period, irrespective of whether an agreement on the future partnership is reached with the UK before then or not.

Key information for the Sawmill Industries:

Even if the European Union and the United Kingdom were to conclude, by the end of 2020, an ambitious partnership covering all areas agreed in the Political Declaration such an agreement would create a relationship which will be very different from the United Kingdom's participation in the EU Single Market and Customs Union, and in the VAT and excise duty area.

Customs formalities, checks and controls.

As of 1 January 2021, the United Kingdom will no longer be part of the EU Customs Union. Therefore, customs formalities required under Union law will apply to all goods entering the customs territory of the Union from the United Kingdom, or leaving that customs territory to the United Kingdom. **EU businesses wishing to import from or export to the United Kingdom will need to ensure they have an Economic Operators Registration and Identification (EORI)** number in order to go through customs formalities.

Customs and taxation rules for import and export of goods (tariffs, VAT, excise).

As of 1 January 2021, the originating status of goods traded will have to be demonstrated in order for them to be entitled to preferential treatment under a possible future EU-UK agreement. Goods not meeting origin requirements will be liable to customs duties even if a zero-tariff, zero-quota EU-UK trade agreement is put in place. Trade between the EU and its preferential partners will also be affected, as UK content (in terms of both material and processing operations) will become 'non-originating' under Union preferential trade arrangements for the determination of the preferential origin of the goods that incorporate such UK content.

- Value Added Tax (VAT) will be due upon importation of goods brought into the VAT territory of the European Union from the United Kingdom, at the rate that applies to supplies of the same goods within the Union. **Goods exported from the Union to the United Kingdom will be exempt from VAT if they are dispatched or transported to the United Kingdom, as would be the case for any other destination outside the European Union.** In such situations, the supplier of exported goods must be able to prove that the goods have left the Union.

Certificates and authorisations of products, establishment requirements, labelling and marking.

All products exported from the Union to the United Kingdom will have to comply with UK rules and standards and will be subject to any applicable regulatory compliance checks and controls on imports.

- EU businesses placing goods on the UK market will need to make sure that they comply with all relevant UK rules as of 1 January 2021. **As regards authorisation and certification processes**, while preparatory measures should have been taken already in 2019, **EU businesses should double-check compliance well ahead of 1 January 2021**. (This rule applies to construction products as well).

Specific readiness notes that might be of interest for the Sawmill Industry:

- EU ECOLABEL: https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/eu_ecolabel_en.pdf
- Value added tax (VAT) – goods: https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/vat-goods_en_0.pdf

For information on the negotiations on the future partnership between the European Union and the United Kingdom: https://ec.europa.eu/info/european-union-and-united-kingdom-forging-new-partnership_en

CE

On occasion of the EOS General Assembly (on 10 June 2020), Mr David Hopkins (Timber Trade Federation -UK) explained that the UK is seeking to agree a Mutual Recognition Agreement (MRA) with the EU on conformity assessment covering the results of third-party conformity assessment. This would be similar to those the EU has already negotiated with other third countries e.g. Canada, Japan, New Zealand and Australia. Such an agreement would enable the UK and the EU to recognise accreditation bodies and conformity assessment bodies in each other's territory.

This would cover construction products within the scope of the Construction Products Regulation (CPR). Mr Hopkins explains that there will no longer be the same level of recognition between the accredited bodies of EU and UK. Therefore, goods manufactured in the UK cannot carry the CE mark. So, the UK is developing the UKCA mark for goods manufactured in the UK – this, hopefully, will be accepted by EU bodies as equivalent to CE.

6.11.3 Arbitration panel established on Ukraine's wood export ban

On 20 June 2019, in accordance with Article 306 of the Association Agreement between the European Union and Ukraine the European Union initiated arbitration procedure on restrictions applied by Ukraine on exports of certain wood products.

The arbitration panel to examine this matter was established on 28 January 2020. The panel is composed of the following members, selected by the Parties in accordance with the relevant provisions in Chapter 14 of the Association Agreement:

- Christian HÄBERLI (Switzerland / Chairperson)
- Giorgio SACERDOTI (EU)
- Victor MURAVYOV (Ukraine)

Therefore, in accordance with the Rules of Procedures of the Association Agreement, interested natural or legal persons established in the territories of the European Union or Ukraine ("amicus curiae") may make unsolicited written submissions to the arbitration panel. Amicus curiae submissions was expected to be sent not later than 27 February 2020.

On 8 May 2020, EOS was contacted by the European Commission to answer questions regarding the long-standing dispute on wood export ban with Ukraine which will feed the arbitration panel that will adjudicate on the dispute. To be noted that the panel hearing, initially scheduled for 30-31 March in Kyiv (Ukraine), had to be postponed due to restrictions related to the COVID-19 crisis. Deadlines will be adapted between the Panel and the Parties depending on further developments related to the current health crisis.

Reported below the Commission questions and the answers of EOS, which EOS submitted.

Question 1 by the EU Commission:
We need some urgent input from you with any information or data available to industry on the estimated "economic impact of the Ukrainian wood export ban on EU industry (which sector / relation to GDP)". The arbitrators also ask for "Relevant "quality or price issues" and if imports from Ukraine were successfully replaced by other sources?

EOS answer:
In 2015 Ukraine introduced a temporary prohibition, for a period of 10 years, on all exports of unprocessed timber. In the case of wood species other than pine, the temporary prohibition applies since 1 November 2015. In the case of pine, it applies since 1 January 2017.

Consequently, the shipments of coniferous round wood UA to EU (source: Comext) came effectively to a halt.

In 2015 – when log export (except pine) was already impossible during the last two months – EU Member States (MS) imported 1.14m m^3 (EUR 73.3m) of softwood saw logs (HS 44032) from Ukraine. This volume consisted almost exclusively of pine (62.5%) and spruce (37.3%). Following the

TABLE 1:
Table 1: Sawlog shipments in value and volume terms from Ukraine to the EU (2014-2018)

	2014		2015		2016		2017		2018	
Unit	**m^3**	**€**	**m^3**	**€**	**m^3**	**€**	**m^3**	**€**	**m^3**	**€**
Sawlogs Pine	399 531	24 768 905	715 858	44 718 018	661 440	45 628 788	21 210	558 522	8 349	297 744
Sawlogs Other Softwood	2 591	259 917	2 015	165 906	25	3 063	278	12 802		
Sawlogs Spruce	557 005	37 849 857	426 198	28 423 897	7 632	412 499				
TOTAL SAWLOGS SOFTWOOD	**959 127**	**62 878 679**	**1 144 071**	**73 307 821**	**669 097**	**46 044 350**	**21 488**	**571 324**	**8 349**	**297 744**
Sawlogs Oak	34 894	6 253 014	21 765	3 653 104	160	31 954				
Salwogs Beech	62 725	2 804 737	63 734	2 747 108	5 750	381 320				
TOTAL SAWLOGS HARDWOOD	97 619	9 057 751	85 499	6 400 212	5 910	413 274				
TOTAL SOFTWOOD and HARDWOOD	**1 056 746**	**71 936 430**	**1 229 570**	**79 708 033**	**675 007**	**46 457 624**	**21 488**	**571 324**	**8 349**	**297 744**

ban, spruce volumes dropped to virtually zero in 2016, as is shown in the chart. Pine log expert followed one year later.

EOS members report that it was impossible to replace the missing volume, due to unavailability of local sources.

Large distance transports of softwood sa logs was also impossible for commercial reasons (too expensive, unavailability of suitable cargo wagons). In terms of quality, it should be noted, that for many products the species are not interchangeable. This concerns mainly pine in Romania (see below), since this MS's coniferous forests consist almost exclusively of spruce and fir. Consequently, the production of pine wood products (e.g. laminated construction components), was greatly affected.

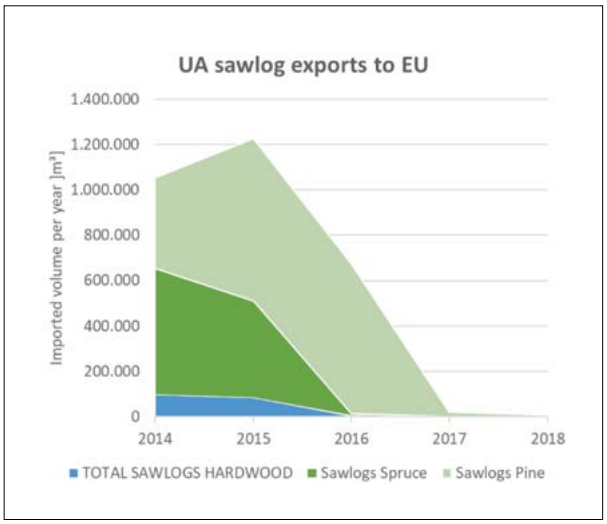
The main consequence for the European sawmill industry was therefore reduced capacity utilization and subsequently the loss of income. EOS members estimate a lost revenue of EUR 145 per m^3, which translates to a **total lost revenue of EUR 179m per year**. Lowered by the value of the imported softwood saw logs (EUR 79.8m, Eurostat), **the lost operational profit equals EUR 99.2m (or EUR 86.8 per cubic meter) per year**.

