

ANNUAL REPORT OF THE EUROPEAN SAWMILL INDUSTRY

2023 - 2024

"Recognizing that wood from sustainably managed forests provides climate solutions within the construction sector, we commit to, by 2030, advancing policies and approaches that support low carbon construction and increase the use of wood from sustainably managed forests in the built environment. Such policies and approaches will result in reduced GHG emissions, d an increase in stored carbon."

Announcement made at COP 28 endorsed by 17 European countries including many European countries – December 2023

Annual Report of the European Sawmill Industry







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by Herbert Jöbstl EOS President

"If we are to achieve things never before accomplished we must employ methods never before attempted."

Francis Bacon 1561- 1626 Philosopher & statesman

In the battle against climate breakdown we are yet to accomplish the necessary reduction in greenhouse gas emissions and also their necessary removal from the atmosphere at the levels needed to prevent catastrophe. In this task we in the European sawmill industry have a key role to play by ensuring that wood makes its maximum contribution to this most critical of tasks.

Our built environment is currently responsible for around 40 per cent of global CO₂ emissions. A significant share of this (29 per cent) is due to the burning of fossil fuels to heat and cool our buildings. We can significantly reduce these emissions by insulating *all* our buildings to a very high standard and by switching our energy consumption away from fossil fuels to renewables. A smaller but still significant amount of emissions come from how we build (11 per cent) and are the result of the materials we use to construct our buildings.

The process of exploring timber's ability to *substitute* for the materials that have the highest levels of



embodied carbon is well advanced. This is an area where the academic evidence continues to mount with several recent studies showing that substituting engineered timber for steel and concrete in mid-rise buildings can reduce the emissions associated with manufacturing, transporting, and installing building materials by 13 to 26.5 per cent. Our Organisation is very active in communicating at all policy level, about the environmental benefit of using wood as construction material and everyday life product.

Historically timber has been able to provide the structural frame for the majority of family homes in the USA, Canada, the Nordic countries, Scotland and millions more homes across Europe. However, it has *not* been able to compete with concrete and steel on bigger buildings of the type found in our town and city centres. That has changed thanks to advances in industrial engineered timber products and prefabrication techniques. Just as there was never any need to use anything other than timber to build the structure of a two-storey building, there is now no need to use anything other than timber to build one of 20 storeys. (Concrete foundations will still be needed). This means that wood's ability to substitute for carbon-intensive alternatives and safely to store carbon in the built environment has multiplied considerably. Therefore, for the first time in 150 years we are looking at timber having the potential to be the default primary structural construction material for the majority of buildings, small or large, with all the ensuing climate benefits of substitution (CO_2 reduction) and storage (CO_2 removal).

That timber has a great deal to offer as we endeavour to find solutions to climate breakdown is premised on two indisputable facts – that the substitution of carbon-intensive materials with nature-based materials, such as timber, *reduces* the amount of CO_2 entering the atmosphere, and that storing carbon in long-life timber products *removes* CO_2 from the atmosphere. Facilitating these two facts through more wood in construction is how we can maximize wood's potential to help save our planet from climate breakdown. And that potential is massive as one of Europe's leading architectural firms specialising in building in wood has identified: over 90% of concrete used in construction could be potentially replaced with timber.

If we take this road then we can shift construction from being a *source* of carbon emissions to becoming a carbon *sink*. The built environment would stop being part of the climate problem and instead become part of the climate *solution*.

In the Netherlands, Amsterdam has launched a 'Green Deal timber construction' in which more than 80 organizations are now involved, including the Dutch government, various municipalities, the transport authority, scientific institutions, housing associations, investors, architects, engineering firms and banks. As a result, from 2025, at least 20 per cent of all new buildings should be made of wood or other nature-based building materials. In Sweden, more than 20 per cent of mid-rise buildings are now timber framed. In 2025 Swedish developers will embark on the world's largest urban construction project in wood. Stockholm Wood City will be built in Sickla, an area in the south of the Swedish capital, with 7,000 office spaces and 2,000 homes, plus restaurants and shops across more than 250,000 square metres. It will take a decade to complete and will potentially set the stage for similar projects around the world.

In the UK and Ireland, Aviva, a leading insurer, announced in 2023, "There are a growing number of developers looking to build more sustainably, both by using sustainable materials like engineered timber, and by adopting modern methods of construction. Aviva wants to embrace both: widening our underwriting appetite to insure commercial buildings using engineered timber, and using our risk management expertise to minimize associated risks." Where Aviva lead others will follow, ensuring the construction of more large timber builds.

In Canada, in 2023 a report expounding the climate benefits of building in mass timber was released by the Climate Action Institute of the Royal Bank of Canada. The report noted that the "Widespread adoption of wood, specifically mass timber, as a substitute or complement to concrete and steel could cut embodied emissions in buildings by as much as 25%".

The Council on Tall Buildings and Urban Habitat, based in Chicago, identified in 2022 that "there are now 139 mass timber buildings around the world of eight stories or higher, either complete, under construction or proposed". Of those 71 per cent were in Europe, 18 per cent in North America, 10 per cent in Australia and 1 per cent in Asia. Worldwide there are currently 70 buildings of eight storeys or greater that are under construction or proposed. It does appear that new height thresholds will go beyond the 25-storey (circa 90-metres high) record.

In the USA it is estimated that the number of engineered/mass-timber buildings will double every year. If this could be replicated globally then the worldwide building industry could store more carbon than it emits by 2040.

To quote Professor John Schellnhuber, now at The International Institute for Applied Systems Analysis, "Without a radical shift in building, the Paris climate agreement will fail. However, if we replace steel and concrete with organic materials such as wood [...], we can avoid significant amounts of climate-damaging emissions. [...] With regenerative architecture, we could virtually build our way out of the climate crisis".

Other academics concur estimating that substituting conventional building materials with wood in half of new urban construction could provide 9 per cent of global emissions reduction needed to meet 2030 targets for keeping global warming below 1.5 C. So, almost a tenth of necessary emissions reductions could come from choosing a different material for the expected urban construction that will occur one way or the other.

Wood is an amazing material. As a tree grows it sequesters and then stores carbon. When harvested the wood can go on storing carbon for decades in the form of timber in the built environment. Here it can substitute for carbon intensive alternatives, Wood is nature's gift to humanity. If we use it wisely and sustainably it will undoubtedly help save us from climate breakdown but only if we employ methods never before, I believe the sawmill industry is ready for this challenge.

While the long-term prospects of the industry look bright on the demand side, the short-term picture is not too rosy. Production and consumption of sawnwood have been declining since H2 2022 due to the challenging economy and geopolitical tensions. Costs for sawmills are high amid rising raw material prices, increasing labour costs (while also facing labour shortages) and high energy prices.

Inflation rates have been declining over the last few months, but they remain high. As a result, Central Banks are keeping interest rates high, which in turn has a depressing effect on construction markets. Most sawnwood produced in Europe is used in European construction markets so as long as European construction markets are subdued, it is difficult to imagine a turnaround. Construction markets are weak also in important export markets for the sawmill industry such as China and Japan. The United States is a partial exception and increasing sawnwood deliveries to the States have massively helped European sawmills in 2023.

Trust in the long-term prospects of the industry remains high, which is proven by many companies adding production capacities over the last couple of years. However, the precondition for a successful sawmill industry remains access to sustainably managed raw materials. Constantly reminding this to the EU institutions is one of the most important tasks of our Brussels-based association.

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1. General Economic Situation

The information of the European section of this chapter has been partly taken from the European Commission Economic Forecast Winter 2024. For non-European countries, see footnotes.

1.1 Global overview with focus on the EU

The growth outlook for 2024 is revised down to 0.9% in the EU. In 2025, economic activity is expected to expand by 1.7% in the EU. EU inflation is forecast to fall from 6.3% in 2023 to 3.0% in 2024 and 2.5% in 2025.

Last year's modest growth largely owes itself to the momentum of the post-pandemic economic rebound in the previous two years. Already towards the end of 2022, the economic expansion came to an abrupt end and activity has since been broadly stagnating, against the background of falling household purchasing power, collapsing external demand, forceful monetary tightening and the partial withdrawal of fiscal support in 2023.

The EU economy thus entered 2024 on a weaker footing than previously expected. After narrowly avoiding a technical recession in the second half of last year, prospects for the first quarter of 2024 remain subdued.

The sharp fall in energy prices was followed by a broad-based and faster-than-expected moderation of price pressures. As energy supply keeps outstripping demand, spot and future prices for oil and especially gas are now significantly lower than assumed in the Autumn. Retail energy prices are therefore set to fall further, helping EU recover some of the competitiveness lost during the energy crisis.

Despite pressure from higher shipping costs in the wake of Red Sea trade disruptions, underlying inflation continues on a steady downward path, but the crisis in the Red Sea should not be underrated. Credit conditions are still tight, but markets now expect the loosening cycle to start earlier.

Remarkably, the EU labour market continues to perform strongly.

All in all, the conditions for a gradual acceleration of economic activity this year appear to be still in place. As inflation decelerates, real wage growth and resilient employment should support a rebound in consumption. Despite falling profit margins, investment is set to benefit from a gradual easing of credit conditions and further deployment of the Recovery and Resilience Facility (RRF). The pace of growth is set to stabilise broadly in line with potential, as of the second half of this year.

Protracted geopolitical tensions and the broadening of the Middle East conflict to the Red Sea tilt the balance of risks towards more adverse outcomes. Additional trade disruptions could bring renewed stress to supply chains, hampering production and adding price pressures. Domestically, a faster recovery of consumption, higherthan-expected wage growth and a lower-than-anticipated fall in profit margins could hold back the disinflation process. On the downside, a more persistent transmission of the still tight monetary conditions could further delay the rebound in economic activity, pushing inflation lower. Climate risks and the increasing frequency of extreme weather events continue to pose threats.

Industry and construction deepened their downturn, while contact-intensive services stagnated. Value added in industry has continued declining since the second half of 2022, in line with industrial production. As production in the energy-intensive sectors stabilised at a low level, the decline over most of 2023 took place in the less energy-intensive sectors, notably investment goods. The countries accounting for the bulk of the decline are Ireland (a statistical payback for the strong dynamics in 2022) and Germany, due to a combination of structural (high energy costs impairing international competitiveness, the transformation of the automotive cluster) and cyclical factors (weak demand for investment goods). Construction activity continued to stagnate in view of higher material and financing costs weighing on demand. Value added in the contact-intensive (consumer related) services recovered to just above pre-pandemic levels, but further growth has been sluggish, possibly reflecting households' restrained spending on non-essential services. In contrast, other market services (e.g., communications, finance and business services) continued growing consistently.

Developments in agriculture and public services remained muted over most of 2023, with gross value added in agriculture stabilising at a level still below pre-pandemic values, reflecting also the various extreme weather events affecting Europe last year.

Latest high frequency data point to continued weakness in industry, construction and retail in late 2023. Data for production in industry and construction in October and November 2023 confirm the declining trend of the first three quarters of the year.

Resilient corporate balance sheets have been a key element of the post-pandemic recovery. EU non-financial corporations entered the pandemic crisis in a solid position. According to sector accounts, debt-to-equity ratios were at historically low levels. Liquidity ratios were also relatively high, against the background of supportive financial conditions.

The exceptional policy response during the pandemic was crucial in preserving healthy corporate balance sheets,

allowing them to retain their equity and liquidity positions without accumulating high debt levels. In 2023-Q3, leverage and liquidity ratios remained roughly at pre-pandemic levels, while the ratio of debt to gross operating surplus started decreasing in 2021.

Skyrocketing energy prices, rising labour costs and surging interest rates have, however, weighed on firms' profitability. The post-pandemic rebound lifted profitability, further improving firms' positions. The phasing out of pandemicrelated support measures, surging energy prices, rising interest rates and increasing labour costs have, however, taken a toll on corporate earnings. The profit share has been declining since the beginning of 2023, and the ratio of gross operating surplus to interest spending, a proxy for corporates' debt service capacity, has dropped since mid-2022.

Since the onset of the pandemic, households in the euro area have accumulated a large stock of savings. The household saving rate in the euro area (seasonally adjusted) increased from a quarterly average of around 13% of gross disposable income in 2019 to around 21%

Table 1:	Gross domestic product, volume (percentage change on preceding year, 2005-2025)											
		<u>5-year</u>						N	/inter 2024			
	0005 00	averages	0015 10	0010	0000	0001	0000	inte	rim forecas	0005		
D 1 1	2005 - 09	2010 - 14	2015 - 19	2019	2020	2021	2022	2023	2024	2025		
Belgium	1.4	1.5	1.8	2.2	-5.3	6.9	3.0	1.5	1.4	1.5		
Germany	0.5	2.2	1.7	1.1	-3.8	3.2	1.8	-0.3	0.3	1.2		
Estonia	0.9	3.5	3.7	4.0	-1.0	7.2	-0.5	-3.5	0.6	3.2		
Ireland	1.2	2.5	9.6	5.3	6.6	15.1	9.4	-1.9	1.2	3.2		
Greece	0.9	-5.0	0.8	1.9	-9.3	8.4	5.6	2.2	2.3	2.3		
Spain	1.7	-0.7	2.8	2.0	-11.2	6.4	5.8	2.5	1.7	2.0		
France	0.8	1.2	1.6	1.8	-7.5	6.4	2.5	0.9	0.9	1.3		
Croatia	1.7	-0.9	3.1	3.4	-8.6	13.8	6.3	2.6	2.6	2.8		
Italy	-0.5	-0.5	1.0	0.5	-9.0	8.3	3.7	0.6	0.7	1.2		
Cyprus	3.2	-1.9	5.4	5.5	-3.4	9.9	5.1	2.4	2.8	3.0		
Latvia	2.5	1.7	2.8	0.6	-3.5	6.7	3.4	-0.6	1.7	2.7		
Lithuania	2.4	3.7	3.5	4.7	0.0	6.3	2.4	-0.3	2.1	3.0		
Luxembourg	2.5	2.4	2.5	2.9	-0.9	7.2	1.4	-0.8	1.3	2.1		
Malta	2.7	4.6	7.6	7.1	-8.1	12.6	8.2	6.1	4.6	4.3		
Netherlands	1.5	0.6	2.3	2.0	-3.9	6.2	4.3	0.2	0.4	1.6		
Austria	1.4	1.2	1.8	1.5	-6.6	4.2	4.8	-0.7	0.6	1.4		
Portugal	0.4	-0.8	2.6	2.7	-8.3	5.7	6.8	2.3	1.2	1.8		
Slovenia	2.4	0.2	3.6	3.5	-4.2	8.2	2.5	1.3	1.9	2.7		
Slovakia	5.1	2.8	3.3	2.5	-3.3	4.8	1.8	1.1	2.3	2.6		
Finland	0.8	0.6	1.8	1.2	-2.4	2.8	1.6	-0.4	0.6	1.6		
Euro area (20)	0.7	0.8	2.0	1.6	-6.1	5.9	3.4	0.5	0.8	1.5		
Bulgaria	4.6	1.0	3.2	4.0	-4.0	7.7	3.9	2.0	1.9	2.5		
Czechia	3.3	1.1	3.9	3.0	-5.5	3.6	2.4	-0.4	1.1	2.8		
Denmark	0.3	1.2	2.4	1.5	-2.4	6.8	2.7	0.5	0.9	1.6		
Hungary	0.5	1.5	4.1	4.9	-4.5	7.1	4.6	-0.8	2.4	3.6		
Poland	4.7	2.8	4.6	4.5	-2.0	6.9	5.3	0.2	2.7	3.2		
Romania	4.6	1.3	4.8	3.9	-3.7	5.7	4.1	1.8	2.9	3.2		
Sweden	1.2	2.5	2.6	2.0	-2.2	6.1	2.9	-0.1	0.2	1.6		
EU	0.9	1.0	2.2	1.8	-5.6	6.0	3.4	0.5	0.9	1.7		

10010 01		5-year	p	in age en an	90 on proces			V	Vinter 2024	
		averages						inte	erim forecas	it
	2005 - 09	2010 - 14	2015 - 19	2019	2020	2021	2022	2023	2024	2025
Belgium	2.2	2.0	1.6	1.2	0.4	3.2	10.3	2.3	3.5	2.3
Germany	1.8	1.6	1.2	1.4	0.4	3.2	8.7	6.0	2.8	2.4
Estonia	5.2	3.1	2.0	2.3	-0.6	4.5	19.4	9.1	3.2	1.9
Ireland	1.8	0.5	0.3	0.9	-0.5	2.4	8.1	5.2	2.2	1.9
Greece	3.1	1.3	0.3	0.5	-1.3	0.6	9.3	4.2	2.7	2.0
Spain	2.7	1.8	0.7	0.8	-0.3	3.0	8.3	3.4	3.2	2.1
France	1.7	1.6	1.0	1.3	0.5	2.1	5.9	5.7	2.8	2.0
Croatia	3.4	1.8	0.5	0.8	0.0	2.7	10.7	8.4	2.5	2.0
Italy	2.1	1.9	0.7	0.6	-0.1	1.9	8.7	5.9	2.0	2.3
Cyprus	2.2	1.8	-0.2	0.5	-1.1	2.3	8.1	3.9	2.4	2.1
Latvia	8.3	1.2	1.7	2.7	0.1	3.2	17.2	9.1	2.2	2.2
Lithuania	5.5	2.0	1.7	2.2	1.1	4.6	18.9	8.7	2.4	2.4
Luxembourg	2.7	2.4	1.2	1.6	0.0	3.5	8.2	2.9	2.6	2.3
Malta	2.5	1.9	1.3	1.5	0.8	0.7	6.1	5.6	2.9	2.7
Netherlands	1.6	1.8	1.2	2.7	1.1	2.8	11.6	4.1	2.6	2.0
Austria	1.9	2.3	1.5	1.5	1.4	2.8	8.6	7.7	4.0	3.0
Portugal	1.9	1.6	0.8	0.3	-0.1	0.9	8.1	5.3	2.3	1.9
Slovenia	3.0	1.8	0.8	1.7	-0.3	2.0	9.3	7.2	2.9	2.0
\$lovakia	2.8	2.0	1.2	2.8	2.0	2.8	12.1	11.0	3.5	2.6
Finland	1.8	2.3	0.7	1.1	0.4	2.1	7.2	4.3	1.4	1.5
Euro area (20)	2.0	1.7	1.0	1.2	0.3	2.6	8.4	5.4	2.7	2.2
Bulgaria	7.0	1.5	0.8	2.5	1.2	2.8	13.0	8.6	3.4	2.9
Czechia	2.7	1.7	1.6	2.6	3.3	3.3	14.8	12.0	2.9	2.3
Denmark	2.0	1.6	0.5	0.7	0.3	1.9	8.5	3.4	1.7	2.2
Hungary	5.1	3.2	1.8	3.4	3.4	5.2	15.3	17.0	4.5	4.1
Poland	2.8	2.2	0.8	2.1	3.7	5.2	13.2	10.9	5.2	4.7
Romania	6.8	4.0	1.5	3.9	2.3	4.1	12.0	9.7	5.8	3.6
Sweden	1.9	1.0	1.5	1.7	0.7	2.7	8.1	5.9	1.7	1.9
EU	2.3	1.8	1.0	1.4	0.7	2.9	9.2	6.3	3.0	2.5

Harmonised index of consumer prices, (percentage change on preceding year, 2005-2025)

between 2020-Q2 and 2021-Q1, driven by restrictions to consumption as well as policy measures that compensated for labour and non-labour income shortfalls. Households did not use their excess savings to boost their consumption as much as expected. Successive European Economic Forecasts had expected that the high level of extra savings, in large part held in liquid assets, would eventually support consumption growth. Looking ahead, a significant unleashing of "excess" savings to provide an extra boost to consumption appears less likely than previously thought, also in light of renewed uncertainty. The factors pushing households to hold on to their savings examined above – the increased opportunity cost of consumption and the need to rebuild their financial buffers – are not likely to fade in the near term.

1.2 Non-EU large economies of interest to the EU sawmill industry

Japan¹

Japan's recovery is struggling to gain momentum. Real GDP contracted in the third quarter as inflation eroded purchasing power. Real domestic consumer spending fell 0.3%—the second consecutive contraction. Although monetary policy remains highly accommodative, inflation

is outpacing wage growth, causing real spending to fall. Inflation in Japan continues to run above the BoJ's 2% target, with headline inflation at 3.3% in October on a yearago basis. Until inflation comes down or wages move up, domestic demand is expected to remain subdued or even continue to decline. This dynamic will likely persist until the

second quarter of 2024 when wage growth is expected to pick up as the Bank of Japan (BoJ) becomes more hawkish in its efforts to bring inflation down.

By the second half of the year, moderating inflation and accelerating wages should allow for a stronger recovery to take hold.

As the BoJ prepares to raise rates, the Japanese economy looks considerably different compared to where it was during the three decades leading up to the pandemic. Low inflation and negative interest rates had discouraged households from investing their savings in assets that would protect them from inflation. For example, households hold more than half of their financial assets in cash or deposits far more than the 13% in the United States. Japanese citizens have historically been cautious when it comes to investing in equities, but the return of inflation may provoke a change of heart.

Rising interest rates may also draw concerns about Japanese government debt. Japan is one of the most indebted countries with a debt to GDP ratio well over 200%. Negative interest rates allowed for such a strong accumulation of debt. However, if the government's interest expense begins to rise substantially, it could create concerns about the sustainability of that debt. This could force the government to make tough choices regarding its future budgets, leading to tax rises, expenditure cuts, or both.

Imbalances in Japan's economy are expected to restrain growth in the near term. High inflation amid relatively low wage growth is the main challenge to a stronger recovery. We expect a reversal in these trends by the second half of 2024, but this year's *shunto* (spring wage offensive) will largely determine if that can happen. Without stronger wage growth, domestic demand will struggle to pick up. At the same time, foreign demand is showing few signs of improving, while higher interest rates limit the government's ability to implement additional stimulus.

China²

In 2024, the growth target is unchanged at 5% (in 2023 it was exceeded as China GDP growth equalled 5.2%) and growth-friendly policy is set to continue, but large-scale stimulus is unlikely. Policymakers and investors have a number of differing views on the current economic situation. J.P. Morgan Research's baseline assumption is the official fiscal deficit will increase to 4.2% of GDP (including 3.8% in the 2024 fiscal budget and 500 billion yuan carryover from 2023), while the aggregate fiscal deficit in the fiscal budget will increase from 6.4% of GDP in 2023 to 6.9% in 2024. Meanwhile, augmented fiscal deficit will be marginally higher at 12.2% of GDP in 2024, as off-budgetary items tend to be contractionary.

"Fiscal and monetary policy will better coordinate with each other in 2024 and fiscal policy will truly become accommodative. We expect a shift from less transparent off-budgetary items to a more transparent budgetary fiscal deficit, which is a positive change. The Central government will also likely increase its fiscal deficit to partially mitigate fiscal difficulties by local governments," said Haibin Zhu, Chief China Economist and Head of Greater China Economic Research at J.P. Morgan.

"We also expect fiscal support will continue to prioritize investment, especially infrastructure investment for new economy sectors and R&D for manufacturing upgrades," Zhu added.

China's housing market continued to decline in 2023 and has entered an overshooting stage. In 2023, new home sales fell 17.3% (after a 26.8% decline in 2022), new home starts fell 21.4% (after a 40% decline in 2022) and real estate investment fell 9.6% (vs. -10% in 2022).

The only housing activity indicator that registered positive growth was new home completion, which rose 15.8% in 2023 (vs. -14.3% in 2022). Meanwhile, new home prices stabilized in the first half of 2023 but started to decline again later in the year, falling 2% in the second half of 2023.

Demand is also softer in the near term because of weaker expectations on income and home prices, along with concerns about home delivery. On the supply side, funding difficulties for private real estate developers remain a major obstacle and the high volume of homes under construction will take multiple years to return to a normal level.

The housing market will continue to weigh on economic growth, as real estate investment as a percentage of GDP has fallen from the peak of 13.9% in 2020 to an estimated 9.6%. Deflation is expected to end in 2024, but low inflation will likely remain throughout the year ahead. China is an

² The information in this section has been taken from https://www.jpmorgan.com/insights/global-research/economy/china-economy

outlier when it comes to inflation dynamics. Instead of the common inflation challenges experienced by other countries after reopening, China has been facing intensified deflationary pressures.

Consumption performance has been volatile since the pandemic. In pre-pandemic years (2018–19), consumption contributed an average of 61% to GDP growth. This contribution turned negative in 2020 for the first and only time on record, before rebounding and then falling again, in line with COVID restrictions.

After reopening, consumption was a primary growth driver in 2023, contributing 82% to GDP (or 4.3 percentage points) growth in 2023. Nonetheless, the four-year average contribution of 2.5 percentage points is much lower than in pre-pandemic years.

Over four decades of fast growth, China has become a global manufacturing hub. In 2022, it accounted for 18% of global GDP (vs. 2.7% in 1980), 15% of global merchandise goods exports, and 30% of global manufacturing value-added. Looking ahead, China will remain an important hub but its dominant role will likely weaken.

Russia³

The Russian economy entered a recession in 2022 but held up much better than initially expected despite wide-ranging sanctions. Real GDP contracted by -2.1%, driven by a drop in inventories, a negative contribution of net trade and a decrease in consumer spending. In 2023 the economy rebounded strongly on the back of substantial fiscal stimulus that supported domestic demand. Real GDP expanded by +2.9% y/y in the first three quarters and is estimated at over +3% in 2023 as a whole. Russia was also able to divert a large part of its exports. While Western sanctions were stepped up – including the EU's embargo and the G-7 countries' price cap (at 60 USD/bbl) on seaborne Russian crude oil imports from December 2022 and the EU ban on Russian oil products from February 2023 – China, India and Turkey have become the main buyers of Russian oil and some of their imports have been "re-blended" and sold on to countries with sanctions in place. Looking ahead, economic activity is projected to cool in the next two years owing to slowing domestic demand due to higher inflation and interest rates and difficulties in replacing lost European markets for gas exports. Overall, we forecast average annual GDP growth of around +1.5% in 2024-2025.

Consumer price inflation has steadily increased from the low of 2.3% in April 2023 to 7.4% at the end of the year as import suppression, labor shortages, supply-chain disruptions and a weaker currency in 2023 exerted upward pressure on prices. Lower oil and gas prices in 2023 have markedly weakened demand for the Russian ruble (RUB), which has lost -30% in value against the USD since end-November 2022 – when the West's oil embargo and price caps came into force. We expect headline inflation to remain elevated for some time and to begin moderating in the second half of this year. We forecast it at an average of around 6.5% in 2024 and 4.5% in 2025. In response to the weakening RUB and the building inflationary pressures, the CBR hiked its key policy interest rate from 7.50% to 16.00% in H2 2023. We expect monetary policy to remain tight until substantial disinflation takes hold.

Russia's fiscal deficit widened in 2023, mainly due to rising defense spending and social expenditures as well as declining energy export revenues. Looking ahead, military spending is expected to surge to around 6% of GDP in 2024, making up about one third of the total budget. However, revenues are also expected to rise, in part thanks to special taxes on energy companies. Overall, we forecast an annual fiscal deficit of around -2% of GDP in 2024. Russia will finance the shortfall through domestic bond (OFZ) issuance and withdrawals from the National Wealth Fund (NWF, a sovereign wealth fund). That said, it should be noted that a substantial drawdown of the NWF, as well as potential expenditure cuts in the next years, would have crucial medium- and long-term effects for the economy and the welfare of the Russian people.

Russia's foreign exchange (FX) reserves have recovered since September 2022 and we expect the Russian economy from this perspective to be able to cope with Western sanctions in 2024. FX reserves (excluding gold) fell from USD498bn in January 2022 to a temporary low of USD417bn (including frozen FX reserves) in September 2022, about half of which was due to the USD's strength weighing on the valuation of assets in other currencies.

3 The information in this section has been taken from: https://www.allianz-trade.com/en_global/economic-research/country-reports/Russia.html

Since then, they have recovered somewhat and stood at to USD443bn at end-2023. A reversal of the valuation effect played a role in the recovery, but the record-high current account surplus of USD238bn (+10.5% of GDP) in 2022 and the de-dollarization of external trade have likely been more important. The Chinese renminbi is gaining increasing popularity in Russia's external trade so that forthcoming export earnings cannot be frozen by Western sanctions anymore. Under the assumption that frozen FX reserves have remained roughly stable at USD238bn (half of total FX reserves in February 2022) since the war began, available FX reserves are currently estimated at just over USD200bn. This level is sufficient to cover a healthy six months of imports. Meanwhile, the current account surplus shrank markedly to USD53bn in 2023 (around +2.7% of GDP), mainly due to lower energy export revenues, and we forecast it to remain close to that level in 2024. Yet such a surplus should help to escape a sharp decline in available FX reserves over the next year.

USA⁴

The US economy entered 2024 on strong footing. Various indicators of business activity, labor markets, sentiment, and inflation have generally been moving in a favorable direction. However, headwinds including rising consumer debt and elevated interest rates will weigh on economic growth. While we no longer forecast a recession in 2024, we do expect consumer spending growth to cool and for overall GDP growth to slow to under 1% over Q2 and Q3 2024. Thereafter, inflation and interest rates should normalize and quarterly annualized GDP growth should converge toward its potential of near 2 percent in 2025.

US consumer spending held up remarkably well in 2023 despite elevated inflation and higher interest rates. However, this trend is already beginning to soften in early 2024. For instance, retails sales growth over the first two months of the year were weak. Gains in real disposable personal income growth are softening, pandemic savings are dwindling, and household debt is increasing. Consumers are spending more of their income on service debt and delinquencies are rising. Additionally, the growth in 'buy now, pay later' plans may also weigh on future spending as bills come due. Thus, we forecast that overall consumer spending growth will gradually slow to a standstill in Q3 2024 as households struggle to find a new equilibrium between income, debt, savings, and spending. While we anticipate labor market conditions to soften over this period, we do not expect them to deteriorate. As inflation and interest rates abate, consumption should expand once again in late 2024.

Following a pop in early 2023, business investment growth slowed in H2 2023 as interest rate increases made financing activities more expensive. This trend should intensify in H1 2024 as the Fed resists calls to cut interest rates likely until June 2023. Residential investment, which had been contracting since 2021, began to grow again in Q3 2023. Persistent demand for homes and a dearth of supply was the driver. However, looking ahead, we do not expect residential investment growth to sustainably improve until interest rates begin to fall.

Government spending was a positive contributor to growth in 2023 due to federal non-defense spending associated with infrastructure investment legislation passed in 2021 and 2022. However, growth is likely to slow in 2024 and 2025 as infrastructure spend out stabilizes. Furthermore, political volatility surrounding fiscal policy, debt, and outlays could impact government spending over the next few years.

Labor market tightness has been remarkably persistent over the last year. As this should continue over the coming quarters, we do not expect labor markets to unravel even as the economy slows. The tightness largely reflects a shrinking labor force as Baby Boomers retire. As such, businesses are likely to be resistant to lay off workers.

On inflation, it is expected to see continued progress over the coming quarters, but there will be bumps. Supply chains are continuing to heal and price pressures emanating from dwellings and services continue to slowly moderate. Notably, services demand should cool as consumer spending wanes. We expect headline PCE inflation to hit the Fed's 2 percent target in Q3 2024. This expectation will trigger rate cuts starting in June 2024. We anticipate 25 basis point cuts at every meeting (125bp in 2024) until rates fall below 3 percent in Q3 2025.

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 at the beginning of April 2024).

The euro vis-à-vis the US dollar has been depreciating for slightly less than a year-and-a-half until Autumn 2022 going even below parity for the first time in twenty years. Since then, the EUR went on to appreciate until summer 2023. Again, in the autumn a slight depreciation took place before a slight appreciating trend. Ever since the start of 2024 the exchange rate is more or less stable. Over the last two years the USD was at its weakest (vs the EUR) in July 2023 when 1 euro=1.12 dollars and at its strongest in September 2022 when 1 euro=0.95 dollar.



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Fig. 1.1 EUR vs USD, April 2022 – April 2024

Source: European Central Bank, 2024

From spring 2022 to late spring 2023 the pound sterling was depreciating against the euro but then it appreciated in summer 2023 and ever since the exchange rate is relatively stable, in particular in 2024. Over the last two years the GBP was at its strongest (vs the EUR) in April 2022 when 1 euro=0.82 GBP and at its weakest in September 2022 when 1 euro=0.90 GBP.



Fig. 1.2 EUR vs GBP, April 2022 - April 2024

Source: European Central Bank, 2024

From the second half of 2022 the euro was appreciating against the Chinese yuan until summer 2023. After a small depreciation in the autumn, the exchange rate has stabilized over the last few months. Over the last two years the CNY was at its strongest (vs the EUR) in July 2022 when 1 euro=6.75 CNY and at its weakest in July 2023 when 1 euro=8.10 CNY.



Fig. 1.3 EUR vs CNY, April 2022 - April 2024

Source: European Central Bank, 2024

Since spring 2023 the euro went on an appreciating trend against the Japanese yen. Over the last six-eight months the appreciating trend has slowed down, but it is still there. The yen is now at its weakest since the financial crisis of 2008. Over the last two years the JPY was at its strongest (vs the EUR) in May 2022 when 1 euro=134 JPY and at its weakest in March 2024 when 1 euro=165 JPY.





Fig. 1.4 EUR vs JPY, April 2022 - April 2024

Source: European Central Bank, 2024

The Swedish krona, having been in summer 2023 at its weakest against the euro since the euro was introduced at the beginning of the 21st century, went on to slightly appreciate for some months and the exchange rate is now more or less stable. Over the last two years the SEK was at its strongest (vs the EUR) in April 2022 when 1 euro=10.23 SEK and at its weakest in September 2023 when 1 euro=11.98 SEK.



Fig. 1.5 EUR vs SEK, April 2022 - April 2024

Source: European Central Bank, 2024

Owing to current trading activity in the EUR/RUB market, the European Central Bank (ECB) is not in a position to set a reference rate that is representative of prevailing market conditions. The ECB has therefore decided to suspend its publication of a euro reference rate for the Russian ruble until further notice. The ECB last published a EUR/RUB reference rate on 1 March 2022.

Below we report therefore figures taken from XE.

Following the Russian's invasion of Ukraine, there was a massive depreciation of the ruble, followed by a quick appreciation. However, since September 2022 the ruble started to depreciate again until summer 2023. Ever since, the exchange rate is more or less stable.

Fig. 1.6 EUR vs RUB, April 2022 - April 2024



Source: www.xe.com

The Egyptian pound keeps going through bouts of devaluation against the euro. 1 euro was worth 8 pounds as late as 2016 and at this writing in April 2024 1 euro is worth over 51 pounds, having reached 55 pounds at the end of the winter.

Fig. 1.7 EUR vs EGP, April 2022 - April 2024



Source: www.xe.com



2. Analysis of forests and raw material supply in the European Union, and overview in the rest of the world

This information is taken from Eurostat and the Committee on Forests and the Forest Industry (COFFI) of the United Nations Economic Commission for Europe/Food and Agriculture Organization (UNECE/FAO) Forestry and Timber Section as well as the Joint Research Centre of the European Commission (JRC)

2.1 Overview of forests in the EU: Eurostat

Forests in the EU

In 2021, the EU had an estimated 160 million hectares of forests (excluding other wooded land); in relative terms, this means that forests covered 39 % of the EU land area. This represents an increase of about 8 million hectares or 5.3 % since 2000 and 2.5 million hectares or 1.6 % since 2010. Forests cover more than half of the national (terrestrial) territory in five Member States: Finland (66 %), Sweden (63 %), Slovenia (58 %), Estonia (54 %) and Latvia (53 %) (Figure 2.1). In absolute terms, the countries with the largest forest areas are Sweden (27 980 thousand ha), Finland (22 409 thousand ha) and Spain (18 576 thousand ha), as estimated in 2021.



Fig. 2.1: Forests in the EU in 2021, % area of total land

Source: Eurostat

The stocks of timber in the EU's forests totalled an estimated 29 billion m³ (over bark) in 2021. Germany accounted for the largest share of this (13.1 %), followed by Sweden (12.5 %), and France (11.7 %). The stocks of timber in forests increased in every Member State, giving a 31.2 % growth at the EU level in the period of 2000–2021. The largest increase was estimated for Ireland (154 %), France (66 %), Cyprus

and Italy (54%), while, at the other end of the spectrum, a much more moderate increase was estimated for Sweden (14%) as well as Czechia (10%) and Slovenia (6%) (Figure 2.2). The increase in timber stock observed between 2000 and 2021 can be explained by the expansion of forest areas due to afforestation and natural reforestation.



Fig. 2.2: Stocks of timber in EU Forests, 2000-2021

Source: Eurostat

In total, an estimated 65 % of the net annual increment of wood in EU forests was removed by the logging industry in 2021. The share of removals to net increment ranged between 30 and more than 100 % in EU Member States, with the exception of Cyprus, where only 6 % of the net increment was felled and removed from the forest.



Fig. 2.3: Share of timber removals to net increment in EU forests, 2021

Economic indicators for forestry and logging

The value added of forestry and logging in economic terms is presented for the EU and Member States in Table 1. Total gross value added (GVA) generated by the forestry and logging industry in the EU was €25 billion in 2021. In absolute terms, these industries generated the greatest GVA in Finland (€4.3 billion), France and Sweden (€3.2 billion) in 2021. Please note that Table 2.1 shows GVA data for 2000 and 2021 in current prices (i.e. not corrected for inflation). Therefore, they cannot be used directly to make comparisons across time or comment on temporal trends. GVA values related to GDP, shown in the last columns, may better serve this purpose. They are also an indication of the economic importance of the forestry and logging industry in the total economy of the country.

forestry and logging industry represented 0.17 % of the GDP of the EU in 2021, which was 19 % less than the share of 0.21 % in 2000. The GVA generated by forestry and logging accounted for more than 1% of GDP in four Member States in 2000: Sweden, Estonia, Latvia and Finland. In 2021, it was still the case for two Member States (Latvia and Finland), and in both countries the relative contribution of the GVA of forestry and logging to the GDP increased during this period. On average, forests of EU countries generated 146 €/ha of GVA in 2021. The largest GVA per forest area was estimated for the Netherlands (465 €/ha), Denmark (373 €/ha), and Czechia (364 €/ha) in 2021. This indicator needs to be interpreted with care when using it as a proxy to compare economic productivity of forestry and logging across the EU, as it may be affected by the types of activities performed by the forestry and logging sector.