Hardest-hit member state was Romania who received roughly 75% to 90% of the EU's softwood saw log imports from Ukraine before the moratorium took effect. Assuming a lost volume of 1,002,000m^3 per year (volume 2015), the lost profit is EUR 87m per year. Compared to Romania's GDP in 2015 (EUR 177.9bn, World Bank) Ukraine's log export ban lowers Romanian GDP by 0.049%.

In addition to this, the restrictions given by the export ban the export of wooden material according custom code 4401 (firewood) is limited as well. Since 18 July 2018, UZ (the Ukrainian state railway company) imposed a loading restriction for those assortments. The legal basis for this remains unclear. However, this effectively results also in a non-tariff log export ban for firewood.

Question 2 by the EU Commission:
We would appreciate to receive from you information about the commercial use of the following species

a. Acacias (Robinia L. or Robinia pseudoacacia L.)
b. Checker trees (Sorbus torminalis (L.) Crantz),
c. Cherry trees (Cerasus (Juss.)
d. Pear trees (Pyrus (L.) or Pyrus communis)
e. Walnut trees (Juglans (L.) or Juglans regia (L.)



f. Chestnuts (Castanea (Mill.) or Castanea sativa (Mill.)
g. Common yews (Taxus baccata (L.)
h. Black cherries (Cerasus avium (L.) Moench. or Prunus avium (L.))
i. Acers (Acer pseudoplatanus (L.)
j. Junipers (Juniperus (L.) or Juniperus communis (L.)

It would be helpful as well, if at the level of the association or any of your individual members it is possible to demonstrate with concrete data that before 2005 the EU had trade with Ukraine on these species (which are banned for export as sawn wood HS 4407).

EOS Answer:
We do not have specific information on the commercial applications of the species you list, but they are not the most relevant species for the industry. They thus should have relatively limited commercial applications nowadays. Moreover, they are mainly broadleaves. Out of all the species you list only maples have their own codes in the Harmonised System (HS) at 4407 level (sawnwood) and according to the Comext database just 40,000 € of acers sawnwood were imported in 2015. If we stick to hardwood species, it should be noted that the two most valuable hardwood species, namely oak and beech, have not been taken into consideration. And the only significant imports of hardwood species from Ukraine to the EU were indeed oak and beech products (HS codes 4403 and 4407). Please note that the other species in your list do not have their own HS code but to focus on the relatively minor hardwood species in the list provided would mean missing entirely the point: the damage for the EU sawmill industry mainly concerns the softwood sector and notably the lack of imports of logs.

6.11.4 A renewed trade policy for a stronger Europe

As announced in its recent proposal on Europe's post-coronavirus recovery "Europe's moment: Repair and prepare for the next generation ", the European Commission is launching a review of the EU's trade and investment policy. Two key objectives are driving this process. First, to assess how trade policy can contribute to a swift and sustainable socio-economic recovery, reinforcing competitiveness in the post-Covid 19 environment, addressing the challenges the EU will face, and helping to promote our values and standards. Second, to see how trade policy can help build a stronger EU based on a model of "Open Strategic Autonomy" reaping the benefits of openness for our businesses, workers and consumers, while protecting them from unfair practices and building up our resilience to be better equipped for future challenges. In essence, this policy review will set the political direction for EU trade and investment policy in the years to come.

In order to prepare for a renewed trade policy, the EU Commision launched a public consultation to gather broad input on specific themes and questions. Here reported, copy of the contribution given by EOS to this Consultation.

A renewed trade policy for a stronger Europe – European Organization of the Sawmill Industry (EOS) inputs

Question 1: **How can trade policy help to improve the EU's resilience and build a model of open strategic autonomy?**

Question 2: **What initiatives should the EU take – alone or with other trading partners – to support businesses, including SMEs, to assess risks as well as solidifying and diversifying supply chains?**

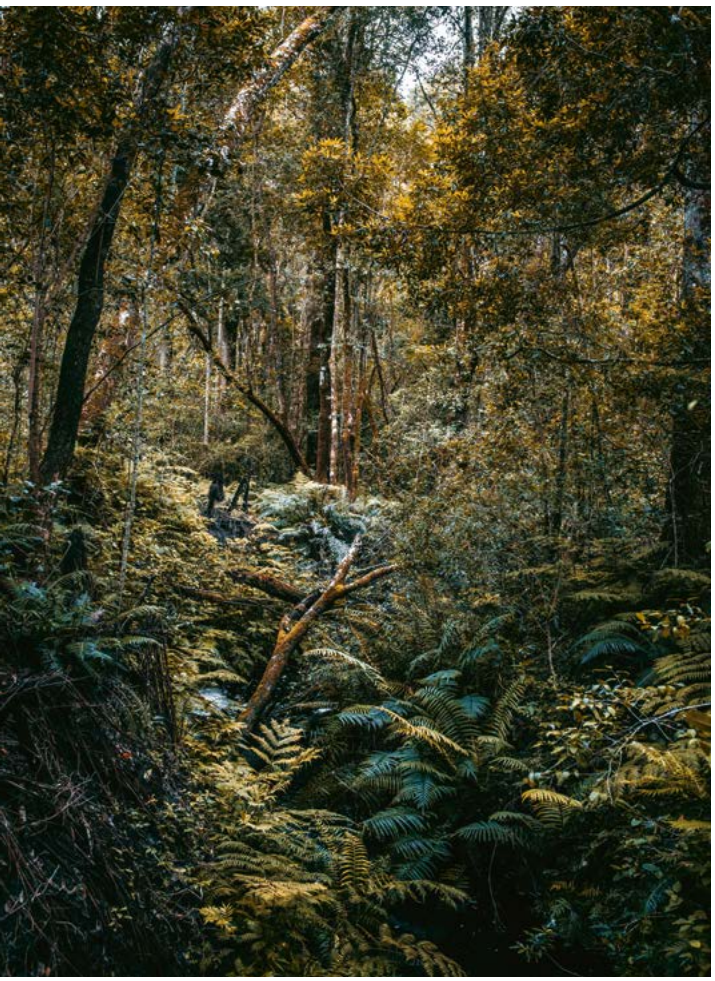
While the EU as a whole has without doubt benefited from open markets and trade, we also need to make sure not to naively rely on mutual interdependence with third countries in a world where economic nationalism is on the rise. The COVID-19 pandemic has just shown that Europe needs to increase its resilience. **Strategic autonomy is best achieved when dependence from third countries for a number of products is reduced. In particular, there is a need for reducing raw material dependence.** At the same time, the EU needs to strike the right balance between reinforcing self-sufficiency and being open to trade, which has largely been beneficial for European companies and citizens over the last few decades. While some raw materials cannot be replaced, fostering the use of raw materials which are abundant in Europe could definitely reinforce European autonomy. **The EU raw materials policy should be fine-tuned and put more emphasis on local raw materials. The EU has some 177 MHa of forest and other wooded land.** Wood is by far the most important forest product. It represents a strategic raw material because when legally and sustainably harvested it is a carbon sink. Sustainably produced European sawnwood and sawn by-products allow Europe to rely on its own resources. On top of this, sawmill products are renewable. The European sawmill industry indeed utilizes almost exclusively (95%) European logs and roundwood from sustainably managed European forests to produce its products. Needing no inputs from outside the EU – in conjunction with a production process that adds value exclusively here in Europe –, the European sawmill industry is a long-established industrial sector producing increasingly innovative products which needs to be at the core of a Europe that pursues open strategic autonomy. Therefore, while the European sawmill industry acknowledges the need for the EU to secure important raw materials which are not available in the EU, it also emphasizes that **by boosting the use of European sawmill industry products** in the building industry and in the packaging industry, **Europe can increase its security of supply** and increase its resilience.

Question 3: **How should the multilateral trade framework (WTO) be strengthened to ensure stability, predictability and a rules-based environment for fair and sustainable trade and investment?**

Question 4: **How can we use our broad network of existing FTAs or new FTAs to improve market access for EU exporters and investors, and promote international regulatory cooperation particularly in relation to digital and green technologies and standards in order to maximise their potential?**

Question 12: **In addition to existing instruments, such as trade defence, how should the EU address coercive, distortive and unfair trading practices by third countries? Should existing instruments be further improved or additional instruments be considered?**

The multilateral trade framework (WTO) and the EU itself should make sure that the definition of subsidies is expanded to incorporate some unfair practices that are not captured by the present definitions. DG Trade defines a subsidy as a financial contribution made by (or on behalf of) a government or a public body that gives the recipient a benefit. The EU can impose duties to counteract a subsidy, but only if it is limited to a specific firm, industry or group of firms or industries. Export subsidies, and subsidies based on using domestic goods over imported ones, are specific. **In a situation when a third State gives subsidies to a foreign operator – a company or a private individual – to purchase European raw materials (and pricing out European buyers) the EU is at present powerless.** The multilateral trade framework should address this: for many years, the European hardwood sector is being hampered by Chinese operators backed by the state buying EU hardwood logs and depriving the European industry of raw materials, thus of the possibility to add value here in Europe. This is regrettable as many sawmills have been forced out of business.



The EU has very commendably taken the international lead to meet challenges connected to the decarbonization of the economy and deployment of green technologies. Through existing FTAs and new FTAs we need to make sure **that our high environmental standards are incorporated in trade with our partners so as to avoid to import products that do no meet the high standards we have set ourselves**. Specifically, the European sawmill industry produces its products out of wood sourced from sustainably managed European forests. The EU, when negotiating FTAs with third countries, needs to ensure that reciprocity is enshrined in the agreements with our partners so as to avoid importing illegal wood products. EU standards have to be respected by European producers, but those same standards should be applied to those who import from outside Europe as well. The needed greening of the economy should be a boost to European industry and not something that favours non-EU producers.

When it comes to market access, Europe is a big market and needs to be more assertive and asks for more reciprocity when trading with third countries. For EOS there are some open market access cases where progress has been slow – if any. More information on the open cases of EOS is available here (https://madb.europa.eu/madb/sps_barriers_details.htm?isSps=true&barrier_id=15002) and here (https://madb.europa.eu/madb/sps_barriers_details.htm?isSps=true&barrier_id=15322). While EOS had some positive interactions with dedicated individuals working at the European Commission on trade issues, EOS is of the opinion that the very committed team which is currently working on market access **could be reinforced in terms of resources in order to speed up current market access negotiations**. Overall, we need faster procedures to tackle market barriers (including technical barriers and tariff barriers) particularly in presence of free trade agreements but also a more muscular approach with third countries with which we do not have FTAs.

Question 5: **With which partners and regions should the EU prioritise its engagement? In particular, how can we strengthen our trade and investment relationships with the neighbouring countries and Africa to our mutual benefit?**

India is an important country, which is set to become the most populous in the world in some years. When it comes to trade with India, however, there is a lot of untapped potential and room for improvement in many

sectors, including in the European sawmill industry. India is one of the few large countries that still charges duties on European sawnwood (10% at present) and the European Organization of the Sawmill Industry calls for a EU dialogue with Indian authorities aiming to remove these barriers, which are one of the reasons why trade with India is relatively underdeveloped. In India, after decades of deforestation, the forest cover has stabilized in the last 15 years: severe logging restrictions are in place and as a result the local timber production is low and the country has to massively rely on imports to feed its consumption. India has a thriving range of industries for semi-processed and value-added timber products, including wooden handicrafts, pulp and paper, plywood and veneer and wooden furniture. Exports of wooden handicrafts in particular are on the rise. While India is one of the world's top producers of tropical logs, it is also one of the world's largest consumers of wood products. This is mainly due, however, to the sheer size of India as its per capita consumption of wood is very low. Boosting the per capita consumption of India with sustainably produced European sawnwood would have a two-fold benefits:

- European exporters of sawnwood could increase their market portfolios
- India could "import sustainability": European wood-based products could replace products which unlike wood produced sustainably might not be environment-friendly

This applies to many of the EU trade partners, including Northern African countries, which have a very youthful population and fastest growing consumption sector globally. **European sawmill products can be an answer to reduce carbon footprints not just in Europe, but also abroad.**

Question 6: **How can trade policy support the European renewed industrial policy**?

Question 7: **What more can be done to help SMEs benefit from the opportunities of international trade and investment? Where do they have specific needs or particular challenges that could be addressed by trade and investment policy measures and support?**

SMEs are the backbone of the European economic landscape, not least of the European sawmill industry. They have been disproportionately affected by the COVID-19 crisis and for many SMEs in the sawmill industry foreign markets are fundamental. While the EU has some instruments to support them conquer market share outside Europe, these tools could be fine-tuned in order to better support European SMEs. There is a need for simplifying and reducing burdensome bureaucracy and the administrative procedures needed to operate cross-border as well as to create an open and easy to join system to cooperate and exchange information on standards from non-EU Countries. **Mechanisms to sponsorise and finance participation of EU companies**

(particularly SMEs) at fairs in trade countries should be set also at EU level.

Question 8: **How can trade policy facilitate the transition to a greener, fairer and more responsible economy at home and abroad? How can trade policy further promote the UN Sustainable Development Goals (SDGs)? How should implementation and enforcement support these objectives?**

In addition to carbon storage in forest ecosystems and harvested wood products, using wood to substitute greenhouse gas intensive-materials and fossil fuels can have climate benefits. Since the European sawmill industry products are made almost exclusively from logs harvested in EU forests (which are sustainably managed), **the EU should always strive to create conditions in its trade policy to foster the exports of wood products**. **This means no more and no less than exporting sustainability.** For instance, engineered - wood products – building materials which are gaining momentum in the EU but are still not very widespread in other areas of the world– have the potential to displace large quantities of carbon-intensive building materials, not only in Europe but also in third countries.

According to the Vancouver Invitation on Sustainable Forest Products for a Better Future (developed by the United Nations Economic Commission for Europe and other stakeholders), wood-based products are instrumental in reaching many SDGs. Wood and wood-based products obtained from timber harvested in sustainably managed forests provide substantial benefits. These range from reductions in atmospheric carbon from the substitution of renewable wood for more carbon intensive building materials (SDG 13—Climate Action), to the invigoration of rural economies and communities in forested areas (SDG 8—Decent Work and Economic Growth), to the provision of renewable energy (SDG 7—Affordable and Clean Energy) and to the overarching goal of equality (SDG 5—Gender Equality). To further attain these goals, the wood and wood-based products sector will need to continue to pursue efficient and innovative processing techniques and products (SDG 9—Industry, Innovation and Infrastructure) and more fully incorporate socially and environmentally responsible practices using circular production chains (SDG 12—Responsible Consumption and Production).

The European sawmill industry is thus a traditional industrial sector which is however at the forefront of contemporary challenges such as climate change mitigation. Its sustainable products can help decarbonize the economy not only in Europe but also in third countries. The EU trade policy needs to be fully supportive to this industry.

Question 9: **How can trade policy help to foster more responsible business conduct? What role should trade policy play in promoting transparent, responsible and sustainable supply chains?**

The EU Timber Regulation (EUTR) lays down the obligations of operators who place timber and timber products on the market. It counters trade in illegally harvested timber and timber products through three key obligations:

- It prohibits the placing on the EU market for the first time of illegally harvested timber and products derived from such timber;
- It requires EU traders who place timber products on the EU market for the first time to exercise due diligence.

Once on the market, the timber and timber products may be sold and/or transformed before they reach the final consumer. To facilitate the traceability of timber products, economic operators in this part of the supply chain (referred to as traders in the regulation) have an obligation to keep records of their suppliers and customers.

Unfortunately, as of today the EUTR does not cover all timber products. EOS thinks that the EUTR should be expanded to cover all timber products, including:

- **4402:** Wood charcoal (including shell or nut charcoal), whether or not agglomerated;
- **4404:** Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking sticks, umbrellas, tool handles or the like; chipwood;
- **4419:** Tableware and kitchenware, of wood.

Market relevance:

- 4402: the EU28 in 2019 imported 752,630 tonnes of wood charcoal, of which 20% from Ukraine, 19% from Nigeria, 10% from Cuba and Namibia (main importers, in descending order, Poland, Germany, and UK)
- 4404: the EU28 in 2019 imported 130,179 tonnes of products which fall under this code, of which 70% from Belarus and 7% from Russia (main importer Latvia – half of 4404 products imported)
- 4419: the EU28 in 2019 imported 97,216 tonnes of tableware and kitchenware of wood, of which 80% from China (main importers, in descending order, Germany, UK, the Netherlands)

Last but not least, as the EUTR is enforced by the various Member States, EOS demands a uniform implementation of it across Europe. Moreover, concrete requirement avoiding arbitrary interpretation of the EUTR due diligence system must be put in place.