Values in these latter columns show that the GVA of the

	Gross val	ue added	Gross added/fo	value rest area	Gross value added as a % of GDP			
	million €, cu	rrent prices	(€ / he	ectare)	(9	%)		
	2000	2021	2000	2021	2000	2021		
EU (')	16,698	24,967	110	146	0.21	0.17		
Belgium (1-2)	100	94	149	136	0.0	0.0		
Bulgaria	52	307	15	79	0.4	0.4		
Czechia (1)	388	974	147	364	0.6	0.4		
Denmark (2)	129	234	226	373	0.1	0.1		
Germany	1 601	1,634	141	142	0.1	0.0		
Estonia (1·2)	69	253	31	104	1.1	0.8		
Ireland (2)	53	38	84	47	0.0	0.0		
Greece (1·2)	64	47	18	12	0.0	0.0		
Spain (1:2)	1,546	918	90	49	0.2	0.1		
France	2 674	3,203	175	182	0.2	0.1		
Croatia	106	234	56	120	0.4	0.4		
Italy (1)	1,083	2,191	129	228	0.1	0.1		
Cyprus	:	2	:	13	:	0		
Latvia (1·2)	123	490	38	144	1.4	1.5		
Lithuania (2)	65	212	32	96	0.5	0.4		
Luxembourg	12	15	140	169	0.1	0.0		
Hungary (1'2)	143	239	74	116	0.3	0.2		
Malta (1'2)	0	0	0	0	0.0	0.0		
Netherlands (1)	76	169	211	465	0.0	0.0		
Austria	784	987	204	254	0.4	0.2		
Poland	706	1,860	78	196	0.4	0.3		
Portugal	1,253	877	382	262	1.0	0.4		
Romania	193	1,584	30	227	0.5	0.7		
Slovenia	93	353	75	299	0.4	0.7		
Slovakia	129	584	68	299	0.6	0.6		
Finland (1)	2,239	4,271	100	191	1.6	1.7		
Sweden (1)	3,021	3,197	107	114	1.1	0.6		

Table 2.1: Economic indicators for forestry and logging

Source: Eurostat

2.2 Biomass stock in the European Forests: JRC

According to a study published at the beginning of 2023 by JRC, the Joint Research Centre of the European Commission, the total living aboveground biomass stock of the EU forests in the year 2020 is equal to 18.4 billion tonnes of dry matter over a forest area of 157 million ha, corresponding to an average biomass density of 117 tonnes per ha.

The forests of central Europe store most of the biomass stock (10 billion tonnes) and present the highest biomass density (176 tonnes/ha), which gradually decreases moving towards southern and northern Europe. The countries with the largest biomass stock are mostly located in central (DE, FR, PL) and northern (SE, FI) Europe, where the lower biomass density (73 tonnes/ha) is compensated by the large forest extents. Southern forests present a biomass



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density similar to northern forests but their smaller extent reflects in a lower biomass stock.

Fig. 2.4: Forest area and biomass stock per country in 2020 as fraction of EU-27's total, ranked by percent of forest area. Only the countries with a forest area larger than 1% of the EU-27 total forest area are represented.



Percent forest area and biomass stock, by country

Source: JRC

The EU Forest biomass is almost equally distributed between broadleaves (50.7%) and conifers (49.3%), and is mostly produced by two conifers, Picea sp. (21.5%) and Pinus sylvestris (19.8%), followed by the broadleaves Fagus sylvatica (11%), Quercus robur (8%), Betula sp. (6%) and Quercus cerris (4%).

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Fig. 2.5: Biomass stock per species as fraction of total value. Conifers are in brown, broadleaves in green. The data refer to 22 EU countries, covering 95% of the EU forest area. For representation purposes, only the species with a biomass stock larger than 1% of the total stock are represented.



Source: JRC

The temporal trend of forest biomass indicates that the biomass stock of EU-27 has increased during the period 1990 – 2020 but its growth has slowed down during the

last 5 years. In fact, the annual percent growth increased from 1% to 2% during the period 1990 – 2015 and then decreased to 0.9% during the period 2015 – 2020.

Fig. 2.6: Development of the forest aboveground biomass stock of EU-27 during the period 1990 – 2020 according to the SoEF 2020 data. The percentage values represent the annual change rate compared to the previous reporting period. There is no reporting for the year 1995.



Forest biomass in EU-27

Source: JRC

2.3 European Union forests available for wood supply: JRC

According to JRC, depending on the sources, there is a slight variability in the assessment of the forest area available for wood supply (henceforth FAWS). The area available for wood supply in Europe is 89% of the total forest area according to the reference statistics and 87% according to the FAWS area map prepared by JRC. In terms of biomass, the stock that is available for wood supply is 92% of the total standing stock according to the reference statistics and 88% according to the FAWS biomass map. The forest area of EU-27 has always increased during the study period, but the intensity of growth has declined steadily, with an annual percent growth that decreased from 0.4% before the year 2000 to only 0.1% between 2015 and 2020

Fig. 2.7: Development of the total forest area (above) and FAWS area (below) of the EU-27 during the period 1990 – 2020 according to the SoEF data. The percentage values represent the annual change rate compared to the previous reporting period. There is no reporting for the year 1995 and the annual change rates in 2000 refer to the period 1990 – 2000. For representation purposes, the y axis does not start from 0.



Forest and FAWS area in EU-27

Source: JRC

The limitations to the availability of forest for wood supply were calculated by JRC. Overall, the economic restrictions were responsible for 60% of the forest not available in terms of area but only 42% in terms of biomass, as they affected forests often characterised by low productivity and hence low biomass stock. Instead, the environmental restrictions were responsible for 35% of the forest not available in terms of area but 47% in terms of biomass, because they included protected areas with old-growth forests characterised by high biomass density. The social restrictions played a smaller but not negligible role, being responsible for 5% of the forest not available in terms of area and 11% in terms of biomass. Among the economic restrictions, the low profitability was the main factor limiting the use of the forest, causing 40% of the area (18% of the biomass) being not available for wood supply, which was mostly located in the low-productive Scandinavian forests. The low accessibility to the forests was responsible for 10% of the area (10% of biomass) to be unavailable, mostly related to the excessive distance from forestry roads. Similarly, the excessive slope of the terrain caused 10% of the area and 13% of the biomass to be not available for wood supply. Among the environmental restrictions, the protected areas, habitats and species all together accounted for 28% of the area and 37% of the biomass not available for wood supply, with the protected areas being the main category (18% of the area and 26% of biomass) followed by protected habitats, mostly represented by the Natura 2000 network, and the protected species, mostly due to oak trees in the Iberian Peninsula and Pinus mugo in the Alps. The protective forests, including the forests for soil protection and water regulation, were responsible for 7% of the area and 10% of the biomass not available for wood supply. Among the social restrictions, the main limiting factor was the use of forest for intangible goods and services, mostly for recreational purposes and to a lesser extent for cultural and spiritual sites. The use of the forests for physical goods and services, such as forestry nursery, game enclosures and power lines, affected a smaller area. However, the specific social restriction was not reported for 37% of the area, where the forest was generically used for non-harvesting goods and services.

Fig. 2.8: Percentage contribution of each restriction to the forest available for wood supply in terms of area (left bars with light colors) and biomass (right bars with dark colors). The restrictions are divided into three main categories: economic (red), environmental (green) and social (orange) restrictions.



Restrictions to wood availability

Source: JRC

According to international reporting, the total area and the biomass stock of the EU forests have increased during the period 1990 – 2020 but their growth rate has slowed down significantly during the last 5 years. Instead, the forest area available for wood supply has increased since 1990 but it has become stable already since 2005.

This dynamic is reflected to the temporal evolution of the net annual increment. The average forest increment in the EU has increased from 1950 until 2005 but, between 2005 and 2015, it has remained quite stable and, according to the most recent data and modelling results, it is expected to decrease during the period 2020 – 2025. This evolution of the net annual increment is likely due to various factors,

one of them being the ageing of the European forests, in particular of the broadleaves stands.

Contrastingly, the harvest level in EU was relatively stable between 1960 and 1985 but showed a an upward trend between 1990 and 2015. This trend is related to the ageing of the forests, the increase wood demands from the market, and to the substantial increase in natural disturbances, and subsequent necessary salvage loggings, observed during the last years, especially in central Europe. For instance, due to the worst bark-beetle outbreak ever recorded, CZ doubled its removals in 2019 compared to 2014.

The ratio between the fellings and the net increment (or, fellings rate) is a key variable because it determines

the temporal evolution of the forest biomass stock and affects the future wood availability. The fellings rate slowly decreased from 82% to 78% of the NAI between 2000 and 2015, but it is estimated to grow and reach the 88% of the net annual increment in 2020.

The fellings rate has been thus increasing during the last decade as a result, on the one side of the growing wood demand from the market, and on the other side, of the stable (or decreasing) net increment, but it is still below the current net annual increment. However, the increasing impact of natural disturbances may further reduce the marginal share of increment available for wood supply. In fact, Europe is witnessing an increase in climate variability and climate extremes that have caused a surge of tree mortality and a reduction of productivity. Moreover, drought and heatwave interplay with other natural disturbances such as fires and pest outbreaks, multiplying the negative impacts on the forest increment expected in the coming years.

2.4 Timber supply in Europe

The tables in the following pages are about the timber supply in Europe, respectively for softwood and hardwood. Data availability has improved compared to the last couple of years as two large countries such as France and Italy have shared data. A few countries did not share data but overall the dataset is very much representative even though the total, with some countries missing, is slightly underestimated. 2023 and 2024 are estimates. Data are in 000 m³.

Wood in the rough has the following main uses: wood used by the industry to be processed into other products (logs for production of sawnwood, pulpwood for production of wood pulp for paper production) and wood fuel used for energy purposes. The tables below show the breakdown of the uses in each European country that has shared data. In softwood, logs predominate, with 185 million m³ removed from European forests in 2022. The amount of pulpwood removed was 99 million m³ while the amount of wood fuel was 39 million m³. Overall, the total industrial wood removed was about 288 million m³ in 2022. So, in softwood, almost two thirds of wood in the rough removed were logs, about 34% was pulpwood, and 13% fuelwood. For 2023 estimates point to removals in the region of 277 million m³. This represents a 4% decline compared with 2022. Pulpwood removals are expected to be steady, while logs removals are expected to decline and so account for the overall decrease.

In hardwood the situation is different with logs accounting for 22 million m³ removed from the European forests in 2022. Pulpwood quantity was 45 million m³ and wood fuel 82 million m³. So, in softwood, about 15% of wood in the rough removed were logs, about 30% was pulpwood, and 53% fuelwood.







Table 2.2: Softwood removals of wood in the rough, 000 m³

		Industrial wood										1.6	Tatal		
Country	Total				Logs		P	ulpwood	a	vv	ood fue	l	Totat		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Austria	12,958	10,873	11,338	10,382	8,638	9,038	2,576	2,235	2,300	3,248	3,069	3,140	16,206	13,942	14,478
Cyprus	2	2	2	2	2	2	0	0	0	10	8	7	12	10	9
Czech Republic	19,440	14,455	13,825	14,019	10,094	9,589	5,316	4,253	4,125	3,610	3,249	3,200	23,050	17,704	17,025
Estonia	4,023	3,927	3,927	3,118	3,000	3,000	878	900	900	1,486	1,400	1,400	5,509	5,327	5,327
Finland	47,408	45,464	47,590	24,662	21,700	22,351	22,746	23,764	25,239	4,593	4,593	4,593	52,001	50,057	52,183
France	17,300	17,070	16,770	12,491	12,500	12,500	4,559	4,300	4,000	2,417	2,500	2,600	19,717	19,570	19,370
Germany	52,425	50,120	46,120	41,761	38,500	37,000	10,541	11,500	9,000	8,834	9,200	9,200	61,259	59,320	55,320
Hungary	688	759	743	175	201	208	411	488	481	383	294	333	1,071	1,053	1,076
Italy	1,797	2,502	2,502	1,169	1,169	1,169	148	853	853	1,180	1,180	1,180	2,977	3,682	3,682
Latvia	8,253	7,900	8,100	5,873	5,500	5,700	1,850	1,800	1,800	298	300	300	8,551	8,200	8,400
Luxembourg	162	143	145	124	122	115	10	6	8	17	11	12	178	154	158
Montenegro	573	553	537	372	352	349	201	198	186	66	65	63	639	618	600
Netherlands	449	440	430	173	170	165	244	240	235	457	450	450	906	890	880
Poland	31,941	32,800	33,470	15,775	16,000	16,250	15,411	15,950	16,250	3,627	3,820	3,950	35,568	36,620	37,420
Portugal	3,045	3,210	3,150	1,682	1,710	1,700	1,213	1,350	1,300	996	990	980	4,041	4,200	4,130
Serbia	279	290	301	178	184	190	66	70	73	141	146	160	420	436	461
Slovakia	3,325	3,160	3,120	2,559	2,430	2,400	748	710	700	259	260	275	3,584	3,420	3,395
Slovenia	1,966	2,586	2,386	1,687	2,150	2,000	275	430	380	191	240	220	2,157	2,826	2,606
Spain	7,435	7,889	7,889	3,420	3,629	3,629	3,754	3,984	3,984	2,243	2,380	2,380	9,678	10,269	10,269
Sweden	64,603	62,760	62,873	38,100	37,300	36,900	26,353	25,310	25,823	3,000	3,008	3,008	67,603	65,768	65,881
Switzerland	2,578	2,639	2,689	2,290	2,350	2,400	279	280	280	769	770	775	3,347	3,409	3,464
United Kingdom	7,486	7,076	7,076	5,453	5,180	5,180	1,633	1,516	1,516	1,571	1,571	1,571	9,058	8,647	8,647
Total Europe	288,136	276,619	274,984	185,467	172,881	171,836	99,212	100,136	99,433	39,396	39,504	39,798	327,533	316,123	314,781

Source: COFFI

a Pulpwood, round and split, as well as chips and particles produced directly there from and used as pulpwood

b Including chips and particles produced from wood in the rough and used for energy purposes

Remarks: Total is higher at times than sum of pulpwood and logs due to a residual category omitted here which includes pitprops, poles, piling, posts

A few countries including Belgium, Bulgaria, Croatia, Greece, Lithuania, Norway and Romania have not shared data thus total Europe is slightly underestimated



Table 2.3: Hardwood removals of wood in the rough, 000 m³

	Industrial wood										Waadfaalb			Tatal		
Country		Total			Logs		P	ulpwood	1 ª	W	ood fue	l"		Total		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	
Austria	977	843	887	329	266	300	647	577	587	2,176	2,046	2,094	3,153	2,889	2,981	
Cyprus	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	
Czech Republic	1,268	1,079	1,071	616	524	517	649	552	550	795	716	700	2,063	1,795	1,771	
Estonia	2,452	2,474	2,474	1,158	1,200	1,200	1,270	1,250	1,250	2,580	2,400	2,400	5,032	4,874	4,874	
Finland	8,838	7,933	7,845	1,037	1,049	1,061	7,801	6,884	6,784	4,747	4,747	4,747	13,585	12,680	12,592	
France	8,348	8,200	8,300	4,707	4,700	4,800	3,332	3,200	3,200	21,756	22,000	23,000	30,104	30,200	31,300	
Germany	4,110	3,810	3,510	2,995	2,700	2,500	1,103	1,100	1,000	13,504	13,500	13,500	17,613	17,310	17,010	
Hungary	2,213	2,122	2,138	1,234	1,173	1,191	502	507	526	3,244	2,990	3,064	5,456	5,112	5,202	
Italy	1,041	1,038	1,038	721	721	721	168	166	166	9,659	9,659	9,659	10,700	10,697	10,697	
Latvia	4,238	4,250	4,250	1,730	1,750	1,750	2,018	2,000	2,000	2,638	2,700	2,700	6,876	6,950	6,950	
Luxembourg	69	54	47	23	22	18	46	32	30	23	34	30	92	89	78	
Montenegro	178	144	141	143	140	138	0	0	0	128	128	127	306	272	268	
Netherlands	165	159	159	48	50	50	108	100	100	1,925	1,930	1,935	2,090	2,089	2,094	
Poland	6,794	7,080	7,380	2,757	2,800	2,900	3,939	4,150	4,300	3,331	3,600	3,800	10,125	10,680	11,180	
Portugal	9,190	9,120	9,040	356	330	360	8,586	8,500	8,400	1,387	1,390	1,320	10,578	10,510	10,360	
Serbia	1,199	1,230	1,260	899	920	940	199	205	210	6,433	6,500	6,600	7,632	7,730	7,860	
Slovakia	3,502	3,660	3,760	1,570	1,650	1,700	1,924	2,000	2,050	350	350	375	3,851	4,010	4,135	
Slovenia	962	1,166	1,096	497	630	600	424	490	450	957	1,050	1,050	1,919	2,216	2,146	
Spain	6,931	7,354	7,354	730	775	775	6,059	6,429	6,429	1,312	1,392	1,392	8,243	8,746	8,746	
Sweden	6,562	6,316	6,437	180	180	180	6,232	5,986	6,107	3,000	3,008	3,008	9,562	9,324	9,445	
Switzerland	433	443	453	265	275	280	165	165	170	1,169	1,230	1,250	1,602	1,673	1,703	
United Kingdom	118	117	117	56	56	56	13	13	13	613	613	613	730	730	730	
Total Europe	69,587	68,593	68,759	22,052	21,910	22,036	45,185	44,305	44,322	81,728	81,984	83,365	151,314	150,576	152,124	

Source: COFFI

a Pulpwood, round and split, as well as chips and particles produced directly there from and used as pulpwood

b Including chips and particles produced from wood in the rough and used for energy purposes

Remarks: Total is higher at times than sum of pulpwood and logs due to a residual category omitted here which includes pitprops, poles, piling, posts

A few countries including Belgium, Bulgaria, Croatia, Greece, Lithuania, Norway and Romania have not shared data thus total Europe is slightly underestimated

2.5 Overview of timber balance across the world

The table below is about the production of industrial roundwood – logs, pulp and a minor residual category – at global level. We present the top 20 largest producers,

importers and exporters of industrial roundwood ranked by removals.

Table 2.4: World largest producers, exporters and importers of industrial roundwood, 2022, m³

Rem	ovals	Exp	orts	Imports			
United States of America	382,543,695	New Zealand	20,181,527	China	43,601,673		
Russian Federation	182,082,000	Germany	9,849,257	Austria	8,518,909		
Brazil	170,681,000	Czechia	9,046,411	Sweden	6,506,467		
China	165,881,000	United States of America	7,420,230	Belgium	6,135,503		
Canada	143,811,047	Norway	4,269,048	Germany	5,576,296		
Indonesia	88,575,723	France	4,179,860	India	4,973,993		
Sweden	71,200,000	Canada	3,750,452	Canada	3,170,026		
Germany	56,534,325	Poland	3,681,616	Portugal	3,130,930		
Finland	56,251,261	Latvia	3,601,731	Poland	3,089,137		
India	49,517,000	Belgium	3,342,436	Italy	3,068,810		
Viet Nam	45,335,420	Russian Federation	3,075,000	Finland	2,879,350		
Chile	40,551,000	Papua New Guinea	2,636,276	Slovakia	2,757,945		
Poland	38,235,000	Brazil	2,395,633	Republic of Korea	2,748,391		
New Zealand	37,146,000	Spain	2,265,333	Japan	2,526,917		
Türkiye	29,881,000	Sweden	2,195,956	Viet Nam	2,439,315		
France	26,188,525	Uruguay	1,888,312	Romania	2,129,546		
Australia	25,983,000	Slovakia	1,863,224	Latvia	1,849,948		
Japan	23,944,000	Finland	1,702,772	Czechia	1,369,113		
Czechia	20,705,000	Estonia	1,651,632	France	1,176,619		
Belarus	16,992,190	Solomon Islands	1,627,902	Spain	1,026,354		

Source: UNECE/FAO 2024 and EOS re-elaboration



2023 - 2024

3. Overview of global sawnwood markets – North America, China, Russia

EOS expresses gratitude to Russ Taylor, President at Russ Taylor Global for his contribution to this chapter (sections 3.2 to 3.5). Chapter 3.1 and 3.6 have been prepared by the EOS Secretariat

The first part of this chapter will present the top 20 largest producers, importers and exporters of sawn softwood and sawn hardwood at global level. These macro-figures help understand the most important players in the woodworking industry at global level even though the latest available data of this kind dates to 2022. However, statistics and considerations for the US, Canada, and China (see sections 3.2, 3.3, 3.4, 3.5) already incorporate, the latest developments in the market. This year the subchapters have been prepared by Russ Taylor, one of the most authoritative market experts at global level. Together with the exhaustive overview of European markets (in chapter 4), these two chapters provide a comprehensive and specific update on the sawnwood markets. A short overview on Russia, which has been prepared by the Secretariat, is also included.



EOS ANNUAL REPORT

3.1 Largest global producers, exporters, and importers of Sawn Softwood

Sawn Softwood

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Table 3.1: World largest producers, exporters and importers of sawn softwood, 2022, m³

Produ	ıction	Ехр	orts	Imports			
United States of America	64,039,000	Canada	24,162,601	United States of America	26,202,002		
Canada	36,397,872	Russian Federation	22,700,000	China	17,329,876		
China	35,413,000	Sweden	13,748,082	United Kingdom of Great Britain and Northern Ireland	5,349,790		
Russian Federation	35,400,000	Germany	10,781,401	Italy	5,243,307		
Germany	24,314,052	Finland	8,553,927	Japan	4,736,441		
Sweden	18,870,000	Austria	5,730,805	Germany	3,762,574		
Finland	11,200,000	Chile	3,450,099	Egypt	3,665,000		
Austria	10,104,000	Latvia	2,905,638	Belgium	2,620,000		
Brazil	8,200,000	Brazil	2,901,043	Netherlands	2,545,200		
Japan	8,018,000	Czechia	2,338,128	France	2,338,327		
Chile	7,770,000	United States of America	2,316,341	Uzbekistan	2,255,831		
France	7,268,000	Belarus	2,007,000	Mexico	2,200,000		
Türkiye	6,450,000	Ukraine	1,544,856	Denmark	2,144,015		
Czechia	4,720,000	New Zealand	1,398,887	Saudi Arabia	1,893,000		
New Zealand	4,593,000	Belgium	1,280,000	Republic of Korea	1,859,424		
Romania	4,580,500	Romania	1,253,541	Austria	1,785,572		
Poland	4,400,000	Slovakia	1,063,000	Poland	1,479,436		
Belarus	4,364,000	Lithuania	939,996	Lithuania	1,263,083		
Australia	3,739,000	France	887,039	Estonia	1,208,520		
Latvia	3,641,200	Poland	879,757	Spain	1,166,126		

Source: UNECE/FAO 2024 and EOS re-elaboration



Sawn Hardwood

Table 3.2: World largest producers, exporters and importers of sawn hardwood, 2022, m³

Produ	uction	Ехр	orts	Imports			
China	44,104,000	Thailand	3,982,000	China	9,141,810		
India	23,785,000	United States of America	3,787,690	India	1,255,218		
United States of America	17,637,000	Russian Federation	1,486,404	Viet Nam	1,054,112		
Viet Nam	5,511,300	Malaysia	1,329,946	Denmark	834,031		
Thailand	4,200,000	Cameroon	1,183,000	Italy	818,327		
Türkiye	3,320,000	Croatia	1,033,926	United States of America	797,910		
Malaysia	2,787,024	Gabon	896,000	Canada	784,993		
Russian Federation	2,600,000	Latvia	768,995	United Kingdom	646,958		
Indonesia	2,576,790	Germany	721,065	Belgium	630,749		
Nigeria	2,000,000	France	681,942	Mexico	573,106		
Argentina	1,875,396	Brazil	658,000	Egypt	494,000		
Brazil	1,800,000	Romania	461,226	Philippines	459,540		
Myanmar	1,600,000	Belgium	446,535	Germany	420,119		
Romania	1,450,000	Canada	443,724	Poland	338,110		
Cameroon	1,350,000	Philippines	407,970	France	287,220		
France	1,313,000	Italy	357,269	Netherlands	248,300		
Croatia	1,041,613	Lithuania	303,618	United Arab Emirates	228,060		
Gabon	1,030,000	Hungary	275,797	Austria	214,696		
Germany	1,027,536	Poland	267,507	Malaysia	206,499		
Bosnia and Herzegovina	974,157	Congo	246,114	Lithuania	190,863		

Source: UNECE/FAO 2024 and EOS re-elaboration



Radoslav Cajkovic / Adobe Stock



RUSS TAYLOR GLOBAL, Vancouver, BC Canada

RUSS TAYLOR GLOBAL focuses on the solid wood business and market consulting, including global market analysis and forecasts. Russ Taylor has been in the wood products business almost 50 years, including 35 years as a global strategic analyst. Russ and his partners have <u>two new strategic projects available in 2024</u>:

1. <u>China Forest, Log & Lumber Report: Supply, Demand & Prices to 2030/2035</u> (March 2024)

- This outlook report highlights that China will again be a growth market for softwoods especially for lumber. This will be the result of permanent declines in log export sources, requiring huge volumes of softwood lumber to eventually fill the gap and at higher prices!
- The Chinese expanding hardwood pulp sector will also see substantial growth with significant feedstock sourcing implications and opportunities for wood chip and/or pulpwood exporters.
- The report contains novel analysis not seen before and some of the findings are not what the project team were expecting! When compared to more traditional (often dated) analysis that is heavy on statistics and lacking grounded outlooks, this is a timely <u>must-have strategic report</u>.
- This report was co-produced by RUSS TAYLOR GLOBAL and MARGULES GROOME CONSULTING.
- Details at: https://russtaylorglobal.com/report-china-log-lumber-outlook-to-2035/

2. The <u>GLOBAL WOOD SUMMIT</u> in Vancouver, BC - from October 28-30, 2024.

- This 2-day international conference will feature speakers from five continents with strategic discussions about the global trade of forest products with deep dives into key markets and supply dynamics.
- The *Global Wood Summit* follows on from the *WOOD MARKETS* conference series in Vancouver organized by Russ Taylor from 2011 to 2019.
- The event is co-organized by RUSS TAYLOR GLOBAL and ERA-Forest Products Research, both from BC.
- A dedicated *GLOBAL WOOD SUMMIT website* will be launched in May. This will include the full program, confirmed speakers, with conference and hotel registration available.
- Early Bird prices have been rolled back to "2016 prices" and are available through July 30.
- Details at: https://russtaylorglobal.com/global-wood-summit-vancouver-bc/





China Forest, Log & Lumber Outlook SUPPLY, DEMAND & PRICES TO 2030/2035



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 RUSS TAYLOR GLOBAL
 Wood Business & Marketing Consulting
 Vancouver BC Canada

 www.russtaylorglobal.com
 russtaylor@russtaylorglobal.com
 +1 604 897 5666

EPORT 33

Current Situation and Outlook in the USA, Canada and China for Sawn Softwood

Russ Taylor, President, RUSS TAYLOR GLOBAL, Vancouver BC Canada

The following assessment summarizes the key dynamics impacting the supply and demand trends of three of the five largest country producers in the world. These regions have been analyzed on a regular basis by Russ Taylor since the late 1980s.

3.2 USA

US demand is driven by two major segments: new residential housing construction (35% of consumption) and repair and remodelling (40%). US housing starts have been

increasing since the bottom of the 2009 housing collapse and since 2021, they have only just reached their long-term trend, resulting in 13 years of underbuilding.



US housing starts have moved lower in 2023 (1.41 million units) as compared to 2022 (1.55 million) and 2021 (1.60 million). Rising interest rates cooled the housing market in 2023 and this has continued into 2024, where housing starts are expected to be similar, or perhaps slightly lower, than in 2023. The good news is that single-family starts are forecast to increase by 7% and they consume three times more sawnwood than multi-family units. The outlook for 2025 is for a minor increase when mortgage rates are expected to move lower. US repair and remodelling slowed in 2023 and is forecast to decline further in 2024 based on the LIRA analysis (below, which includes inflation). RISI's R&R Index suggests flat growth in 2024 on a real basis. Many homeowners are postponing smaller projects, but larger projects appear to be moving forward.





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US sawn softwood production has seen steady growth since 2009 with the bulk of the growth has occurred in the US South from many new greenfield sawmills and expansions at existing sites. The rest of the US has not yet achieved their peaks in 2005.



US sawn softwood production has slowed since 2020 - a function of COVID, supply chain issues, and a lack of logging and sawmill workers. The outlook for 2024 is for very slight growth of 1% in production, with a further increase of 2.5% in 2025 as overall demand improves.

US sawn softwood imports have traditionally been dominated by Canada. With falling production in Canada (mainly BC), more offshore sawn softwood imports have been shipped to the US to fill the gap, especially from Europe.



In 2023, Canada represented 82% of total US sawn softwood imports. European exports totalled 14% of US imports, led by Germany (7.4%) and Sweden (3.2%). The exports from the Southern Hemisphere totalled 3.0% of US imports. European imports slowed down in the second of 2023 and into 2024-Q1 as lower demand and slumping prices (in conjunction with higher log costs in many European countries) limited export volumes to the US. March 2024 year-to-date imports were generally lower from Germany (-31%), Sweden (+2%), Austria (+1%) and Romania (-78%).


3.3 Canada

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Canadian sawn softwood demand slowed by 4.5% in 2022 and by a further 6.0% in 2023. Higher mortgage rates and the resulting slower economic growth resulted in a drop in Canadian housing starts in 2022 (-3.4%) and in 2023 (-8.2%). This resulted in lower Canadian sawn softwood production by 6.0% in 2023, and especially in BC as output dropped by 12.5% (mainly from the implementation of many new provincial government forest policies that continue to reduce the available timber supply).



The Canadian production outlook is for modest growth in 2024 and 2025 of 1-2% per year.





Canadian sawn softwood exports continue to decline with lower production levels. The US continues to be Canada's

dominant market (89% of exports in 2023) with declining volumes to China (4.5% share) and Japan (2.7% share).

3.4 North America

When the US and Canada are combined, total North America production slightly lags consumption starting in 2022. This means that net imports (more imports and less exports) will likely be required to meet North American demand over the next two years. This is the role that can be played by European exports to the US, as European exports have trended generally higher, especially when prices are high.



US sawn softwood prices were reasonably favourable in 2024-Q1, but slumped in Q2, especially Southern Yellow Pine (SYP). Prices of 2x4 W-SPF dropped below US\$400/Mbf (US\$258/m³, FOB mill) and SYP dropped below US\$300/ Mbf (US\$194/m³, FOB mill) – the lowest levels for SYP in 12 years. These are below break-even levels for both regions.

A summary of North American sawn softwood production, offshore imports and exports, as well as estimated consumption are shown below.

				-		
US + Canada	20	21	22	23	24f	25f
Production	99.0	100.5	97.6	95.0	96.6	99.3
Offshore Imports	5.1	5.7	6.9	6.5	5.7	6.5
Offshore Exports	5.2	5.1	4.1	4.1	3.3	4.1
Consumption	98.9	101.1	100.5	97.5	98.9	101.7

North America Sawn Softwood Supply & Demand (million m³, net)

3.5 China

The following are extracts from the *China Forest, Log and Lumber Outlook to 2035* released in March 2024 by RUSS TAYLOR GLOBAL and MARGULES GROOME CONSULTING.

Lumber consumed in the construction market in China has generally been well over 50% of total lumber volumes sold in the last two decades but was less than 40% in 2023 due to the construction slowdown. As the housing and construction market trends are critical to both log and lumber imports in China, this is why there has been a collapse in imports since 2020.

In the short term, stable demographics should continue to spur growth in residential construction in China. Rising household income rates, along with population migration from rural to urban areas, should also drive demand for residential construction in the country after the market bottoms out. Increased emphasis on both public and private sector affordable housing will fuel further development in the residential construction sector.

Financially squeezed developers continue to reduce investment in new construction projects, preferring to use additional revenue to repay creditors or finish existing units. Construction starts began to fall steeply after the "three red lines" financing restrictions (relating to the ratio of debt to cash, equity and assets) were introduced in 2020. Total housing starts were 1.206 billion m2 in 2022 and ended up close to 950 million m2 in 2023, less than half the peak achieved in 2019-20. Land purchases by developers are also just a fraction of historical levels.

The immediate consequence of the deepening sales decline has been to further weaken already fragile realestate developers, especially private-sector firms. Nearly half of private developers by assets appear to have been under liquidity stress in 2022, and their financing flows are now once again contracting sharply in year-on-year terms. The difficulties faced by Country Garden and the ordered liquidation of Evergrande are of the highest profile.

For most of 2023, China's government responded to the sales decline by lowering mortgage rates and relaxing local

homebuying restrictions. Those steps to make housing cheaper and more accessible had no discernible impact on sales. Looking forward, China's policymakers are starting to implement three major projects to boost government spending on construction:

- 1. Building more social and affordable housing.
- 2. Renovating "urban villages."
- 3. Improving provision of infrastructure for use as emergency facilities during natural disasters.

Among these three initiatives, the urban villages programme, in particular – which involves the demolition or renovation of derelict housing in the largest cities – should have a meaningful impact on property construction going forward.

The outlook for China in 2024 is therefore heavily dependent on government policy, which is harder to read than usual as deliberations become more opaque. Yet while there is no going back to the growth-maximizing ways of previous administrations, the thinking in Beijing does continue to evolve. The influence of the policy orthodoxy that was evident during Xi's second term has faded as a new generation of officials has taken on leadership roles at the key economic agencies.

Total housing starts peaked in 2019 and were slightly lower in 2020 before plunging by 60% in 2023. Residential housing sales lag housing starts by about six months to one year and have also dropped.

With consumer confidence weak and further strain arising from the liquidation of Evergrande and the financial instability of dozens of other construction companies, the outlook is quite speculative. As in the past, it will most likely be the actions of government policies and initiatives that eventually allow the housing market to stabilise. However, there will be a much smaller level of housing construction as housing inventories are still above normal levels, and the population is shrinking.

The base case forecast in the **China Outlook Report** assumes that a slow housing recovery will start in the



second half of 2025. Some forecasters believe the bottom could come earlier in 2024 and others believe it could be a few years away, so lots of speculation exists.

Russia once dominated log exports to China, but with the January 2022 log export ban, New Zealand is now the dominant supplier. European spruce bark beetlekilled log imports soared from 2019 to 2021 but are now slowing as the volume of infested and beetle-killed forests shrinks. The remaining country exporters (USA, Canada, Uruguay, Brazil, South Africa) have relatively small export growth. Japan and Australia (with no import restrictions) are two suppliers that could see increasing log imports to China. Falling demand in 2022 and 2023 dramatically reduced total log imports to China by 46% as compared to 2021.



Even New Zealand will face timber harvest reductions around 2026-27 with a decline of up to 7 million m^3 from 2023 levels by 2033. As a result, China's log imports are

not expected to exceed the levels achieved in 2023 for a very long time and will move lower over the next five to ten years.

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China's lumber is produced from three sources:

- Domestic logs from domestic forests, mainly plantations and processed at domestic sawmills.
- Imported logs from many overseas countries and processed at domestic sawmills.
- Imported lumber from many overseas countries.

China's domestic softwood timber harvest is expected to relatively flat, so no incremental supplies are expected. With no increase in softwood log imports, there will be, by default, considerable and increasing demand for softwood lumber imports by China over the next five to ten years.



Canada was the largest sawnwood supplier to China when BC was harvesting large volumes of mountain pine beetlekilled logs that created huge volumes of low-grade lumber used in concrete forming. Those volumes are essentially gone now, so Canada's exports to China are now minimal. Following the start of the Russia-Ukraine war, sanctions have restricted Russian lumber exports to many countries, including Europe, US, and Canada. As a result, Russian lumber exports to China have remained at high levels (65% of exports) despite lumber production that has been reduced as a result of the sanctions.

After Russia and Canada, the next big exporting sawnwood region to China in 2023 was Europe (3.2 million m³ in 2023), followed by the Southern Hemisphere plantation pine countries collectively (1.3 million m³), and Belarus (1.0 million m³). Future sawnwood exports to China will partly depend on Chinese prices – they have been low due to over-supply for many years, but that is forecast to change as we get closer to 2030 when more sawnwood will be required to replace logs!

The outlook for softwood lumber exports to China over the next five to ten years looks to be quite spectacular, based on the assumptions outlined in the **China Outlook Report**. To attract more incremental lumber from exporting countries, it is forecast that lumber prices in China will have to significantly rise to attract more suppliers. The same applies to log imports! These and other topics will be discussed at the **GLOBAL WOOD SUMMIT**, to be held in Vancouver BC from October 28-30. 2024.

Russ Taylor, President RUSS TAYLOR GLOBAL Tel: +1-604-897-5666 Email: russtaylor@russtaylorglobal.com https://russtaylorglobal.com/global-wood-summitvancouver-bc/ https://russtaylorglobal.com/report-china-log-lumberoutlook-to-2035/



3.6 Russia

According to official operational data from Rosstat, in 2023 the volume of production of softwood and hardwood lumber in Russia decreased by 4.5% y/y. Thus, lumber production shows a decline for the second year in a row. However, the pace of decline is slowing: in 2022, production decreased by 10% y/y. Taking into account additional estimates (Rosstat does not collect data on SMEs), the production volume in 2023 can be estimated at 38.9 million m³. Peak production was recorded in 2019: 44.4 million m³. Over 5 years, a decrease of 5.5 million m³.

The financial performance of Russian sawmills hit rock bottom in Q4. 2022 and began to improve in 2023. For example, the financial turnover of organizations (in a full circle) for 1-3 quarters. 2023 was only 4% (268 billion rubles) lower than the indicators for 1-3 quarters. 2022 Revenue from lumber sales decreased by 7% YoY (RUB 183 billion).

In 2023, an increase in the total volume of orders (contracts) for the supply of products in subsequent periods was recorded by 79% year-on-year.

However, the Russian sawmill industry remained unprofitable for five consecutive quarters, posting a net cumulative loss since Q3. 2022 in the amount of 6.8 billion rubles.

Return on sales also remains in the negative zone: -2.6%. In 4th quarter 2022 return on sales was -30%.

As of the end of 2023, Russia's sawnwood and log exports reached 25 million cubic meters, compared with 27 million cubic meters in the same period last year, a decrease of 7%. Russian timber was shipped to more than 50 destinations in 2023.

The main export destination is still China. According to Roslesinforge, approximately 14 million cubic meters of sawn timber and logs were shipped to China, accounting for 56% of Russia's total exports. Among them, sawn timber increased by 3%, accounting for 67% of the total sawn timber. The supply of pine sawn timber in the Chinese market exceeded that of spruce sawn timber; logs fell by 25% as expected. Other smaller markets also experienced growth.

For example, Turkey increased 2.3 times to 280,000 cubic meters; the United Arab Emirates increased 64% to 490,000 cubic meters.

Regarding the prospects of Russian timber exports, Yulia Kuznetsova, a Russian investment consultant, pointed out that the total volume of timber exports is expected to decrease by 7% per year in the next few years. The reason she gave was that many countries refused to cooperate with Russia due to Russian sanctions.

Denis Paleyev, associate professor at the Department of National Economy at the School of Economics of the People's Friendship University of Russia and a doctoral candidate in technical sciences, said that there are many reasons for the decline in investment in the Russian timber industry.

First, it is an increase in central bank interest rates that increases the cost of all credit money in the country.

Secondly, timber exports dropped significantly. Before the war began, almost half of the timber exported went to countries that are currently unfriendly, such as EU countries, as well as Japan and the United States. He pointed out that now our main buyer has become China. Although China's exports have increased several times, it still cannot make up for the losses of Western partners.

Third, logistics problems have become prominent since 2022. Traditionally, timber was shipped from the Northwest to Europe and from Siberia to China. With the launch of the North Atlantic Treaty Organization, container traffic from China increased dramatically. As a result, in the European part of Russia, there was a problem of returning empty containers, and the carrier reduced the price of containers transporting wood to China by nearly 10 times (Source: Global Wood Markets Info, 2024).

4. Main results from the EOS market survey – April 2024

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 4.6.

4.1 General information about 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 2000-2022 in m³



Source: FAOstat, EOS reelaboration

Sawn softwood production peaked in the EU right before the global financial crisis of 2008 but the peak was surpassed in 2021. After some stuttering years right after the 2008 crisis, production has been steadily growing in line with GDP (or in some years even at a higher pace) for a few years on the back of strong exports and recovering construction markets. When Covid struck, as well as the bark-beetle attacks in Central Europe which peaked in 2019-2020, the combination of available abundant raw materials and strong demand across Europe determined a new production peak in 2021. 2022 saw a slowdown mainly due to the consequences of the war in Ukraine. In 2023 the production decline accelerated amid a difficult demand situation (inflation, weak construction markets). More details are provided below.

Figure 4.2: EU sawn hardwood production 2000-2022 in m³



Source: FAOstat, EOS reelaboration

* For Italy only hardwood data are available in the general section. Softwood data have been taken from UNECE/FAO and are available in the Italy section, but they do not seem reliable

In terms of volumes, sawn hardwood production across the European Union never really recovered after the 2008 global financial crisis. While production was never as high as 15-20 years ago, there were good periods over the last few years with European mills competitive on the global landscape and producing first-class products. However, high exports of quality raw material towards Asian countries (especially China) have hampered the sector. Unsustainable exports of logs have been hampering for many years the French, Belgian, and German hardwood industry, and other European countries. The parquet industry, which consumes high quantities, in particular of oak, has not been growing much either over the last few years (see focus on parquet for more information). The furniture industry is struggling, too. The high-potential hardwood sector remains highly export-oriented but at the same time it is important that consumers in Europe increase their demand for sawn hardwood.

4.2 Sawn softwood

4.2.1 Overview of EOS Sawn Softwood Production

Table 4.1: Overview of the EOS sawn softwood production 2019-2024 in 1,000 m3

	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	10,233	10,305	10,582	10,100	9,125	9,200	-9.7%
BE	1,450	1,460	1,500	1,450	1,350	1,350	-6.9%
сн	1,077	1,060	1,196	1,195	1,171	1,124	-2.0%
DE	23,304	25,216	25,337	24,309	22,944	22,400	-5.6%
DK	331	360	400	375	375	375	0.0%
FI	11,354	10,884	11,900	11,200	10,400	9,700	-7.1%
FR	6,455	6,260	7,273	7,159	7,000	6,750	-2.2%
LV	2,660	2,600	2,700	2,847	2,569	2,600	-9.8%
NO	2,650	2,680	2,811	2,705	2,490	2,600	-7.9%
RO	3,500	3,000	3,500	3,200	2,900	3,000	-9.4%
SE	18,600	18,600	19,050	18,870	17,800	17,500	-5.7%
UK	3,410	3,302	3,574	3,108	2,860	2,860	-8.0%
EOS	85,024	85,727	89,823	86,518	80,984	79,459	-6.4%

*Estimates. UK data is taken from various sources including UNECE/FAO, Timber Development UK.

Sawn softwood production in the member countries of EOS plus the UK has peaked in 2021. Starting from H2 2022 markets turned south and 2023 was a difficult year overall for all countries across Europe with practically no exception. Sales prices of sawnwood have generally sharply declined so, while production has shrunk by 5-10% across the EOS members, the decline in turnover has been much more sizable. Overseas the situation was equally difficult with subdued exports across the board with the exception of the United States (see Chapter 3 for more information).

Sawmills' profitability has been dented by persistently high energy prices, in many instances high raw material

prices and increasing personnel costs. Many countries have emphasized a disconnect between subdued sawnwood prices and high raw material prices. The supply of logs at affordable prices will be an issue which will dominate the markets in coming years.

Capacity increases were significant over the last couple of years and projections for 2024 indicate that this trend has stopped.

With a projected production of 22.9 million m3 in 2023 (-5.6% vs 2022) Germany remains the largest sawn softwood producer within the EOS community. Sweden ranks second

with about 17.8 million m3 in 2023 (-5.7% vs 2022). Finland remains the third largest producer with 10.4 million m3 (-7.1% vs 2022), ahead of Austria with 9.1 million m3 (-9.7% vs 2022). France remains the fifth largest producer with 7 million m3 (-2.2% vs 2022).

Production is expected to decline once again in 2024 but there is hope in the industry that the market will bottom out this year.

Figure 4.3: Sawn softwood production volumes in the EOS member countries 2014-2024 (1,000 m³) - TOTAL



4.2.2. Overview of the EOS Sawn Softwood Consumption

Table 4.2: Overview of the EOS sawn softwood consumption 2019-2024 in 1,000 m³

	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	5,954	6,132	6,546	6,155	5,194	5,300	-15.6%
BE	2,650	2,710	3,300	2,373	1,640	1,650	-30.9%
СН	1,183	1,154	1,213	1,231	1,193	1,166	-3.1%
DE	19,412	20,649	20,186	17,294	16,059	15,700	-7.1%
DK	1261	2655	1,574	1,278	1,175	1,325	-8.1%
FI	2,506	2,681	2,800	2,300	2,000	1,900	-13.0%
FR	8,350	7,970	9,463	8,940	8,490	8,350	-5.0%
LV	854	782	1,039	780	600	600	-23.1%
NO	2,920	2,864	3,192	2,679	2,328	2,500	-13.1%
RO	2,800	2,100	2,000	1,900	1,900	2,000	0.0%
SE	5,500	5,200	5,800	4,900	4,410	4,400	-10.0%
UK	9,611	9,772	10,915	8,619	8,460	8,460	-1.8%
EOS	63,002	64,669	68,028	58,449	53,449	53,351	-8.6%

*Estimates. UK data is taken from various sources including UNECE/FAO, Timber Development UK.

In this group of countries (EOS+UK), sawn softwood demand has peaked in 2021 and over the last couple of year has declined by over 20%, an unusual swing. The demand fall was widespread across Europe and no country bucked the negative trend. Consumption of sawnwood in Europe fell remarkably, which is mainly due to ongoing weakness in the construction sector. While inflation has been going down, it has so far remained too high and interest rates are still elevated, which is having a bad effect on construction markets. The latter consume



most sawnwood produced in Europe so their slowdown portends a downturn in sawnwood consumption.

On the brighter side wood as a building material keeps (slowly) gaining market share and it is a material of choice for many consumers particularly since the beginning of the pandemic – there are exceptions in some European countries but overall the outlook for wood as a building material remains positive. In 2024 a further downturn of sawn softwood demand is expected but barring another shock to the economy following the war in Ukraine and the inflation explosion in 2022-2023, demand should fall only slightly. As Chapter 5 shows, unfortunately construction markets are expected to be subdued even in the medium term so it is difficult to see a real turnaround before 2025.

Figure 4.4: Sawn softwood consumption volumes in the EOS member countries 2014-2024 (1,000 m³) - TOTAL



4.3 Sawn hardwood

4.3.1 Overview of EOS Sawn Hardwood Production

Table 4.3: Overview of the EOS sawn hardwood production 2019-2024 in 1,000 m³

	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	212	165	198	240	247	247	2.9%
BE	150	100	90	100	100	90	0.0%
сн	48	55	52	56	55	55	-1.8%
DE	1,167	962	1,060	1,001	877	940	-12.4%
DK	85	75	75	70	70	70	0.0%
FI	30	36	54	50	50	50	0.0%
FR	1,379	1,240	1,359	1,267	1,250	1,200	-1.3%
ІТ	600	612	500	495	495	495	0.0%
LV	600	600	808	900	615	605	-31.7%
NO	0	0	0	0	0	0	-
RO	1,600	1,615	1,700	1,450	1,200	1,200	-17.2%
SE	100	100	100	100	100	100	0.0%
UK	47	37	37	37	40	40	8.1%
EOS	6,018	5,597	6,033	5,766	5,099	5,092	-11.6%

*Estimates; Italy, UK, Sweden and Finland data is taken from UNECE/FAO

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Production in the sawn hardwood sector has been significantly impacted by the negative economic context in 2023 with the three largest producing countries – Romania, France and Germany all reporting declines. In France the decline was smaller at just over 1% while in Germany and Romania was significant. Overall, at EOS level a downturn of over 11% was forecasted for 2023 while production in 2024 is expected to bottom out and somewhat stabilize.

National and European legislation is curbing the availability of raw materials while many hardwood species remain underutilized. For instance, in Germany political measures to restrict forest management and beech logging, along with high roundwood exports and increased demand for firewood assortments (in Romania but also in other countries), pose problems. Raw material prices are rather high. On a brighter side, oak logs exports to China sharply declined amid the economic slowdown in the Middle Kingdom.

Hardwood companies that rely on foreign trade are negatively affected by the geopolitical situation: long-distance exports are hampered by tensions in the Middle East. MENA markets are doing somewhat better than East Asian markets but overall both in the beech and in the oak sector in 2023 a decline of about 15/20% in exports to overseas markets was observed. There is hope, however, that things will improve.

Finally, it is worth noticing that some EOS Members have reported a capacity decrease in the hardwood sector for 2023-2024.

Figure 4.5: Sawn hardwood production volumes in the EOS member countries 2014-2024 (1,000 m³) - TOTAL





	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	247	200	199	308	261	257	-15.3%
BE	210	160	410	300	185	190	-38.3%
сн	72	72	64	70	70	70	0.0%
DE	792	659	772	697	630	610	-9.6%
DK	120	105	120	111	100	110	-9.9%
FI	42	47	64	84	44	44	-47.6%
FR	1,282	1,090	1,020	1,025	1,080	1,000	5.4%
т	1,034	986	1,020	819	791	791	-3.4%
LV	262	196	250	256	250	250	-2.3%
NO	31	31	31	31	31	31	0.0%
RO	1,080	1,010	1,100	800	800	800	0.0%
SE	138	106	110	142	140	140	-1.4%
UK	533	489	555	556	568	568	2.2%
EOS	5,842	5,151	5,715	5,199	4,950	4,861	-4.8%

Table 4.4: Overview of the EOS sawn hardwood consumption 2019-2024 in 1,000 m³

4.3.2 Overview of EOS Sawn Hardwood consumption

*Estimates; Italy and UK data is taken from UNECE/FAO

Sawn hardwood consumption has declined by about 5% in this group of countries during the course of 2023 based on our forecasts. The consumption peak which was achieved in 2021 could not be replicated in 2022 and 2023 due to adverse conditions in several downstream industries in Europe and beyond. For instance, weakness in furniture market is a negative contributor to hardwood consumption: in the European market for wood furniture, production and consumption fell back respectively by 11% and 12% in 2022. Production and consumption then fell by another 8% and 11% respectively in 2023. Likewise, the European parquet market, which was already quite feeble in 2022, significantly declined in 2023 (see special focus on parquet for more information).



Figure 4.6: Sawn hardwood consumption volumes in the EOS member countries 2014-2024 (1,000 m³) - TOTAL

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4.4 Focus on by-products

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

Table: 4.5 Sawdust production volumes in the EOS member countries 2022-2024 (000 m³)

	2022	2023*	2024*	23/22 % var.
AT	3,556	2,703	2,706	-24.0%
BE	214	201	199	-6.5%
СН	224	224	224	0.2%
DE	5,400	5,082	4,979	-5.9%
FI	3,350	3,100	2,900	-7.5%
LV	1,192	1,013	1,019	-15.1%
RO	200	180	180	-10.0%
TOTAL	14,136	12,502	12,208	-11.6%

*Estimates

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Table: 4.6 Chips production volumes in the EOS member countries 2022-2024 (000 m³)

	2022	2023*	2024*	23/22 % var.
AT	3,905	3,493	3,502	-10.5%
BE	812	760	754	-6.5%
СН	522	522	522	0.0%
DE	11,474	10,799	10,581	-5.9%
FI	7,400	6,900	6,400	-6.8%
LV	3,447	2,929	2,949	-15.0%
RO	300	250	250	-16.7%
TOTAL	27,860	25,652	24,958	-7.9%

*Estimates

Table: 4.7 Bark production volumes in the EOS member countries 2022-2024 (000 m³)

	2022	2023*	2024*	23/22 % var.
AT	1,078	1,140	1,140	5.7%
BE	118	116	115	-1.5%
СН	186	186	186	0.0%
DE	unav.	unav.	unav.	
FI	3,100	2,900	2,700	-6.5%
LV	850	764	769	-10.1%
RO	1,600	1,550	1,550	-3.1%
TOTAL	6,932	6,656	6,461	-4.0%

*Estimates



4.5 Focus on Sawnwood Exports

The European sawmill industry is a very international industry. Exports to overseas markets make up a relevant

share of the revenues for many mills across Europe. Below the exports of the EOS Countries.

	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	6,068	5,950	5,947	5,747	5,268	5,300	-8.3%
BE	1,500	1,700	1,300	860	810	900	-5.8%
СН	201	197	213	179	186	178	3.7%
DE	9,344	10,120	10,954	11,162	9,957	9,200	-10.8%
DK	280	275	305	310	300	300	-3.2%
FI	9,298	8,554	9,100	8,900	8,600	7,800	-3.4%
FR	755	890	910	860	760	800	-11.6%
LV	2,906	2,912	3,094	2,870	2,411	2,300	-16.0%
NO	694	832	685	843	906	800	7.5%
RO	1,150	1,200	1,700	1,600	1,100	1,100	-31.3%
SE	12,700	14,100	12,670	13,800	14,000	13,500	1.4%
UK	193	190	237	165	120	120	-27.3%
EOS	45,089	46,920	47,115	47,296	44,417	42,298	-6.1%

Table: 4.8 Sawn Softwood export volumes in the EOS member countries 2019-2024 (000 m³)

*Estimates

Table: 4.9 Sawn Hardwood export volumes in the EOS member countries 2019-2024 (000 m³)

	2019	2020	2021	2022	2023*	2024*	23/22 % var.
AT	149	124	170	142	107	110	-24.6%
BE	360	360	250	201	204	210	1.5%
сн	22	22	16	21	15	15	-28.6%
DE	746	687	758	699	486	590	-30.5%
DK	35	60	90	90	80	80	-11.1%
FI	11	20	20	23	20	20	-13.0%
FR	430	350	400	425	350	380	-17.6%
LV	378	448	633	697	377	370	-45.9%
NO	0	0	0	0	0	0	-
RO	650	710	700	750	500	500	-33.3%
SE	32	37	39	41	40	40	-2.4%
UK	19	18	20	17	20	20	17.6%
EOS	2,832	2,836	3,096	3,106	2,199	2,335	-29.2%

*Estimates

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In the section below instead, a breakdown of EU exports by country of destination is available. Data have been aggregated from Eurostat.

Table: 4.10 EU Sawn Softwood marketshare by country of destination 2023

PARTNER	Market Share 2023
Extra-EU27	
United Kingdom	23.9%
United States	17.5%
Japan	8.1%
China	6.9%
Egypt	6.1%
Algeria	4.6%
Saudi Arabia	3.7%
Norway	3.7%
Morocco	2.5%
India	2.2%

*Source: Eurostat 2024, and EOS re-elaboration

Outside the EU, the largest importer of EU-produced sawn softwood is the UK, followed by the US, Japan and China.

Table: 4.11 EU Sawn Hardwood marketshare by country of destination 2023

PARTNER/PERIOD	Market Share 2023
Extra-EU27	
China	23.5%
United Kingdom	17.3%
Egypt	10.9%
Switzerland	5.0%
Morocco	5.0%
United States	4.8%
Viet Nam	4.2%
Algeria	3.7%
Bosnia	2.8%
Mexico	2.7%

*Source: Eurostat 2024, and EOS re-elaboration

Outside the EU, the largest importer of EU-produced sawn hardwood is China, followed by the UK, Egypt and Switzerland.





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We supply wood products for the construction and furniture industries to 80 countries in the world. We use all parts of the log to optimise the output and reduce environmental impacts: the bark is used to generate heat and energy to power our production and drying processes. This is how we are significantly reducing our carbon footprint. The by-products of the sawmill are turned into pellets, which can be used as an alternative fuel to fossil fuels. Moreover, we invest in renewable energies, and install photovoltaic panels to further reduce emissions.



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About HS Timber Group

As one of the leading companies in wood processing, we serve our commercial and industrial customers with more than 2,700 employees in 80 markets. Founded in Austria and managed from Vienna, we develop sophisticated solutions and high-tech products from the material of the future, wood, at seven production sites worldwide.

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4.6 Country Reports

AUSTRIA



Source: Fachverband der Holzindustrie Österreichs

General economic information

	2022	2023	2024
Population (million)	9.0	9.1	9.2
GDP Growth (%)	4.8	-0.8	0.2
Inflation rate (%)	8.6	7.7	3.8
Unemployment rate (%)	4.8	5.1	5.5
Construction industry			
Buildings permits (units)	46 900	41 100	43 000
Housing starts (units)	50 900	41 800	39 900
Housing completions (units)	62 300	55 800	49 300
Wage Development (%)	4.1	9.7	7.8
Average working time in sawmilling (<i>h/week</i>)	38.5	38.5	38.5

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	10 100	9 125	9 200
Imports	1 784	1 337	1 400
Exports	5 747	5 268	5 300
Consumption	6 155	5 194	5 300
Production Imports Exports Consumption	10 100 1 784 5 747 6 155	9 125 1 337 5 268 5 194	9 1 5 5

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	240	247	247
Imports	210	121	120
Exports	142	107	110
Consumption	308	261	257

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	3	2	4
Hardwood	1	3	4

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

Market statement

Sawmill industry in Austria

In Austria's sawmill industry, more than 1,000 firms are represented. A large part of these have been family owned for generations, showcasing a high degree of vertical integration: from world leaders to numerous small and medium-sized enterprises. The sawmill industry employs around 6,000 workers in rural areas, ensuring stability and prosperity in the regions.

However, the economic situation of the Austrian sawmill industry in 2023 was significantly less dynamic than in previous years. Following successful years and a period of high demand, the sawmill industry saw a marked decline in sales in 2023, and accordingly, a reduction in production by 10% compared to 2022. Construction activities stagnated, and orders were lacking. The 8% decline in exports of softwood lumber compared to 2022 demanded massive cost-saving measures and a focus on core business amid rising raw material, energy, and labour costs. The downturn was particularly painful in markets in Asia and Germany.

The sluggish construction economy is expected to continue into 2024. A short-term upturn in the markets for softwood lumber is not anticipated. Against this backdrop, the sawmill industry is therefore calling for active political measures. The significance of the construction sector for the overall economy and hundreds of thousands of jobs in Austria is undisputed, as is the increasing demand for housing. The ongoing energy, climate, and economic crisis should therefore be countered with investments in energyefficient, environmentally friendly, and affordable timber construction housing.

Production of sawn timber (softwood and hardwood sawn timber in million m³)



QUELLE: STATISTIK AUSTRIA. 2023: FACHVERBAND-PROGNOSE, SOURCE: STATISTIK AUSTRIA. 2023: FORECAST ASSOCIATION.

ANGABEN IN M ³ DECLARATIONS IN M ³	2022	2023	Veränd. in % change in %
ITALIEN ITALY	2.752.666	2.482.633	-9,8
DEUTSCHLAND GERMANY	909.488	721.275	-20,7
RESTLICHES EUROPA REST OF EUROPE	743.705	696.875	-6,3
LEVANTE (MENA)	666.217	842.364	26,4
ASIEN (INKL. JAPAN) ASIA (INCL. JAPAN)	451.185	338.692	-24,9
NORDAMERIKA NORTH AMERICA	181.544	143.372	-21,0
ÜBRIGE OTHERS	42.478	43.256	1,8
GESAMT TOTAL	5.747.283	5.268.467	-8,3

Export figures for sawn softwood 2022 • 2023



QUELLE/SOURCE: STATISTIK AUSTRIA

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The sustainable management of forests and the use of wood as a raw material are crucial for the protection of our climate and environment. Forests play a key role in carbon storage, as trees absorb carbon dioxide from the atmosphere during their growth and store it as biomass. This process helps to mitigate the greenhouse effect and combat climate change by sequestering CO₂ from the atmosphere.

The use of wood as a material in durable timber construction products enhances the positive climate effect. In the long term, the carbon storage effect is increased by the "second forest" in the form of durable timber construction products. CO_2 absorption in unmanaged forests may only offer a short-term increase in carbon storage. In the long term, an unmanaged forest emits CO_2 .

It is therefore increasingly important to maintain scientifically based awareness at the political level of European forests as a source of raw materials. Alongside fact-based arguments, societal perception is also crucial. Various campaigns by numerous stakeholders of the wood-based value chain, as well as the proHolz initiative significantly funded by the FV, emphasise the importance of forests for the economy and jobs.

The study initiated by the Association of the Austrian Wood Industries from the Economica Institute highlights the immense importance of the European timber industry for jobs and value creation in Europe – factual arguments must be used against initiatives that call for forests to be taken out of use.

Future challenges for the timber industry in the raw materials area are increasingly arising from legislation at the EU level. The European Green Deal pursues the right goals, and the forestry and timber industry could contribute significantly to achieving these goals. Unfortunately, some political impulses from the EU related to forestry aim to restrict the use of sustainable and renewable wood resources. Either by proposing to place large forest areas under even stricter legal protection and restrict forest management, or by aiming to increase carbon build-up in forests. The entire value chain continues to face comprehensive due diligence obligations, particularly through the completely impractical EU Regulation on Deforestation-Free Supply Chains (EUDR). A Green Deal is needed that guarantees reliable and economical raw material availability.

With the growing global challenge of climate change and the increasing scarcity of resources within the value chain, companies must find even more efficient ways of securing raw materials and go beyond established supply chains. The availability of sustainably regrowing wood as a raw material is the key issue in the face of climate change and changing forests.

In Europe, the availability of softwood will continue, albeit with regional variations. Softwood stocks in Europe remain high but are increasingly exposed to the dangers of climate change. Appropriate management is required to secure the long-term availability of softwood resources. The focus should not only be on the availability of the wood raw material, but also of roundwood and in the reusability and recyclability of wood.

The aim of a study initiated by the Association was to update the annual sustainably available timber volume for the timber industry in Austria by the Federal Research Centre for Forests. Among the main messages is that focusing on growthoptimised forest management is likely to maintain sustainable utilisation potential in the long term and is therefore seen as the most favourable scenario. The study confirms previous estimates and cites an annual possible total utilisation of 23.6 million solid cubic metres of all roundwood.

The Austrian Timber Industry sees itself confirmed by the BfW's research work. Sustainable management of forests is the prerequisite for the best possible development of the forest and its carbon storage capacity in the face of climate change.

International Softwood Conference 2023 in Vienna

On 12th October 2023, the 71st International Softwood Conference took place in Vienna. Hosts of the conference were the Association of the Austrian Wood Industries, the European Organisation of the Sawmill Industry (EOS), and the European Timber Trade Federation (ETTF). More than 330 guests from 33 countries were welcomed by EOS president Herbert Jöbstl. The presentations from ISC 2023 can be accessed at www.isc2023.com. Vienna will also be an international meeting point for the industry in 2024. The 10th International Hardwood Conference will take place on 8 November 2024.

BELGIUM

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Source: Confédération Belge du Bois/Belgische Houtconfederatie & Filière Bois Wallonie

General economic information

	2022	2023	2024
Population (million)	11.8	11.8	11.8
GDP Growth (%)	3.1	1.5	1.4
Inflation rate (%)	10.3	4.11	3.3
Unemployment rate (%)	5.6	5.5	5.5
Construction industry			
Buildings permits (units)	34 546	30 950	31 100
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage development (%)	8.44	5.11	3.1
Average working time in sawmilling (h/week)	38	38	38

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	1 450	1 350	1 350
Imports	1 783	1 100	1 200
Exports	860	810	900
Consumption	2 373	1 640	1 650

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	100	100	90
Imports	401	289	310
Exports	201	204	210
Consumption	300	185	190

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	3	2	1
Hardwood	3	3	3

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



2023 - 2024



Market statement

After a few good years, the Belgian timber market was very quiet in 2023, with a significant fall in demand and prices. The number of building permits in Belgium fell by 11.4% in 2023.

2024 is starting in a similar fashion to 2023. Demand is weak and prices remain low. There has been a slight improvement for wood packaging. Demand and prices for by-products are also falling. Pellet stocks are very high.

The supply of wood in the forest is falling, which tends to keep log prices very high.

Less oak logs are being exported to China, making it easier for hardwood sawmillers to obtain supplies.

Forest supply is increasingly complicated. In 15 years, the volume of wood placed on the market in public forests has fallen by 30% for softwood and 40% for hardwood. This is bad news for the industry.

Extremely wet weather conditions also complicated forestry operations this Winter.



EOS ANNUAL REPORT

DENMARK

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Source: Dansk Traeindustrier

General economic information

	2022	2023	2024
Population (million)	5.87	5.9	5.92
GDP Growth (%)	3.8	1.9	2.4
Inflation rate (%)	8.3	3.3	2.2
Unemployment rate (%)	2.5	2.9	2.9
Construction industry			
Buildings permits (units)	34 600	23 100	24 300
Housing starts (units)	35 100	24 600	25 800
Housing completions (units)	40 900	37 350	39 200
Wage Development (%)	2.75	3.2	5.0
Average working time in sawmilling (h/week)	37	37	37

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	375	375	375
Imports	1 213	1 100	1 250
Exports	310	300	300
Consumption	1 278	1 175	1 325

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	70	70	70
Imports	131	110	120
Exports	90	80	80
Consumption	111	100	110

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	3	3	3
Hardwood	3	3	3

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

FINLAND



Source: Sahateollisuus ry

General economic information

	2022	2023	2024
Population (million)	5.5	5.6	5.6
GDP Growth (%)	2.1	-0.1	-0.5
Inflation rate (%)	7.2	4.5	1.9
Unemployment rate (%)	6.8	7.3	7.4
Construction industry			
Buildings permits (units)	36 987	19 681	15 000
Housing starts (units)	37 871	26 064	20 000
Housing completions (units)	41 648	40 635	25 000
Wage Development (%)	3.0	4.2	2.5
Average working time in sawmilling (<i>h/week</i>)	37.5	37.5	37.5

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	11 200	10 400	9 700
Imports	250	0	0
Exports	8 900	8 600	7 800
Consumption	2 300	2 000	1 900

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
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.

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	2	2	2
Hardwood	-	-	-

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

Market statement

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The Finnish economy contracted by 0.1 % and subsided into recession in 2023. The rise in prices and in interest rates reduced investments and household consumption and affected heavily also the housing market and construction. The unemployment rate grew slightly in 2023.

After couple of years of high activity on the construction sector the turning point was reached and new building permits were cut almost into the half compared to the year 2022. Housing starts came down by almost a third yet the housing completions remained almost at the same level as 2022. The latter is explained by high rate of housing starts in previous years. The housing market slowed down already in 2022 and in 2023 it almost paralyzed. Many residential buildings got completed but the apartments remained empty. When autumn came the first announcements of bankruptcies in the construction industry were given and more announcements kept coming until the rest of the year. These problems date partially back to 2022 when increasing costs of construction materials and high uncertainty of the economic outlook created a challenging situation.

According to the Finnish Bank forecast (March/2024) the economy will still contract by 0.5 % in 2024. High prices and interest rates keep investment and private consuming levels low but compared to the economic situation the employment rate has stayed good and the inflation rate starts to slow down rapidly. Also, the energy prices have declined and are expected to decline further.

The Finnish exports has declined and a four-week-strike in harbors on Q1-Q2 caused major problems to industries. The exports are forecasted to recover gradually which will strengthen the economic growth starting from the end of 2024.

Hence, according to the forecast, the bottom of the recession has already been reached, and growth is expected to start during this year, when households' purchasing power strengthens and general confidence in the economy begins to recover. According to the Finnish Bank, economy is expected to grow by 1.7% in 2025 and by 1.5% in 2026. Ministry of Finance is forecasting slightly bigger growth: 2.0% in 2025 and 1.6% in 2026.

It is forecasted that construction will decrease approximately 3-4 percent in year 2024 compared to year 2023. Especially residential buildings are in a difficult situation and housing starts are estimated to decrease due to the oversupply situation.

Sawn softwood

Pine and spruce log prices started to rise since summer 2022 and despite the fall of sawn timber prices raw-material price has remained high. The availability of logs was good and the sawmills had no difficulties in procurement.

The sawn timber prices fell rapidly 2023 and at the same time the stump prices reached all time highest levels. Due to this equation and faint demand, some sawmills were forced to reduce their production in the autumn.

Total sawn timber production in Finland in 2023 was 10,4 million cubic meters, down to 800 000 cubic meters from previous year. The volume of sawn timber exports was 8,6 million cubic meters, which was proportionally more than in 2022. Even if the export volumes decreased only -4 %, falling prices reduced the value of exports by -32 % in 2023. Domestic use reached the lowest level ever being around 2 million cubic meters. Sawn timber import remained in zero.

The sawn timber prices had felled already in the end of 2022 and remained low in the beginning of the year 2023. Demand was moderate but in the middle of February harbors went in strike and stock levels rose rapidly. Destocking took some time and at the same time the start of trade on the Q2 moved forward week by week and was overshadowed by great uncertainty. The stagnation of construction sector resulted in a decrease in demand especially on domestic market. In the beginning of Q3 prices kept falling but demand perked somewhat surprisingly. By the end of the year the market showed signs of small recovery but the revenues of sawmills remained weak.

Egypt maintained its position as the biggest export market for Finnish sawn timber. Despite a slow start, China caught up volumes towards the end of the year and maintained on the second position. TOP10 countries remained more

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or less the same as in 2022 and variations in volumes and placings were small. Other TOP10 countries were UK, Japan, Estonia, France, Germany, Algeria, Saudi-Arabia and Israel. The decline was biggest in Saudi-Arabia, Japan and Germany. Estonia continued strong and increased its share by 21 %.

The situation has been challenging for the sawmills and the long-lasting strikes in Finland have caused major

difficulties to the supply chain in spring 2024. Log prices are expected to remain high but there are cautious expectations that the sawn timber prices would turn upwards. However, the demand is still moderate and economic performance is challenged by high logistic and energy costs. The side product prices have risen and are expected to keep on rising slightly. That has improved profitability of bioenergy business and supported the sawmill business in difficult situation.



EOS ANNUAL REPORT

FRANCE

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Source: Fédération Nationale du Bois

General economic information

	2022	2023	2024
Population (million)	67.84	68.3	68.8
GDP Growth (%)	2.6	0.9	0.9
Inflation rate (%)	5.2	4.9	2.4
Unemployment rate (%)	7.2	7.5	7.6
Construction industry			
Buildings permits (units)	482 200	371 200	320 000
Housing starts (units)	376 200	296 400	250 000
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development (%)	5.0	3.9	3.0
Average working time in sawmilling (h/week)	39	39	39

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	7 159	7 000	6 750
Imports	2 800	2 250	2 400
Exports	860	760	800
Consumption	8 940	8 490	8 350

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	1 267	1 250	1 200
Imports	200	180	180
Exports	425	350	380
Consumption	1 025	1 080	1 000

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	4	3	3
Hardwood	2	2	2

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



Market statement

Original version

L'année 2023 s'est déroulée en 2 phases avec un 1^{er} semestre dans la continuité de 2022 puis un 2ème semestre compliqué avec un fort décrochage du marché.

Pendant la période 2020-2022 les scieries ont bénéficié d'une relocalisation des approvisionnements et d'un rebond d'activité. La peur de ruptures d'approvisionnements était présente.

L'activité est tombée au 1 trimestre de 120% à 90 %, le signal de ralentissement donné par le marché provoquant un ajustement des stocks.

Des achats à l'import supérieurs à la demande fin 2022 début 2023 sont aussi à l'origine du fort ralentissement, le temps qu'offre et demande s'ajustent et que chaque entreprise ajuste ses propres stocks.

Sur la même période, les scieries ont dû s'adapter à la hausse de leurs coûts de production en raison de la flambée du prix de l'électricité de la hausse des salaires, de l'inflation et plus généralement de prix des grumes qui reste élevé.

Le marché de la construction qui avait bien tenu en 2022 grâce en particulier aux travaux des Jeux olympiques glisse brutalement dans un contexte de doute et de crise. Les constructions neuves, maisons individuelles notamment, ont chuté de 25% sur la période.

En revanche le marché de la rénovation s'est relativement mieux tenu, les artisans ayant un carnet de commandes important et une capacité de résilience plus forte.

Le marché de la palette a connu un très fort ralentissement en fin d'année 2023.

Après une période de 2 ans « d'euphorie », 2023 constitue un retour brutal à la réalité d'un marché de la construction très cyclique et dominé par les effets des politiques publiques.

2024 a débuté dans une atmosphère tendue et d'inquiétude.

Sous l'effet de la maîtrise de l'offre par les scieries qui ont volontairement baissé leurs volumes de sciages et la fin de l'ajustement des stocks, le marché se stabilise avec un taux d'activité entre 92 et 94%. Ce niveau d'activité est un peu meilleur que prévu mais dans un contexte tarifaire beaucoup plus difficile.

La valorisation des connexes est plus compliquée en raison d'un marché des granulés mis en difficulté par une météo très douce et une moindre dynamique après les fortes hausses de prix.

Certaines entreprises ont saisi l'occasion pour aller capter des volumes à l'exportation de sciages afin de préserver leur activité et éviter une chute des prix trop violente.

Coté ressource forestière la crise des scolytes n'est toujours pas stabilisée et d'autres essences comme le sapin sont touchées.

En ce début d'année 2024 c'est la météo pluvieuse qui domine avec des difficultés à sortir les bois de forêts et le risque de dégradation de la matière.

English Translation

2023 was a year of two halves with a first half continuing the trends from 2022 then a complicated second half with a sharp decline in the market.

During the 2020-2022 period, sawmills benefited from a relocation of supplies and a rebound in activity. The fear of supply disruptions was present.

Activity at sawmills fell in the first quarter 2023 from 120% to 90%, the signal of slowdown given by the market causing an inventory adjustment.

Import purchases exceeding demand at the end of 2022 and beginning of 2023 are also at the origin of the sharp slowdown, the time that supply and demand adjust to the new situation and each company adjusts its own stocks.

Over the same period, sawmills had to adapt to the increase in their production costs due to the surge in the price of electricity, the rise in wages, inflation and more generally the price of logs which remains high.

The construction market, which had held up well in 2022 thanks in particular to the work for the Olympic Games, suddenly slipped into a context of doubt and crisis. New construction, particularly individual houses, fell by 25% over the period.

On the other hand, the renovation market held up relatively better, with craftsmen having a large order book and a stronger capacity for resilience.

The pallet market experienced a very sharp slowdown at the end of 2023.

After a period of 2 years of "euphoria", 2023 represents a brutal return to the reality of a very cyclical construction market dominated by the effects of public policies.

2024 began in an atmosphere of tension and worry.

Under the effect of the control of supply by sawmills which have voluntarily reduced their volumes of sawn timber and the end of the adjustment of stocks, the market is stabilizing with an activity rate between 92 and 94%. This level of activity is a little better than expected but in a much more difficult pricing environment.

The valuation of related products is more complicated due to a pellet market hampered by very mild weather and reduced momentum after sharp price increases.

Some companies took the opportunity to capture sawnwood export volumes in order to preserve their business and avoid a too violent fall in prices.

On the forest resource side, the bark beetle crisis has still not stabilized and other species such as fir are affected.

At the start of 2024, rainy weather dominates with difficulties in removing wood from forests and the risk of material degradation.





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Esterer WD GmbH Estererstrasse 12 84503 Altötting, Germany

T: +49 8671 503 - 0 F: +49 8671 503 - 386

sales@ewd.de



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GERMANY

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Source: Deutsche Säge-und Holzindustrie (DeSH)

General economic information

	2022	2023	2024
Population (million)	84.4	84.7	85.0
GDP Growth (%)	1.8	-0.3	0.2
Inflation rate (%)	6.9	5.9	2.8
Unemployment rate (%)	5.3	5.7	5.9
Construction industry			
Buildings permits (units)	354 162	260 071	265 000
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	295 300	declining	declining
Wage Development (%)	2.6	6.0	4.7
Average working time in sawmilling (h/week)	40	40	40

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	24 309	22 944	22 400
Imports	4 146	3 072	2 500
Exports	11 162	9 957	9 200
Consumption	17 294	16 059	15 700

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	1 001	877	940
Imports	395	239	260
Exports	699	486	590
Consumption	697	630	610

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	2	2	3
Hardwood	1	1	2

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



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Market statement

Sawmill and Timber Industry in a Weak Market Environment

The German economy has been in a difficult situation since the Covid-19 pandemic in 2020. The anticipated upswing failed to materialize in the past year. Despite occasional positive impulses, the conflict in Ukraine, coupled with sanctions, supply chain disruptions, an energy crisis, inflation, and increased interest rates, has had noticeable repercussions on consumption, industrial production, construction, and foreign trade. Following a stagnation of gross domestic product (GDP) over the first three quarters, there was a significant decline in economic performance by the year-end, resulting in a recession with a growth rate of -0.3 percent in 2023.

The slower-than-expected recovery of the German economy is attributed to various factors. Global crises amidst a tepid worldwide economic outlook have temporarily hampered the crucial foreign trade, vital for Germany as an exportoriented nation. Concurrently, a domestic demand affected by rising costs and pervasive uncertainty has led to a challenging sales situation in domestic markets.

• Construction Crisis with Far-reaching Consequences The construction industry has been particularly affected, with its order intake plummeting sharply amid high interest rates and increased building costs. The number of residential building permits had already seen a noticeable decline in 2022. Last year witnessed a drastic 26.6 percent drop to 260,100 housing units. Throughout 2023, the number of permits was lower in each month compared to the corresponding month of the previous year. Permits for single and two-family houses saw a disproportionate decline of 39.1 percent and 48.3 percent, respectively, indicating a special reluctance among private clients. Permits for apartments in multifamily buildings, comprising about two-thirds of new residential construction and predominantly realized by companies, decreased by 25.1 percent. Moreover, the rate of renovations is currently declining. Having hovered around just one percent in previous years, it recently fell to 0.7 percent.