Question 10: **How can digital trade rules benefit EU businesses, including SMEs? How could the digital transition, within the EU but also in developing country trade partners, be supported by trade policy, in particular when it comes to key digital technologies and major developments (e.g. block chain, artificial intelligence, big data flows)?**

In the opinion of EOS, there needs to be an assessment of the block chain potential for facilitating transparency, reliability, security in the wood value chain and eliminating concerns about illegality.

Manufacturers are subjected to extensive parts-certification processes, and there is no reason that consumers shouldn't be made party to such information. The blockchain's decentralized ledger technology could allow this information to be shared, but not compromised or altered. This information about supply chain provenance could be accessed in a matter of seconds, which is critical when a product is as sensitive as wood-based materials from overseas. Ultimately, European manufacturers could establish their credibility as reliable, ethical suppliers of goods and services, in turn garnering stronger customer loyalty.

6.11.5 Changes in the Harmonised System

Changes in the Harmonised System, which is an internationally standardized system of names and numbers to classify traded products, are now official and will start taking effect from January 2022.

Importantly, the EOS specific requests were all approved. From 2022 on, it will finally be possible to properly track exports and imports of engineered structural timber products, including:

- Glulam
- CLT
- I-beams

The HS revision takes place every five years. The next revision will be in 2027 and inputs gathering will take place from 2022-2024. The Economic Commission for Europe and FAO will prepare a plan in 2021 to gather input from national authorities and forest industry stakeholders. A submission would then be prepared for the World Customs Organization's Harmonised Review sub-committee in late 2022. The EOS Secretariat will keep monitoring this issue and we will ask in due course to the EOS Members if there are any elements to propose in the HS2027 revision.

7 COVID-19: Impact on the Construction Sector

According to Euroconstruct (forecast released in June 2020), the European construction industry has been hit hard by the COVID-19 crisis – and the situation will remain challenging for some time, albeit with important regional differences.

There will be an abrupt downturn in the European construction market this year, but a slow recovery might begin already next year. It is a fact that European construction markets have had a lot of challenges leading up to the COVID-19 crisis with stagnation trends in many countries. Not surprisingly, the ongoing crisis will have a huge negative impact on the markets in all the Euroconstruct countries this year. However, as the national experts of Euroconstruct foresee it right now, we will see positive growth rates already next year and a normalisation in 2022.

Compared to 2019 levels, we will lose around € 350 billion in total construction output from 2020 to 2022. According to the new Euroconstruct forecast, the number of unemployed persons within the Euroconstruct (EC-19) area will increase by 5 million persons this year compared to 2019.

In 2019, the total construction output in the Euroconstruct (EC-19) area grew by 2.7 percent compared to 2018. New construction (including new residential-, non-residential- and new civil engineering buildings) has been driving the market for several years, and increased by 3.9 percent last year, while renovations have been growing steadily around 2 percent. Total construction output reached about € 1,700 billion in 2019, and during the winter report (December 2019) the market was anticipated to decrease its growth rate to around 1 percent annually over the next two years as a result of a weakening economy.

Nevertheless, much in the world have changed dramatically since the coronavirus outbreak. As a result of this, the forecast for 2020 has been revised downwards by more than 12 percentage points, pointing to a decline of 11.5 percent. This drop in construction is in similar size to the drop caused by the global financial crisis in 2009. The total construction output is expected to reach about € 1,500 billion which is corresponding to the level of 2015. All but a few countries included in EC-19 are seeing a decline in 2020, where the UK and Ireland are predicting to have the largest drop around 33 and 38 percent, respectively. At the same time, Finland and Switzerland are expecting smaller drops in total construction, approximately by 1-2 percent, whereas Portugal and Poland are expecting continuing growth during the crisis. However, total construction for EC-19 countries will see a rebound already next year of around 6 percent and then continue to grow by 3 percent in 2022, reaching an output level similar to the one in 2018. Among the "big five" countries, it is only Germany that will see a small decrease (-2.4 percent) in total construction this year, while the rest (France, Italy, Spain and the UK) are expecting to have a decline between 12-33 percent. While all countries are expected to rebound in 2021 and 2022, the magnitude of the growth will be smaller than the decline observed in 2020.

Still, there are downward risks to the forecast and the most significant one involves the coronavirus and the containment of it. Questions such as, will there be further lockdowns after restrictions are being eased or will everyday life start to go back to normal after the summer, are affecting the market view. The uncertainty in the development of the virus and its effects on the economy is very high. The different sectors within construction are all affected by the crisis but some more than others. For the EC-19, the sector that is least affected is civil engineering, which is expected to decrease by 7.2 percent this year and then to recover in 2021 and 2022 with a growth of 7.4 and 3.5 percent, respectively. Both residential and non-residential construction are expected to fall somewhat more than 12 percent in 2020 and then start to improve from next year and the year after, between 3-6 percent annually.

Even the European Commission figures seem to confirm that construction markets, like most economic sectors, have been hit hard by COVID-19. Likewise, EU Commission figures show that the impact of the coronavirus outbreak has been very variable on the various EU Countries.

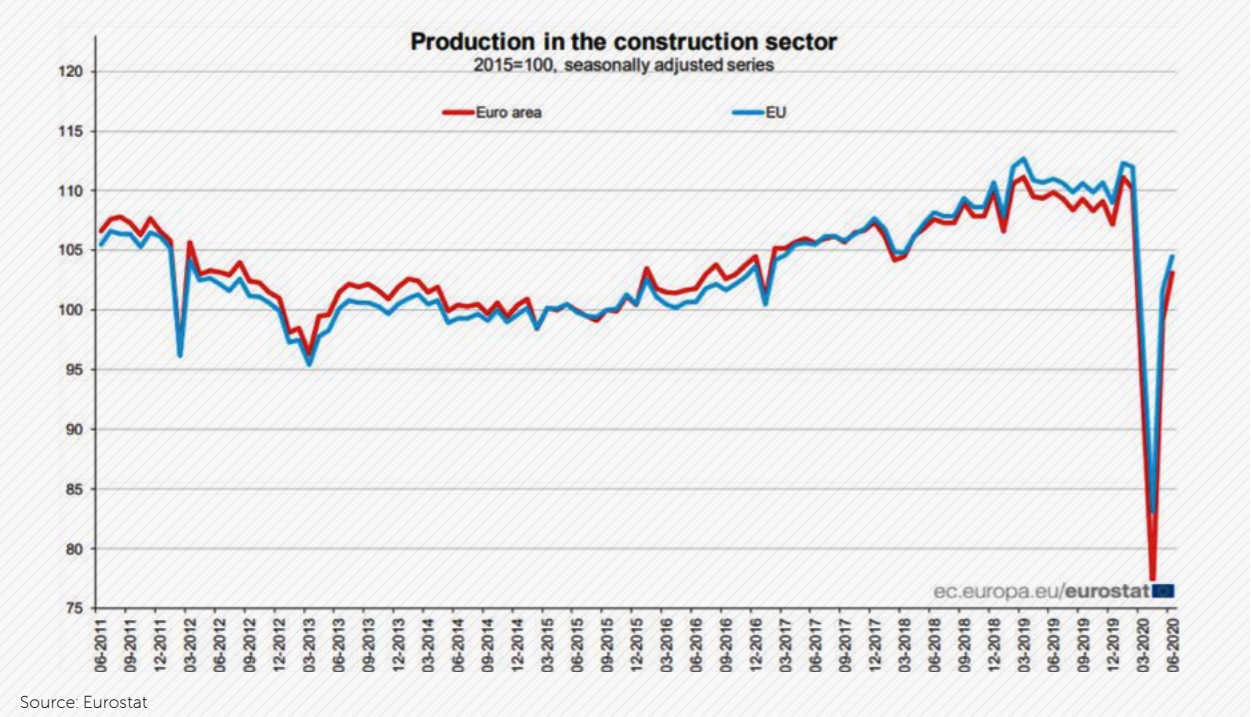
In June 2020 compared with June 2019, production in construction decreased by 5.9% in the euro area and by 5.8% in the EU. In the euro area in June 2020, compared with June 2019, building construction decreased by 6.6% and civil engineering by 2.6%. In the EU, building construction decreased by 6.2% and civil engineering by 3.2%.

Among Member States for which data are available, the largest decreases in production in construction were observed in Slovakia (-17.8%), Hungary (-15.7%) and Slovenia (-15.3%). Increases were observed in Romania (+6.9%), Germany (+1.4%), Finland (+1.2%) and the Netherlands (+0.8%).