Even during the crisis years of 2020 and 2021, the construction industry proved to be stimulatory. However, with the collapse in permit numbers, it now faces significant weakening over the next two years. The consequences will not only be felt in the real estate sector and building materials industry but also in the form of declining completions exacerbating the housing shortage. The political goal of 400,000 new housing units per year is becoming a distant reality.



Building Permits Residential and Non-Residential Buildings

[©] Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024

EOS ANNUAL REPORT

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Sawn Softwood – Weak Demand Leading to Production Decline

Directly impacted by this trend were the assortments closely related to construction. The decreasing construction activity subdued demand for the key assortments of sawn softwood, shaping the business situation in domestic markets. Following a significant downturn in business climate the previous year, it remained volatile at its lowest levels throughout 2023. While there were signs of a slight recovery towards the end of the year, the results from January and February 2024 do not indicate any significant momentum.



Sawn Softwood Production

Due to weak demand, companies had to scale back their production. The first half of the year was particularly affected by larger reductions. Even though production exceeded previous year's results in some months, the overall quantity remained below the previous year's level in every quarter. As a result, sawn softwood production declined by 5.6 percent in 2023, continuing the downward trend from the previous year. **Index of Production**





Index of Production, Manufacture of Wooden Products



With the sluggish economic performance of the overall economy, the entire wood industry faced production cutbacks. In addition to the wood material industry, the packaging industry, heavily reliant on foreign trade, also

experienced significant reductions. After many months of highly negative business climate, expectations across all industry sectors began to rise from March 2024 onwards, following the trend in the commercial economy.

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ifo Business Climate Index Wood Industry - Business Outlook



Despite the poor economic performance of the construction industry in 2023, production of glued wood components saw a slight increase of 1.3 percent, reversing the significant production declines of the previous two years. The weak production of glued- and cross-laminated timber in the first half of the year was offset by an expansion in production from the third quarter onwards. While glued solid timber fell short of the previous year's results, investments in capacity expansion became visible with substantial growth of 5.4 percent in cross-laminated timber production.



Production of Glued Wood Components Years and Changes

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024

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Sawn Softwood – Production Supported by Exports
While domestic demand experienced a notable decline,
foreign markets exhibited higher stability. However,
the globally tepid economic growth led to a decrease
in the global trade volume of sawn softwood. This
trend affected not only the United States, the primary
destination for German exporters, but also China and
the European domestic market. Consequently, export
volumes to the top ten destination countries saw

significant reductions in 2023: shipments to the USA declined by 15.7 percent, to China by 20.3 percent, and to France, Austria, Belgium, and the Netherlands by an average of 12.2 percent. Overall, German sawn softwood exports decreased by 11.4 percent to a volume of 9.96 million cubic meters. Despite this decline from the record year of 2022, German sawn softwood exports remain at a very high level, underscoring Germany's significance in the international market.

Export of Sawn Wood Sawn Softwood

in cbm

Country	Year	Year	Year	Year	Year	Change in %
	2019	2020	2021	2022	2023	2023/2022
USA	1216501	1854634	2313364	2936580	2475098	-15,7
France	972410	1003605	1031680	945550	850155	-10,1
Austria	909708	890632	1055875	874577	812141	-7,1
Netherlands	931823	962192	1087445	813704	698566	-14,1
Belgium	770524	907270	501152	758645	625933	-17,5
China	732775	828527	912508	740947	590535	-20,3
Italy	498931	459972	559102	554810	570552	2,8
India	524330	666663	727615	475880	474156	-0,4
United Kingdom	354865	282342	231758	411935	417448	1,3
Poland	194571	213402	248277	325251	238018	-26,8
Other Countries	2129581	1959544	2285337 🍢	2398391	2204126	-8,1
Total	9236018	10028783	10954113	11236270	9956728	-11,4

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024



Export Sawn Softwood - Top 10 - 2023 from 2021

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024
Sawn Softwood – Pricing Pressure in the Timber Market
With declining demand in international markets, the price
dynamics of the past two years came to a halt. Decreasing
prices in the USA and other destination countries,
coupled with stagnant demand in the domestic market,
led to a swift downward trend in domestic prices. The
decline observed in the second half of 2022 slowed down
at the beginning of the last year and then continued at
a more subdued pace over the following months. By

autumn 2023, signs of stabilization emerged, leading to moderate price increases since December. Consequently, there was a significant price decrease of 24.8 percent compared to the previous year. The diminishing overseas sales opportunities heightened pressure on European domestic markets, placing German companies in an increasingly challenging profitability situation. Signals from international markets are expected to dictate price trends in the coming months.



Priceindex Sawn Softwood Domestic and Import



• Sawn Softwood – Domestic Demand Plummets

Due to the economic downturn and particularly the construction crisis, domestic demand for sawn softwood has plummeted for the second consecutive year. While the decrease of 7.1 percent is considerably smaller than the previous year, the volume fell to 16.1 million cubic meters, reaching the level last seen in 2002. This decline reflects the challenging situation in the German

market, as not only the construction sector but also the packaging industry, the second-largest consumer of sawn softwood, faced pressure last year. Additionally, given the loss of purchasing power in the private consumption sector, no impulses were expected from the DIY sector, which had previously contributed additional demand in the years 2020 and 2021. In this situation, the significantly lower imports had a supportive effect on production.

Balance of Sawn Wood

Sawn Softwood (cbm)							
	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Change % 2023/2022
Unplaned Timber	18435033	18508507	19776327	19922000	19094392	18174913	-4,8
Planed Timber	4345321	4795096	5439178	5415047	5215035	4769146	-8,6
Production Sawn Softwood	22780354	23303603	25215505	25337047	24309427	22944059	-5,6
Import Unplaned Timber	4721950	4453981	4594153	4818921	3428212	2449135	-28,6
Import Planed Timber	707000	702376	855584	984232	832909	623017	-25,2
Import Sawn Softwood	5428950	5156357	5449737	5803153	4261121	3072152	-27,9
Export Unplaned Timber	6017537	6471086	6534514	6978802	6852821	5991999	-12,6
Export Planed Timber	2602869	2764932	3494269	3975311	4383449	3964729	-9,6
Export Sawn Softwood	8620406	9236018	10028783	10954113	11236270	9956728	-11,4
Balance Sawn Softwood	19588898	19223942	20636459	20186087	17334278	16059483	-7,4

[©] Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024

• Turnover Development in the Sawmill and Timber Industry The reduction in production, coupled with decreased prices, has led to a significant decline in turnover. However, a base effect due to the above-average turnovers of the two previous years is noticeable, resulting in a decrease of 25 percent. Despite this, the result of 5.4 billion euros still exceeds the turnover from 2020. Thus, despite numerous challenges in 2023, the sawmill and timber industry achieved its third-highest turnover in history. Foreign turnover experienced a disproportionate decline, with a decrease of 28.3 percent. Sales outside the eurozone plummeted even further by 32.8 percent due to lower prices and volumes. Consequently, the share of foreign turnover in the total turnover slightly decreased. Despite these developments, the number of companies and employment in the sector with over 50 employees increased last year.

Sawing industry, planing and impregnation plants Turnover, Enterprises, Employees

in Mio EURO	2022	2023	Change in %
Turnover, total	7199512	5396628	-25,0
of it Domestic turnover	4113057	3184237	-22,6
of it Foreign turnover	3086452	2212392	-28,3
Foreign turnover Euro zone	1194028	939834	-21,3
Foreign turnover outside Euro zone	1892427	1272558	-32,8
Share of foreign turnover in %	42,9	41,0	
Enterprises	110	113	2,7
Employees	13563	13674	0,8

Enterprises with 50 and more employed

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024 Sawmill Residues – Normalization of Energy Markets
Until early 2022, wood chips and sawdust faced
significant price pressure. However, Russia's attack on
Ukraine led to rapidly increasing prices, particularly
for gas, resulting in a strong surge in demand for all
energy sources. Consequently, prices for wood chips,
sawdust, and pellets soared throughout the year. The
trend reversed towards the end of 2022. The cyclical
decline in demand towards the end of winter, combined

Price Index Wood Chips, Pellets with a gradual normalization of energy markets, resulted in a significant price drop. After a brief recovery phase in the second quarter of 2023, the downward trend continued at a slower pace. Nevertheless, wood chip prices only decreased by 3.9 percent on average for the year, while pellet prices declined by 18.9 percent. With the ongoing energy transition, sawmill residues are expected to experience increased demand in the coming years.



Logging – Amount of Damaged Wood Decreases Again Logging saw another decline in the past year. The peak of 83 million cubic meters in 2021 was undershot by 14.9 percent, representing a decrease of 10.3 percent compared to the previous year. Despite this reduction, the harvest volume remains high at 70.6 million cubic meters. The proportion of damaged wood has decreased for the third consecutive year. However, with a decrease of 13.2 percent and 38.7 million cubic meters, it still constitutes over 50 percent of the total logging. As a consequence of recent calamities, the logging of spruce saw another significant decline in 2023, with a decrease

of -11.7 percent. This reveals a looming supply issue, which will pose significant challenges to the German sawmill and timber industry amidst declining softwood assortments. An increase in the amount of damaged hardwood was observed, which is likely to have had an impact on the increased felling of energy wood.

The majority of the wood harvested, amounting to 39.1 million cubic meters, consisted of sawlogs, which, however, fell below previous year volumes again in 2023.



Harvested Log Volume and Damaged Timber Accumulation

Total Logging Damaged Timber - - Average Logging 2013-2017

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2024 Source: Statistisches Bundesamt (Destatis), 2024



Log Felling Oak; Beech; Pine; Spruce

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• Export of softwood logs

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After an all-time high of 12 million cubic meters in 2020, exports of softwood logs have declined in the last two years. However, at 7.6 million cubic meters in 2023, the outflow of harvested softwood remains high. Against the backdrop of falling quantities of damaged wood, increasing restrictions on forest management and the decline in softwood stocks, the export of softwood logs must be critically assessed. A reliable raw material base is essential for securing domestic production in the long term.



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• Sawn Hardwood - Situation Intensifies

The situation for sawn hardwood manufacturers further intensified over the past year. Following global crises that caused sustained disruptions in international markets, significant production cutbacks occurred in 2022 due to poor export conditions and subdued demand. Additionally, political measures to restrict forest management and beech logging, along with high roundwood exports and increased demand for firewood assortments, posed challenges to raw material supply and led to rising raw material costs.

Consequently, profit opportunities, especially abroad, have been severely limited recently. This trend manifested in a sharp decline in export volumes in 2023. Exports of beech lumber decreased by 27.7 percent compared to the previous year, totaling 333,696 cubic meters. Nine out of the top ten destination countries recorded double-digit declines. Since 2021, the volume directed towards China, the primary importer of German beech lumber, has halved. The USA saw a decrease of around 36 percent, while Poland and Mexico each reduced their imports by half. Oak lumber experienced even steeper declines, with exports decreasing by 38.6 percent to 75,045 cubic meters.

Consequently, sawn hardwood production decreased by 12.4 percent, totaling 877,220 cubic meters, barely exceeding the 2009 level. Both domestic consumption, at 630,375 cubic meters, and imports reached all-time lows. During the same period, hardwood lumber prices rose by 11.6 percent, only partially offsetting the increased raw material costs. In 2023, the price of beech logs increased by 14.3 percent compared to the previous year, while oak log wood rose by 10.6 percent.

Balance of Sawn Wood

Sawn Hardwood (cbm)

	Year	Year	Year	Year	Year	Change %
	2019	2020	2021	2022	2023	2022/2021
Oak	216371	217505	247697	238777	207964	-12,9
Beech	925757	724388	792634	734791	642025	-12,6
Other Hardwood	26603	20246	19440	27863	27146	-2,6
Tropical Hardwood	0	187	184	67	85	26,9
Production Sawn Hardwood	1168731	962326	1059955	1001498	877220	-12,4
Import Oak	103789	95052	92524	90617	62727	-30,8
Import Beech	21656	19864	20863	17243	12217	-29,1
Import Other Hardwood	187032	202060	281684	209634	108202	-48,4
Import Tropical Hardwood	73779	66459	74727	80878	55792	-31,0
Import Sawn Hardwood	386256	383435	469798	398372	238938	-40,0
Export Oak	120011	106778	119600	122272	75045	-38,6
Export Beech	528868	488498	527370	461414	333696	-27,7
Export Other Hardwood	70776	60390	73139	76541	47320	-38,2
Export Tropical Hardwood	33498	31065	37601	34692	29722	-14,3
Export Sawn Hardwood	753153	686731	757710	694919	485783	-30,1
Balance Sawn Hardwood	801834	659030	772043	704951	630375	-10,6

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ITALY

Source: UNECE/FAO, European Commission, internal calculations

General economic information

	2022	2023	2024
opulation (million)	59.0	59.0	59.0
DP Growth (%)	3.6	0.6	0.7
flation rate (%)	8.7	5.9	2.0
nemployment rate (%)	8.2	7.8	7.8
onstruction 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.
age Development (%)	n.a.	n.a.	n.a.
verage working time in sawmilling (<i>h/week</i>)	40	40	40
flation rate (%) nemployment rate (%) onstruction industry Buildings permits (units) Housing starts (units) Housing completions (units) lage Development (%) verage working time in sawmilling (h/week)	8.7 8.2 n.a. n.a. n.a. 40	5.9 7.8	:

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	400	400	400
Imports	4 608	4 157	4 157
Exports	217	255	255
Consumption	4 790	4 302	4 302

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	500	500	500
Imports	637	578	578
Exports	339	302	302
Consumption	798	776	776

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	-	-	-
Hardwood	-	-	-

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

LATVIA

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Source: Association of Latvian Timber Producers and Traders, European Commission

General economic information

	2022	2023	2024
Population (million)	1.9	1.9	1.9
GDP Growth (%)	3.4	-0.4	2.0
Inflation rate (%)	17.0	9.0	1.4
Unemployment rate (%)	6.9	6.5	6.5
Construction industry			
Buildings permits (units)	2 710	2 528	2 300
Housing starts (units)	n.a.	n.a.	n.a.
Housing completions (units)	n.a.	n.a.	n.a.
Wage Development (%)	7.5	11.5	8.2
Average working time in sawmilling (h/week)	n.a.	n.a.	n.a.

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	2 847	2 569	2 600
Imports	803	442	300
Exports	2 870	2 411	2 300
Consumption	780	600	600

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	900	615	605
Imports	53	12	15
Exports	697	377	370
Consumption	256	250	250

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	3	3	2
Hardwood	3	3	2

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



Market statement

From an economic perspective, the sawmilling industry started 2024 with more optimistic expectations compared to the previous year. Sawlog prices, which constitute the main cost factor in sawnwood production, became relatively equal across all Nordic European countries. Sawlog prices in the Baltic states are no longer the highest in the region.

The industry is concerned about several factors that could influence further development. The first point to note is the uncertainty surrounding the implementation of the EU Green Deal regulatory framework, for example in EUDR. Secondly, producers still maintain rather conservative expectations regarding the situation in their main export markets, where no growth in consumption is forecasted compared to 2023. This is likely to elevate the risk of overproduction in the region. And last but not least, there's still a high risk of bark beetle infestation. To mitigate bark beetle activity, harvesting restrictions will be reintroduced in 2024. Consequently, despite experiences in other countries, this imposes limitations on the supply of wood resources in the Latvian market and certainly does not offer opportunities for reducing sawlog prices.



NORWAY

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Source: Treindustrien

General economic information

	2022	2023	2024
Population (million)	5.5	5.55	5.6
GDP Growth (%)	3.3	0.5	1.1
Inflation rate (%)	5.8	5.5	4.0
Unemployment rate (%)	3.2	3.6	4.1
Construction industry			
Buildings permits (units)	29 727	22 778	20 000
Housing starts (units)	23 199	13 963	14 000
Housing completions (units)	28 056	27 975	n.a.
Wage Development (%)	4.6	5.4	5.2
Average working time in sawmilling (h/week)	37.5	37.5	37.5

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	2 705	2 490	2 600
Imports	817	744	700
Exports	843	906	800
Consumption	2 679	2 328	2 500

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
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.

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	5	4	3
Hardwood	-	-	-

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





Market statement

General economic outlook – Norwegian economy The Norwegian economy grows at a moderate pace. The economic development throughout 2023 were characterised by increased prices, higher interest rates and reduced household demand. There is uncertainty about future developments in the Norwegian economy. The economic development varies largely between different industries. The construction industry is affected by a major downturn in the market for new housing and public spending being located elsewhere. Other industries, such as internationally exposed industries experience a rise in profitability. This is partly due to the depreciation of the Norwegian Krone.

While prices rose in the mainland economy, oil and gas prices fell. Production was at about the same volume, but measured in current prices, value added within oil and gas extraction fell by just under 800 billion NOK, according to Statistics Norway. The decline is due to more normal oil and gas prices, after the latter in particular went through the roof in 2022 due to the acute energy crisis in Europe in the wake of Russia's invasion of Ukraine. In 2023, the state's total net cash flow from petroleum activities is estimated at NOK 986 billion, and for 2024 it is estimated at NOK 832 billion (source: Norsk Petroleum). The price development in 2024 is uncertain and is affected by the world situation.

Consumer price growth the past years has been high, but has dampened somewhat recently. Nevertheless, inflation is estimated to reach 4 per cent this year, still well above the target rate of 2 per cent.

After virtually no real wage growth since 2015, real wage growth is expected in 2024 and the years to come (Source: Statistics Norway). This is stimulated by increased profitability in certain industries. The agreed collective wage settlement agreement 2024 arrived at a framework of 5,2 per cent. It is expected that increased purchasing power will boost activity and pull Norway out of the economic downturn in 2026. While some industries experience high profitability, there are concerns that the wage settlement will be demanding for the construction industry.

The key policy rate was raised to 4,5 % in December 2023, and is expected to remain at that level for some time ahead, according to Norges Bank (Central bank of Norway). Increased wages and purchasing power may postpone a downward adjustment in the policy rate. The saving ratio has moved down from the high levels observed during the pandemic, and households will continue to draw on savings this year, according to numbers from Statistics Norway.

The construction and housing market

The fall in production in the construction industry continues, partly due to weak new housing sales. The association for the house producers reports an alarming decline in housing starts and sales of new homes. Less than 23.000 building permits, and just about 14.000 housing starts in 2023 is considerably less than the need for homes, estimated at 29.000 a year. House price growth from recent years is slowing down, but is still higher than expected. This can be attributed to a lack of available housing in the market. The construction sector is also affected by a downturn in public spending, affecting public procurements in the construction sector. Projects are coming to a halt or being delayed.

The wood industry

The downturn in the construction sector impacts the wood industry. As the domestic market cools down, the Norwegian wood industry seek opportunities in new markets, and exports are increasing. Climate and environmental targets will turn the future market demand for new houses and buildings towards more renovation. The Norwegian wood industry have market opportunities in upgrading and renovation of buildings. Wood is a suitable material to adapt and adjust existing buildings, both wooden buildings and those made of other materials such as concrete. The energy crisis has placed the need for more energy efficient buildings on the agenda, which in the cold Norwegian weather conditions also include upgrading of insulation and facades. There are at the moment political discussions regarding policy measures to increase energy efficiency of buildings, and the outcome is still uncertain.

Future forecasts

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The war in Ukraine, the situation in the middle east, as well as energy prices and inflation have caused great uncertainty. The current market situation has become even more difficult to assess than the last few years. The wood industry will also have to adapt to new policies regarding nature such as the Kunming-Montreal Global Biodiversity Framework. Even though the market forecast is uncertain, the demand for wood as a renewable and climate friendly material is still high. The Norwegian wood industry is strengthened in the past few years, with investments in the loop and an ability to seek new market opportunities both domestic and internationally. The energy crisis affects cost levels also for the sawmills and wood-based industries. However, the wood industry is also part of the solution. This represents new opportunities.



ROMANIA



Source: Associatia Forestielor Din Romania (ASFOR)

General economic information

	2022	2023	2024
Population (million)	19.2	19.2	19.2
GDP Growth (%)	2.0	2.0	2.0
Inflation rate (%)	15.0	8.0	6.0
Unemployment rate (%)	3.0	3.0	3.0
Construction industry			
Buildings permits (units)	12 000	10 000	10 000
Housing starts (units)	6 500	6 000	5 000
Housing completions (units)	4 500	4 000	5 000
Wage Development (%)	9.0	9.0	10.0
Average working time in sawmilling (<i>h/week</i>)	40	40	40

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	3 200	2 900	3 000
Imports	300	100	100
Exports	1 600	1 100	1 100
Consumption	1 900	1 900	2 000

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	1 450	1 200	1 200
Imports	100	100	100
Exports	750	500	500
Consumption	800	800	800

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	3	3	3
Hardwood	3	3	3

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

Market statement

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Due to challenging international circumstances, for Romania 2023 was a year with particular manifestations, both in the area of resource and wood production and marketing.

- The situation of the sector was reflected in the decrease in production, closures of production capacity and layoffs of workforce; The decrease in production in 2023 was 24% in the wider wood industry and 13% in the furniture industry.
- The decrease in exploited volume, apart from market influence, was due to:
 - The transition of shaped wood oriented towards the valorization of wood in warehouses (not on the road);
 - Cumbersome procedure for environmental approval of forest management plans;
 - The difficulty of putting the resource on small properties on the market;
 - Continued lack of investment in the forestry sector, especially in terms of forest accessibility.
- The volume of wood placed on the market, although insignificantly diminished compared to the constant of

recent years (about 18 million cubic meters / year), was accompanied by a weaker demand on several export markets of wood-based products and a reduction in domestic demand for firewood generated, lately, by mild winters;

- The sale of the main product, timber, has undergone the most dramatic positions: exports decreased by about 35 percent and imports by more than 40 percent compared to the previous year (2022);
- The further implementation of the SUMAL system, the emergence of regulations on environmental assessment of forest management plans – amendment of the Forest Code – and orders on the resumption of environmental assessment of forest management plans, will exert influences in 2024 throughout the wood recovery and marketing chain;

The general picture presented characterizes Romania in terms of trade in wood products, as well as its position in the global hierarchy of forestry for the reporting year 2023 – 2024





SWEDEN

Source: Swedish Forest Industries Federation

General economic information

	2022	2023	2024
Population (million)	10.5	10.6	10.6
GDP Growth (%)	2.8	-0.8	0.2
Inflation rate (%)	8.4	8.6	2.9
Unemployment rate (%)	7.5	7.7	8.4
Construction industry			
Buildings permits (units)	62 000	30 000	n.a.
Housing starts (units)	56 500	27 000	19 500
Housing completions (units)	64 000	58 000	40 000
Wage Development (%)	2.7	3.8	3.7
Average working time in sawmilling (h/week)	n.a.	n.a.	n.a.

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	18 870	17 800	17 500
Imports	550	610	500
Exports	13 800	14 000	13 500
Consumption	4 900	4 410	4 400

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
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;

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	4	3	2
Hardwood	-	-	-

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

Market statement

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For a long time during 2023 the Swedish sawmill sector was clearly outperforming expectations. Despite a decline in the European and global sawnwood markets demand for Swedish wood remained high. Nothing can however last forever, and by the end of the year production and shipments took a big cut. Impacted by high costs, reduced demand, and scarcity of sawlogs. The outlook in the industry is optimistic, but reliant on positive news of inflation and interest rates developments.

Swedish sawmill production during 2023 was quite strong for the first 10 months, at least considering the challenging

economic situation. For the last two months production however decreased significantly and was about -15% compared to previous year Month-on-Month. Leading to a total production for 2023 that was -6% lower than 2022. Which also proved to be the lowest production in the last 8 years. Perhaps also a testament on how stable production has been in Sweden during the last 5-8 years. While a slow demand to some degree certainly was part of the production decrease by the end of the year, it was perhaps more so impacted by a low availability, and difficulty to mobilize, sawlogs. Something that had been an issue throughout the year but culminated in November and December. Production for 2023 ended up at 17,8 million m³, -6% below the 18,87 million m³ of 2022.



Figure 1, Swedish production of sawn softwood 2023

Source: Skogsindustrierna

Deliveries for 2023 were still somewhat stronger than the production and inventories of sawnwood by the end of the year was relatively low. Although a total deliveries for the year of 18,2 million m³ hardly can be considered as a strong demand. The Swedish market was however stone cold and there has not been such low volumes delivered to the Swedish market for the last 20 years. Typically volumes to the Swedish market has fluctuated between 4,4 to 5,8 million m³, but in 2023 it bottomed out at 4,2 million m³. Although the difference seems small it is a clear trend shift.

The export market on the other hand was surprisingly strong, matching the volume of the highest exports in the recent years. Proving to be just slightly shy of the record in 2020. 13,99 million m³ for 2023, versus 14,15 million m³ for 2020. Despite the high export volumes it was however a difficult year for most sawmills, since most of the costs were high and steadily increasing during the year.



Figure 2, Deliveries of Swedish sawnwood 2022-2023, domestic and export markets

Source: Skogsindustrierna

To some degree the high exports can be attributed to the significantly weakened Krona, which has likely focused a higher than usual share of European demand to Swedish suppliers. But it is also likely impacted by the decreased supply of sawnwood on the European markets following the

sanctions against imports from Russia. Which has meant that despite a weakening European demand market both Swedish and other European producers have maintained higher deliveries to the European markets.

Figure 3, Swedish sawnwood export price index



Source: Skogsindustrierna and Statistics Sweden

Despite the first few months of 2024 have been showing a fairly weak trend so far, there is a large optimism within the Swedish industry going forward, and there is an expectation of an imminent improvement of the market conditions. Costs are still high and expected, at least in the short term, to remain so. While sawnwood prices have started to show an increasing trend, despite a weaker than usual demand. Perhaps from a sawmillers perspective the most important development has been to see that the sawnwood prices have actually started to increase to be able cover the high costs.

In my personal view a lot of the optimism is however contingent on the expectations of a positive economic trajectory, including a normalized inflation, and a beginning of a trend of decreasing interest rates already before summer. While the trend might certainly shift at mid-year 2024, there is still quite some way for interest rates to travel before they go back to levels that we saw just a few years ago. And even if interest rates would be lowered at a high pace, it can be expected that there will be a noticeable lag before lower interest rates actually materialize in project turnover and higher construction rate and significantly higher demand for sawnwood. With that being said, most producer countries have fared better than could have been anticipated at the beginning of the economic downturn. And supply has proven to be somewhat scarce in many areas throughout Europe, at least of the right quality. It is interesting to think about what the situation would have been like if the economic situation would have been stable, and what would the markets have looked like in such a case.

Looking even further on a 5-10 year time frame. Developments are still that of an increasing global demand for sawnwood. While supply is expected to remain stable, or in many regions decreasing. Our expectations are that within that timeframe we will see a good demand for Swedish sawnwood but perhaps a shift of Swedish exports from other overseas market to be more focused on European and US markets in the future.

Christian Nielsen

Market expert – Swedish Forest Industries Federation Christian.nielsen@skogsindustrierna.se



SWITZERLAND



Source: Holzindustrie Schweiz

General economic information

	2022	2023	2024
Population (million)	8.8	8.9	9.0
GDP Growth (%)	2.1	1.3	1.6
Inflation rate (%)	2.8	2.1	1.9
Unemployment rate (%)	2.2	2.0	2.3
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 (%)	1.1	1.9	1.9
Average working time in sawmilling (h/week)	42.5	42.5	42.5

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	1 195	1 171	1 124
Imports	215	207	220
Exports	179	186	178
Consumption	1 231	1 193	1 166

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	56	55	55
Imports	35	30	30
Exports	21	15	15
Consumption	70	70	70

2023 and 2024 data are estimates

Availability of logs

	2022	2023	2024
Softwood	4	4	4
Hardwood	3	3	3

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

Market statement

Log suppliers recorded good demand for logs in the first half of the year, but a significant decline from September onwards. The demand for forest energy wood in 2023 was also not as high as in the previous year. In eastern Switzerland, the amount of damaged wood remained moderate, but in western Switzerland, larger quantities of beetle wood came onto the market.

Due to the economic slowdown and declining construction activity in neighboring countries - and reinforced by the historically weak euro - large quantities of goods were imported into Switzerland at dumping prices. The index for sawn timber (spruce/fir) recorded an overall decline of 11.8 % last year.

Despite the general slowdown in the construction industry, Swiss timber construction companies recorded high capacity utilization in 2023. Despite economic challenges, there is a strong bond with local timber in Switzerland. Many municipalities deliberately use their own wood for construction projects. Efforts to establish local value chains have increased in many cantons. According to forecasts, construction activity in building construction will fall by 2.5 percent in 2024. This is due to residential construction (-3.4%) and commercial construction (-1.9%), while public building construction (+1%) will not be able to compensate for these losses.

At the end of 2023, the price indices for residual wood products showed significant changes compared to the end of 2022: Prices for wood shavings fell by 28.5%, for sawdust. by 26.3 % and for wood chips by 28.8 %. The wood pellet price index stood at 146.9 points in December 2023, 42.4 points below the record level of December 2022, which was driven by the energy crisis.



UNITED KINGDOM



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Source: Timber Development UK, Office for National Statistics, UNECE/FAO

General economic information

	2022	2023	2024
Population (million)	67.5	67.7	67.9
GDP Growth (%)	4.3	0.1	0.7
Inflation rate (%)	9.1	6.8	4.7
Unemployment rate (%)	3.8	3.9	3.8
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)	n.a.	n.a.	n.a.
Average working time in sawmilling (<i>h/week</i>)	n.a.	n.a.	n.a.

2023 and 2024 data are estimates

Sawn Softwood (in 1,000 m³)

	2022	2023	2024
Production	3 108	2 860	2 860
Imports	5 676	5 720	5 720
Exports	165	120	120
Consumption	8 619	8 460	8 460

2023 and 2024 data are estimates

Sawn Hardwood (in 1,000 m³)

	2022	2023	2024
Production	37	40	40
Imports	576	448	448
Exports	17	20	20
Consumption	556	568	568

2023 and 2024 data are estimates

Market statement

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Figures taken from Timber Development UK.





Construction

Construction firms are likely to experience mixed fortunes during 2024 and it will be highly dependent on which sectors they are operating in. House builders and contractors working in housing new build and repair, maintenance and improvement (rm&i) continue to face a subdued environment. Conversely, firms operating in industrial, commercial refurbishment and fit-out or working on major infrastructure projects continue to enjoy strong levels of activity. Overall, after last year's decline in activity, construction output is forecast to fall this year before recovery in 2025 and 2026 alongside stronger economic growth.

In terms of key risks to the forecasts, on the positive side, the possibility of earlier and faster interest rate cuts points towards slightly better economic prospects, which could benefit housing new build and rm&i. Conversely, on the negative side, an overly cautious Bank of England keeping interest rates high for longer may lead to an upward blip in mortgage rates, adversely affecting housing demand. Total construction output is forecast to fall by 2.2% in 2024, a marginal downward revision from the 2.1% decline in the Winter forecast. However, output is forecast to rise by 2.1% in 2025, a marginal revision upward from 2.0% in the previous forecast. Further growth of 3.6% is anticipated in 2026, but clearly, there is greater uncertainty around activity in 2026 given the impacts of a potential new government on public sector spending plans, given that the government is the largest client in construction, accounting for around one-quarter of construction activity. Within the overall forecast figures this year, there are mixed fortunes across the different sectors. However, the key drivers of the decline in construction output in 2024 remain falls in both private housing new build and rm&i.

Private housing output is expected to fall by 5.0% in 2024 after the double-digit declines in 2023 and then rise by 5.0% in 2025 from a low base.

5. The Construction Industry in Europe

EOS expresses its gratitude to Orifjon Abidov, Senior Economist to the European Panel Federation (EPF), for his contribution to this Chapter

5.1 General overview

In 2023, the European construction activity, measured by the construction output according to Euroconstruct, experienced a 1.7% downturn in real terms (after adjustments for inflation). This was due to the downturn in the residential and new non-residential construction sectors caused by rising interest rates and an explosion in construction costs. All countries contributed to this negative performance, except for Ireland (+3.2%), the Netherlands (+0.6%), Poland (+1.5%), Portugal (+1.2%), Spain (+2.8%) and Slovak Republic (+2.3%).

Construction output in 2023 remained below the prepandemic levels of 2019 in most countries, with exceptions in Belgium (+1.3% in 2023 compared to 2019), Denmark (+11%), Italy (+25%), the Netherlands (+6.5%), Poland (+16%), Portugal (+17%) and Spain (+2.8%).

Construction output is not expected to resume growth until 2025, associated with a mild recovery in residential (+1.1%

annually in 2025-2026) and non-residential construction sectors (+1.6% annually during 2025-2026). This forecast assumes that the interest rates will drop, positively affecting housing market affordability and investments in the non-residential construction sector. Civil engineering is predicted to maintain a stable growth rate close to 2.4% per year.

At a country level, positive development in construction output in 2025-2026 is forecast in all countries except in Germany (-1% per year) due to increasingly complex and demanding building requirements in residential construction (-1.9% per year in 2025-2026). The drop in German residential construction will likely offset a mild growth in the non-residential construction sector (+0.4%) and civil engineering (+1.7% annually). In other countries, moderate growth in building and civil engineering construction should support a mild growth in their construction output for the next two years.



Figure 5.1: Percent changes of the different segments of the European construction market during 2023

																									_
Chinop Ellipopone	Total Europe	Total Eastern Europe	Slovak Republic	Poland	Hungary	Czech Republic	Total Western Europe	UK	Switzerland	Sweden	Spain	Portugal	Norway	Netherlands	Italy	Ireland	Germany	France	Finland	Denmark	Belgium	Austria			Table 5.1
	1,887,901	111,869	4,887	62,327	18,385	26,270	1,776,032	240,435	60,814	59,927	141,815	26,408	49,727	101,256	256,133	25,175	412,979	219,225	37,872	44,164	51,888	48,214	2022	total	: Ove
	1,856,624	110,993	4,999	63,276	16,922	25,796	1,745,631	236,500	60,146	53,368	145,808	26,732	48,336	101,838	254,242	25,976	403,532	214,947	34,000	41,273	51,846	47,087	2023	construc	view
	-1.7%	-0.8%	2.3%	1.5%	-8.0%	-1.8%	-1.7%	-1.6%	-1.1%	-10.9%	2.8%	1.2%	-2.8%	0.6%	-0.7%	3.2%	-2.3%	-2.0%	-10.2%	-6.5%	-0.1%	-2.3%	%	tion*	of the
	390,721	28,427	066	17,855	2,439	7,144	362,294	64,963	19,230	13,076	46,337	4,252	10,463	19,638	19,306	6,583	74,466	44,331	8,654	6,326	9,443	15,225	2022	nev	cons
	358,065	26,136	959	16,962	2,146	6,069	331,929	57,676	18,654	8,666	46,800	4,282	8,830	18,460	19,421	6,853	69,626	39,188	5,430	5,257	8,777	14,007	2023	v reside	tructi
	-8.4%	-8.1%	-3.1%	-5.0%	-12.0%	-15.0%	-8.4%	-11.2%	-3.0%	-33.7%	1.0%	0.7%	-15.6%	-6.0%	0.6%	4.1%	-6.5%	-11.6%	-37.3%	-16.9%	-7.0%	-8.0%	%	ntial	on in
	547,728	9,613	412	3,913	2,646	2,642	538,115	47,214	8,587	9,313	24,829	8,993	9,263	26,027	128,551	3,752	163,377	60,475	8,657	16,134	15,878	7,067	2022	reside	dustry
	534,066	9,280	407	4,031	2,064	2,778	524,787	47,529	8,374	8,392	25,450	9,038	9,109	26,860	116,493	3,876	160,926	61,564	8,544	15,327	16,034	7,272	2023	ential rer	/ in W
	-2.5%	-3.5%	-1.0%	3.0%	-22.0%	5.1%	-2.5%	0.7%	-2.5%	-9.9%	2.5%	0.5%	-1.7%	3.2%	-9.4%	3.3%	-1.5%	1.8%	-1.3%	-5.0%	1.0%	2.9%	%	novation	esteri
	288,578	26,244	1,243	15,279	4,616	5,106	262,334	50,495	8,649	9,944	25,721	4,521	7,436	17,040	18,232	8,423	43,105	30,898	8,500	7,690	8,218	13,462	2022	new	ו and
	285,694	26,267	1,228	15,325	4,470	5,243	259,428	50,090	8,638	9,353	26,233	4,585	7,928	17,756	18,872	8,664	41,596	29,720	8,281	6,598	7,989	13,125	2023	non-res	Easte
	-1.0%	0.1%	-1.2%	0.3%	-3.2%	2.7%	-1.1%	-0.8%	-0.1%	-5.9%	2.0%	1.4%	6.6%	4.2%	3.5%	2.9%	-3.5%	-3.8%	-2.6%	-14.2%	-2.8%	-2.5%	%	idential	rn Eur
	260,905	14,082	690	6,171	3,524	3,697	246,823	29,380	10,343	8,437	16,896	2,235	10,123	15,039	42,066	2,808	56,108	31,220	5,339	3,682	9,096	4,051	2022	, Z	ope in
	264,078	14,238	618	6,387	3,277	3,956	249,841	30,638	10,388	8,351	17,319	2,271	9,941	14,858	43,872	2,888	55,266	31,688	5,333	3,645	9,343	4,039	2023	on-reside renovati	milli
	1.2%	1.1%	-10.5%	3.5%	-7.0%	7.0%	1.2%	4.3%	0.4%	-1.0%	2.5%	1.6%	-1.8%	-1.2%	4.3%	2.9%	-1.5%	1.5%	-0.1%	-1.0%	2.7%	-0.3%	%	ential	on EU
	223,312	19,379	1,270	13,121	2,537	2,451	203,933	34,404	4,048	13,741	17,430	3,746	7,934	15,320	15,818	2,382	38,967	23,536	4,886	7,665	7,317	6,738	2022	new	R in 2
	232,547	20,602	1,524	14,237	2,385	2,457	211,945	35,894	4,040	13,096	19,085	3,844	7,420	15,688	20,516	2,438	39,162	23,754	4,567	7,757	7,764	6,920	2023	civil eng	022 a
	4.1%	6.3 %	20.0%	8.5%	-6.0%	0.3%	3.9%	4.3%	-0.2%	-4.7%	9.5%	2.6%	-6.5%	2.4%	29.7%	2.4%	0.5%	0.9%	-6.5%	1.2%	6.1%	2.7%	%	ineering	nd 20
	176,65	14,124	282	5,987	2,624	5,231	162,53	13,979	9,956	5,415	10,603	2,660	4,508	8,192	32,160	1,227	36,956	28,76(1,835	2,668	1,936	1,670	2022	Ω.	23
	7 182,17:	14,471	263	6,334	2,580	5,294	2 167,70) 14,67:	10,05	5,509	3 10,92	2,713	5,109	8,217) 35,068	1,256	3 36,956	5 29,032	1,844	2,689	1,940	1,724	2023	vil renov	
	2 3.1%	. 2.5%	-7.0%	5.8%	-1.6%	1.2%	1 3.2%	3 5.0%	1 1.0%	1.7%	1 3.0%	2.0%	13.3%	0.3%	9.0%	; 2.4%	5 0.0%	2 0.9%	0.5%	1 0.8%	0.2%	. 3.2%	3 %	vation	
								Ŭ	2	~	2	2	0	~	2	5	0	5	0	0	9	5			

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source: Euroconstruct

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* total construction also includes services/construction by other sectors, DIY, black economy



Figure 5.2: Relative share of the different segments in the overall construction market in Europe, 2023

non-residential new 15%

With a decreasing share of 48%, residential construction remains the building sector's main branch in 2023 (50% in 2022). Non-residential buildings rank second, accounting for 29% (stable), while civil engineering projects account for the remaining 23% (21%).