If one compares the construction sector in Q2 2020 and Q2 2019 the divide across Europe is even more apparent: on the one hand there are North European and some Central European countries which have done relatively well so far given the circumstances (Germany +0.6%, Netherlands -2%, Finland +2.4%, Sweden -3.7%), on the other hand the crisis has been taking a heavy toll in Mediterranean countries (France -31%, Spain -23%, Italian data unavailable but surely negative) and the United Kingdom (-36%).

The figure below shows the heavy impact of the coronavirus crisis in the spring which put an end to some positive years until 2018 and a relative stagnation in 2019. In May and June 2020 there was a partial recovery.

FIGURE 1.3:
Production in the construction sector in the EU – 2015=100, seasonally adjustesd series



Source: Eurostat

8 High Level Conferences co-organized by EOS

The International Softwood Conference (ISC) and the International Hardwood conference (IHC) are events co-organized by EOS and ETTF, which are also the holders of these.

The International Softwood Conference (ISC) is organised annually, instead the International Hardwood Conference (IHC) is a bi-annual event. The conferences are organized in turn by a member federation of EOS or ETTF: this means that the conferences take place every year in different countries, which are usually decided one year in advance.

8.1 THE INTERNATIONAL SOFTWOOD CONFERENCE

Due to the COVID-19 pandemic, the European Timber Trade Federation (ETTF) and the European Organisation of the Sawmill Industry (EOS) organised the 68th International Softwood Conference, originally planned in Helsinki from 6 to 9 October 2020 from 12.00 to 16.20 CET, digitally in a compact form on 8 October 2020.

The Finnish Sawmill Association will be glad to host a physical International Softwood Conference in 2021.

The ISC is a world leading conference for producers and traders of softwood products; typically, more than 180 experts from four continents join the annual meeting. This year, due to the COVID-19 outbreak, the ISC was – for the first time ever – hosted as an online-only conference.

The 2020 ISC discussion was focused on macro-economic impacts and change in timber consumption & production caused by the COVID-19 pandemic, in Europe as well as in key timber markets such as China, USA, Japan and the MENA Region, just to mention a few. The event has been extremely timely as the pandemic has triggered a global economic slowdown with consequences also for the timber market. High level speakers focused on the repercussions of the COVID-19 outbreak on the timber market and the wider economy, as well as provide forecasts on how a post-pandemic market will look like.

The conference was ended with a presentation on the bark beetle outbreaks in British Columbia and in Central

Europe. Climate change is allowing some native pests to breed more frequently, and the threat posed by insects and pathogens appears to be growing in forests. According to the most recent data, pests are responsible for damaging 35 million hectares of forest around the world every year.

Presentations were pre-recorded while the debate was live. Overall, the quality and feel of the event was just as professional as previous ISCs – just online.

Conference information is available:
https://ettf.info/isc-2020/

The 2020 ISC sponsors:

In 2019, between 16 and 18 October, the **67TH EDITION OF THE INTERNATIONAL SOFTWOOD CONFERENCE** was held in Antwerp in the facilities of the Radisson Blu Astrid Hotel. The conference was attended by around 180 participants from all over the world. The Conference was hosted by the Belgian Federation of Textile, Wood and Furniture Industries (Fedustria) and, as usual, by the European Organization of the Sawmill Industries (EOS) and the European Timber Trade Federation (ETTF).

Antwerp, 18th October – The Conference opened with the traditional market analyses provided by authoritative experts in the sector. The development of production and consumption suggests that the lively growth recorded in 2017 and 2018 has significantly slowed down in 2019. The outlook for the coming months seems to be challenging, in particular due to the abundance of calamities-affected raw materials in the market caused by forest disturbances.

Andreas von Möller, President of ETTF, provided a comprehensive overview of the construction activity in Europe, showing that the confidence index and the production index in the construction sector both performed well up until the end of 2018, while there was a slowdown at the beginning of 2019. Both the wood sector and window sector have done well in 2018, but the slowdown might be affecting those sectors as well in the coming months.

Sampsa Auvinen, President of EOS, underlined in his presentation that over the last few months the market situation has been much more challenging than previously with export orders going down, stocks at sawmills rising and lumber prices decreasing. The disruption in the market has been mainly caused by extremely high quantities of logs being affected by bark beetles. These calamities are affecting the whole European sawmilling industry and the effects will be felt over the next few years.

However, there are also reasons to be optimistic. Von Möller stressed that the construction sector seems to be doing comparatively better than other sectors of the economy. Auvinen emphasized that global demand is steady and, looking outside Europe, the market in Middle East and North African countries is more stable than in the past few years with bright demographics and construction prospects. In China, in spite of heightened trade tensions, the consumption of wood is doing fine, with the government targeting to significantly expand the green building sector (from 5% to 28% by 2030) in the coming decade, which bodes well for the industry. Japan remains a reliable market and other Asian countries

are becoming promising export markets for many European mills. Shipments to the United States also did well in 2019 with European export reaching levels unseen since before the global financial crisis of more than a decade ago. Overall, global building codes are changing, supporting wood construction for mid- and high-rise buildings.

A lively session about climate change and its effects on the industry took place. Bark beetles, drought and forest fires will take an increasingly heavy toll on European forests. Presenters in the panel analyzed the effects on climate change on future wood supply. In the softwood sector, spruce stands will continue to be under pressure particularly in Central Europe. Adaptative measures must be found by all stakeholders in the forest-based industries with the aim to improve forest resilience.

In the picture, a moment of the 2019 ISC Conference

The use of wood in construction can be a response to climate change challenges. Wood is a renewable source of fibres and a substitute for more fossil fuel intensive materials. Nevertheless, there is a need to better communicate to architect and engineers about possible and further wood applications. At any rate, many speakers stressed that wood as a building material is gaining market share across many European countries. Policymakers are increasingly taking note of the benefits of building with wood across both sides of the Atlantic.

For more information on the 2019 ISC, please visit the website: http://ettf.info/isc2019. The presentations given at the Conference are also available on the website.

8.2 THE INTERNATIONAL HARDWOOD CONFERENCE

On November 20-21 the 2019 edition of the International Hardwood Conference (IHC) took place in Berlin. The international meeting of the hardwood industry is one of the most important trade conferences in the industry and attracts a large number of visitors from all over the world every two years.

The event as usual was co-organized by the European Organization of the Sawmill Industry (EOS) and the European Timber Trade Federation (ETTF). This year the Conference was held in Berlin together with the German sawmill and timber industry association (DeSH). The symposium in the capital attracted 125 participants from 20 nations, continuing the successes of recent years. "The large number of participants has made it clear that Berlin provided an outstanding stage for the IHC 2019. We were able to demonstrate how wood as a building material opens up new markets in growing cities and discussed further opportunities and potentials of hardwoods with proven experts", said EOS Vice President Maria Kiefer-Polz.

Analyses and assessments of the current market development by experts from all over the world were provided during the meeting. Following a relatively positive period in 2018, the European hardwood markets this year have felt the pinch of the global trade tensions and general slowdown of the economy, with Chinese demand for European hardwood slowing down a little. Demand this year in the EOS producing countries is expected to slightly decline by 1.3% while production is expected to slightly slow down by 0.7%.

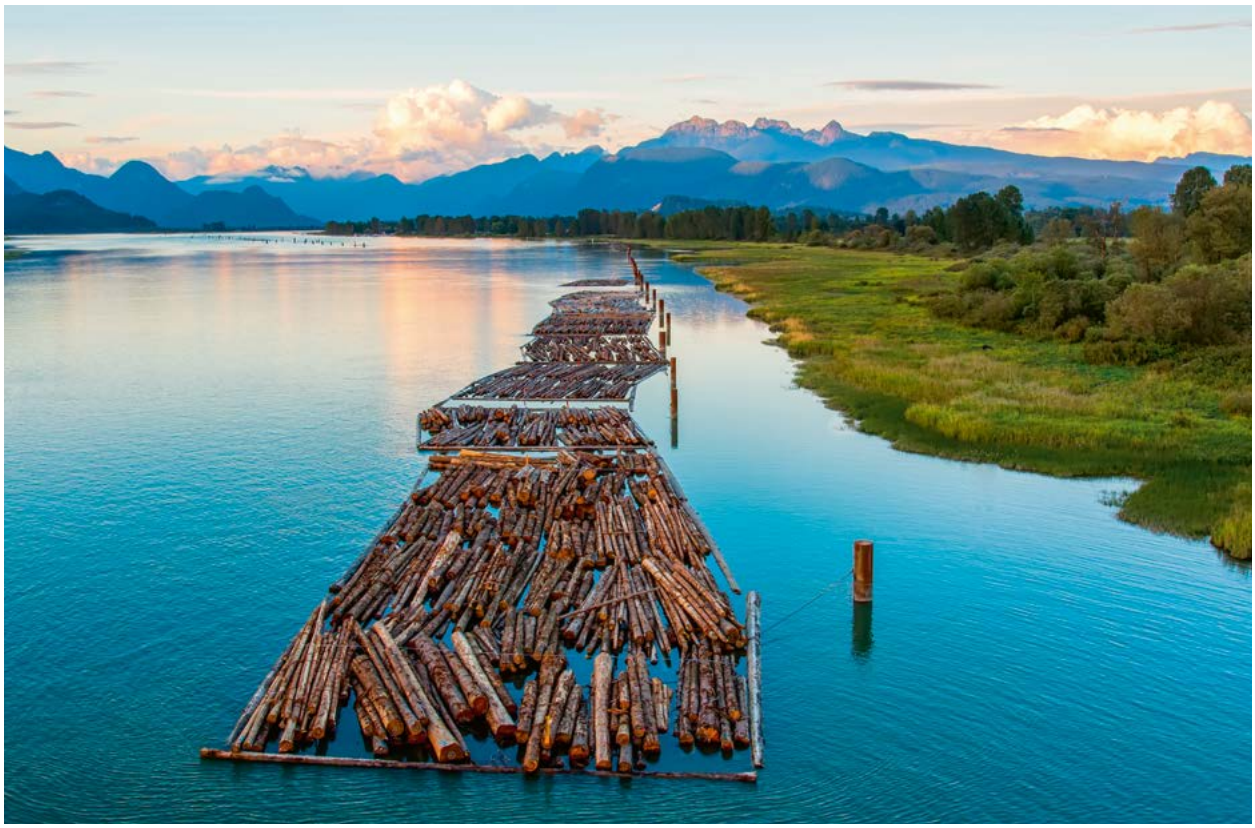
In addition to an excellent market overview, participants can use the derived trends and specifics of individual regions as a basis for their long-term planning and strategic orientation. Another key topic was climate change and its consequences for the forestry and timber industries. In the context of this discussion, future tree species availability with regards to forest adaptation to climate change was examined. The market flows of tropical timber were also discussed. Under the current political scenario, in which environmental concerns are high on the agenda, the wood products have an enormous potential to help the EU achieve its green objectives.

Dr. Josef Braml from the German Council on Foreign Relations analysed the impact of the current trade conflict between the US and China. Moreover, this year's program specifically addressed the opportunities of environmental product declarations and life-cycle considerations.

"The topics were again as diverse this year as the participants from all over the world. We can look back on a successful event content-wise, in addition to the exchange of expertise and networking opportunities", summed up Andreas von Möller, former ETTF President and moderator of the Conference, at the end of the event.

All presentations of the event will shortly be available at the following website: https://ihc2019.berlin/

The next edition of the International Hardwood Conference will take place in France, in November 2021.



9 European Standardisation-Update

CEN/TC 124 "TIMBER STRUCTURES"

Chairperson : Mr Frédéric Rouger
Secretary : Mr Guillaume Rousselet

Structure of the technical committee

Reference	Title	Convenor
CEN/TC124/WG 1	Test methods	Christophe Sigrist
CEN/TC124/WG 2	Solid timber	Frédéric Rouger
CEN/TC124/WG 3	Glued laminated timber	Tobias Wiegand
CEN/TC124/WG 4	Connectors	Barbara Sogato
CEN/TC124/WG 5	Prefabricated wall, floor and roof elements	Simon Aicher
CEN/TC124/WG 6	Wood poles	Willie Clason

Published standards

Reference	Date	Title
EN 12512:2001/A1:2005	2005-09-28	Timber Structures - Test methods - Cyclic testing of joints made with mechanical fasteners
EN 409:2009	2009-04-01	Timber structures - Test methods - Determination of the yield moment of dowel type fasteners
EN 15736:2009	2009-08-19	Timber Structures - Test methods - Withdrawal capacity of punched metal plate fasteners in handling and erection of prefabricated trusses
EN 26891:1991	1991-02-21	Timber structures - Joints made with mechanical fasteners - General principles for the determination of strength and deformation characteristics (ISO 6891:1983)
EN 14358:2016	2016-06-22	Timber structures - Calculation and verification of characteristic values
EN 1382:2016	2016-02-17	Timber Structures - Test methods - Withdrawal capacity of timber fasteners
EN 1383:2016	2016-02-17	Timber structures - Test methods - Pull through resistance of timber fasteners
EN 380:1993	1993-07-18	Timber structures - Test methods - General principles for static load testing
EN 595:1995	1995-03-22	Timber structures - Test methods - Test of trusses for the determination of strength and deformation behaviour
EN 14081-3:2012+A1:2018	2018-10-24	Timber structures - Strength graded structural timber with rectangular cross section - Part 3: Machine grading; additional requirements for factory production control
EN 14081-1:2016+A1:2019	2019-08-14	Timber structures - Strength graded structural timber with rectangular cross section - Part 1: General requirements
EN ISO 8970:2020	2020-04-01	Timber structures - Testing of joints made with mechanical fasteners - Requirements for timber density (ISO 8970:2020)

Reference	Date	Title
EN 16929:2018	2018-12-12	Test methods - Timber floors - Determination of vibration properties
EN 789:2004	2004-10-20	Timber structures - Test methods - Determination of mechanical properties of wood based panels
EN 14251:2003	2003-12-03	Structural round timber - Test methods
EN 1380:2009	2009-04-01	Timber structures - Test methods - Load bearing nails, screws, dowels and bolts
EN 14592:2008+A1:2012	2012-05-23	Timber structures - Dowel-type fasteners - Requirements
EN 15497:2014	2014-04-30	Structural finger jointed solid timber - Performance requirements and minimum production requirements
EN 384:2016+A1:2018	2018-11-21	Structural timber - Determination of characteristic values of mechanical properties and density
EN 14229:2010	2010-10-06	Structural timber - Wood poles for overhead lines
EN 338:2016	2016-04-06	Structural timber - Strength classes
EN 16351:2015	2015-10-14	Timber structures - Cross laminated timber - Requirements
EN 16784:2016	2016-06-29	Timber structures - Test methods - Determination of the long term behaviour of coated and uncoated dowel-type fasteners
EN 1912:2012/AC:2013	2013-08-21	Structural Timber - Strength classes - Assignment of visual grades and species
EN 14374:2004	2004-11-24	Timber structures - Structural laminated veneer lumber - Requirements
EN 16737:2016	2016-05-25	Structural timber - Visual strength grading of tropical hardwood
EN 1381:2016	2016-02-17	Timber structures - Test methods - Load bearing stapled joints
EN 14545:2008	2008-10-01	Timber structures - Connectors - Requirements
EN 14081-2:2018	2018-10-24	Timber structures - Strength graded structural timber with rectangular cross section - Part 2: Machine grading; additional requirements for type testing
EN 14250:2010	2010-01-27	Timber structures - Product requirements for prefabricated structural members assembled with punched metal plate fasteners
EN 383:2007	2007-01-10	Timber Structures - Test methods - Determination of embedment strength and foundation values for dowel type fasteners
EN 1912:2012	2012-04-18	Structural Timber - Strength classes - Assignment of visual grades and species
EN 912:2011	2011-07-13	Timber fasteners - Specifications for connectors for timbers
EN 12512:2001	2001-11-21	Timber structures - Test methods - Cyclic testing of joints made with mechanical fasteners
EN 408:2010+A1:2012	2012-07-25	Timber structures - Structural timber and glued laminated timber - Determination of some physical and mechanical properties
EN 14080:2013	2013-06-26	Timber structures - Glued laminated timber and glued solid timber - Requirements
EN 594:2011	2011-06-29	Timber structures - Test methods - Racking strength and stiffness of timber frame wall panels
EN 336:2013	2013-10-02	Structural timber - Sizes, permitted deviations
EN 596:1995	1995-03-22	Timber structures - Test methods - Soft body impact test of timber framed walls
EN 1075:2014	2014-12-17	Timber structures - Test methods - Joints made with punched metal plate fasteners
EN 15737:2009	2009-08-19	Timber Structures - Test methods - Torsional resistance of driving in screws
EN 15228:2009	2009-03-25	Structural timber - Structural timber preservative treated against biological attack
EN 15737:2009	2009-08-19	Timber Structures - Test methods - Torsional resistance of driving in screws
EN 15228:2009	2009-03-25	Structural timber - Structural timber preservative treated against biological attack