5.1.1 Residential Construction

Rising interest rates and surging construction costs put the brakes on the two-year growth in residential construction in 2023 (-4.9% compared to 2022). This was driven by both Western (-4.8%) and Eastern (-6.7%) European markets with the new residential sub-segment (-8.4%) decreasing more than the renovation sector (-2.5%). In new residential construction, four countries performed especially well in comparison with other countries in 2023: Ireland (+4.1% compared to 2022), Italy (+0.6%), Portugal (+0.7%) and Spain (+1%) thanks to positive order backlogs from the previous year. In the residential renovation sector, the majority of countries registered a drop in activity, except for Austria (+2.9%), Belgium (+1%), Czech Republic (+5.1%), France (+1.8%), Ireland (+3.3%), the Netherlands (+3.2%), Poland (+3%), Portugal (+0.5%), Spain (+2.5%) and the UK (+0.7%), thanks to energy-saving and efficiency projects partly supported by public subsidies.

The forecast calls for a contraction in residential construction in Western Europe (-5.6%) and Eastern Europe (-1.9%) in 2024. Improvement is expected in 2025 in both regions (+0.8% in Western Europe, +3.9% in Eastern Europe) thanks to an assumed drop in interest rates and resuming economic growth affecting positively housing affordability, higher purchasing power of household, income and public

finance. Growth is predicted to continue in 2026 (+1.3%) thanks to the assumed economic recovery from 2025.

All countries in Western Europe except Germany (-1.9%) and Italy (-1.1%) are expected to see their residential construction output remaining at least stable or grow between +0.4% and +8.2% per year for the period of 2025-2026. However, the main constraining factors for residential construction sector are likely to remain relevant: the limited supply of construction areas in some countries (e.g. Germany, Belgium), the sharp increase in construction and development costs exacerbated by tougher energy regulations, high energy costs, limited availability of labour force for residential renovation projects, and this despite an assumed stabilisation in housing prices.

The number of completions of new single and twofamily dwellings increased in 2019 by 3.4% growth before contracting by 7.5% in 2020 due to the economic downturn caused by the COVID-19 pandemic. In 2021, growth above historical averages (+8.1%) was recorded, which slowed in 2022 to 3.2%, before the number of completions decreased by 7.1% in 2023. Euroconstruct anticipates a contraction in the total completion of new single and two-family dwellings for 2024 by 11.6%, before growth is forecast to resume in 2025 (+0.6% compared to 2024), thanks to strong growth in Eastern Europe (+12.8%), offsetting the assumed contraction in Western Europe (-1.9%).

• The United Kingdom is the largest market in this segment, with a 22% market share in 2022 or 173,100 units. Strong housing demand in the UK supported higher completions

Table 5.2: Total residential construction volume in Europe, in million EUR, and annual changes, 2022-2026

Total volume >	c million EUR	% change					
(current prices)	2022	2023*	2024**	2025**	2026**		
Austria	22,253	-4.7	-6.0	-0.5	1.4		
Belgium	25,261	-2.1	-1.0	0.0	1.5		
Denmark	22,445	-7.9	-4.8	3.7	4.5		
Finland	17,311	-19.3	-5.7	9.4	5.8		
France	104,802	-3.8	-1.7	0.3	1.8		
Germany	237,866	-3.1	-4.5	-2.5	-1.3		
Ireland	10,322	3.8	6.1	3.8	3.0		
Italy	147,679	-8.0	-18.2	-1.7	-0.5		
Netherlands	45,682	-0.7	-2.5	1.8	4.6		
Norway	19,729	-9.0	-1.0	10.9	3.6		
Portugal	13,245	0.6	0.7	0.8	1.1		
Spain	71,165	1.5	1.1	0.6	2.3		
Sweden	22,394	-23.8	-17.3	7.2	4.8		
Switzerland	27,817	-2.8	0.6	1.3	1.5		
UK	112,151	-6.2	-4.8	6.8	2.5		
Total Western Europe	900,121	-4.8	-5.6	0.8	1.2		
Czech Republic	9,786	-9.6	-1.2	6.2	10.1		
Hungary	5,085	-17.2	-3.6	4.0	5.5		
Poland	21,477	-3.1	-2.0	3.0	1.5		
Slovak Republic	1,429	-2.6	-0.3	3.3	5.6		
Total Eastern Europe	37,776	-6.7	-1.9	3.9	4.4		
Total Europe	937,897	-4.9	-5.4	1.0	1.3		

* estimates

** forecasts

Source: Euroconstruct

of single and two-family dwellings in 2021 (+23% compared to 2020), which moderated to 1.3% in 2022. A relatively healthy growth of 4.4%, which is expected during 2024-2026 (+4.4% annually), is unlikely to offset a decrease experienced in 2023 (-17%) in the UK market.

• The second largest market for finished single and twofamily dwellings in Europe is France, with a 19% market share in 2022, namely 155,400 units. After a moderate growth of 3.1% per year during 2022-2023, the completion of single and two-family dwellings is expected to post a sharp decrease by 13% annually during 2024-2025 before growing again by 3.9% in 2026 in France.

• Germany is the third largest market in this segment with a 13% market share in 2022 or 100,000 of finished single



Total volume x 1	.,000 dwellings	% change						
	2022	2023*	2024**	2025**	2026**			
Austria	19.5	-5.1	-10.4	-3.8	-1.2			
Belgium	27.4	-7.5	-10.1	-1.3	-0.1			
Denmark	11.4	-25.4	-27.1	3.2	20.3			
Finland	7.8	-29.5	-23.6	19.0	26.0			
France	155.4	3.2	-18.2	-8.4	3.9			
Germany	100.0	-10.0	-22.2	-14.3	-8.3			
Ireland	20.6	6.1	7.1	2.3	0.4			
Italy	33.2	4.0	-2.7	-3.0	-3.5			
Netherlands	33.1	2.7	-20.6	0.0	7.4			
Norway	8.5	-12.9	1.6	22.1	8.5			
Portugal	8.2	3.0	3.0	3.0	3.0			
Spain	21.3	-1.4	0.0	4.8	-2.3			
Sweden	20.2	-25.3	-40.9	14.4	8.8			
Switzerland	5.1	-3.1	0.3	1.0	1.2			
UK	173.1	-17.0	3.4	4.8	5.0			
Western Europe	644.8	-7.1	-10.8	-1.9	2.4			
Czech Republic	21.3	-4.6	-18.7	0.0	6.7			
Hungary	10.2	-16.7	-5.9	-6.3	6.7			
Poland	90.8	-5.8	-18.1	18.6	6.0			
Slovak Republic	14.2	-11.0	1.6	9.4	3.6			
Eastern Europe	136.4	-7.0	-15.4	12.8	5.9			
Total Europe	781.2	-7.1	-11.6	0.6	3.0			

Table 5.3: Finished single and two-family dwellings forecasts for Western and Eastern European countries x 1,000 dwellings and annual changes (%), 2022-2026

* estimate

** forecast

Source: Euroconstruct

and two-family dwellings, which was already in decline for the last several years prior to the corona induced economic crisis. Limited availability of lands, high construction costs and stringent legislation are likely to continue affecting negatively the completion of single and two-family dwellings in Germany. Although remaining an important market, finished single and two-family homes are expected to have a limited effect on the wood-based panel consumption in the next years due to flat growth.

Table 5.4: Finished flats forecast for Western and Eastern European countries x 1,000 dwellings and annual changes (%), 2022-2026

Total volume x 1	.,000 dwellings	% change						
	2022	2023*	2024**	2025**	2026**			
Austria	42.7	-12.8	-12.3	-6.4	0.2			
Belgium	29.6	-10.6	-6.9	-1.5	-0.1			
Denmark	28.5	-14.4	-20.9	-5.7	3.8			
Finland	33.6	-16.7	-46.4	13.3	29.4			
France	220.3	0.3	-10.5	-10.9	-2.5			
Germany	195.3	-7.8	-13.9	-12.9	-11.1			
Ireland	9.1	0.0	9.8	10.0	9.1			
Italy	62.8	5.8	-0.4	-5.2	-5.9			
Netherlands	41.3	-0.7	9.8	-2.2	-2.3			
Norway	19.5	9.9	-24.5	3.6	20.3			
Portugal	12.0	3.0	3.0	3.0	3.0			
Spain	67.8	1.8	7.2	5.4	0.6			
Sweden	52.0	3.8	-50.5	-14.2	10.6			
Switzerland	38.1	-2.6	0.8	1.5	1.7			
UK	34.5	-13.3	-5.1	4.7	5.1			
Western Europe	887.2	-3.4	-11.3	-5.7	-1.2			
Czech Republic	18.1	-3.9	-15.5	-4.1	9.2			
Hungary	10.3	1.5	-14.3	-22.2	7.1			
Poland	147.8	-1.9	-20.7	4.3	5.0			
Slovak Republic	6.1	12.3	1.5	5.8	4.1			
Eastern Europe	182.3	-1.4	-19.0	1.9	5.5			
Total Europe	1,069.5	-3.0	-12.6	-4.5	0.0			

* estimate

** forecast

Source: Euroconstruct

The completion of flats experienced a lower contraction in 2020 compared to finished single and two-family dwelling because of the pandemic crisis at -3.3% compared to the previous year. The growth of finished flats resumed in 2021-2022 (+2.2% per year) mainly thanks to high completions in Western Europe (+2.8%). At the same time, its estimated contraction in 2023 looks more moderate (-3%) compared to low rise dwellings. The outlook calls for finished flats to contract in Europe by 5.7% per year in 2024-2026 in association with a slump in residential construction driven by the saturated flats market in all countries, except for Ireland (+9.6% per year), the Netherlands (+1.8%), Portugal (+3%), Slovak Republic (+3.8%), Spain (+4.4%), Switzerland (+1.3%) and the UK (+1.6%). France, Germany and Poland are the largest markets for finished flats with a market share of 21%, 18% and 14% respectively in 2022. Among these top-3 countries, only Poland is expected to register a renewed growth (+4.7% per year during 2025-2026) thanks to government support in social housing construction.



Table 5.5: Housing starts forecast for Western and Eastern European countriesx 1,000 dwellings and annual changes (%), 2022-2026

Total volume x 1	.,000 dwellings	% change						
	2022	2023*	2024**	2025**	2026**			
Austria	50.9	-17.8	-4.5	4.6	3.6			
Belgium	52.8	-9.7	-1.9	-0.4	0.9			
Denmark	33.9	-27.7	-0.8	7.0	21.2			
Finland	35.5	-46.8	18.0	23.8	11.6			
France	369.7	-15.7	-7.5	4.4	2.1			
Germany	263.3	-20.3	-17.4	-7.5	-3.9			
Ireland	27.0	16.9	11.1	2.9	5.6			
Italy	96.8	-3.5	-5.1	0.2	0.1			
Netherlands	79.3	-16.6	10.4	6.4	2.6			
Norway	29.8	-29.6	23.8	19.2	-6.5			
Portugal	24.6	2.5	1.0	1.0	1.0			
Spain	108.9	-8.2	-10.0	11.1	5.0			
Sweden	62.0	-54.4	7.3	12.4	18.2			
Switzerland	42.4	0.3	1.4	1.6	1.6			
UK	200.8	-19.2	4.0	6.7	7.6			
Western Europe	1,477.8	-17.1	-4.0	3.8	3.2			
Czech Republic	42.2	-21.4	-1.2	5.5	10.1			
Hungary	46.2	-45.8	23.8	-21.3	13.8			
Poland	200.3	-13.1	10.3	6.8	9.8			
Slovak Republic	20.9	-28.2	2.7	14.9	7.3			
Eastern Europe	309.6	-20.1	9.7	3.9	10.0			
Total Europe	1,787.4	-17.6	-1.7	3.8	4.4			

* estimates

** forecasts

Source: Euroconstruct

Housing starts, which includes both flats and individual houses, already experienced a downward trend in 2019 (thus before the COVID pandemic) in Western Europe (-2% compared to the previous year) and a further reduction registered in 2020 (-4%). In the Euroconstruct region, after remaining stable in 2019 thanks to a continued strong growth in Eastern Europe (+8%), housing starts also dropped by 11% in that sub-region in 2020. However, the progressive lifting of restrictive COVID measures in Europe during 2021 helped housing starts to rebound in Western

(+8%) and Eastern Europe (+26%) with combined levels reaching more than 1.9 million units (+11% compared to 2020). This was though short-lived as housing starts contracted again in 2022-2023 (-17.6% in 2023 compared to 2022) due to the energy crisis, supply chain issues and rising construction costs.

Housing starts are forecast to moderate its drop in 2024 (-1.7%) due to the lag effect of the input cost inflation. Growth in housing starts is forecast to resume in 2025-2026

Table 5.6: Housing permits forecast for Western and Eastern European countries x 1,000 dwellings and annual changes (%), 2022-2026

Total volume x 1	.,000 dwellings	% change						
	2022	2023*	2024**	2025**	2026**			
Austria	46.9	-12.4	4.5	4.7	2.6			
Belgium	51.0	-6.7	-1.7	0.0	0.9			
Denmark	27.8	-11.9	2.4	15.9	8.9			
Finland	37.3	-43.4	10.4	24.5	12.4			
France	497.2	-23.8	-1.1	2.7	1.1			
Germany	354.2	-28.0	-11.8	-8.9	-4.9			
Ireland	34.2	3.1	5.0	2.7	2.6			
Italy	99.2	-5.8	-4.1	0.2	0.3			
Netherlands	76.6	-13.8	10.6	6.8	2.6			
Norway	29.6	-19.3	21.5	1.7	-3.3			
Portugal	30.2	2.5	1.0	1.0	1.0			
Spain	88.6	-8.2	-10.0	11.1	5.0			
Sweden	63.7	-52.0	9.5	18.5	0.4			
Switzerland	50.1	0.7	1.5	1.6	1.8			
UK	270.0	-27.0	11.1	5.0	6.6			
Western Europe	1,756.6	-21.6	-0.2	2.6	1.8			
Czech Republic	32.0	-17.2	3.8	18.5	5.2			
Hungary	35.0	-42.9	30.0	-11.5	8.7			
Poland	297.4	-14.9	-0.4	3.8	4.4			
Slovak Republic	19.2	-21.4	1.3	7.2	6.7			
Eastern Europe	383.6	-18.0	2.0	4.0	4.9			
Total Europe	2,140.2	-21.0	0.2	2.8	2.4			

* estimates

** forecasts

Source: Euroconstruct

(+4.1% annually) in association with a better economic outlook. Nevertheless, the levels of housing starts are likely to remain below the pre-pandemic levels by nearly 277,000 dwellings by the end of 2026.

Housing starts do represent a medium-term forecast for housing completions, while housing permits provide a long-term outlook for housing completions. According to Euroconstruct, the total number of housing permits in 19 countries reached over 2.1 million units in 2022, with 82% coming from Western Europe. Increasing input costs and rising interest rates led to a sharp decrease in new housing permits by construction developers by 21% in 2023. After expected stabilisation of housing permits in 2024, the expected trend for 2025-2026 (2.6% per year) is very similar to the one for housing starts. Still, housing permits are likely to remain below the pre-pandemic levels of 2019 levels by the end of 2026 due to current slump, which suggests that the long-term outlook for the European residential construction sector seems to be neutral.



Figure 5.3: Relative share of Western and Eastern European countries in the overall residential construction market, 2023

According to Euroconstruct, Germany represented nearly 26% of the overall residential construction market in Europe in 2023, followed by Italy (15.2%), the UK (11.8%), France (11.3%) and Spain (8.1%). Together, those five countries represented 72.3% of the overall residential construction market in Europe in 2023. The other European countries held a share of maximum 5.1%.

European households enjoyed a good access to credit and low interest rates for more than a decade. In some countries, they even benefitted from state support in the form of various programmes to encourage access to housing. The phasing out of such programmes as well as rising interest rates due to rising inflation affect the outlook for the residential construction. At the same time, a stabilisation in housing prices can support some positive signals for investments, reducing the saturation of residential construction markets in some countries. After contracting by 4.9% in 2023 and by 5.4% in 2024, residential construction is predicted to increase again by 1.1% per year in 2025-2026. It will likely take several more years before the output in residential construction reaches 2021-2022 levels.



5.1.2. Non-Residential Construction

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Table 5.7: Total non-residential construction volume in Europe and annual changes (%), 2022-2026

Total volume x million EUR		% change			
(current prices)	2022	2023*	2024**	2025**	2026**
Austria	17,493	-2.1	-3.7	1.7	3.9
Belgium	17,201	0.0	-0.2	1.1	1.2
Denmark	11,348	-9.7	-11.8	6.1	5.3
Finland	13,853	-1.6	4.2	-1.7	-0.4
France	62,140	-1.2	-0.3	1.6	1.0
Germany	99,215	-2.4	0.1	0.9	-0.1
Ireland	11,231	2.9	2.6	-0.1	1.5
Italy	60,301	4.1	2.5	1.2	1.7
Netherlands	32,076	1.6	-3.2	-1.4	1.5
Norway	17,556	1.8	-2.5	6.5	0.8
Portugal	6,743	1.5	2.1	2.1	2.2
Spain	42,615	2.2	0.2	1.2	1.3
Sweden	18,381	-3.7	-0.3	4.2	0.9
Switzerland	18,993	0.2	1.4	2.3	1.2
UK	79,774	1.0	-0.3	2.7	2.4
Total Western Europe	508,919	0.0	-0.1	1.6	1.3
Czech Republic	8,803	4.5	1.1	3.9	3.9
Hungary	8,140	-4.8	-4.8	2.7	2.8
Poland	22,002	1.0	3.0	2.4	2.5
Slovak Republic	1,963	-5.5	6.3	3.8	2.7
Total Eastern Europe	40,908	0.3	1.3	2.9	2.9
Total Europe	549,827	0.0	0.0	1.7	1.4

* estimates

** forecasts

Source: Euroconstruct

After posting an average annual growth of 2.5% during 2016-2019, the non-residential construction segment contracted sharply by 8.2% in 2020 due to consequences of combatting the COVID pandemic before resuming its growth in 2021-2022 (+2% per year). In 2023, the growth came to halt, although the output stabilised at 2022 levels in association with the economic downtime and effects of energy crisis. New nonresidential construction (-1%) contracted, whereas nonresidential renovation segment posted mild growth (+1.2%). The Euroconstruct forecast suggests that the growth in non-residential construction is not expected to resume until 2025, associated with improved economic outlook. There is a downside risk to the forecast of 2.6% annual growth during 2025-2026 coming from the current geopolitical situation and potential disruption in supply chains affecting negatively the profitability of companies including those outside the construction sector.



Figure 5.4: Relative share of Western and Eastern European countries in the overall non-residential construction market, 2023

According to Euroconstruct, Germany represented nearly 18% of the overall non-residential construction market in Europe in 2023, followed by the UK (14.7%), Italy (11.4%), France (11.2%) and Spain (7.9%). Together, those five countries represented 62.8% of the overall non-residential construction market in Europe in 2023. The other European countries held a share of maximum 5.9%.

All sub-sectors of the new non-residential construction are forecast to post a mixed development in 2024 due to an

Table 5.8: Non-Residential Construction in Europe* by Sector x in million EUR and annual changes (%), 2022-2026

Total volume x million EUR		% change				
(current prices)	2022	2023*	2024**	2025**	2026**	
New commercial buildings	52,075	-3.7	-1.5	2.4	2.4	
New office buildings	55,250	-2.6	-2.6	0.9	1.8	
New buildings for education	32,941	-0.2	0.6	1.6	2.3	
Other New buildings****	148,312	0.4	-1.0	1.9	1.4	
Renovation of non- residential buildings	260,905	1.2	1.2	1.6	1.1	
Total Europe - Non-Residential Construction	549,483	0.0	0.0	1.7	1.4	

* 19 countries covered by Euroconstruct

** estimates

*** forecasts

*** includes industrial and agricultural buildings, storage facilities and buildings for health and other miscelleanous buildings Source: Euroconstruct

uncertain economic situation. Only renovation of existing non-residential buildings and new buildings for education are predicted to keep on growing. In 2025-2026, all sectors of non-residential construction are expected to grow again from 0.9% to 2.4% depending on the sectors, with average annual growth of 1.6%.

New commercial construction suffered the most during 2020 (-14.8% compared to 2019) also due to an increasing

shift to e-commerce affecting negatively the investments in the retail sales sector. The situation did not improve during post-covid period of 2021-2022 and the output in this sub-sector of non-residential construction contracted by another 2.6% annually with a decrease accelerating to 3.7% in 2023. Although being still affected by the shift in retail sales, which in combination with deteriorating economic outlook, this segment is not expected to grow until 2025-2026 (+2.4% annually).

Table 5.9: New Commercial Buildings Construction in Europe x in million EUR and annual changes (%), 2022-2026

Total volume >	cmillion EUR	% change			
(current prices)	2022	2023*	2024**	2025**	2026**
Austria	4,234	-3.4	-4.8	1.3	4.0
Belgium	1,992	3.7	2.1	0.7	3.2
Denmark	1,850	-12.3	-36.6	3.5	10.9
Finland	1,059	-25.6	23.9	13.6	5.0
France	3,571	-10.2	-4.2	1.2	1.1
Germany	3,040	-5.0	0.5	2.5	0.5
Ireland	387	3.3	3.2	2.3	2.8
Italy	4,643	1.4	1.5	1.8	1.5
Netherlands	2,658	4.0	0.2	1.9	2.7
Norway	1,560	-5.6	2.4	15.6	-0.8
Portugal	1,179	0.7	2.5	2.0	2.0
Spain	5,810	0.0	-2.5	-0.5	1.0
Sweden	668	-21.6	-12.5	25.8	20.3
Switzerland	1,232	-1.8	-0.6	0.2	0.3
UK	13,654	-3.3	-1.9	2.7	2.5
Total Western Europe	47,536	-3.4	-2.2	2.7	2.5
Czech Republic	905	-0.2	18.4	6.2	-0.5
Hungary	231	-6.0	-3.0	-2.0	-2.0
Poland	3,175	-9.5	1.9	-2.3	2.4
Slovak Republic	228	-3.5	0.0	-2.3	0.0
Total Eastern Europe	4,539	-7.2	5.1	-0.2	1.3
Total Europe	52,075	-3.7	-1.5	2.4	2.4

* estimates

** forecasts

Source: Euroconstruct

In the new office construction segment, the output did not pick up after lifting entirely anti-covid measures in 2021-2022, despite a return to the office work. In 2023, the downward trend was again registered in this segment with a drop by 2.6% compared to 2022. Last year, some countries registered a significant double-digit growth thanks to several conversion projects from residential to office buildings: Finland (+30%), Norway (+37%) and Sweden (+14%), while the largest new office construction market (24% of market share in the Euroconstruct region), the UK, posted a mild drop of 1.2%. Going forward, growth in new office construction investment is predicted to continue decreasing in 2024 by another 2.6%, given by the deteriorating economic outlook. The growth is forecast to resume in 2025-2026 mildly by 1.3% annually as economy is assumed to resume growing. Further growth is limited by the structural shift to teleworking throughout Europe. Eastern Europe is likely to post a relatively stronger growth of investments in new office construction in the future with nearly 5% annual growth, while Western Europe is expected to register a more sedate growth of 1.1%. Regarding

Table 5.10: New Office Buildings Construction in Europe x in million EUR and annual changes (%), 2022-2026

Total volume x million EUR		% change			
(current prices)	2022	2023*	2024**	2025**	2026**
Austria	3,262	-3.7	-5.4	2.2	5.5
Belgium	993	-1.0	-3.8	-2.0	-3.8
Denmark	1,220	-7.5	-33.7	-0.8	18.6
Finland	501	30.0	2.0	-11.0	-2.2
France	9,078	-9.3	-3.5	1.0	1.0
Germany	10,130	-5.5	-3.0	2.0	2.0
Ireland	2,987	4.0	0.0	-10.0	-5.0
Italy	1,821	2.4	7.0	-0.4	0.0
Netherlands	953	-1.6	-8.0	2.2	10.0
Norway	838	37.1	-16.4	13.3	0.3
Portugal	605	1.6	1.9	2.4	2.5
Spain	2,840	-5.0	-4.0	1.0	2.5
Sweden	1,222	14.0	3.5	-6.2	-12.4
Switzerland	1,906	-2.3	-1.1	-0.3	-0.2
UK	13,422	-1.2	-0.1	2.6	2.5
Total Western Europe	51,779	-2.3	-2.7	0.7	1.5
Czech Republic	831	-11.1	-9.1	8.1	13.8
Hungary	673	-8.0	-6.0	2.0	3.0
Poland	1,755	-5.4	2.9	3.0	4.7
Slovak Republic	212	-5.2	-3.0	-2.6	2.6
Total Eastern Europe	3,471	-7.3	-1.9	3.6	6.3
Total Europe	55,250	-2.6	-2.6	0.9	1.8

* estimates

** forecasts

Source: Euroconstruct
the new commercial construction sector, the downside risk stems from a lower economic growth due to the current geopolitical situation, potential supply chain issues and increasing construction costs.

Improvement in public finance in European countries following a sustained economic growth, contributed to a 3.2% annual growth in new buildings construction for education in 2019, the last year of growth. Higher investments in this segment of the construction sector is forecast to resume from 2024 with both Eastern and Western Europe contributing to this performance (+1.5% annually during 2024-2026). In Western Europe, the growth will likely be particularly high in Italy, partlythanks to EUfunded projects in universities, high schools and research centers (+17% per year). At the same time, the UK (+2.5%) will likely contribute the most to European growth thanks to its share of 33% in new buildings construction for education in 19 countries covered by Euroconstruct. All other countries are expected to contribute to this growth

Table 5.11: New Buildings Construction for Education in Europe x in million EUR and annual changes (%), 2022-2026

Total volume x	million EUR		% ch	ange	
(current prices)	2022	2023*	2024**	2025**	2026**
Austria	1,233	1.1	0.0	2.1	3.1
Belgium	989	4.2	4.1	4.1	4.0
Denmark	740	-9.9	-31.0	28.0	7.3
Finland	1,393	11.2	8.6	-23.7	-10.3
France	3,544	-4.5	0.2	1.1	1.0
Germany	4,290	0.0	-2.5	-1.0	1.0
Ireland	384	-15.1	3.1	4.3	5.3
Italy	866	25.5	15.1	17.7	17.6
Netherlands	1,245	13.9	0.2	-8.2	5.5
Norway	1,015	36.0	0.1	6.3	-1.1
Portugal	619	0.4	0.4	1.3	1.5
Spain	1,060	2.5	1.5	2.0	1.5
Sweden	1,261	5.8	-6.8	-4.5	1.5
Switzerland	1,078	4.0	3.0	3.0	2.0
UK	10,711	-7.6	0.8	4.2	2.5
Total Western Europe	30,428	0.0	0.3	1.4	2.4
Czech Republic	462	1.3	7.1	6.8	-1.5
Hungary	307	-13.0	-8.0	7.0	9.0
Poland	1,654	-3.5	5.3	3.2	1.0
Slovak Republic	90	11.0	25.1	4.0	7.3
Total Eastern Europe	2,513	-3.3	5.0	4.3	1.6
Total Europe	32,941	-0.2	0.6	1.6	2.3

* estimates

** forecasts

Source: Euroconstruct

except for Finland (-8.5% annually during 2024-2026), Germany (-0.8%), the Netherlands (-0.8%) and Sweden (-3.3%).

5.1.3. Civil Engineering Construction

In 2023, civil engineering construction was the only sector, which experienced a growth (+3.7%) relatively to non-residential building sector (+0.1%) and housing construction (-4.9%) thanks to the continued investments from the public sector. Both new (+4.1%) and renovation segments (+3.1%) contributed to this performance.

In Western Europe, most countries covered by Euroconstruct registered a growth in total civil engineering construction in 2023, with Belgium (+4.9%), Italy (+16%), Spain (+7%), and the UK (+4.5%), posting an above-average growth. In Eastern Europe, only Hungary (-3.8%) registered a drop in its civil engineering construction partly due to a temporary halt of the EU funds.

In 2024-2026, the outlook for civil engineering construction is positive in Europe with an average growth of 2.4% per year, slightly lower than the annual average growth registered during the 2017-2022 period (+2.7%).



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5.2 Market share of wood as a building material in the construction market across many European countries

Wood as a building material is already well-established in North America and in Japan. It is increasingly becoming a material of choice even across Europe. Below we provide a comprehensive country-by-country overview of the situation in various European countries where data was available.



France

	20	20	2022		
	Réalisations en bois	Parts de marché	Réalisations en bois	Parts de marché	
Maison individuelle totale	12 930	9,3%	11 450	7,3%	
dont secteur diffus	9800	9,3 %	9650	8%	
dont secteur groupé	3 1 3 0	9,2 %	1 800	5%	
Logement collectif	9570	4,6%	10750	5,3%	
Total logements	22 500	6,5 %	22 200	6,2 %	
Extension-surélévation	10340	30,5 %	11 300	28%	

https://franceboisforet.fr/2023/09/21/un-marchede-la-construction-bois-qui-tire-son-epingle-du-jeu/

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	2020		2022		
	Surfaces réalisées en structure bois (m ²)	Parts de marché	Surfaces réalisées en structure bois (m ²)	Parts de marché	
Bâtiments tertiaires privés et publics	905 000	10,9 %	1 170 000	13,1%	
Bâtiments agricoles	1310000	23,7%	1 220 000	27,3%	
Bâtiments industriels et artisanaux	686 000	20,3 %	720000	23,5%	
Bâtiments de santé	n.c.	n.c.	112000	9,8%	
Total non résidentiels	2 901 000	16,8%	3222000	18,3 %	

Driven by a dynamic construction sector, the turnover of companies specializing in wood construction reached 4.6 billion euros in 2022, up +14% compared to 2020 (in value) and +5% in volume. This increase is mainly attributable to the evolution of the non-residential buildings market. Market shares for wood construction are increasing in almost all segments of this market (tertiary, industrial, agricultural). In 2022, 18.3% of non-residential buildings were built entirely or partly in wood, compared to 16.8% in 2020. Conversely, the market shares of wood in new construction are declining in most other segments. Last year, only 6.2% of new housing included a wooden structure, compared to 6.5% two years previously. In detail, 9,650 individual houses in the diffuse sector were built in wood (-2%), 1,800 houses in the grouped sector (-43%) and 10,750 collective dwellings (+12%). Small exception to the rule: collective housing. The construction of buildings of more than three floors is supported by regional programs but also, in île-de-France, by the creation of eco-neighborhoods to accommodate athletes from the 2024 Olympic and Paralympic Games

Germany

21.3% of new approved wooden residential buildings in 2022 were built at federal level by using predominantly wood as building material (2007: 13.2%). This share keeps growing every year. Big differences at regional level: see below.





https://www.holzbau-deutschland.de/fileadmin/ user_upload/eingebundene_Downloads/ Lagebericht_2022.pdf

Italy

The current market share of wooden residential homes in Italy is 2.8%, that of buildings is 8.5%: for every 12 buildings built in Italy,

one is made of wood. It is evidently still a niche market, which however is growing significantly and much faster than construction types that use other materials.

https://www.promolegno.com

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Sweden strongly promotes wooden construction and aims to increase its share of multifamily houses. Local authorities and municipalities have their own plans for reducing the environmental impact of CO, emissions from the building sector, which directly leads to the use of more wood in the structural elements of new buildings. About 84% of detached houses in Sweden use prefabricated timber elements. Today, approximately 20% of the new multistory apartment buildings are made of wood in terms of the structural weight-bearing system. This figure is increasing, not least due to new local strategy plans in various places throughout Sweden. Already, there are successful buildings, demonstrating that it is possible to build high-rise buildings in urban areas that are made only from wood. One recently finished project is Cedar House in the city center of Stockholm, which comprises 236 dwellings in four adjacent buildings of 12 stories. A considerable number of lightweight beam buildings have also been constructed, showing even lower environmental impact as they consumed less material; this implies better efficiency concerning the resources used.

Figure 6. Dwellings in newly constructed conventional multi-dwelling buildings, total and with wood frame. Year 1995-2021.



https://www.researchgate.net/ publication/359773398_The_Future_of_Wood_ Construction_Opportunities_and_Barriers_Based_ on_Surveys_in_Europe_and_Chile and https://unece.org/sites/default/files/2022-10/ sweden-country-market-statement-2023.pdf

https://unece.org/sites/default/files/2022-11/ switzerland-country-market-statement-2023.pdf

https://www.woodcampus.co.uk

In 2022, the share of wood used in support structures for residential buildings above three units stood at 9.3%, for hospitals, other buildings in the healthcare sector and care homes at 15.5%, for industrial buildings at 16.0%, for commercial and administration buildings at 17.3%, for residential buildings of up to two units at 18.9%, for teaching and education buildings at 22.2%, for sport and leisure facility buildings at 22.6% and for agricultural buildings at 35.6% (the highest of all). The share stood at 15.6% across all building categories in 2022. Based on housing starts, the structural timber industry enjoys a 22% market share of the UK housing market, but England still lags badly when compared with the 90% in Scotland, albeit from a lower volume base point

UK

Switzerland

Based on housing starts, the structural timber industry enjoys a 22% market share of the UK housing market, but England still lags badly when compared with the 90% in Scotland, albeit from a lower volume base point





Special Focus: European Parquet market update

EOS expresses its gratitude to Isabelle Brose, Managing Director to the European Parquet Federation (FEP), for her contribution to this Chapter

2022-2024 – From resilience to significant drop or when the European parquet market mirrors construction activity

After a good year 2022 which consolidated the level reached during the booming 2021, the European parquet market experienced a significant drop of 30% in 2023, echoing the collapse in construction activity

The European parquet market showed resilience in 2022

While a significant decrease in parquet consumption was expected for 2022 as a whole, consolidated figures depict a moderate decline by 2.8% and the second highest level of consumption of the last 10 years.

After a booming year in 2021 (+8%), the European consumption of parquet fell by almost 3% in 2022, especially during the second part of the year. Most of the countries report decreases in consumption but not the main European market – Germany – which still progressed in 2022.

With staggering energy bills and inflation, consumers' confidence was very low, meaning less spendings which were focused on essential needs. If consumers were still investing in buildings, it was more for insulation than interior design. Additionally, renovation works began during the covid started to reach an end.

The **production** in FEP territory decreased by 4.69% in 2022 and fell to 78 million square meter. The European production outside FEP countries is at an estimated 14.3 million square meters – 7.3 million square meters produced in EU countries and 7.0 million square meters in European non-EU countries.



Parquet production in Europe

	FEP Countries		Non-FEP countries in Europe (**)	Total	
	000 m²	+ / - %	000 m²	000 m²	+ / - %
2012	66,570	-4.43%	7,000	73,570	
2013	66,077	-0.74%	10,000	76,077	3.41%
2014	64,407	-2.53%	13,500	77,907	2.41%
2015	65,842	2.23%	14,600	80,442	3.25%
2016 (*)	74,749	13.53%	14,500	89,249	10.95%
2017	76,840	2.80%	14,500	91,340	2.34%
2018	76,601	-0.31%	14,800	91,401	0.07%
2019	75,728	-1.14%	14,200	89,928	-1.61%
2020	77,274	2.04%	13,500	90,774	0.94%
2021	81,851	5.92%	15,300	97,151	7.03%
2022	78,012	-4.69%	14,300	92,312	-4.98%

(*) As of 2016, figures are covering all European FEP countries – data for Croatia, Estonia & Portugal have been added.

 $(^{\star\star})$ Best estimates according to information received from FEP affiliates

Taking into account the total production in Europe (FEP countries + non-FEP countries in Europe) implies that production in 2022 dropped by almost 5% to 92 million m².





	Production development 2022/2021	Consumption development 2022/2021
AT	0.61%	-11.98%
BE	-30.04%	-12.01%
СН	-14.18%	-0.53%
CZ	0.00%	-2.95%
DE	-10.91%	7.84%
EE	13.07%	15.60%
ES	-10.26%	-8.46%
FR	-7.59%	-10.78%
HR	9.76%	61.05%
HU	-11.02%	-20.04%
IT	-5.22%	-1.16%
NL	-31.38%	-23.16%
PL	4.45%	-11.00%
PT	9.09%	4.00%
RO	8.20%	-5.01%
Scandinavia	-16.45%	-10.52%
DK/FIN/NO	-9.81%	-8.00%
SE	-17.52%	-12.31%
FEP	-4.69%	-2.80%

Consumption in FEP area fell as well by -2.80%, which is significantly less dramatic than what was forecast. Consumption reached 87,116,000 m².

The 2022 total parquet **production per type** remains similar to the picture already presented from 2010 onwards, whereby multilayer comes in first with 83% (compared to 83% in 2021), being followed by solid (including lamparquet) at 15% (compared to 15% in 2021) and mosaic with a stable 2% of the total cake.

Production per type - 2022



In absolute **production** figures by country, Poland reinforces its top position at 17.76%. Austria with 13.85% takes the second place on the podium from Sweden (12.57%). Germany comes in as fourth (9.38%).

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In terms of **consumption** per country, Germany consolidates its first position with 22.40%. Italy at 11.27% and France at 9.20% are ahead of Sweden (9.08%). Switzerland (7.50%) takes the fifth position from Austria (6.89%), which is followed by the Nordic Cluster (6.76%) and Spain (6.01%).



Total FEP Consumption Percentages for 2022

As regards the per capita parquet consumption, Austria, Switzerland, Estonia, Croatia, and Sweden lead the ranking. In the total FEP area, the consumption per inhabitant falls slightly from 0.21 m² in 2021 to 0.20 m² in 2022.