Pending standards

Project	Title	Status	Initial Date	Forecasted voting date
EN 14081-2:2018/ prA1(WI=00124182)	Timber structures - Strength graded structural timber with rectangular cross section - Part 2: Machine grading; additional requirements for type testing	Under Approval	2019-03-12	2020-12-23
EN 14592:2020(WI=00124149)	Timber structures - Dowel-type fasteners - Requirements	Approved	2015-05-12	2019-07-31
EN 384:2016+A1:2018/ prA2(WI=00124183)	Structural timber - Determination of characteristic values of mechanical properties and density	Under Approval	2019-03-12	2020-12-23
FprEN 14374(WI=00124137)	Timber structures - Laminated veneer lumber (LVL) - Requirements	Under Approval	2015-10-20	2018-08-31
prEN 12512 rev(WI=00124173)	Timber structures - Test methods - Cyclic testing of joints made with mechanical fasteners	Preliminary		
prEN 14080 rev(WI=00124186)	Timber structures - Glued laminated timber and glued solid timber - Requirements	Preliminary		
prEN 14081-3(WI=00124181)	Timber structures - Strength graded structural timber with rectangular cross section - Part 3: Machine grading; additional requirements for factory production control	Under Approval	2019-03-12	2020-12-23
prEN 14250 rev(WI=00124187)	Timber structures - Product requirements for prefabricated structural members assembled with punched metal plate fasteners	Preliminary		
prEN 14545 rev(WI=00124180)	Timber structures - Connectors - Requirements	Preliminary		
prEN 14545 rev(WI=00124171)	Timber structures - Connectors - Requirements	Under Drafting	2019-04-11	2021-01-24
prEN 15736 rev(WI=00124169)	Timber Structures - Test methods - Withdrawal capacity of punched metal plate fasteners in handling and erection of prefabricated trusses	Preliminary		
prEN 16351(WI=00124177)	Timber structures - Cross laminated timber - Requirements	Under Approval	2017-11-14	2020-06-25
prEN 1912 rev(WI=00124178)	Structural Timber - Strength classes - Assignment of visual grades and species	Preliminary		

Project	Title	Status	Initial Date	Forecasted voting date
prEN 383 rev(WI=00124185)	Timber Structures - Test methods - Determination of embedment strength and foundation values for dowel type fasteners	Preliminary		
prEN 408 rev(WI=00124184)	Timber structures - Structural timber and glued laminated timber - Determination of some physical and mechanical properties	Preliminary		
prEN 409 rev(WI=00124174)	Timber structures - Test methods - Determination of the yield moment of dowel type fasteners	Preliminary		
prEN 594 rev(WI=00124172)	Timber structures - Test methods - Racking strength and stiffness of timber frame wall panels	Preliminary		
prEN 912 rev(WI=00124167)	Timber fasteners - Specifications for connectors for timbers	Preliminary		
(WI=00124191)	Timber structures - Prefabricated wall, floor and roof elements - Structural elements with mechanically fixed sheeting made of wood-based boards/panels or gypsum boards/panels on both faces (EN 14732-1)	Preliminary		
(WI=00124170)	Timber structures - Glued laminated timber and glued solid timber made from harwood species - Requirements	Preliminary		
(WI=00124190)	Timber structures - Prefabricated wall, floor and roof elements - Structural (load-bearing) elements with adhesively bonded sheeting made of wood-based panels on one or both faces (EN 14732-2)	Preliminary		

CEN/TC 175 “ROUND AND SAWN TIMBER”

Chairperson: Mr Philippe Pangault
Secretary: Mr Frédéric Henry

Structure of the technical committee

Reference	Title
CEN/TC 175/WG 1	General matters, definitions, measurement methods
CEN/TC 175/WG 2	Sawn timber
CEN/TC 175/WG 4	Round timber
CEN/TC 175/WG 32	Specific user requirements - Timber in joinery
CEN/TC 175/WG 33	Specific user requirements - Timber in flooring
CEN/TC 175/WG 34	Specific user requirements - Timber in packaging and pallets
CEN/TC 175/WG 37	Specific user requirements - Timber in stairs
CEN/TC 175/WG 38	Specific user requirements - Timber in cladding and panelling
CEN/TC 175/WG 39	Specific user requirements - Fire retardant treated wood

Published standards

Reference	Date	Title
EN 14221:2006	2006-11-08	Timber and wood-based materials in internal windows, internal door leaves and internal doorframes - Requirements and specifications
EN 13183-2:2002/ AC:2003	2003-09-17	Moisture content of a piece of sawn timber - Part 2: Estimation by electrical resistance method
EN 1611-1:1999/A1:2002	2002-08-21	Sawn timber - Appearance grading of softwoods - Part 1: European spruces, firs, pines, Douglas fir and larches
EN 975-1:2009/AC:2010	2010-09-29	Sawn timber - Appearance grading of hardwoods - Part 1: Oak and beech
EN 16755:2017	2017-10-11	Durability of reaction to fire performance - Classes of fire-retardant treated wood products in interior and exterior end use applications
EN 844:2019	2019-08-28	Round and sawn timber - Terminology
EN 14298:2017	2017-10-25	Sawn timber - Assessment of drying quality
EN 13489:2017	2017-09-27	Wood-flooring and parquet - Multi-layer parquet elements
EN 1910:2016	2016-04-27	Wood flooring and wood panelling and cladding - Determination of dimensional stability
EN 13227:2017	2017-11-01	Wood flooring - Solid lamparquet products
EN 17009:2019	2019-03-13	Flooring of lignified materials other than wood - Characteristics, assessment and verification of constancy of performance and marking
EN 13647:2011	2011-05-18	Wood flooring and wood panelling and cladding - Determination of geometrical characteristics
EN 13228:2011	2011-05-18	Wood flooring - Solid wood overlay flooring elements including blocks with an interlocking system
EN 13183-1:2002	2002-04-17	Moisture content of a piece of sawn timber - Part 1: Determination by oven dry method
EN 1927-3:2008	2008-03-26	Qualitative classification of softwood round timber - Part 3: Larches and Douglas fir

Reference	Date	Title
EN 1316-1:2012	2012-10-17	Hardwood round timber - Qualitative classification - Part 1: Oak and beech
EN 1309-3:2018	2018-01-24	Round and sawn timber - Methods of measurements - Part 3: Features and biological degradations
EN 14915:2013+A2:2020	2020-01-15	Solid wood panelling and cladding - Characteristics, requirements and marking
EN 14761:2006+A1:2008	2008-07-09	Wood flooring - Solid wood parquet - Vertical finger, wide finger and module brick
EN 14762:2006	2006-02-15	Wood flooring - Sampling procedures for evaluation of conformity
EN 14951:2006	2006-03-15	Solid hardwood panelling and cladding - Machined profiles elements
EN 1309-2:2006	2006-03-15	Round and sawn timber - Method of measurement of dimensions - Part 2: Round timber - Requirements for measurement and volume calculation rules
EN 1533:2010	2010-08-04	Wood flooring - Determination of bending strength under static load - Test methods
EN 14519:2005	2005-12-21	Solid softwood panelling and cladding - Machined profiles with tongue and groove
CEN/TS 15680:2007	2007-11-28	Prefabricated timber stairs - Mechanical test methods
CEN/TS 14464:2010	2010-07-21	Sawn timber - Method for assessment of case-hardening
CEN/TS 12169:2008	2008-01-30	Criteria for the assessment of conformity of a lot of sawn timber
EN 1313-1:2010	2010-01-27	Round and sawn timber - Permitted deviations and preferred sizes - Part 1: Softwood sawn timber
EN 12248:1999	1999-06-23	Sawn timber used in industrial packaging - Permitted deviations and preferential sizes
EN 13629:2020	2020-03-18	Wood flooring - Solid individual and pre-assembled hardwood boards
CEN/TS 15679:2007	2007-11-28	Thermal Modified Timber - Definitions and characteristics
EN 12246:1999	1999-06-23	Quality classification of timber used in pallets and packaging
EN 1927-2:2008/AC:2009	2009-04-01	Qualitative classification of softwood round timber - Part 2: Pines
EN 13488:2002	2002-12-18	Wood flooring - Mosaic parquet elements
EN 16755:2017/AC:2018	2018-07-18	Durability of reaction to fire performance - Classes of fire-retardant treated wood products in interior and exterior end use applications
EN 1611-1:1999	1999-08-18	Sawn timber - Appearance grading of softwoods - Part 1: European spruces, firs, pines and Douglas firs
CEN/TS 15676:2007	2007-11-21	Wood flooring - Slip resistance - Pendulum test
EN 1313-2:1998/AC:1999	1999-06-30	Round and sawn timber - Permitted deviations and preferred sizes - Part 2: Hardwood sawn timber
EN 942:2007	2007-03-14	Timber in joinery - General requirements
CEN/TS 13307-2:2009	2009-12-02	Laminated and finger jointed timber blanks and semi-finished profiles for non-structural uses - Part 2: Production control
EN 1534:2020	2020-01-08	Wood flooring and parquet - Determination of resistance to indentation - Test method
EN 1927-1:2008	2008-03-26	Qualitative classification of softwood round timber - Part 1: Spruces and firs
EN 13183-3:2005	2005-03-16	Moisture content of a piece of sawn timber - Part 3: Estimation by capacitance method
EN 13183-1:2002/AC:2003	2003-09-17	Moisture content of a piece of sawn timber - Part 1: Determination by oven dry method
EN 13756:2018	2018-09-12	Wood flooring and parquet - Terminology
CEN/TS 15717:2008	2008-04-16	Parquet flooring - General guideline for installation
EN 14342:2013	2013-07-10	Wood flooring and parquet - Characteristics, evaluation of conformity and marking
EN 1927-2:2008	2008-03-26	Qualitative classification of softwood round timber - Part 2: Pines