The usage of wood species in 2022 as shown on the below graph indicates that the share of oak increases slightly to 82.1% compared to 81.9% in 2021. Tropical wood species represent 2.0% of used wood (although the category "other" at 3.2% could, partly, be added to tropical wood). Ash and beech are still the two other most common chosen species with 5.3% and 2.5% respectively.

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First prognosis for 2023

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Based on information obtained from its members - companies and national associations - FEP estimates that the overall consumption figures on the European parquet market for the year 2023 are down by 30% compared to 2022 which was a good year. This evaluation should be considered as a preliminary forecast subject to variations, in anticipation of the complete data which will be communicated in June 2024 during the FEP General Assembly in Vienna.

After a successful 2022, during which European consumption of parquet maintained the level reached during the booming year 2021, parquet consumption decreased in all European markets in 2023, reflecting the decline in construction activity, high interest rates and lack of consumer confidence.

Outlook for 2024

The year 2024 is expected to be stable with a low level of consumption - the sector seems to have reached a bottom where it could remain for some time. The destocking has ended and speculation is therefore no longer observed but real consumption. The awaited drop in interest rates should support confidence and purchasing power. It should be noted that consumers can rely on the European parquet industry in a context of successive crisis (Covid, wars, Red Sea, etc.). Delivery times in the European parquet industry have returned to pre-Covid level.





Special Focus: Wood-based panels industry in 2022

EOS expresses its gratitude to Orifjon Abidov, Senior Economist to the European Panel Federation (EPF), for his contribution to this Special Focus

General overview

The energy crunch in Europe, its consequences on the consumer confidence and the general economic situation led to a decrease of the total wood-based panels production in EPF countries for the whole year 2022. Output reached nearly 59.8 million m³ or 8% lower than the figures of 2021. The apparent consumption of wood-based panels followed a similar trend (-7% compared to 2021) and amounted to nearly 60.8 million m³. With this, EPF countries registered a soaring trade deficit position in the wood-based panels



markets from 440,000 m³ in 2021 to more than 1 million m³ in 2022. This net import position was essentially driven by the plywood segment, which offset the net export position in other wood-based panels sectors such as particleboard, MDF, OSB and fibreboard. Another driver for this larger trade deficit was a higher contraction of exports over imports in PB, MDF and OSB segments in 2022 compared to 2021. Within the plywood segment, the share of extra-EU imports in the European plywood sector continued to be above 60% of plywood apparent consumption in 2022.

	2018	2019	2020	2021	2022	22/21
Production	61.011	60.021	58.911	64.801	59.773	-8%
Net Imports ¹	383	740	397	440	1.010	129%
Apparent Consumption ²	61.395	60.760	59.308	65.241	60.783	-7%

Key figures of the Wood-based Panel* industry in EPF countries x 1,000 m³, 2018-2022

* includes particleboard, MDF, OSB, hardboard, softboard and plywood

¹ negative net imports means net exports

² for hardboard and softboard, production is considered

Production

The production of all wood-based panels (WBP) decreased in 2022 in EPF countries with all panel types contributing to this development. The above-average decline was registered, especially in MDF (-9%), OSB (-11%) and softboard (-9%). With the share in total WBP production of 53% and 21% respectively, particleboard and MDF posted the largest decrease in absolute terms, 2.4 million m³ and 1.3 million m³ in 2022. OSB with a 11% share contributed with nearly 800,000 m³ of lower volumes, followed by softboard (-502,000 m³), which had a stable share of 9% in 2022. Finally, plywood (5% of share in 2022) and hardboard (1% of share) contributed with 80,000 m³ and 23,000 m³ of less volumes respectively.

Production, 1,000 m ³	2018	2019	2020	2021	2022	22/21
Particleboard	31.948	32.096	30.691	34.474	32.103	-7%
MDF	13.304	12.958	12.785	13.775	12.497	-9%
OSB	6.819	6.740	7.082	7.210	6.437	-11%
Hardboard	550	514	513	526	502	-4%
Softboard	5.184	4.738	5.008	5.639	5.137	-9%
Plywood	3.206	2.974	2.832	3.178	3.097	-3%
Total wood-based panels	61.011	60.021	58.911	64.801	59.773	-8%

Overview of Wood-Based Panels Production in EPF countries in 2018-2022

Share of wood-based panels production by type in EPF countries in 2022



Applications

Declining consumer confidence in the second half of 2022 due to soaring energy costs led to lower demand for furniture, including the kitchen segment, the usage of wood-based panels in this end-use decreased from 49% in 2021 to 48% in 2022. The furniture industry remained the largest end-user of wood-based panels in EPF countries. The building industry, including doors and flooring applications, accounted for a stable share of 38% of the overall wood-based panels production. The remaining 3% (stable compared to 2021) and 11% of the WBP production went to the packaging sector and other applications respectively.

Particleboard is the largest wood-based panels sector in both absolute and relative terms (67% of all particleboards) supplying the European furniture industry, followed by the MDF sector delivering more than half of its production to this end-use. The next two sectors, plywood and hardboard respectively supplied 27% and 17% of their output to the furniture industry.

Given its size, particleboard remains the largest WBP sector supplying to the European construction sector in absolute terms, with a stable share of its output in this end-use (27%). On the other hand, at least 85% of the OSB and two thirds of softboard outputs were applied in the construction sector in Europe in 2022, with OSB being the second largest supplier in absolute terms after particleboard. At the same time, a slightly declining share of 38% of the plywood production (39% in 2021) and a third of the MDF output (29% in 2021) were used in the European construction industry in 2022. Finally, with 11% of its output going to the building industry, hardboard was the smallest panel supplier.

Product	Total production, million m ³	Furniture	Construction*	Packaging	Other**
Particleboard	32,1	67%	27%	1%	5%
MDF	12,5	51%	33%	5%	11%
OSB	6,4	3%	85%	6%	6%
Hardboard	0,5	17%	11%	25%	47%
SB	5,1	0%	68%	0%	32%
Plywood	3,1	27%	38%	8%	27%
Total wood-based panels	59,8	48%	38%	3%	11%

Wood-based panels end-uses in EPF countries in 2022

* Includes doors and flooring

** DIY, extra-EU exports, not specified, mouldings, other end-uses

Packaging end-uses in Europe received wood-based panels from MDF, particleboard, OSB, plywood and hardboard sectors in decreasing order of importance in absolute terms, although less than 10% of their output was dedicated to this end-use. However, in relative terms, hardboard supplied a quarter of its output to the packaging sector in 2022 (stable compared to 2021).

Wood consumption

The total wood consumption by the European wood-based panels industry, which includes the combined volume of roundwood, industrial by-products and recovered wood, amounted to nearly 43 million dry tonnes under bark in 2022. The order of magnitude of the sectors was the same as in the case of production with particleboard being the largest sector followed by MDF, OSB, fibreboard and plywood. However, only 48% of all wood consumed in the wood-based industry was applied to the particleboard area in 2022, which is lower than the sector's share (53%) in the total European wood-based panels production. Given the nature of its products and available technology, particleboard is the only sector which also relies on recovered wood in addition to roundwood and industrial by-products in its wood fibre needs.

Sector	Wood Consumption	% - share	
Particleboard	20.867	48%	
MDF	9.747	23%	
OSB	5.471	13%	
Fibreboard	4.399	10%	
Plywood	2.416	6%	
Total wood-based panels	42.900	100%	

Wood consumption* by sector in 2022 - 1,000 dry tonnes under bark

* depending on the sector, including roundwood, industrial by-products and recovered wood



TIMBER!

How Wood Can Help Save the World from Climate Breakdown

PAUL BRANNEN

The built environment is currently responsible for 40 per cent of the world's carbon emissions. Why then are we not switching away from steel and concrete towards more climate-friendly building materials? In his new book, Paul Brannen's message is unequivocal: we must change how we build. *Timber!* offers fresh and inventive ideas that over time could see our expanding cities storing more carbon than our expanding forests.

This is the first book to take timber from the margins to the mainstream, from the forests to the cities. Brannen tackles head-on questions about sustainability, safety, the biodiversity of commercial forests and the pressures on land use. The case for timber as a construction material is compellingly made – the creation of new engineered timbers with the structural strength of steel and concrete enable us for the first time to build wooden skyscrapers – and draws on the latest developments in engineering and material science. In addition to traditional forestry models, the book explores alternatives such as wood farming and agroforestry that bring with them added biodiversity gains for farms.

Available in paperback ISBN 9781788217354 Order via your local bookshop or Amazon.



PAUL BRANNEN is Director of Public Affairs for the European Organisation of the Sawmill Industry and the European Confederation of Woodworking Industries. He also works for Timber Development UK.

eBook available at 50% discount to EOS members order via www.agendapub.com and apply code EOS24



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6. EOS Advocacy Actions

6.1 Wood Promotion at European level

Promotion of wood at the European level involves various initiatives aimed at raising awareness about the benefits of wood products, promoting sustainable forestry practices, and encouraging the use of wood in construction, manufacturing, and other sectors.

The EOS advocacy aims at informing policy makers that wood serves as a valuable tool for tackling climate change through carbon sequestration, carbon storage in wood products, renewable energy generation, sustainable forest management, bio-based product development, and carbon offsetting. Maximizing the potential of wood in climate change mitigation requires coordinated efforts across sectors to harness the full benefits of this renewable and versatile resource. Collaboration among stakeholders from the forestry sector, wood industry, academia, government, and civil society is also an essential component for promoting wood at the European level.

6.1.1 The Manifesto

EOS, working with colleagues at CEI-Bois, produced a joint 'Manifesto of the European woodworking and sawmill industries for the 2024-29 political term'. It is a relatively short document written in an accessible style containing several photographs of wood products. It is aimed primarily at politicians, their staff and decision makers within the Commission.

It begins by setting out the multiple benefits of wooden products before making the case for a strong wood products manufacturing sector in Europe. Such a sector is essential to achieving key EU open strategic priorities including environmental goals, fostering innovation, enhancing competitiveness, creating jobs, maintaining recreational/tourist spaces and responding to evolving consumer preferences.

The manifesto then pointed out that the European wood industries contribute to a more sustainable and resilient economy that aligns with the principles of environmental



stewardship and responsible business practices. That the wood sector proudly works with one of the few renewable sustainable raw materials which is abundant in Europe thereby contributing to reinforcing European open strategic autonomy and security of supply amid an increasingly volatile geopolitical environment.

The manifesto goes on to specifically ask policy makers to prioritise the following eight headline actions (the manifesto itself went into greater detail) in order to achieve a green, cost-efficient, competitive and resilient EU economy:

1. Undertake a science-based impact climate and environmental assessment prior to developing any new legislation that directly, indirectly or potentially effects the availability of wood resources from the forest.

- Strengthen, not weaken, the competitiveness of the European wood products manufacturing sector including traditional sectors, crafts and SMEs by promoting investment in Europe.
- 3. Promote a high ambition for European open strategic autonomy for renewable raw materials and their processing for strategic applications hence the importance of complimenting primary production by boosting the availability of secondary materials in Europe.
- 4. Design policies and regulations to ensure that all buildings irrespective of what they are made from are responsible for generating as little CO₂ as possible during their construction and life span, and that the storage of carbon in buildings is recognised as a climate benefit. New buildings that would generate high levels of CO₂ emissions during their construction and/or usage should be denied planning permission. This will involve encouraging the market adoption of low carbon materials by guiding efforts, in line with a WLC approach, to reduce embodied carbon i.e. the combined emissions from manufacturing, transportation, construction and renovation.
- 5. Ensure coherence across policy areas covering the environment and climate, energy, construction, waste management, digitalisation as well as education and skills improvement.
- Recognise that, while pursuing the renovation agenda, there is still a need to support the important role played by the construction sector in dealing with the increasing need for affordable and sustainable newly built assets.
- Enable the European Bioeconomy to step up its efforts in contributing to achieving a resilient and competitive net-zero European economy including decarbonising the built environment.
- Harmonise building codes with regards to the use of timber in construction - to make building with wood easier across multiple geographies at both a country and a European level.

Mindful that many reading the manifesto may be new to the issues that it addresses there followed seven key facts (each had additional detail) that we felt readers needed to be aware of:

- European wood is a renewable resource
- European wood can sequester and store carbon
- European wood production has low energy needs

- European wood can be recycled and reused in a circular manner
- European wood products have low embodied emissions
- European wood is versatile with a wide range of applications
- European wood has an aesthetic appeal.

The manifesto concluded by going into detail as to how wood can help decarbonise the built environment i.e. it can substitute for more carbon intensive products and at the same time, in many cases, also has the benefit of storing carbon for several decades in the products. The whole process can deliver key environmental benefits including year on year more and more CO_2 being removed from the atmosphere and safely stored.

6.1.2 Building the future with nature: Boosting Biotechnology and Biomanufacturing in the EU

On 20 March the European Commission published its new initiative on boosting biotechnology and biomanufacturing in the Europe.

With this document, the EU Communication presents an overview of the current challenges and barriers for biotechnology and biomanufacturing and proposes actions to address these challenges.

Biotechnology is a central contributor to the modernisation of EU industry, playing a central role in a variety of industrial sectors including pharmaceuticals, textiles, chemicals, plastic, fuel, food, and feed processing. In this regard, the Commission seeks to identify and remedy obstacles to the biotechnology industry. The Commission presented its 'Life sciences and biotechnology' Strategy and Action plan in 2002. In its 'Europe 2020' Strategy, the Commission additionally set out to launch a 'European Innovation Partnerships' between the EU and national levels to facilitate the development and deployment of necessary technologies, which would include 'building the bioeconomy by 2020'.

The Communication text is mainly divided into 3 main sections which can be summarised as follows:

OVERVIEW OF THE SECTOR. According to the Communication, the EU is the second largest market player in the global biotechnological market. The sector requires

high levels of research and development (R&D), the industry grew twice as fast as the rest of the EU's economy between 2008 and 2018, and boasts high labour productivity. Biotechnology is used to create revolutionary treatment in healthcare, and a thriving biotechnology ecosystem could help the EU fight diseases and antimicrobial resistance. Biomanufacturing in the wood sector could be used to offer sustainable, renewable, and recyclable raw materials that can be used for new and innovative products. The Communication explains that the bioeconomy will be key to ensure the EU's economy remains competitive, and it will be key to achieve the green transition. The Commission announced that the EU Bioeconomy Strategy will be reviewed in 2025 as a complement to this Communication.

CHALLENGES. According to the Communication, Europe is the leader in research and development in health, agriculture, and industrial biotechnology. However, research has not led to innovative products being developed in Europe, and there are no pathways for technological innovation to be placed in the market. Entering the European market can be subject to regulatory obstacles. An example can be found in biorefineries which would not comply with the Net-Zero Industry Act would have to undergo lengthier approval procedures than biorefineries that comply with the requirements. The development of new biotechnology plants in the EU takes three times longer than in the USA. Training, up-skilling, and re-skilling will be necessary to ensure the biotechnology sector has enough workers in the near future, and to ensure the industry can keep producing more complex products.

OPPORTUNITIES AND WAY FORWARD. The technology transfer process could be improved by Member States if capacity building, financing, and design of innovation ecosystems are better implemented. Research would be conducted close-to-market to improve R&D in biotechnologies. The Commission will explore ways to accelerate the development and use of the Industrial Biotechnology Innovation and Synthetic Biology Accelerator (EU IBISBA) as a digital repository. In the next revision of the Product Environmental Footprint (PEF), the Commission will revisit the assessment of fossil-based and bio-based construction products to ensure they store carbon. Funding opportunities for biotechnology projects will be made available on the Sovereignty Portal

established under the STEP Regulation. The 2025 Work Programme for the European Innovation Council (EIC) will include challenges in biotechnology and biomanufacturing. The Commission will also investigate the possibility to launch biotechnology and biomanufacturing alliances with third countries, such as India, South Korea, Japan, or the USA. Cooperation could also happen with Africa, Latin America, and the Caribbean on manufacturing health products to diversify Europe's supply chains.



KEY ELEMENTS RELATED TO THE FOREST BASED INDUSTRIES:

Biotech and manufacturing for more added value with less resources in the sustainable wood-based sector. Biotechnology can strengthen the resilience of forests to the effects of climate change, including severe droughts and forest fires. In the case of biomanufacturing, the forest sector offers sustainably produced, renewable and recyclable raw materials that can be used for high-value innovative products, such as batteries or healthcare and pharmaceuticals applications (e.g., nanocellulose-based wound dressings). Furthermore, wood can be used to replace fossil-based or non-renewable materials, for example, in the production of construction materials and textiles and to substitute chemicals."

Important EU Commission foreseen actions:

- The Commission announced that the EU Bioeconomy Strategy will be reviewed in 2025 as a complement to this Communication.
- Enable fair comparison with fossil-based products: the Commission will further develop methodologies to ensure a fair comparison between fossil-based and bio-based products, in 2025. This will include reviewing the Product Environmental Footprint (PEF) to assess the environmental impact of products.

NEXT STEPS

Following the presentation of the Communication, the initiative was sent to the Parliament and the Council for examination. Either institution could formally respond to the Communication in the form of a Parliament own-initiative Resolution or Council Conclusions.

The European Parliament has designated the Committee on Industry, Research and Energy (ITRE)

as the Parliamentary Committee responsible for the Commission's Communication on boosting biotechnology and biomanufacturing in the EU.

- The ITRE Committee will be responsible for preparing any potential draft own-Initiative Resolution to the Commission Communication. However, due to the upcoming 2024 European elections, a Rapporteur and Shadow Rapporteurs are not expected to be nominated until after the summer.
- If the European Parliament decides to formally respond to the Communication, work is not expected to start until the end of 2024 at the earliest, as the new legislature will need to re-organise after the elections and will focus on the scrutiny of the new Commission when it returns.
- In parallel, the Committees on Budgets (BUDG), Economic and Monetary Affairs (ECON), Employment and Social Affairs (EMPL), Environment, Public Health and Food Safety (ENVI), Internal Market and Consumer Protection (IMCO), Agriculture and Rural Development (AGRI), Culture and Education (CULT), Legal Affairs (JURI) and Civil Liberties, Justice and Home Affairs (LIBE) have been appointed as Committees for opinion.
- These Committee's work would be of an advisory nature only and these Committees may choose to not submit Opinion on the Communication.

On 29 April 2024, on occasion of the Agriculture and Fisheries Council – the Finnish Delegation jointly with the Austrian, Finnish, Slovenian and Swedish delegations requested to include in the discussion "bioeconomy".

The above mentioned Countries, and the representatives of Bulgaria, Czech Republic, Estonia, Hungary, Ireland, Italy, Latvia, Lithuania, Portugal, Romania and Slovakia underlined the need to recognize the sustainable forest bioeconomy as a catalyst for the green transition and EU competitiveness.

The Countries also demanded that bioeconomy would be at the heart of the next Commission's work programme. In his intervention, Janusz Wojciechowski, European Commissioner for Agriculture underlined he stated that the Commission aims at increasing forest-based applications in the sectors of construction, energy and healthcare. He also pointed out that the Commission is fostering funding programmes dedicated to research and innovation: notably, the Horizon Europe joint undertaking for a circular bio-based Europe. Specifically in the case of forestry, a cofunded partnership on forest and forestry for sustainable future was proposed for Horizon Europe 2025-2027.

Commissioner Wojciechowski confirmed that the bioeconomy strategy would be reviewed by the end of 2025, to include circularity and strategic autonomy in a coherent manner.

6.1.2.1 Forest-based Bioeconomy dialogue -CEO Roundtable

On 14 March, in the afternoon, the Vice-President Maroš Šefčovič, has organised a Dialogue on Forest-based Bioeconomy, in the Berlaymont building of the European Commission. The Dialogue was in conjunction with the Bioeconomy Changemakers Festival. The meeting was strictly on invitation only and 5 CEOs of the wood and pulp & paper industry were invited to participate. The meeting was run under the Chatham House Rule.

The Invited CEOs are the following: Ilkka Hämälä – CEO Metsä Group, Hans Sohlström – CEO Stora Enso, Marco Eikelenboom – CEO Sappi Europe (and President of CEPI), Juergen Bergner – CEO HS Timber and Rui Correia – CEO Sonae Arauco.



On occasion of the Forest-based Bioeconomy dialogue, Mr Juergen Bergner stated: "The wood industries and the sawmills are already now a lively part of the circular economy and we are already operating according to the cascading use of wood. Now that the Regulation establishing a Union certification framework for carbon removals has been positively agreed amongst the policy makers, in order to support a hight value added use of our biomass, we shall now reflect on how to monetised the construction-stored carbon on the voluntary carbon market as this will offers significant opportunities to direct finance towards bio-based construction, which in turn has a positive impact on the reduction of greenhouse gas emissions by substituting more emission-intensive materials. Europe Forests are growing in stock and surface. The availability of wood in Europe is shrinking which is putting massive pressure on the prices of wood and the attractiveness as available construction material – wood used in construction may last more than 100 years. The oldest wooden building was built in 607 AD and is world's oldest surviving wooden structure."



EUROPEAN COMMISSION

CONTEXT

The New EU Forest Strategy for 2030, a flagship initiative of the European Green Deal, recognises the central and multi-functional role of forests, the importance of forest-based bioeconomy for innovation and business development especially in rural areas, and the contribution of foresters and the entire forest-based value chain for achieving by 2050 a climate-neutral, circular and nature-positive European economy.

The role of forest owners and managers is crucial in providing wood and non-wood renewable raw materials to operators in the forest-based value chain and ecosystem services to the wider economy, in helping to reduce Europe's dependence on raw material imports and in advancing Europe's transition away from fossil fuels. Their contribution is equally crucial for removing and storing carbon, adapting to climate change, and protecting and restoring biodiversity in forests.

Multifunctionality brings opportunities to further unlock the potential of a sustainable and circular forest-based bioeconomy and ensure that foresters and the entire forest value chain are properly rewarded for the valorisation and sustainable use of forest resources.

By having the potential to substitute fossil-based materials, renewable materials can strengthen the EU's open strategic autonomy and sustainable economic growth. At the same time, forest multifunctionality also requires foresters and operators in the forest-based bioeconomy to increasingly consider more than the maximisation of wood production. This is becoming more pressing in the context of the already occurring negative impacts of climate change and biodiversity loss, which are affecting the resilience of forest ecosystems and creating uncertainties to those that depend on forest-based bioeconomy for their livelihoods.

Projections indicate that in the EU the potential demand for biomass by 2050 will be considerably higher than what will be available through sustainably sourced supply. Different use applications and policy goals, including in use as feedstock in industry, in energy, as a carbon stock, in protection and restoration of biodiversity, may produce co-benefits but also trade-offs. Disturbances exacerbated by climate change are already adding to the uncertainty of supply satisfying the multiple functions that forests serve.

A continuous dialogue and interaction with forest and forestry stakeholders is needed to ensure science- and evidence-based approach to forests and their different functions, and a coherent policy framework and incentives

strengthening co-benefits and minimising trade-offs across the forest-based bioeconomy value chain, as per objectives of the EU Forest Strategy. The aim should be to produce the highest value for forest owners, forest-based sector and the wider society. This means supporting a sustainable use of forest resources as well as new business models of carbon farming, biodiversity credits and ecosystem services, while taking into account the limited availability of biomass.

OBJECTIVE

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The Dialogue with Stakeholders in the Forest Sector is an opportunity to exchange views on the best ways forward in unlocking the potential of the forest-based bioeconomy. The goal would be to generate higher value from the multifunctional nature of forest ecosystems and limited in availability biomass extracted from forests, be it wood or non-wood renewable materials. Forest owners should be able to benefit from both the sustainable forest management and new business models, such as carbon farming, payments for ecosystem services and biodiversity credits.

The aim would be to better understand the challenges arising from the possibly competing demands for biomass use, the current gaps and inconsistencies in the policy framework, and the future needs for policies and incentives to foster investments and innovation in the forest-based bioeconomy, as well as the development and uptake of new sources of income for the primary producers.

6.1.2.2 EOS-CEI-Bois flyer on "Biomanufacturing, the circular bioeconomy and the European woodworking and sawmill industries"

In the framework of the recently adopted "Building the future with nature: Boosting Biotechnology and Biomanufacturing

Biomanufacturing, the circular bioeconomy and the European woodworking and sawmill industries



in the EU", EOS and CEI-Bois published an informative flyer on "Biomanufacturing, the circular bioeconomy and the European woodworking and sawmill industries".

With this flyer, EOS and CEI-Bois want to communicate the role and commitment of our sector in a more sustainable and competitive EU economy.

Previously in December 2023, CEI-Bois & EOS submitted replies to questions addressed during DG GROW workshop on "How to boost consumer demand of bio-based materials and products".

CEI-Bois & EOS follow-up replies to questions addressed during DG GROW workshop on "How to boost consumer demand of bio-based materials and products"





Brussels, 8 January 2024

CEI-Bois & EOS follow-up replies to questions addressed during DG GROW workshop on "How to boost consumer demand of bio-based materials and products"

PREMISE

Wood is a durable and renewable material used in manufacturing and construction. Each 1m3 of wood grown by a tree holds 0,9 tonnes of CO₂ sequestered from the atmosphere. Wood offers an unrivalled combination of sustainability, innovation, efficiency, versatility, and beauty. It can be used, re-used, and recycled and when this is no longer possible, it can still be burned to produce bioenergy. Wood is a renewable alternative to fossil-based and carbon-intensive materials, and, for this reason, sustainable wood-based solutions are a fundamental component of the bioeconomy as wood industries are a pillar in the competitiveness biomanufacturing in Europe.

As a means of potentially addressing a concern raised during the DG GROW workshop on "How to boost consumer demand of bio-based materials and products", we propose a definition of 'bio-based material': "A renewable material produced using substances derived from living organisms, excluding those embedded in geological formations and/or fossilised. More commonly they are derived from a plant, animal, or other microorganism and as such they will contain and continue to store recently removed atmospheric carbon."

What market drivers and incentives are crucial for increasing consumer preference for bio-based materials and products in B2B and B2C? Are there policy measures, economic incentives, certification, or labelling schemes that can effectively stimulate demand and create a competitive advantage for these products in the market?

The cost of raw materials makes up 60–70 percent of the total production cost of wooden materials. Therefore, reliable access to available, affordable feedstock of suitable quality, and consistency is vital to maintaining cost competitiveness against conventional, petroleum-based alternatives, and to achieving high impact for bio-based products.

Ensuring adherence to international quality standards and being able to certify the credentials of sustainable biobased materials are also important market drivers.

Biobased products, such as timber in construction, have the potential to store huge quantities of removed carbon, creating a growing carbon sink effect. At a policy level, this benefit of stored biogenic carbon in bio-based products is acknowledged (for example, in the EC sustainable carbon cycles), but this has not yet translated into B2B and B2C footprints or labelling. In the EU Forest Strategy 2030 it was requested that "a standard, robust and transparent methodology to quantify the potential climate benefit of construction products and other building materials" should be developed. The method developed (or in the interim, just noting the quantity of stored carbon) should be applied to PEF and in LEVEL(s) to inform the users of the benefit of stored biogenic carbon and thus stimulate demand from an environmental perspective.

At the national level, the political measures or financial incentives supporting bio-based products and materials or aimed at increasing their use are almost absent. National measures posing an obligation to increase the share

of bio-based solution, such as wood, in construction would guide both the use of bio-based materials and R&D activities and would also gradually increase the processing value of the products and of the know-how in the field. Economic guidance for products where a bio-based product is an alternative could also guide consumer behaviour.

At the EU level, there is a wide range of policies that could act as market drivers and incentives in support of the bio-based sector. Clear examples include the ability of manufacturers and/or consumers to see certified the carbon stored in products such as wooden construction products, to see rewarded the choice of using climate-friendly materials in construction when employing a whole-life carbon approach to buildings, and to receive the necessary financial support and see eliminated all the unnecessary administrative burden when manufacturing products with a low carbon footprint.

At the same time, current and future EU policies should not hamper the ambitious efforts of the bio-based sector to contribute to the EU's multiple crises, both in terms of climate-friendly solutions able to substitute fossil-based alternatives, as well as in terms of strengthening the future's green and inclusive economic growth. To avoid holding the bio-based sector back, EU-level policies should take the sector's specificities into account, such as for example the low development of the wood-based secondary raw material (SRM) market, a situation not accurately recognized by unrealistically ambitious targets envisaged by the EU Taxonomy Environmental Delegated Act. Instead of incentivizing the development of the SRM (as probably intended), there is a risk that impractical obligations could result in a further move away from bio-based solutions by consumers.

Policy makers should take account of the potential of the bioeconomy, mapping their resources and evaluating the economic potentials. This includes supporting and facilitating industrial symbioses, where wastes and residues from one sector/ company can be a resource for other producers. At the same time, as bioeconomy cuts across sectors, attention will need to be paid to policy coherence.

What are the key challenges and misconceptions that hinder the uptake of bio-based products and materials? How can industry stakeholders and policymakers address these challenges to build consumer confidence and trust in the performance, safety, and sustainability of bio-based alternatives?

Much of the consumers' concern focuses on the post-consumption or end-of-life effects of products on the environment, such as recyclability, biodegradability, and reusability. Transitioning away from fossil-based plastics implies that products are sustainable and environmentally friendly ex ante.

Especially at the consumer interface, the public debate related to the acceptability of the use of forests has been unfavourable towards increasing the use of bio-based products and materials. Misconceptions are common regarding the use and growth of forests, as well as, for example, the safety and durability of wooden structures. In the construction sector, there is a skill gap in both planning and construction. The constantly changing regulatory environment makes it difficult for the construction industry to operate, establish itself and develop.

The importance of carbon removals stored in timber construction products is often undermined by a misconception regarding the permanence of the stored carbon. The growth of carbon sinks created by timber and other bio-based products occurs due to increasing the volume of products and/or increasing their life span by facilitating further life cycles through reuse or recycling without the need for "permanence". This sink effect is an important climate change mitigation tool due to the scale of benefit available now, with already proven and highly scalable technologies.

A good example of misconceptions leading to a constantly changing regulatory environment would be the ones around fire safety of buildings. Although there is no actual scientific evidence that timber construction is less safe in



terms of fire than traditional materials construction, the misconceptions and cultural predispositions are playing a key negative role in discouraging the choice of such materials. This is evidenced by the (albeit improving) negative attitude of insurers and financial institutions against timber construction, by the new and unnecessary fire testing requirements that are about to be imposed on the sector without allowing for a reasonable transition period, and by the diverging national fire regulations.

Overall, industry operators are seeking to participate more actively in the public debate and target communication to consumers as well. In this work, however, it would be necessary to also get impartial support from authorities. This is fundamental because the evidence-based information produced by the industry is unfortunately perceived as subjective and serving its own interests. Legislators should therefore strive to stabilize the regulatory environment and ensure that education in the field is adequate. The share of public wood construction should be standardised. This would increase visibility, acceptability and awareness of the possibilities, advantages, and safety of wood construction among both consumers and professionals. Supporting wooden construction projects would also strengthen the know-how in the field.

How can we enhance consumer awareness and understanding of bio-based materials and products to drive demand? What strategies have proven effective in communicating the benefits and characteristics of "bio-based" to the general public? Are there successful examples of multi-stakeholder initiatives that have effectively influenced consumer behaviour and market dynamics in favour of bio-based solutions?

Consumers are often unfamiliar with bio-based products and the bio-based attribute is in itself generally not a sufficient argument to convince people to opt for these products. It is therefore crucial to promote market acceptance for bio-solutions.

The bio-based industry produces vast amounts of informational and educational material, which it shares regularly with the wider public – including consumers, and the authorities. Such material is evidence-based, and it properly highlights the environmental, economic, social, and mental benefits of developing the green economy via its products and services. At the same time, there is competing information aimed at unfairly discrediting such solutions for their perceived imperfections, while making perfect be the enemy of good.

Given their influence with the public opinion, public authorities, both at EU and at national level, can play a more prominent role in positively promoting the actual benefits of the solutions already being offered by the bio-based sector. Overall, a voluntary increase in demand for both mechanical and chemical forest industry products would require a change in the public attitude and atmosphere. Consumption behaviour is unfortunately also affected by global trends, which are almost impossible to influence at the country level; the EU level could possibly be more appropriate in this area.

CEI-Bois – The European Confederation of Woodworking Industries - Transparency register n° 470333818389-37 EOS – European Organisation of the Sawmill Industry - Transparency register n° 024776016336-52

6.1.3 Wood4Bauhaus Alliance

The New European Bauhaus is a creative and interdisciplinary initiative, convening a space of encounter to design future ways of living, situated at the crossroads between art, culture, social inclusion, science and technology. It brings the Green Deal to our living places and calls for a collective effort to imagine and build a future that is sustainable, inclusive and beautiful for our minds and for our souls.

The European wood-based sector warmly welcomed the launch of the design phase of The New European Bauhaus initiative and launched the Wood Sector Alliance for the New EuropeanBauhaus (www.wood4bauhaus.eu) to establish an open platform of stakeholders.



This sectoral alliance is initiated by several umbrella organisations: the InnovaWood EU network for wood research, innovation and education, the European Wood-Based Panel Federation (EPF), the European Confederation of Woodworking Industries (CEI-Bois), the European Federation of Building and Woodworkers (EFBWW) and the European Organisation of the Sawmill Industry (EOS). It has also the support of the Horizon 2020 project consortia BASAJAUN and WoodCircus. The WOOD4BAUHAUS alliance was confirmed by the European Commission as an official partner of the New European Bauhaus on the 30 of March 2021.

In view of the EU Council Research Working Party meeting on 12 Sep 2023, the Wood4Bauhaus Alliance and its partners wanted to show their support to the EU Commission's proposal to establish a sixth European Mission dedicated to the New European Bauhaus (NEB). In particular, with their letter, they advocated for establishing the NEB Mission as a horizontal, mutually benefitting interface between the EU's R&I community and the society, directed at Communicating science and its impacts towards citizens in a much more direct way. This is expected to enlarge the reach of the EU Missions substantially and can support and guide the main, overarching and interconnected transformational change needed to address the biggest challenge of our times: to rethink and redesign the built environment in a sustainable, circular model in response to the climate crisis. Copy of the letter is reported on the next pages.



Brussels, 7 December 2023

<u>2nd Open letter to the</u> <u>Permanent Representations of the EU countries to the EU</u>

New European Bauhaus: The EU forest-based sector's role in the transformation of the built and living environment

Executive Summary

The Wood4Bauhaus Alliance represents the European industry, research and innovation ecosystem around wood-based materials and engineered products for construction. We wish to support to the EU Commission's proposal to establish a novel instrument dedicated to the New European Bauhaus (NEB) under Horizon Europe. The transdisciplinary and co-creative approach initiated by the NEB, of which our Alliance has been an early supporter, is an essential driver to speed up and upscale the twin digital and green transformation, notably of the built and living environment within the circular bioeconomy at large – a transformation that is a prerequisite to achieving net zero by 2050.

Building with wood is surging in Europe. Producers of wood and wood-based products have experienced a surge of interest post-pandemic, reflecting higher awareness of sustainability aspects, reduction of carbon emission levels by using wood products as well as time and site construction benefits. In creating this momentum towards better living and the mitigation of climate change, the positive impact of the NEB's three pillars of sustainability, beauty and inclusiveness can clearly be seen in market tendencies.

Research and Innovation (R&I) in sustainable biobased construction needs more dedicated support. A novel instrument for the NEB can support the reach of the EU programmes substantially towards society, markets and individual citizens, can better align and create synergies of R&I funding, and can onboard innovative financing mechanisms, to scale and speed up the significance of the societal transformation.







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The signatories of this open letter are convinced that the NEB should become: 1) the *INTEGRATOR* of the entire construction ecosystem, 2) the *FACILITATOR* of the people-centred approach, and 3) the *FUNDING BOOSTER* of EU programmes and innovative financing related to the built environment.

As evidence, we outline here our perspectives on how the NEB can address Specific Objectives (SO) for urgent R&I needs in relation to the forest-based sector, a key value chain for building a resilient European economy:

- SO 1: <u>The NEB can evolve into the right instrument to integrate all actors in the built environment and foster a holistic technology innovation roadmap of the biobased construction sector</u>. This can address specific R&I needs, which are not well considered yet in EU programmes, as well as harmonisation, standardisation and digitalisation, and respond to up-/re-skilling needs by integrating the NEB Academy training platform.
- SO 2: <u>NEB offers a powerful narrative to connect to citizens in the context of neighbourhoods</u>. Incorporating Social Sciences and Humanities (SSH) in the NEB can ensure that insights and results gained from R&I projects are directly applicable and valuable to empower individuals and collectives. Transdisciplinary R&I can put people & buildings in the focus, vis a vis human health, aesthetics, and traditional knowledge/skills and cultural heritage.
- SO 3: <u>The NEB can help mobilise the financial target groups to unlock support</u> and investment in the wider adoption of innovative, regenerative solutions, circularity, sustainable building, and social value. NEB Hubs or clusters driven from the bottom-up will help to break up silos of nationally funded R&I communities and support programmes. The forest-based sector requires much more dedicated R&I funding support to tackle these challenges.

The NEB movement can thus guide the main, interconnected transformational change needed to address the biggest challenge of our times: to rethink and redesign the built and living environments in a sustainable, circular model in response to the escalating climate crisis.

To date, this open letter has received confirmed support from 82 signatories, representing 73 organisations in 21 countries, of which are: 33 universities (academic & technical), 17 RTOs, 2 research networks, 3 VET, 5 industries, 4 industry associations, 8 regional cluster organisations, 4 public authorities. Gender: 23 women, 59 men.





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Background

wood4bauhaus

Europe's forest-based sector is a leading processing and manufacturing sector established across all EU countries, and a main employer in both urban and rural areas. Biobased materials like wood play a key role in the transformation of the construction sector:

- The forest-based sector is directly linked to forests, Europe's largest terrestrial ecosystem (158 million hectares, 1/3 of EU's land area) and relies on the sustainable management by numerous private and public owners. <u>Forests/trees</u> <u>sequester carbon into durable wood material</u>, which can be engineered into long-lived products (construction, furniture, flooring, windows, etc) and then stored in buildings for decades up to centuries. About 70% of the wood in the EU is used in construction and furnishings.
- The total forest-based sector represents 4 million direct jobs and €520 billion turnover, which represent about 3% of EU GDP. The woodworking sector (sawn wood, wood-based panels, wood construction materials and products) accounts for at least 1 million direct jobs in 180k companies (mostly SMEs) and a €122 billion turnover. A recent study estimates that the forest-based sector in the wider sense represents a combined direct and indirect economic size of a total of 17.5 million jobs, €1,114 billion and 7% of GDP. 1
- A growing body of research, such as the landmark study² by the Potsdam Institute for Climate Impact Research (PIK) and others, provides evidence that <u>a higher use</u> of sustainable biobased materials in the construction sector, notably wood and wood-based products, will be essential as a decisive lever for decarbonising the <u>built environment</u>. Wood products have a trifold impact on climate change mitigation: 1. sequestration i.e. carbon capture of atmospheric CO2 by forest trees in woody biomass, 2. carbon storage in long-lived engineered wood products, and 3. substitution of carbon-intensive materials such as plastics, steel, cement or concrete. Long-lived and circular wood products in buildings can save significant carbon emissions compared to energy-intensive building materials. Cities can be turned into large-scale carbon sinks, and the entire forest-construction chain can become a significant carbon pump to extract carbon from the atmosphere.

¹ Figures from EC New EU Forest Strategy 2021, Coalition for Circular Choices 2022, FHP study 2023
 ² Churkina G, Organschi A, Reyer C et al., 2020. Buildings as global carbon sink. Nature Sustainability, vol. 3, 269-276. https://doi.org/10.1038/s41893-019-0462-4



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- Globally, lumber, engineered wood products and wood-based panels used in construction only account for <5% (in volume) compared to other building products such as cement, steel, ceramic and flat glass. In Europe, wood products used in construction accounted for >10% compared to other building products (twice the global average). As wood is a lightweight construction material, the share of material consumption according to weight is estimated to be <1%. However, wood represents today around 12% of materials used in renovation.³
- <u>Building with wood is a surging in Europe</u>. In Austria, the share of new buildings in wood construction has increased from 14 to 24 % (1998-2018). In Germany, the share in new buildings is 25% in single family houses, 22% in non-residential, and 6% in apartment buildings (2023). In Sweden, modern multi-storey buildings in wood have already reached a 20% market share. Several EU countries have announced ambitious targets for public building with wood and have initiated revisions of their national building codes.⁴
- <u>Digitalisation</u> (prefabrication, BIM, digital twins, digital design), <u>circularity</u> (reuse, remanufacture, recycling) and <u>skills</u> are leading drivers for cutting-edge R&I in the sector, to achieve higher resource efficiency, to upscale biobased circular solutions and to generate growth of the resilient SME-led sector.

³ Figures based on AFRY in EPF Annual report 2020, and Circular Buildings Coalition 2023
 ⁴ Figures based on ProHolz Austria, Holzbau Deutschland, Swedish Wood.





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 R&I is also exploring the <u>potential of other biobased materials for construction</u>, such as straw, hemp, cork, bamboo, reed, clay, earth, algae, mycelium, and others. Among these, wood is the most established and scalable material in terms of market readiness. However, integrated solutions (e.g., smart building elements combining advantages of different materials) are a relevant direction for future development of regional biobased value chains.

It must be noted that forest-based sector represents a <u>complex value chain</u>. Besides its strong links to manufacturing and the construction ecosystem, the supply side is equally important and relies on natural ecosystems (water, soil, air, biodiversity), forestry and wood markets.

The forest-based sector is essential for the green transformation of cities into carbon sinks and must be considered as a key variable in the climate equation. It represents a value chain of high priority for building Europe's resilient circular bioeconomy.

1. EU Missions: relation and contribution of the forest-based sector

The five EU Missions were launched in 2021 as a novel instrument for Horizon Europe to tackle major societal and environmental challenges and achieve ambitious, inspiring goals: 1) Adaptation to Climate Change, 2) Cancer, 3) Oceans and Water, 4) Climate-Neutral and Smart Cities, 5) Soil Health and Food.

The aim of the Missions is to establish an instrument that complements and supports conventional research and innovation (R&I) and delivers tangible societal outcomes. As a novelty, the Missions include for example i) <u>coordination with relevant regulatory</u> and policy processes, ii) <u>engagement of citizens and stakeholders</u>, and iii) promote technology acceptance and inclusiveness as integral parts.

Two years into their launch, the EC has now delivered a first assessment of the five Missions (the progress report⁶ and the accompanying document⁷), which provide insights into the first achievements of each Mission. They are based on an external expert study and a self-assessment by the EC Mission boards.

⁶ EC, July 19, 2023. EU Missions two years on: assessment of progress and way forward. COM(2023) 457 final.

⁷ EC, July 19, 2023. Commission Staff Working Document. EU Missions two years on: An assessment of progress in shaping the future we want and reporting on the review of Mission Areas and areas for institutionalised partnerships based on Articles 185 and 187 TFEU. SWD(2023) 260 final.





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Having reviewed these reports, the W4B members wish to summarize here their main observations and first conclusions:

- The Missions 'Climate change' and 'Cities' are the two main Missions related to the built environment. W4B members are in favour that interlinkages between both Missions must be developed explicitly. However, <u>a holistic view on the</u> construction sector and the built environment, notably including the societal, <u>cultural and environmental dimensions is missing</u>. The strong focus on 'climate adaptation' also neglects and reduces the importance of 'mitigation' measures and the potential synergies for climate resilience, such as combined sustainable land use and sustainable building.
- The Missions have engaged an impressive number of Member States, regional authorities, local communities and many more stakeholders, and have built up a lot of momentum. However, signed commitments, roadmaps and action plans of these actors must also move forward to implementation. <u>Industry actors in the built environment and their R&I needs (materials, manufacturing, architecture, construction, renovation, waste) are still barely represented, but must be included for the broad deployment.
 </u>
- In the Missions on 'Oceans/Water' and 'Soils', a few links to ecosystems and the forest-based sector can be identified (e.g., greening of infrastructures by tree planting, role of reforestation for ecological restoration). These are however only sporadic references. The EU Missions lack a more systemic, integrated approach to ecosystem management and nature-based solutions (NBS): Forests/trees are a main element of resilient landscapes, essential for the water cycle (retention, erosion control, river basins, local weather, cloud formation, rain patterns). Forest soils are of critical importance for carbon cycles but lack comprehensive science (briefly acknowledged in the 'Soil' Mission). They are equally critical for biodiversity. The role of sustainable land use (e.g. forestry, agroforestry) and restoration ecology (NBS) are key levers for combating climate change and, at the same time, essential opportunities as building blocks of the bioeconomy.

The EU Missions should also address redefining our society's relationship with the living environment / nature, notably by transforming our extractive economic model to a circular, regenerative model of the built environment.

 In the 'Cancer' Mission's current priorities, there is no apparent direct link with the forest-based sector. However, research provides evidence how building design and the choice of biomaterials (like wood) can create advantages for <u>healthy</u> <u>indoor environments</u>, e.g. in homes, schools, hospitals, public spaces. Spending





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time in <u>nature has healing properties</u>, e.g. Shirin yoku (Japanese 'forest bathing'), outdoor activities, nature-based tourism. <u>Green infrastructure</u> (forests/ parks/ trees) is a decisive factor for public health and local climate resilience in cities. <u>The design of the built environment will play an even higher role in public health</u> <u>and disease prevention in the future</u>.

In conclusion, sustainable building and renovation with biobased solutions and linked to urban-rural development, including the forest-based sector, is not yet well anchored in a systemic manner within the five EU Missions.

The long-neglected sustainability issue of buildings and their benefits for citizens needs to be addressed through more R&I and cocreation with all related domains in the built and living environment, e.g. architecture, urban planning, construction, citizen participation.

Key topics to be considered for societal transformation and climate resilience that are not yet explicitly addressed in the Missions include: building materials, biobased construction, decarbonisation, carbon storage, circular bioeconomy, forest-based value chains, digitalisation, NBS, crafts, cultural heritage, cocreation. This must take an entire life cycle perspective, from material origin and processing, to building erection, operation, demolition and end-of-life.

All Missions should develop closer linkages with the Circular Bioeconomy, including land use, ecosystems and nature restoration, biomaterial streams, industrial value chains, and related social sciences addressing transformation.

2. Transformation perspectives of NEB for the forest-based sector

A NEB Mission was first considered in the independent expert *Horizon Europe-NEB NEXUS report*⁸ in 2022, the NEB Progress Report⁹ and then proposed by the EC in July 2023¹⁰. The initial *NEB Mission working paper*¹¹ from September 2023 outlines possible objectives and concepts on how the NEB can be designed to complement and synergise with the existing five EU Missions. In November 2023, it was

⁹ EC, January 16, 2023. New European Bauhaus Progress Report. COM (2023) 24 final.

¹⁰ EC JRC NEB, July 19, 2023. New European Bauhaus: Horizon Europe EU Mission in the pipeline.

¹¹ EC JRC NEB, September 25, 2023. First reflections on building blocks for the design on a possible EU Mission on the New European Bauhaus.



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⁸ Schellnhuber HJ, Widera B, Kutnar A, et al., 2022. Horizon Europe-New European Bauhaus Nexus report. EC DG R&I & JRC. 60 pages.

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announced that instead of a new Mission, the NEB could become a Pillar 2 destination with an initial budget of €20 million for five calls for projects. The topics include transforming neighbourhoods, regenerative design, leveraging new bio-based materials, the impact of the built environment on social relations, and governance models for the co-design of neighbourhoods. From 2023 on, the NEB could then evolve into a novel instrument complementary to existing EU programmes¹².

The W4B Alliance wishes to underline that <u>the forest-based value chain represents a</u> <u>prime example</u>, where the NEB's holistic approach must be achieved and where promising initial steps and best practices can be demonstrated. It requires much more dedicated support from EU and national policies, regulatory frameworks and R&I programmes, to connect the various domains and actors involved in the right way. This can be achieved by a novel instrument fully dedicated to the NEB approach.

In the following section, we provide perspectives and evidence for R&I needs in biobased value chains and solutions, which can be supported through NEB in response to the proposed *Specific Objectives*. Our statements recall partly W4B's policy recommendations and research needs to the NEB¹³ and extend these with further, updated inputs from W4B experts and member organisations.

Specific Objective 1: Make Europe's construction ecosystem the world leader in circular and regenerative approaches, delivering key knowledge, technologies, skills, and business models, and jobs for a fair green transition and EU's strategic autonomy.

1.1 BUILDING WITH BIOBASED MATERIALS can become a major lever for climate restoration. Managed forest ecosystems supply wood building materials that embody carbon, which can then be stored and used for a long time in the built environment, and substitute energy-intensive materials. Cities can in fact become large-scale carbon sinks and material banks, and the entire forest-construction chain can thus become a significant carbon pump.

The NEB should elaborate <u>a clear, measurable target</u> for scaling biobased materials in the European construction sector. The target will mobilise all concerned market actors, researchers, and other stakeholders for the purpose of aligning R&I efforts and mainstreaming climate-positive products. It should be defined through wide consultation and be based on existing objectives formulated for the sector, such as the FTP SIRA Vision Target 8 *"Renewable building materials*"

¹² Science Business, Nov 28, 2023. No more New European Bauhaus Mission.

¹³ Wood4Bauhaus policy recommendations, June 2022.





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for healthier living: Biobased, renewable construction in Europe has tripled its market share until 2050. Increased value will come from new products and services, as well as more widespread use of energy-saving, modular and flexible building structures and functional furniture."¹⁴ This target recognizes that raw material should be used efficiently while attaining highest performance of products, it can be monitored through public trade statistics, and it can be used to encourage market uptake, e.g., through green public procurement.

In line with the target, a <u>holistic socio-technological innovation roadmap</u> needs to be co-designed together with the forest-based sector. Two key elements are, first, the <u>Circular Economy approach</u>, allowing to extend the life-time of building products (considering a building lifetime of 50+ years), and second, the <u>digital</u> <u>transformation</u> with Industry 4.0 and 5.0 technologies, to integrate and upscale the entire value chain, and ensure monitoring of sustainability (traceability of material origin, efficient use, LCA). This systems view must be developed and deployed on all levels: from buildings and neighbourhoods to entire cities and landscapes. <u>A novel NEB instrument is the right approach to foster this target and the holistic</u> <u>technology innovation roadmap of the biobased construction sector.</u>

1.2 INTEGRATING the entire construction ecosystem: To address the longneglected sustainability issue of the built environment, decarbonisation with biobased solutions must be understood and taken up by all other involved actors, including city governments, urban and regional planners, construction companies, architects, engineers, designers, real estate and financial actors, cultural heritage and social actors, creative industries, among others.

Progressive examples of NEB's integrative power to mobilise R&I communities in the built environment can be found in the first round of funded actions supporting the NEB: the NEB lighthouses and support projects¹⁵, flagship communities and demonstration projects¹⁶, NEB regional initiatives¹⁷, the Built4People coprogrammed partnership local actions and the EIT citizens engagement projects¹⁸.

The NEB's push for co-design and exploitation can be broadly expanded and upscale this integration. In line with this, the Wood4Bauhaus Alliance will mobilise

- ¹⁴ Forest-based Sector Technology Platform (FTP). Strategic Research and Innovation Agenda (SIRA) 2030.
- ¹⁵ NEB-STAR, NEBourhoods, DESIRE, EYES HEARTS HANDS Urban Revolution, Bauhaus of the Seas Sails, Cultuurcampus, CRAFT, digiNEB
- ¹⁶ European Urban Initiative, Affordable Housing Ini, SHAPE-EU, Supershine, SUPER-i, ProLight, drOP
- ¹⁷ Nordic Bauhaus, Bauhaus of the Mountains, NEB Goes South
- ¹⁸ NEBULA, EIT Citizen Engagement projects



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the forest-based sector to reach out and create strategic alliances for collaboration with all these target groups.

1.3 NOVEL, ENHANCED & CIRCULAR BUILDING SYSTEMS for carbon-positive, long-life biobased materials and products fostering repair, reuse and recycling and tackling waste and environmental issues. These are priorities to move the market towards larger scale, circularity and affordable solutions. Open innovation platforms, demonstrators and testbeds will foster cocreation, testing and upscaling of these biobased technologies/solutions with industries and SMEs. Key topics include: hybrid, modular construction systems, maximizing resourceefficiency, lightweight and insulation properties, circular design, disassembly, long-life products, buildings as material storage banks, cascade use of biobased materials, salvage of waste wood and demolition material from urban mines, reversible joints and adhesives, safety against fire and humidity, alternative and underused tree species, modified wood, standardization (Eurocodes), building regulations, and incorporating circular business models.

Harmonisation, standardisation and more intelligent digital design tools for biobased products and systems must be established and widely adopted. Reliable material and product definitions as well as smart solutions will be key to enable upscaling. Key topics include: digital twins, digital design, Building Information Modelling (BIM), digital product passports, material traceability, resource use optimisation, automation, industrial prefabrication, biobased sensing, value chain networks, intelligent buildings, integrated social life-cycle assessments, and more.

Specific R&I in all of these topics is needed, which are not yet sufficiently addressed in EU programmes. The NEB can facilitate incorporating such research needs more broadly across Horizon work programmes and other instruments.

1.4 SKILLS needs & market uptake: The <u>NEB ACADEMY</u> will play a key role to accelerate up-skilling and re-skilling in the construction ecosystem. By establishing an international training platform, the NEB Academy will provide access to the latest available knowledge in all these domains, matching the skill needs and demands of different target groups, and delivering high quality trainings to as many workers and young talents as possible across Europe and surrounding regions. Currently it is mainly the lack of skills but not lack of knowledge that is a main barrier to rapid upscaling.

A NEB instrument can embed the NEB Academy in more EU programmes and thus support the goal of the Renovation Wave to create an additional 160,000 green jobs in the EU construction sector.





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1.5 SYSTEMS STUDY on carbon removals, storage and substitution: how to use biomass to combat climate change? The bioeconomy, considered as a main future lever to reduce Europe's impact on climate, is increasingly confronted with a political and scientific debate around whether there are sufficient feedstocks available to grow biobased value chains under sustainability conditions. This question relates equally to wood construction, whether EU forests can supply sufficient timber material, and if the continuous removals of carbon from the forest pool into long-term storage in the built environment actually achieve the desired climate benefits (life cycle assessment: role of storage time, circular use).

These important questions get further complicated by the fact that many other carbon-intensive industries (cement, steel, etc) begin to explore biomass as an alternative energy source to reduce their own carbon footprint (role of substitution for shift in renewables). New incentives that promote direct burning of wood suitable for processing should be avoided.

There is a tremendous need for holistic scientific study to make sense of the very complex situation around bio-feedstocks and understanding how policies set at EU level can affect wood supply and wood availability! Key questions for research include: 1. baseline: how much carbon is already stored in the built environment, 2. scenarios for shifts of biomass streams if certain uses are maximised, 3. size of the resulting carbon pools and their climate impacts, 4. role of regulatory and market schemes (carbon removal credits certification, biomass energy remits, biodiversity targets, nature restoration objectives, EPDs, etc), alternative future technologies (green cement, CCS, etc) and side effects (biodiversity, etc). The NEB can support the codesign and implementation of such a systems study and transparent evaluation scheme of high priority for the Green Deal.

Specific Objective 2: To ensure a people-centred governance of transformation processes, putting citizens, identity, belonging, cultural heritage and diversity and democracy at the centre of the green transition.

2.1 NEB is a POWERFUL NARRATIVE which people can easily identify with. The NEB can evolve into a strong participatory implementation mechanism that works not only top-down among governmental institutions but can anchor the ambitious goals right from the beginning also in the manifold societal target groups. Through NEB, the EU programmes would be able to connect to a broad "grassroots" movement of all sorts of communities across Europe, inviting citizens within their neighbourhoods to directly engage with their goals. The forest-based value chain is one successful example, where this overarching NEB narrative is of crucial









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importance to bring together all the different key actors around a common goal. The NEB, like Horizon, is willing to work beyond the EU into Europe more widely which is logical give the collective threat posed by climate change.

2.2 SOCIAL SCIENCES & HUMANITIES (SSH) must be integrated to succeed in mainstreaming the transformation. Research into the interplay of the large-scale transformations (e.g. in the built environment) and the society is largely lacking. Collaborative dialogue and engagement with as many people as possible affected by the Missions, including industry, will be key to bridge the gap between theory and practice. The NEB approach is well suited for encouraging citizens and innovative companies to orchestrate meaningful, constructive collaboration so that they become active actors for change within their immediate social surroundings. Incorporating SSH in the NEB can ensure that insights and results gained from R&I projects are directly applicable and valuable to empower individuals and collectives.

The people-centred NEB can accelerate the green transition on all levels through a variety of SSH tools and approaches, such as i) <u>regulatory sandboxes</u> to test circular business models and innovative green public procurement in various settings; ii) <u>participatory action research</u>, <u>citizen science and goal modelling</u> for the EU Missions to anchor continuous learning, data gathering and adoption of improved solutions in real contexts; iii) <u>Communities of Practice</u> (CoP), knowledge hubs, academies, living labs, codesign competitions and prizes to widen the visibility of EU Missions and the NEB-inspiration of citizens, and notably industries.

2.3 **TRANSDISCIPLINARY R&I** for the sustainable built environment, to widen societal impacts and foster a fair and inclusive European Research Area. The NEB will put citizens in focus for all topics so that people can identify personally with the transformation: human health benefits through comfort, wellbeing and productivity enhancements, codesign of <u>beautiful</u> inclusive spaces with architecture and urban planners, adopting principles of aesthetics and biophilic/biomimetic design, recovery of traditional knowledge/ skills and cultural heritage in SMEs, engaging the cultural and creative sector.

Guided by NEB, the EU Missions should help<u>overcome regional and rural-urban</u> <u>divides</u> and unbalanced representation in research excellence and innovation capacity of biobased solutions including: <u>proactive action for gender diversity</u> in STEM, participatory design of inclusive affordable solutions, <u>better integration of</u> <u>Central-Eastern Europe</u>, transdisciplinary and mobility actions for both VET and higher education students, up-/reskilling of the sector workforce (see NEB Academy), internationalisation of the R&I community.





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2.4 COMMUNICATING SCIENCE and its benefits for citizens will break down silos and reach much more people in a direct way. The NEB can enhance Horizon Europe's communication by better relating the R&I to people's needs in all their roles as citizens, local/regional decision-makers, innovators, consumers, and agents of change. It can cluster the various stakeholder target groups across the different pillars and thematic domains and manage NEB communities in continuation, beyond the lifetime of projects. Through the NEB participatory toolbox, EU Mission-funded projects can dock on more easily onto credible, established communication channels (e.g. Alliances) and the results can be communicated, disseminated and exploited with much larger impact. The NEB can evolve into a direct communication hub for various EU programmes, e.g. through dedicated call budgets and call requirements (e.g. specific requested roles of NEB partners, comms budgets of EU projects, special CSAs, etc). This can become a decisive strength of Horizon Europe and other programmes.

Specific Objective 3: To boost public and private investments in R&I, support innovative funding practices and finance new business models; allowing R&I to be scaled up in Europe and ensuring the circularity, affordability and cultural value of Europe's new and renovated built environment.

3.1 NEB can raise ACCEPTANCE and INVESTMENT READINESS for into sustainable building principles and solutions in the bioeconomy, notably among public authorities, funding organisations, real estate and financial sector. The NEB can coordinate special information and investment campaigns of the Missions for these target groups, collecting and sharing best practices in novel financing mechanisms, social investment, climate change financing, green public procurement, private foundations and donors, equity funds, etc.

The NEB could co-host innovation brokerage and fundraiser events, business accelerators, competitions, hackathons and training/coaching formats for startups and innovative companies. It could allow to put a higher focus on investments into social innovations, socially responsible business and culture/ creativity/ heritage.

The NEB can help mobilise the financial target groups to unlock support and investment in the wider adoption of innovative, regenerative solutions, circularity, sustainable building, and social value.

3.2 Silos of NATIONAL FUNDED R&I communities and programmes can be opened up by NEB Hubs or clusters driven bottom-up. Nationally funded R&I in many domains is very progressive but often remains disconnected from and not



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well communicated to the European-level community and across other EU countries - largely due to language barriers, lack of mobility and low effort for international dissemination and publication.

Engaging more national research communities in EU Missions and creating synergies and exchange among national research funding and innovation programmes for industry/SMEs could be a main aim for NEB. A broader exchange and participatory process could activate numerous researchers and innovators to build bridges with other national communities and contribute more to the European funding programming and alignment of research priorities. The NEB should scrutinize and innovate the existing EU instruments for this purpose.

3.3 TECHNOLOGY AND MATERIAL NEUTRALITY must be re-examined in the context of the climate crisis: R&I in biobased solutions (sustainable materials/ products/ construction, bioeconomy, NBS, etc) including social innovations must compete by far too often for funding with conventional industrial sectors and hence <u>are not placed on a level playing field in this competition</u>. Historically, fossilbased technologies have been developed with support by public funding for several decades and evolved into predominant, leading economic sectors with strong political weight. But they are also the main driver behind the climate crisis.

<u>Biobased technologies and social innovations, however, stand only at the beginning of their technological revolution and societal transformation.</u> Their underrepresentation in both policy advocacy, dedicated societal and political support, and sizable funding is the main barrier for scaling research activity and achieving socio-technological breakthroughs up to the speed and scale that is in fact required for the monumental transformation. The EU programmes are the right means to address ambitious goals for societal transition, <u>but they also require bold decisions to re-orient and re-organise public support programmes towards strategic long-term goals</u>, informed by latest science on the climate crisis, such as the unexploited potential of biobased solutions and societal transformation.

Overall, the NEB can support the other EU Missions to define the objectives, measurable outcomes, and the impact investing into R&I, market uptake and societal transition. This transdisciplinary alignment of programmes can become Europe's powerful political statement for the adaption, mitigation and even reversal of climate change (biobased solutions allow to reach negative emissions) and how this can lead to the unique position of Europe and Member states in guiding the climate crisis and transformation beyond Europe.





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3. Conclusion: A NEB instrument complementing EU programmes

With this open letter, the W4B Alliance members confirm their support for a novel NEB instrument. We wish to reinforce the idea of establishing the NEB as horizontal, mutually benefitting interface between the EU policy level, the R&I community and the society. The NEB should become the cross-cutting pillar set to identify and to develop synergies for more systemic R&I between domains, open up silos, and engage all societal stakeholders in regional ecosystems, communities and the public.

A well-anchored NEB instrument can guide the interdependent transformational changes needed in response to the main challenge of our times: to rethink our extractive, fossil-based linear economic model in the context of the climate crisis, and redesign the way we build, consume and interact as a society and with nature towards a sustainable, circular and inclusive model.

Transforming both the built and living environment represents the most significant lever to combat the escalating climate crisis, and also the main common ground where all citizens can directly relate to, e.g. their homes / housing, infrastructure and public service, regional and local culture, resilience against climate shocks and other crises, affordability, restoring regenerative land use, food and intact nature, etc.

As main goal, we must combine 1) powerful sustainable technology and economy with 2) the regenerative, resilient forces of nature and 3) a just, fair and inclusive society. Therefore, a fully integrated R&I approach is needed to influence and reconfigure value chains, material streams, production systems, consumer choices and lifestyles, business models and markets, and the education system, embedded in civil society.

The W4B members are convinced that the NEB can enlarge the reach of the EU programmes substantially towards the society, markets and individual citizens, leveraging opportunities for better alignment and synergies of funding instruments, and onboarding of additional financing mechanisms, to scale and speed up the significance of societal transformation measures.

For this purpose, responding to the Specific Objectives of the NEB Mission working paper, the NEB should become:

• The **INTEGRATOR** of the whole construction ecosystem and built environment under the EU funding programmes, to bring together all actors









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and decision makers of involved industries, innovators, regulators and educators (Specific Objective 1);

- The **FACILITATOR** of the people-centred approach, to ground EU policies and the Missions goals in the reality of local citizens in rural and urban communities and neighbourhoods; fostering social sciences-led research and governance (Specific Objective 2);
- The **FUNDING BOOSTER** of EU programmes and innovative financing, to align and to develop synergies of different instruments and funding streams; and to upscale R&I and market uptake through novel partnership and funding models with public and private actors (Specific Objective 3).

The NEB instrument can thus guide the main, overarching and interconnected transformational change needed to address the biggest challenge of our times: to rethink and redesign the built and living environment in a sustainable, circular model in response to the escalating climate crisis.

Signatories | W4B Alliance Members

INNOVAWOOD

Organisations	Persons
InnovaWood, EU network for wood research, innovation & education, Belgium	Dr. Uwe Kies Secretary General
InnoRenew CoE & University of Primorska, Slovenia	Prof. Dr. Andreja Kutnar Director
CEI-Bois European Confederation of Woodworking Industries, Belgium	Paul Brannen Head of Public Affairs, Former MEP
EPF European Panel Federation, Belgium	Clive Pinnington Managing Director
EOS European Organisation of the Sawmill Industry, Belgium	Silvia Melegari Secretary General
EFBWW European Federation of Building and Woodworkers, Belgium	Tom Deleu Secretary General

EUROPEAN AMELI FEDERATION. CE-L-Bols CE-L-Bols

6.1.3.1 The New European Bauhaus Festival 2024

On 9 April 2024, EOS took part at the official Opening Ceremony of the New European Bauhaus Festival featuring, among others, President of the European Commission, Ursula von der Leyen, European Commissioners Elisa Ferreira and Iliana Ivanova, and Belgian Prime Minister Alexander De Croo.

New European Bauhaus



European

This year's panel discussions covered a diverse array of topics, including architecture, education, and the future of construction, in the presence of esteemed speakers, industry leaders in art, architecture, design, sustainability, innovation and much more. The Festival also put a spotlight on NEB's contributions to Ukraine's reconstruction.



During the Festival opening event President von der Leyen announced the officially launch of the New European Bauhaus Academy that will train a new generation of architects, engineers, and construction workers. It will also give them the knowledge and skills they need to turn sustainable materials into beautiful spaces.

President von der Leyen stated as well that "we need to ensure stable funding. We need to diversify sectors. And we must promote competitiveness. First, funding. We managed to establish a new, dedicated funding instrument under the Horizon Europe programme: the New European Bauhaus Facility. Beginning next year, the Facility will put forward EUR 120 million per year for research and innovation projects through 2027 and our aim is to contribute at a similar level from other EU programmes. Second, diversification: When we launched the New European Bauhaus we focused on the built environment.

This critical work will continue. But we need to explore more sectors. Because sustainability is not only about where we live and work, but also how we live and work. In that vein, I am pleased to see the creation of a European alliance for a more sustainable future of the fashion industry. And I am glad that fashion and textiles feature more prominently in this year's Bauhaus festival. When you walk through the fair you will see the sustainable costumes project, which unites opera companies in Iceland and Germany. They will set new standards to make the costume creation process more sustainable and inclusive across the entire value chain. Because every economic sector needs to craft its own path towards climate neutrality. The highly agile and innovative fashion industry is well placed to lead the way. Let us show to the world that beauty and sustainability can go hand in hand."

Concluding the opening speeches of the Festival opening Hans-Joachim Schellnhuber, Director General of International Institute for Applied Systems Analysis (IIASA), recalled that to reverse global warming we shall use natural based materials such as timber.



Transforming the built environment presents a multitude of challenges and opportunities, especially in the context of addressing pressing issues like climate change, urbanization, and resource depletion. This topic was tacked by high level speakers on the 10 April in a parallel session of the festival.

The positive environmental opportunities offered by wood products were described by our member Stora Enso and the Wood4Bauhaus ambassador and director of InnoRenew CoE Andreja Kutnar



Traditional construction materials such as concrete and steel have significant environmental impacts due to their high energy consumption and carbon emissions. Promoting sustainable materials like timber and other natural based solutions presents an important opportunity to reduce the environmental footprint of the built environment.

6.1.4 Certification of carbon removals

The Commission presented a proposal aimed at establishing an EU-wide voluntary framework for the certification of carbon removals on 30 November 2022. In particular, this voluntary certification framework covers permanent carbon removals, carbon farming, carbon storage in products and soil emission reductions that take place in the EU.

It requires the relevant activities to provide for net benefits related to carbon removals or soil emission reduction according to a specific formula and accompanying rules for each activity. Moreover, it aims at ensuring that carbon removals are additional, store carbon permanently or in the long-term, and do not hinder concrete sustainability objectives. The framework also includes rules for the certification of activities through certification bodies appointed by public or private certification schemes recognised by the Commission.

The presentation of a legislative proposal to establish an EU certification framework for carbon removals was identified in the Communication on Sustainable Carbon Cycles as a necessary step in the creation of a regulatory framework for a transparent and clear identification of the activities removing carbon from the atmosphere.

Within the European Parliament, following the approval of the provisional agreement by the ENVI Committee on 11 March 2024 (with 56 votes in favour, 19 votes against and 5 abstentions), a final vote on the adoption of the Parliament's first reading position has been provisionally scheduled for 10 April 2024. Ahead of this, MEPs of the AGRI Committee will be debriefed on the outcome of trilogue negotiations on 19 March 2024.

Within the Council, the Permanent Representatives Committee (COREPER) confirmed the provisional agreement on 8 March 2024. Once the European Parliament adopts its first reading position, the text will be sent to COREPER for approval, after which EU Ministers would need to endorse it in order to formally adopt the Regulation.

If adopted by both co-legislators, the final text of the Regulation would be published in the EU Official Journal and enter into force on the twentieth day following that of its publication.

KEY INFORMATION:

The voluntary framework is intended to facilitate and speed up the deployment of high-quality carbon removal and soil emission reduction activities in the EU. The agreement distinguishes "permanent carbon removal" - such as direct air capture (DAC) and bioenergy with carbon capture (BECCS) - as that deemed capable of storing CO2 for several centuries, and "temporary carbon storage in long-lasting products" as - such as wood-based construction - as that which has a duration of at least 35 years.

Several definitions are laid down in the Regulation. Of note, a 'carbon removal' is understood as the anthropogenic removal of carbon from the atmosphere and its durable storage in geological, terrestrial or ocean reservoirs, or in long-lasting products.



As for the definition of **'carbon storage in products**', it encompasses practices or processes capturing and **storing atmospheric or biogenic carbon for at least 35 years in long-lasting products**, which allow for on-site monitoring of the stored and certified carbon.

Further key definitions indicate that a 'biogenic carbon pool' covers living biomass, litter, dead wood, dead organic matter, mineral soils and organic soils, a 'reversal' implies the leakage of geologically stored CO_2 or the release of captured and stored carbon back into the atmosphere, and a 'certification scheme' is responsible for assessing the compliance of activities and operators with the criteria and rules laid down in this Regulation.

As per Article 4, activities for permanent carbon removal, carbon farming and carbon storage in products will only be certified if it is demonstrated that these three types of activities provide, respectively, a permanent net carbon removal benefit, a temporary net carbon removal benefit or a net soil emission reduction benefit, and a temporary net carbon removal benefit.

A specific formula and accompanying rules are established in order to quantify each of such benefits. Quantification uncertainties will have to be duly reported and accounted for in a conservative manner and pursuant to recognised statistical approaches.

In this respect, **the Commission would be obliged to develop standardised quantification baselines (and review them at least every five years to introduce the necessary updates)** which are to be highly representative of the standard performance of comparable practices and processes under similar conditions. Where duly justified, operators will be able to use instead activity-specific quantification baselines, which are also to be regularly updated.

For the purpose of supporting the quantification of temporary carbon removals and soil emission reductions generated by carbon farming, a requirement is envisaged for operators to gather data on carbon removals and GHG emissions in accordance with the relevant international methodologies and in a manner compatible with national GHG inventories established under the LULUCF Regulation, provided that such data gathering is feasible.

The framework requires activities to be additional (Article 5), meaning that they need to go beyond requirements at the level of an individual operator set out in EU and national legislation, and to become financially viable due to the incentive effect provided by the certification.

A presumption of conformity with the additionality requirement is foreseen where a standardised quantification baseline is used. However, with regard to activity-specific quantification baselines, specific tests in line with the applicable certification methodology will be demanded in order to prove that the additionality requirement is met.

The sustainability requirement (Art 7) demands that activities do not significantly harm the following objectives: (i) climate change mitigation beyond net benefits on carbon removals and soil emission reductions; (ii) climate change adaptation; (iii) sustainable use and protection of water and marine resources; (iv) the transition to a circular economy, including the efficient use of sustainably sourced bio-based materials; (v) pollution prevention and control; and (vi) the protection and restoration of biodiversity and ecosystems, covering soil health as well as the avoidance of land degradation. In respect of carbon farming activities, the generation of co-benefits for at least the sustainability objective on the protection and restoration of biodiversity and ecosystems will also be required.

The EOS Members were regularly updated regarding the ongoing discussion on the carbon certification topic and dedicated actions were discussed in the framework of the "Task Force on the Carbon Removals Certification". The exchanges occurred during the Task Force meeting aimed at preparing as well for the third meeting of the EU Commission Expert Group foreseen on 25 and 26 October 2023 in Brussels and focused on certification **EOS** ANNUAL REPORT



methodologies for industrial removals. EOS& CEI-Bois technical expert, Dr Norton is one of the official members of the EU Commission Expert Group.

The next meeting will take place on 15-17 April 2024, covering third-party verification rules and registries, carbon farming methodologies (agriculture, peatlands, and forestry), and industrial carbon removals and product storage.

On 20 February 2024, the Council and European Parliament negotiators reached a provisional political agreement on a regulation to establish the first EU-level certification framework for carbon removals. In this framework, EOS and CEI-Bois issued a joint Press Release.





PRESS RELEASE

CEI-BOIS AND EOS WELCOME THE OUTCOME OF THE TRIALOGUE DISCUSSIONS ON THE CARBON REMOVALS CERTIFICATION FRAMEWORK

BRUSSELS, 20 February 2024 - The European Confederation of Woodworking Industries (CEI-Bois) and the European Organisation of the Sawmill Industry (EOS) welcome the outcome of the trialogue discussions between the European Parliament and Council on the Carbon Removals Certification Framework.

In particular CEI-Bois and EOS welcome the wording which recognises and endorses wood's ability to store carbon in products in the built environment:

"... temporary carbon storage in long-lasting products (such as wood-based construction) of a duration of at least 35 years and that can be monitored on-site during the entire monitoring period".

This endorsement should help encourage a greater use of wood products by the construction industry as it endeavours to lower its carbon footprint and make its contribution to delivering the Green Deal.

It is now clear that the EU recognises that carbon stored in wood products is indeed 'a high-quality carbon removal' the value of which should be recognised and deployed as part of the plan to achieve net zero emissions by 2050. That a wide range of timber construction and renovation products already exist and the use of timber in construction is an established practice should enable their use to be rapidly increased thereby significantly increasing the amount of carbon removed from the atmosphere now and safely stored in the built environment.

6.1.5 COP 28 Announcement pushes for more timber in construction

On occasion of the COP 28 taking place in the United Arab Emirates from 30 November to 12 December 2023, an announcement was made calling for an increased use of timber in construction as a vital decarbonisation tool.

This announcement was made at a COP Presidency event under the auspices of the Forests and Climate Leaders Partnership (FCLP) which is co-chaired by the United States Special



Presidential Climate Envoy, John Kerry and the Minister of Lands and Natural Resources for Ghana, Samuel Jinapor. A coalition of 17 countries have endorsed the following statement:

"Recognizing that wood from sustainably managed forests provides climate solutions within the construction sector, we commit to, by 2030, advancing policies and approaches that support low carbon construction and increase the use of wood from sustainably managed forests in the built environment. Such policies and approaches will result in reduced GHG emissions, and an increase in stored carbon."

The coalition consists of the Commonwealth of Australia, Canada, Republic of Congo, Republic of Costa Rica, Republic of Fiji, Republic of Finland, Republic of France, Federal Republic of Germany, Republic of Ghana, Japan, Republic of Kenya, Republic of Korea, Kingdom of Norway, Islamic Republic of Pakistan, Kingdom of Sweden, United Kingdom of Great Britain and Northern Ireland, United States of America.

6.1.6 European Wood Policy Platform (woodPoP)

The WoodPoP (European Wood Policy Platform) has



been initiated by Finland and Austria, as part of the Austrian Wood initiative of the Austrian forest fund. This platform serves to promote wood-based policy dialogue and EOS is one of its active members participating in different working groups.

On 3 and 4 October 2023, EOS took part at the 2nd High Level Meeting of the European Wood Policy Platform organised at the Ministry of Environment, 'Pankkisali', Aleksanterinkatu 7, Helsinki, Finland Helsinki.

The meeting was co-chaired by Mr. Teppo Lehtinen, Director General and Petri Heino, Director of the Wood Building Programme, Department of the Built Environment at the Ministry of Environment of Finland and Mr. Georg Rappold, Head of Division Wood-based Value Chain, Ministry of Agriculture, Forestry, Regions and Water Management of Austria. 80 participants from the following countries and organisations attended the meeting:

Countries (19): Austria, Canada (British Columbia), Czech Republic, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Norway, Slovak Republic, Slovenia, Sweden, Switzerland, Türkiye



Extract of the conclusions:

"The exchange of views provided an excellent overview on the wealth of initiatives to support the sustainable use of wood and the wood-based value chain in the pan-European region as well as in British Columbia. Building on these synergies, country representatives expressed their interest in the huge potential of woodPoP as a cross-sectorial platform to support the transition towards a carbon neutral circular bioeconomy and bio-based solutions. Stakeholder representatives highlighted the timeliness of the initiative and the importance to focus on implementation of research outcomes and innovations.