Reference	Date	Title
EN 14220:2006	2006-11-08	Timber and wood-based materials in external windows, external door leaves and external doorframes - Requirements and specifications
EN 13183-2:2002	2002-04-17	Moisture content of a piece of sawn timber - Part 2: Estimation by electrical resistance method
EN 13556:2003	2003-06-25	Round and sawn timber - Nomenclature of timbers used in Europe
EN 1316-2:2012	2012-10-17	Hardwood round timber - Qualitative classification - Part 2: Poplar
EN 16449:2014	2014-03-12	Wood and wood-based products - Calculation of the biogenic carbon content of wood and conversion to carbon dioxide
EN 13442:2013	2013-03-13	Wood flooring and wood panelling and cladding - Determination of the resistance to chemical agents
EN 13696:2008	2008-12-10	Wood flooring - Test methods to determine elasticity and resistance to wear and impact resistance
EN 14076:2013	2013-12-11	Timber stairs - Terminology
EN 1315:2010	2010-01-27	Dimensional classification of round timber
EN 12249:1999	1999-06-23	Sawn timber used in pallets - Permitted deviations and guidelines for dimensions
EN 1438:1998	1998-08-19	Symbols for timber and wood-based products
EN 13307-1:2006	2006-11-08	Timber blanks and semi-finished profiles for non-structural uses - Part 1: Requirements
EN 13226:2009	2009-05-27	Wood flooring - Solid parquet elements with grooves and/or tongues
EN 1309-1:1997	1997-04-23	Round and sawn timber - Method of measurement of dimensions - Part 1: Sawn timber
EN 975-1:2009	2009-03-18	Sawn timber - Appearance grading of hardwoods - Part 1: Oak and beech
EN 16485:2014	2014-03-26	Round and sawn timber - Environmental Product Declarations - Product category rules for wood and wood-based products for use in construction
EN 1313-2:1998	1998-11-18	Round and sawn timber - Permitted deviations and preferred sizes - Part 2: Hardwood sawn timber
EN 15146:2006	2006-12-13	Solid softwood panelling and cladding - Machined profiles without tongue and groove
EN 16481:2014	2014-06-18	Timber stairs - Structural design - Calculation methods
EN 975-2:2004	2004-07-07	Sawn timber - Appearance grading of hardwoods - Part 2: Poplars
EN 13990:2004	2004-02-11	Wood flooring - Solid softwood floor boards
EN 1312:1997	1997-02-19	Round and sawn timber - Determination of the batch volume of sawn timber
EN 15644:2008	2008-12-10	Traditionally designed prefabricated stairs made of solid wood - Specifications and requirements

Pending standards

Project	Title	Status	Initial Date	Forecasted voting date
prCEN/TS 13307-2 rev(WI=00175174)	Laminated and finger jointed timber blanks and semi-finished profiles for non-structural uses - Part 2: Production control	Preliminary		
prCEN/TS 13307-2 rev(WI=00175187)	Laminated and finger jointed timber blanks and semi-finished profiles for non-structural uses - Part 2: Production control	Preliminary		
prEN 13226 rev(WI=00175194)	Wood flooring - Solid parquet elements with grooves and/or tongues	Preliminary		

Project	Title	Status	Initial Date	Forecasted voting date
prEN 13307-1 rev(WI=00175175)	Timber blanks and semi-finished profiles for non-structural uses - Part 1: Requirements	Preliminary		
prEN 13307-1 rev(WI=00175186)	Timber blanks and semi-finished profiles for non-structural uses - Part 1: Requirements	Preliminary		
prEN 13442 rev(WI=00175193)	Wood flooring and wood panelling and cladding - Determination of the resistance to chemical agents	Preliminary		
prEN 13489 rev(WI=00175190)	Wood-flooring and parquet - Multi-layer parquet elements	Preliminary		
prEN 13556 rev(WI=00175185)	Round and sawn timber - Nomenclature of timbers used in Europe	Preliminary		
prEN 13556 rev(WI=00175170)	Round and sawn timber - Nomenclature of timbers used in Europe	Preliminary		
prEN 13647(WI=00175179)	Wood flooring and wood panelling and cladding - Determination of geometrical characteristics	Under Approval	2018-04-19	2020-01-08
prEN 14220 rev(WI=00175171)	Timber and wood-based materials in external windows, external door leaves and external doorframes - Requirements and specifications	Preliminary		
prEN 14220 rev(WI=00175184)	Timber and wood-based materials in external windows, external door leaves and external doorframes - Requirements and specifications	Preliminary		
prEN 14221 rev(WI=00175189)	Timber and wood-based materials in internal windows, internal door leaves and internal doorframes - Requirements and specifications	Preliminary		
prEN 14221 rev(WI=00175173)	Timber and wood-based materials in internal windows, internal door leaves and internal doorframes - Requirements and specifications	Preliminary		
prEN 14342 rev(WI=00175172)	Wood flooring and parquet - Characteristics, evaluation of conformity and marking	Preliminary		
prEN 14342 rev(WI=00175192)	Wood flooring and parquet - Characteristics, evaluation of conformity and marking	Preliminary		
prEN 16449 rev(WI=00175188)	Wood and wood-based products - Calculation of the biogenic carbon content of wood and conversion to carbon dioxide	Preliminary		
prEN 16485 rev(WI=00175181)	Round and sawn timber - Environmental Product Declarations - Product category rules for wood and wood-based products for use in construction	Preliminary		
prEN 17456(WI=00175177)	Wood flooring and parquet - Determination of top and bottom layer delamination of multilayer elements - Test method	Under Approval	2018-04-19	2020-01-08
(WI=00175191)	Product Category Rules (PCR) for wood flooring including parquet	Preliminary		
(WI=00175180)	Guidance for the preparation of the declaration of performance and CE marking	Preliminary		

EOS Organisation 2019/2020

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Stephan Lang – CEO of Rettenmeier (Germany)
Kai Merivuori – Managing Director of the Finnish Sawmills Association Sahateollisuus (Finland)
Nicolae Tucunel – CEO of Forex (Romania)
Thomas Sève – General Director of Monnet-Sève SA Sève (France)

Honorary Board Member

Jean-Claude Sève – Monnet-Sève SA (FR)

Honorary President

Hans Michael Offner – Johann Offner Holzindustrie GmbH (AT)

EOS Secretariat

Secretary General: **Silvia Melegari** (silvia.melegari@eos-oes.eu)
Economic and Policy Advisor: **Diego Benedetti** (diego.benedetti@eos-oes.eu)

EOS Secretariat - Offices

EOS is located, together with other European wood associations at Rue Montoyer 24 in Brussels, Belgium. The office building, located 5 minutes' walk from the European Parliament, provides opportunities for meetings of national federations too and members are always welcome to use the various facilities when in Brussels.

EOS Member Federations – September 2020

AUSTRIA

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https://www.confederationbois.be/fr/nos-secteurs/scierie/
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FRANCE

FNB – Fédération Nationale du Bois
6, Rue François 1er
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www.fnbois.com

GERMANY

DeSH-Deutsche Säge-und Holzindustrie
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SFIF – Swedish Forest Industries Federation
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SWITZERLAND

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EOS Associate Member – September 2020

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EOS Annual Report 2019/2020

The European Organisation of the Sawmill Industry (EOS) aisbl, an international non-profit association according to Belgian law, represents the interests on the European and international level of the sawmill industries around Europe, producing about 80% of the total European sawn wood output. The sector represents a turnover of around 37 billion EUR and 16% of the overall woodworking and furniture industry in EU28.

EUROPEAN ORGANISATION OF THE SAWMILL INDUSTRY

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