The importance to decouple economic growth from emission and the potential of wood-based solutions was highlighted. In this regard, the important role of the wood industry and forest owners, and the need for support across the entire value chain were underlined. Long-term policy and legislative frameworks are central in view of facilitating a transition towards a wood-based bioeconomy. Furthermore, the attractiveness of the sector for youth was identified as an area for action. Assuring supply of sustainable wood in the light of increased demand was also addressed by participants. Successful national best practices on wood construction can help gain public attention and raise awareness. Best-practices from other regions and international experiences should also be integrated. The following topics were specifically highlighted by participants: fire regulations, circular economy, public procurement, enabling frameworks for wood construction, carbon accounting, mass timber, reuse of wood, mid and high rise building, research and innovation, financial transition.

The Second High Level Meeting encouraged the development of policy solutions, measures and recommendations to strengthen the wood-based circular bioeconomy. Five Technical Working Groups are now fully operational3: Governance led by Austria, Buildings co-led by Finland and Germany, Innovation and Research led by Switzerland, Education and Vocational Training led by Slovenia as well as Communication and Information led by the Czech Republic. Within the groups, priority topics will be identified as action areas and targeted initiatives will be developed over the coming months.

The Guidelines that have been developed over the last months in a collaborative process serve as a living document and provide a clear and transparent working environment for the platform."



Furthermore, on 29 November 2023, EOS attended the meeting on 'Wood Governance across Europe and beyond' hosted during the 27th International Wood Construction Conference in Innsbruck.

On this occasion,

representatives from Member states and other countries as well as representatives from international institutions, research and stakeholder organizations discussed best practices of initiatives on fostering the sustainable use of wood. Particular focus was given to wood governance and how governance efforts can accompany a transition to a carbon-neutral bio-economy.

The EOS message was the following: *"The Wood Industries are an integrated part of the bioeconomy and green transition.*

Wood based products can foster a green and sustainable growth while playing a key role in decarbonising energy- and emission-intensive sectors, such as construction, plastics, and textiles. Wood is a versatile and aesthetic material that can store large quantities of atmospheric CO_2 above the earth's surface easily and without risk. As part of the forestbased industries value chain, we play a key role in healthy, resilient and sustainably managed forests".

Furthermore, the Wood Pop Secretariat presented some of the activities that will be carried on in 2024:

- Update on the study on Wood Policy in Europe, dissemination of the study forestry and wood industries in Europe and organisation of a wood policy lab, developing key messages for policy makers for designing and implementing national wood policy programmes;
- Sub-group on public procurement
- Innovation mapping and workshop on wood research and innovation

6.1.7 #Greensource campaign

Since January 2023, EOS joined the #Greensource campaign, an environmental communication tool of which EOS is part together with CEPI and other associations aiming at disseminating correct, positive and easy understandable information on forestry and wood products, on social media (Twitter and LinkedIn in particular). "Make the 2050 climate neutrality target a reality while making sure that forests keep growing, absorbing CO₂ and protecting biodiversity" is the core message around which the campaign is built.

The forest-fibre industry wishes to offer innovative solutions to the needs of the European citizens and contribute to a sustainable lifestyle while making sure that forests keep growing, absorbing CO₂ and protecting biodiversity. #GreenSource is the common voice of our industry rising



to tell the world how we are making a difference in the transition to a sustainable and climate-friendly future. Here reported, one of the messages published during the year 2023 on LinkedIn aiming at communicating in a fast a visual way the economic role of the forest based sector in Europe.

"The forest-based industry is good for the planet, good for the people and good for the European economy. We contribute to making the 2050 climate neutrality target a reality while making sure that forests keep growing, absorbing CO₂ and protecting biodiversity!!"

6.2 EU Forest Monitoring System

The Commission's proposal aims to create a forest monitoring framework for collecting and making accessible information to support the implementation of EU legislation concerning the conservation, restoration and sustainable use of forest ecosystems but also to help forest management that increases forest resilience. This new legislative initiative was announced in the EU Forest Strategy as one of the actions to improve strategic forest monitoring, reporting and data collection.

The initiative was adopted by the Commission on 22 November 2023. A proposal for an updated EU Forest Governance was adopted on the same day, with a view to create a renewed, inclusive and inter-disciplinary Expert Group of Member States competent on all forest and forestry matters. According to the EU Commission, this new framework will help identify the current knowledge gaps on the status of forests, while providing better data and knowledge to national competent authorities when preparing their responses to natural disturbances and forest disasters. It will also help to create an integrated forest governance, by fostering cooperation among Member States and by requesting them to set out long-term forest plans. The framework is also expected to bring economic benefits to forest managers and owners, by supporting them in marketing ecosystem services (such as carbon removals).

During an initial debate on 18 December 2023, Environment Ministers broadly welcomed the proposal, highlighting the role of forests in climate change mitigation and conservation of biodiversity. Member States supported the harmonisation of data collection and reporting on forests, but stressed that it was central to take into account the existing national monitoring systems. They expressed

concerns about the chapter on the additional reporting of forest data that would be determined at a later stage and asked for clarifications on the type of data that would be collected under the Regulation. Some Member States (Ireland and Poland) asked for the data to be easily accessible to EU citizens. Ministers also drew attention to the issue of cost-effectiveness and disagreed on the adequate level of reliance on remote sensing systems. Concerns were also raised regarding potentially increased administrative burdens and needs for financing. The same concerns were raised in the Agriculture and Fisheries Council, where delegations also expressed doubts about the drawing of voluntary integrated long-term plans for forestry. A general approach is expected to be adopted on 24 June 2024 in the Agriculture and Fisheries Council.



THE ITALIAN CAMERA DEI DEPUTATI **ISSUED AN OPINION ON THE APPLICATION OF THE PRINCIPLES OF** SUBSIDIARITY AND PROPORTIONALITY IN THE COMMISSION'S PROPOSAL.

The Italian Camera dei Deputati considers the general objectives of the proposal to be broadly agreeable as it is substantially in line with the system already implemented in Italy.

On 25 March 2024, EU Ministers met in the ENV Council Configuration to receive information from the Belgian Presidency regarding the progress made in the negotiations at the technical level.

The Belgian Presidency of the Council summarised the state of negotiations, recalling that a debate had also taken place within the AGRIFISH Council and that several technical meetings had been held since January, but that

negotiations on the social and economic value for the EU and the pressure exerted on the ecosystem had not yet been completed.

The Presidency informed the Member States of the establishment of a method to analyse situations based on clusters for forest planning, identification, and formulating the framework for collecting and exchanging information, data collection and the implementation of the legislation.

Sweden stressed the value of high-quality data and information for making comparisons between countries and expressed doubts as to whether all parts of the proposal contribute to its objective.

The importance of providing enough time for the adaptation process and ensuring that national forest inventories would not be affected was mentioned by the Member State along with the significance of the cost-efficiency parameter.

Aligning with Sweden, Finland referred to the primary goal of the proposal which was the better use of forests and using the existing national collection of statistical information, instead of the proposed geographically explicit.

In addition, the Delegation described current mapping solutions as inaccurate, pointing out that the proposal is technical and multi-layered and that a common understanding of its basic principles and how it works is required.

While welcoming the Commission's proposal, Latvia stated that forest policy, sustainable forestry management, and monitoring should be under national jurisdiction. Referring to the existing monitoring framework in Latvia, the Member State expressed doubts about the efficiency of harmonising the definition of forestry and remote sensing but also the methodology defined in the text.

The inclusion of indicators from existing legislation was suggested by Latvia.

Spain affirmed its support for the Commission's proposal but raised the issue of the different types of forests and the fact that data on forests is not always easy to compare between Member States, making a uniform approach difficult.

On behalf of the Commission, Commissioner for Environment, Oceans and Fisheries Virginijus Sinkevičius underlined the necessity of close cooperation among Member States.

Regarding the monitoring framework, he explained that the proposal would build on existing national data collection systems by improving their timeliness and usefulness, and indicated that the proposal would use the latest advances in remote sensing approaches and improve ground-based data for national and international networks. He added that metadata would improve business models forestry research, and carbon removal but also enhance these areas of expertise. Finally, Commissioner Sinkevičius assured that new business opportunities would arise in the area of digital services and the data economy.

During the current year, EOS convened its position on the EU Forest Monitoring System on occasion of the Private and Public Board Members meetings (CEPF and EUSTAFOR). In a nutshell:

Forest Monitoring Law

Positive Elements

- 1) Wider availability of quality data on forests in the EU is theoretically positive 2) The legislation explicitly states that better monitoring would increase
- detection and resilience of forests against drought, pests etc.

Negative elements

- this legislation, while not presenting any obvious provisions against the interests of the wood industry, has quite an environmental angle and the envisaged data collection seems to be heavily tilted in <u>favour</u> of the environmental function of the forest.
- It also seems an attempt to further centralize in Brussels the forest policy framework. Some aspects of the legislation are <u>vague</u> and many articles defer details to future implementing acts of the Commission



<u>Next Steps:</u> Once both the European Parliament's Committee and the Council have finalised their position on the proposal, informal negotiations with the aim of reaching a first reading agreement on the proposal are then expected to begin. Any resulting compromise would need to be approved by the European Parliament and by the Council. Once adopted, the measure would enter into force twenty days following its publication in the EU Official Journal.



6.3 Nature Restoration



The Nature Restoration Law includes legally-binding targets for nature restoration in different ecosystems, aiming to cover at least 20% of the EU's land and sea areas by 2030 with restoration measures.

According to the EU Commission, Currently, 81% of EU-protected habitats are in poor condition, with 36% deteriorating and only 9% improving.

The proposal includes targets stating that: "there should be no net loss of green urban spaces by 2030 and a 5% increase by 2050; a minimum 10% tree canopy cover in every European city, town and suburb; and 25 000 km of free-flowing rivers by 2030". Ecosystems, habitats, and animals that will be targeted include pollinators, butterflies, farmland birds, soils, peatlands, forests, marine habitats and species including dolphins, sharks, and seabirds, and rivers. The initiative was adopted on 22 June 2022 and included as a priority in the 2023 Work Programme.

The file was referred to the ENVI Committee, which appointed César Luena (S&D, Spain) as Rapporteur. His draft report proposed to increase some of the specific objectives, such as the restoration of terrestrial, coastal and freshwater ecosystems in Article 4, the restoration of marine ecosystems in Article 5, the objectives of restoring urban ecosystems and the objective of rewetting drained peatlands under agricultural use. In this sense, he also suggested strengthening the principle of non-deterioration and shortening deadlines. On 27 June 2023, EP ENVI draft report was rejected with 44 votes in favour and 44 votes against.

On 20 June 2023, the Council agreed on a general approach on the file, in its Environment configuration. The Swedish Presidency put forward a compromise proposal, that retained a high level of ambition while inserting substantial flexibility to facilitate MS implementation. In relation to the general obligations, the 30% target to improve the condition of habitats listed in Annex 1 and 2, by 2030, was linked to the total area of habitat types instead of to each habitat group. Furthermore, the Presidency added an exception for marine areas having soft sediment habitats, as member states would be able to apply a lower percentage for the targets and the 2030 target would not apply. The text also stressed the need to tackle knowledge gaps and transform the nondeterioration requirement into an effort-based obligation, for areas where restoration measures were not yet in place. The Council replaced quantitative targets for the greening of urban areas with an obligation for member states to achieve an increasing trend and softened the targets for the rewetting of peatlands, taking into account national and local circumstances. Finally, the Presidency opted for a step-wise approach as regard national restoration plans, introduced provisions on financing restoration measures and added a new article in the proposal that considered renewable infrastructures as being of overriding public interest. Only the Environment ministers of Finland, Italy, the Netherlands, Poland, and Sweden voted against the compromise text.

On 13 July 2023, Parliament adopted its position for negotiations with the Council, with 336 votes in favour, 300 against, and 13 abstentions. The proposal to reject the text sponsored by the EPP and their allies failed to secure the support of a majority of MEPs (312, 324, 12). By adopting Amendment 18, as proposed by the Renew Group, the Parliament adopted a compromise text that diverged from the original proposal and was more in line with the general approach adopted by the Environment Council on 20 June. The EP position required Member States to implement restoration measures by 2030 covering at least 20% of all land and sea areas in the EU. It, however, did not impose the creation of new protected areas in the EU nor block new renewable energy infrastructure — as guaranteed by an additional article that considers renewable infrastructures

as being of overriding public interest. The adoption of Amendments 135 and 136 — sponsored by the EPP, would condition the implementation of the law to the provision of additional data to guarantee long-term food security. Amendments 34 and 47 would delete Article 9 on the restoration of agricultural ecosystems, including the restoration targets for drained peatlands. The Parliament also foresaw a possibility to postpone the targets under exceptional socioeconomic consequences and voted for the removal of Article 16 guaranteeing the fundamental right of access to justice.

On 9 November, the Council and the European Parliament reached a provisional agreement on the file. The text includes measures to restore at least 20% of the EU's land and sea areas by 2030, and all ecosystems in need of restoration by 2050. It also requires Member States to restore at least 30% of habitats in poor condition by 2030, then at least 60% by 2040 and 90% by 2050. The regulation includes different restoration targets, that will cover a wide range of terrestrial, coastal and freshwater ecosystems and will be detailed by the Member States in their national restoration plans. In line with Parliament's position, priority was given to areas located in Natura 2000 sites until 2030. A non-deterioration clause was also retained in the text, to protect areas subject to restoration that already achieved a good condition: this requirement will be effort-based and measured at habitat type level. Furthermore, the regulation introduces specific objectives for various ecosystems, such as measures to: reverse the decline of pollinator populations by 2030 at the latest; restore 30% of drained peatlands under agricultural use by 2030, 40% by 2040 and 50% by 2050; enhance the positive state of forest ecosystems; ensure that there is no net loss of urban green space and urban tree canopy cover by the end of 2030 and transform at least 25 000 km of rivers into free-flowing rivers by 2030.

As regards financing, the Commission will have to identify any funding gaps between restoration financial needs and available EU funding within the 12 months following the entry into force of the regulation. Finally, by 2033, the Commission will be tasked to assess the economic and social impacts of the text, especially on the agricultural, fisheries and forestry sectors. An "emergency brake" was also added to the agreement, to allow the suspension of restoration provisions for the agricultural sector, in the case of unforeseeable and exceptional events that could impact food security in the Union. The provisional agreement resulting from interinstitutional negotiations was adopted in ENVI on 29 November, with 53 votes to 28 and 4 abstentions. It was then adopted in Plenary on 27 February, with 329 votes in favour, 275 against and 24 abstentions. Coreper endorsed the agreement on 22 November 2023.

The file was supposed to be adopted at the Coreper level on 20 March 2024, but it was finally postponed without any new set date, as the Belgian presidency could not find a qualified majority in the Council. This unexpected turn of events results from Hungary's decision to change position and oppose the text, like the Netherlands, Italy, Sweden, and Poland. Austria, Finland, and Belgium stated that they would abstain from voting on the final agreement.

On occasion of the Environment Council on 25 March 2024, the Belgian Presidency reported that although the colegislators came up with a temporary political agreement in November 2023, which was supported by this Council, recently, several Member States expressed concerns and the Council is currently not in the position to validate the adoption of that legislative act

Present at the meeting, Virginijus Sinkevičius, Commissioner for the Environment, Oceans and Fisheries, Directorate-General for Environment, European Commission stated that he honestly regretted that the provisional agreement on the Nature Restoration Law could not be sealed on this day and he was deeply worried about the political consequences that the non-conclusion of this key Green Deal file would have and the disastrous signal it would send in terms of EU credibility, especially internationally. The EU, without a Nature Restoration Law, would be missing the most crucial tool to meet the commitments and obligations it pushed for in the global biodiversity framework, moreover, without the Nature Restoration Law, Europe would also be missing a crucial tool to meet the binding targets the EU had jointly agreed and subscribed to in the EU climate law.



6.4 Event on Mapping, Monitoring and protecting Primary and Old-Growth forest

On 5th March 2024, EOS attended the webinar on Mapping, Monitoring and Protecting Primary and Old-Growth Forests.



Discussions highlighted the need for collaboration between different stakeholders, including government agencies, research institutions and NGOs, in identifying and protecting these critical forests. Challenges such as defining primary and old-growth forests, establishing scientifically sound criteria, and the role of remote sensing and on-theground verification in mapping were addressed.

The discussion underlined the EU's commitment to strong protection measures, the integration of forest management and biodiversity conservation, and the collaborative efforts needed to achieve the objectives of the EU Forest Strategy 2030. During the event, the European Commission outlined the process of developing the Guidelines for defining, mapping, monitoring and protecting EU primary and oldgrowth forests. The process was collaborative, experts from Member States, research institutions, forest stakeholders and environmental NGOs, and aimed to establish scientifically sound definitions and methodologies that complement EU and national legal frameworks. Although voluntary, the guidelines are intended to support the EU Biodiversity Strategy's objective of strictly protecting the EU's remaining primary and old-growth forests.

Overall, the discussions underscored the EU's commitment to strong protection measures, the integration of forest management and biodiversity conservation, and the need for joint efforts to achieve the objectives of the EU Forest Strategy 2030. The webinar concluded with insights into the political and technical challenges, the importance of EU-wide definitions and guidelines, and the crucial role of national governments in implementing the mapping and the protection measures.

6.5 SINTETIC PROJECT

EOS, together with the Romanian Member ASFOR, is partner in the project SINTETIC – Single Item Identification for Forest Production, Protection, and Management. This project has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement No 101082051.

The project will develop a new system that will enable customers buying wood products to track them all the way back to the individual trees in the forest from which they were made.







SINTETIC, a ground-breaking project aimed at delivering a comprehensive data management scheme for the whole EU forest value chain, has celebrated its kick-off meeting this week in Solsona, Spain.

The Sintetic ambition is to define, prototype, and demonstrate a complete solution for a digital platform dedicated to comprehensive forest value chain data management.

Traceability in forests is crucial for ensuring the legality, sustainability, and responsible management of forests, as well as combating illegal logging and promoting transparency in the global timber trade. Sintetic develops a process that involves monitoring the entire supply chain, from the forest of origin to the final product on the market. By implementing robust traceability systems, the forestry and wood product industry will directly contribute to the conservation of forests, biodiversity, and ecosystem services, while also meeting the growing demand for sustainable and responsibly sourced wood products for a green economy. The systems feasibility will be demonstrated at eight sites found in Finland (2), Romania (2), Sweden, France, Spain, and Italy.

Each individual item will be allocated and have attached a unique ID which in turn will be digitally transmitted to a central geodatabase. This will enable each item to be tracked as it moves along the forest value chain. The Information and Communications Technology (ICT) system will also enable measurements of yield and output to be related to any earlier point in the value chain. Historical climate data, silviculture treatments, and forest stand descriptors will also be included.

Central to the working of SINTETIC will be the integration of five separate tracking technologies, namely: Radio Frequency Identification which will allow standing trees as well as round wood to be tagged, a punching code impressed directly onto the wood with a hammer, a CT log scanner at the sawmill, optical vision scanners (fingerprinting) and finally after production a bar/QR code that will enable identification through the retail process.

<u>م</u>	Radio Frequency Identification, which will allow standing trees as well as round wood to be tagged
	Punching code impressed directly onto the wood with a hammer
\bigcirc	CT log scanner at the sawmill
۵	Optical vision scanners (fingerprinting)
₩ä	Bar/QR code that will enable identification through the retail process.



The last step is crucial as it will enable operators and customers to trace the wood element in the finished product back to a specific forest and an individual tree.

Aside from promoting a widespread uptake of shared digital technologies, the project researchers hope this will increase the number of EU forested areas under active management, which will, in turn, improve the health and productivity of forest stands. The project also aims to reduce overall transportation costs and related greenhouse gas emissions by 5% and increasing the yield of high-value sawn wood products from 20-22% of the process round wood volume.

The EU forest sector is very diverse. To cope with this, the platform will be designed to accommodate two 'extreme'

forest sector scenarios - and consequently everything in between -, namely:

- The mature forest sector, as found in the north and central EU and represents high-value forests with good data availability, fully mechanized harvest systems, and a well-structured supply chain including modern sawmills equipped with sensors for quality assessment.
- The forest sector, as found in the Mediterranean and eastern EU, represents a high fragmentation of forest's ownership non-harmonized inventories, small and micro sawmills, and low levels of investment and innovation.

in Solsona (Spain) on 8-9 June 2023.



The kick of meeting of the SINTETIC project was organised

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On 11 September the coordinator of SINTETIC project, Dr Gianni Picchi provided the EOS and CEI-Bois Members with a presentation on this project having a focus on the sawmill aspects and the forestry related matters. The European forest owners representatives, CEPF and EUSTAFOR were invited to this meeting.

During the meeting the following points were raised:It is stressed that there is no need to collect data for

the sake of it but that this data collection should have a purpose.

- For engineered wood products, such as CLT, the amount of data needed to identify the many logs needed to create the product will be high and disproportionated compared to the real interest.
- Costs of these traceability tools should be taken into account

6.6 Communication "Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society".

On 7th February, the EOS members were informed that the EU Commission released the Communication "Securing our future. Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society".

With this new document, the Commission recommended reducing the EU's net greenhouse gas emissions by 90% by 2040 relative to 1990 without proposing new policy

measures or setting sector-specific targets. The 2040 target was announced on occasion of the plenary meeting of the European parliament.

The target aligns with the 90%-95% emissions target recommended by the European Scientific Advisory Board on Climate Change. This intermediary step bridges the gap between the EU's existing goals to cut net emissions 55% by 2030 and reach net zero emissions by 2050.



As highlighted yesterday, in the opening statements by Wopke Hoeksta, European Commissioner for Climate Action, this target is a recommendation for the next commission. With this communication, the current executive wants to launch a "dialogue" aiming at legislative science-based measures – that will be identified in the next EU Commission mandate.

In a nutshell:

- All relevant documents related to the new Communication can be downloaded here: 2040 climate target
- The impact assessment correlated to this communication represent the backbone of the science behind what will be proposed by the next EU Commission. It includes an exhaustive analysis of carbon sinks in forest, forest's health and biomass uses.
- Net removals from the Land Use, Land-use Change and Forestry (LULUCF) sector show a break In their recent declining trend, with an expected increase in carbon sinks of 6% compared to 2021.
- In the last 20 years, disturbances on average accounted for 16% of the mean annual harvest in Europe.
- Referring to the building sector, the EC emphasise how **circular business models** can reduce energy and resource consumption. The public sector, is called to lead by example, including through green public procurement that considers sustainability criteria, and provide a blueprint to facilitate the transition.
- Circularity is a key word also referring to bioeconomy.
- Fossil based materials can also be replaced by sustainably sourced biobased renewable materials, or other environmentally friendly innovative materials. This is in particular the case **in sectors like construction**, chemicals or textiles. Investments into material innovation need to be strengthened including up-skilling in the bioeconomic sector.
- Biobased products should be accompanied with clear rules that promote sustainability and consider the impacts on the size of the natural carbon sink in the LULUCF sector.

Additional relevant important points from the point of view of the European sawmill industry are reported below:

- The impact assessment correlated to this communication represents the backbone of the science behind what will be proposed by the next EU Commission. It includes an exhaustive analysis of carbon sinks in forest, forest's health and biomass uses. Some relevant excerpts from the impact assessment are reported below:
 - Woody biomass for bioenergy shows a limited increase to about 25 Mtoe for stemwood and 20 Mtoe for forest residues in 2040, in a context of increasing use of secondary residues and used wood from consumers within the waste category. This has very important implications for the forest sink because primary woody biomass for bioenergy decreases the carbon pool and the LULUCF net removals. Therefore, an increasing use of secondary woody biomass from other uses (bark, secondary residues from material production, recovered post-consumer wood), which substitutes woody biomass coming directly from forests, has an alleviating effect on the LULUCF net removals. In

2040 wood plantations for energy use start to develop and stay stable in size in 2050, which also buffers the required harvest removals for energy use.

- Beyond bioenergy, the role of bioeconomy at large will have impacts on the future LULUCF net removals. Notably, a change from short-term to long-term harvested wood products will increase the temporary carbon stock and lead to a temporary increase in the net removals. Hence, whether biomass from harvests is used for long-term harvested wood products such as furniture or woody elements in buildings or whether it is used for bioplastics, paper or single-use products is important as it has implications on the size of the temporary sink from harvested wood products.
- To assess the risks for LULUCF net removals from a higher uptake of biomass, a sensitivity analysis was produced with the GLOBIOM model based on the scenario S3 simulating a higher demand of 20 Mtoe of woody biomass, to showcase the worst possible impact on the LULUCF net removals. The increased demand of woody biomass results in a decrease of the LULUCF net removals by around 100 MtCO2-eq in 2040, and

around 65 MtCO2-eq in 2050. However, if additional biomass would originate from other sources such as secondary residues, used wood products, lignocellulosic crops, or other waste, the impact on the sink would be much more limited. Still, the analysis shows that the mitigation obtained from a high use of bioenergy, associated to for instance BECCS, needs to be compared with the possible corresponding losses in the LULUCF net removals, depending on the biomass type.

 Net removals from the Land Use, Land-use Change and Forestry (LULUCF) sector show a break in their recent declining trend, with an expected increase in carbon sinks of 6% compared to 2021.

- In the last 20 years, disturbances on average accounted for 16% of the mean annual harvest in Europe.
- Referring to the building sector, the EC emphasise how circular business models can reduce energy and resource consumption. The public sector, is called to lead by example, including through green public procurement that considers sustainability criteria, and provide a blueprint to facilitate the transition.

From the impact assessment, the graphic showing the evolution of wood harvest by 2050 (see page 122) deserves to be here reported.



Figure 89: Harvest of wood for energy and non-energy use

Note: "Secondary residues used for energy use" are forest residues that were initially harvested for material use (e.g., from the production of sawnwood) but then used for energy production.

Source: GLOBIOM

"Wood production increased significantly since the beginning of this century to satisfy the increasing demand for woody biomass . Compared to 2015, total harvest of wood is expected to be higher in 2040 (ranging from 17% in S1 to 19% in S3), and then decline by 2050. The increase is driven by harvest for elevating demand of biomass for material uses, combined with an improved exploitation of secondary residues used for energy purposes, while direct harvest for energy uses is expected to be similar to 2015 or slightly lower (for S1) in 2040 before declining by 2050."

At the end of the Communication the Annex present an indicative roadmap of actions needed to reach the 90% reduction target.



6.7 Proposal for a DIRECTIVE amending Directive (EU) 2018/2001 of the European Parliament and of the Council, Regulation (EU) 2018/1999 of the European Parliament and of the Council and Directive 98/70/EC of the European Parliament and of the Council as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652

The Renewable Energy Directive (REDII) establishes a common framework for the recognition, production and promotion of energy from renewable sources in the EU. The revision proposed by the Commission will amend the Directive to align it with the level of ambition of the European Green Deal. The proposal was adopted by the Commission under the 'Fit for 55 Package' alongside other key proposals to achieve emission reduction goals. The Commission proposed to adjust the Union target to reach at least 40% gross final consumption of renewable energies by 2030 by encouraging the uptake of renewable energies in the energy grids and the building and transport sector (the REPowerEU May package includes a legislative proposal to increase the target from 40% to 45%). The main stakes of this revision will be the classification of the different energy sources according to sustainability criteria.

The amending Directive EU/2023/2413 entered into force on 20 November 2023. There will be an 18-month period to transpose most of the directive's provisions into national law, with a shorter deadline of July 2024 for some provisions related to permitting for renewables.

The agreement establishes an indicative target of increasing renewable energy use by 1.6% per year in the industrial sector. Finally, an indicative target of at least 49% renewable energy share by 2030 has been established for the building sector.

The most significant provisions of the revised directive for our sector are reported below:

1. CASCADING USE OF WOOD: **It is enshrined in the text as a principle but contains several derogations** *Member States shall take measures to ensure that energy* from biomass is produced in a way that minimises undue distortive effects on the biomass raw material market and an adverse impact on biodiversity, the environment and the climate. To that end, they shall take into account the waste hierarchy set out in Article 4 of Directive 2008/98/ EC and shall ensure the application of the principle of the cascading use of biomass, with a focus on support schemes and with due regard to national specificities.

Member States shall design support schemes for energy from biofuels, bioliquids and biomass fuels in such a way as to avoid incentivising unsustainable pathways and distorting competition with the material sectors, with a view to ensuring that woody biomass is used according to its highest economic and environmental added value in the following order of priorities: (a) wood-based products; (b) extending the service life of wood-based products; (c) re-use; (d) recycling; (e) bioenergy; and (f) disposal.

Member States may derogate from the principle of the cascading use of biomass referred to in paragraph 3 where needed to ensure security of energy supply. Member States may also derogate from that principle where the local industry is quantitatively or technically unable to use forest biomass for an economic and environmental added value that is higher than energy production, for feedstocks coming from: (a) necessary forest management activities, aiming to ensure pre-commercial thinning operations or carried out in accordance with national law on wildfire prevention in high-risk areas; (b) salvage logging following documented natural disturbances; or (c) the harvest of certain woods whose characteristics are not suitable for local processing facilities **L66**

Member States shall, no more than once a year, notify the Commission of a summary of the derogations from the principle of the cascading use of biomass pursuant to paragraph 3a, together with the reasons for such derogations and the geographical scale to which they apply. The Commission shall make public the notifications received, and may issue a public opinion with regard to any of them.

2. The Commission however is leaving open the possibility for further limitations regarding support schemes in a few years

By 2027, the Commission shall publish a report on the impact of the Member States' support schemes for biomass, including on biodiversity, on the climate and the environment, and on possible market distortions, and shall assess the possibility for further limitations regarding support schemes for forest biomass.

3. Primary woody biomass subsidy eligibility: **direct financial support will no longer be possible for energy from wood that can be used by other industries** (**"industrial grade roundwood"**), or roots and stumps **but roundwood unsuitable for other uses is still eligible for support** (EOS observation: tax benefits are not considered to be direct financial support)

Member States shall not grant direct financial support for: (a) the use of saw logs, veneer logs, industrial grade roundwood, stumps and roots to produce energy; (b) the production of renewable energy from the incineration of waste, unless the separate collection obligations laid down in Directive 2008/98/EC have been complied with.

Industrial grade roundwood: "saw logs, veneer logs, pulpwood (round or split), as well as all other roundwood that is suitable for industrial purposes, excluding roundwood whose characteristics, such as species, dimensions, rectitude, and node density, make it unsuitable for industrial use, as defined and duly justified by Member States according to the relevant forest and market conditions"

4. Member States should not grant new support or renew any support for electricity-only plants, unless the installations are located in regions with a specific use status as regards their transition away from fossil fuels or in the outermost regions referred to in Article 349 TFEU, or the installations use carbon capture and storage.

5. The threshold for applying the RED's sustainability criteria is set at 7.5 MW

Biomass fuels shall fulfil the sustainability and greenhouse gas emissions saving criteria in the case of solid biomass fuels, in installations producing electricity, heating and cooling with a total rated thermal input equal to or exceeding 7,5 MW.

6.8 LULUCF: Expected Commission Delegated Regulation amending Delegated Regulation (EU) 2019/1122 as regards the functioning of the Union Registry under Regulation (EU) 2018/841 of the European Parliament and of the Council

In 2024 the Commission is expected to draft a Delegated Act revising Commission Delegated Regulation (EU) 2019/1122 as regards the functioning of the Union Registry, for the purpose of adjusting it to Regulation (EU) 2018/841 (LULUCF Regulation) as amended by Regulation (EU) 2023/839. In particular, the expected measure would update rules on the operation of the Union Registry with regard to the accurate accounting of operations under the revised LULUCF Regulation, namely: (i) the recording of emissions and removals for each land accounting and reporting category in each Member State, as well as any

related methodological adjustment; (ii) the exercise of flexibilities; and (iii) the assessment of compliance with national LULUCF budgets.

Regulation (EU) 2018/841 (LULUCF Regulation) sets out a framework for Member States' commitments on the contribution of the land use, land use change and forestry (LULUCF) sectors to achieving the climate goals of the EU. It also lays down rules for the accounting of emissions and removals from these sectors, and for checking the compliance of Member States with those commitments. Regulation (EU) 2023/839 aims to provide stronger incentives for Member States to increase and enhance their natural carbon sinks, in line with the European Climate Law. It introduces small changes to the LULUCF regulatory framework for the first compliance period from 2021 to 2025. For the 2026-2030 period, binding annual national targets for increased net carbon removals are laid down. In addition, the overall EU target of net greenhouse gas removals in the LULUCF sector is set at 310 million tonnes of CO_2 equivalent in 2030.

6.9 Commission Delegated Regulation amending Commission Decision 2006/213/EC table 2 as regards the necessary conditions for classification without need for further testing for panelling and cladding, and wood ribbon elements as regards their reaction to fire.

On 10 November 2023, the Commission submitted the draft delegated Regulation on to the Council and European Parliament on the conditions for classification, without testing, of solid wood panelling and cladding with regard to their reaction to fire and amending Decision 2006/213/EC.

Regulation (EU) No 305/2011 provides for manufacturers of construction products not to be subjected to unnecessary administrative burden or costs. The Commission, therefore, chooses the least onerous system for assessment and verification of constancy of performance, which still could serve appropriately the needs of health, safety, and the environment. When the performance of certain construction products has already been sufficiently demonstrated by stable test results or other existing data, their manufacturers should be permitted, under conditions to be specified, to declare a certain class of performance without testing or further testing of these products.

Unless the Council or the European Parliament object to the draft delegated act, the delegated act shall be adopted and published in the Official Journal after 11 May 2024. In a joint letter, the European Confederation of Woodworking Industries (CEI-Bois), the European Organisation of the Sawmill Industry (EOS), and the European Institute for Wood Preservation (WEI-IEO), as well as their member organisations urged the Parliament and the Council to exercise this prerogative in order to reject the delegated regulation in its current form as the 90-day transition period proposed by the Commission is practically unfeasible despite the industry's best efforts.

The entry into force of the new delegated regulation with such a short transition period would have a massive impact on the use on wood products in panelling and cladding applications and therefore for the, negatively hitting the European wood industry, as all products and products combinations would now have to be tested on their own and classified according to EN 13501-1, which requires enormous financial and time-consuming efforts. Limited test capacities in Europe would lead to a mismatch between demand and available products with certified reaction to fire. This will reduce the competitiveness of wood products on the EU market by creating an unlevel





EOS ANNUAL REPORT





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Brussels, 23 November 2023

European timber and wood preservation industries request for objection against the Commission Delegated Regulation amending Commission Decision 2006/213/EC table 2 as regards the necessary conditions for classification without need for further testing for panelling and cladding, and wood ribbon elements as regards their reaction to fire

On the 10th of November 2023, the European Commission adopted the-Delegated Regulation amending Commission Decision 2006/213/EC table 2 as regards the necessary conditions for classification without need for further testing for panelling and cladding, and wood ribbon elements as regards their reaction to fire. The new delegated regulation is now under a 3month scrutiny period, during which <u>both the European Parliament and the Council of the</u> <u>European can raise objections</u>.

playing field between large companies and SMEs, which could potentially be forced out of the market.

The European timber industries, including the wood preservation industry and the manufacturers of the wood preservation products, are already seeking practical ways to adapt to the new requirements in an effective and efficient manner. Nevertheless, even the most ambitious scenario requires an adaptation period of at least two years to enable the sector to systematically test products of different surface coatings, chemical treatments or other modification, and to enable a CWFT classification with underlying reaction to fire classes for treated solid wood panelling and cladding.

Such a transition period would enable manufacturers to systematically test treated solid wood panelling and cladding and demonstrate, through stable test results or other existing data, their ability to declare a certain class of performance without testing or further testing of these products, as foreseen in Article 27(5) and Article 36(1) (a) of Regulation (EU) No. 305/2011. This would reduce administrative burdens, avoid supply problems throughout Europe and costs for manufacturers.

6.10 Proposal for a revision of EU legislation on Packaging and Packaging Waste (PPWR)

At the end of November 2022, the European Commission presented Proposal for a revision of EU legislation on Packaging and Packaging Waste (PPWR) aiming at improving packaging design to promote reuse and recycling, to increase the recycled content in packaging, and to tackle excessive packaging and reduce packaging waste. As reported in the Proposal, the key objective of this legislation is to strengthen the competitiveness of secondary materials from recycled packaging compared to virgin feedstock. The initiative will also look at requiring all packaging to be reusable or recyclable and providing an enforceable definition of 'recyclable packaging', restricting the use of some packaging materials where

alternative reusable products or systems are possible or consumer goods can be handled safely without packaging, and reducing the complexity of packaging materials. The introduction of recycled content targets for specific packaging formats and minimum mandatory green public procurement (GPP) criteria and targets for packaging will also be considered. In order to alert the Member of the EU Parliament and the Council about the specificities of the European wood packaging sector, EOS together with the European Confederation of Woodworking Industries (CEI-Bois), the European Federation of Wooden Pallet and Packaging Manufacturers (FEFPEB) and the European Panel Federation (EPF) cosigned the joint letter here reported.







EUROPEAN PANEL FEDERATION

Brussels, 27 April 2023

JOINT CONSIDERATION ON THE DRAFT PACKAGING AND PACKAGING WASTE REGULATION (PPWR) COM(2022)0677

Our Industries, represented by the European Confederation of Woodworking Industries (CEI-Bois), the European Federation of Wooden Pallet and Packaging Manufacturers (FEFPEB), the European Organisation of the Sawmill Industries (EOS) and the European Panel Federation (EPF), welcome the general approach taken by the Commission in order to ensure that all packaging types on the EU market are reusable or recyclable in an economically viable way by 2030. Hence the commission's proposal should also consider that recyclability and re-use of packaging are seen as complementary solutions and that the operators have the possibility to choose the best packaging solution from environmental, end-use and context point of view. We believe that this new proposal should be a tool for creating a harmonised legislative framework to boost the use of sustainable materials in packaging, while ensuring the integrity and smooth functioning of the EU Single Market.

Wooden packaging and pallets are essential to supply chains as they provide optimum space utilisation, are suitably robust, and enable the economy to move the full range of products that people and industry continuously require to ensure their daily needs and requirements are achievable. Wooden packaging solutions are not only less expensive than alternatives, but they are a more sustainable¹ choice, too. Each time wooden pallets are chosen over another material, such as plastic, less carbon is emitted into the atmosphere². Wooden packaging and pallets are a mobile carbon storage system for climate-friendly logistics. Wood stores carbon as it grows and is stored in manufactured packaging and pallets – supporting climate-friendly logistics.

Wooden pallets can be reused multiple times before being repurposed into new products. Damaged pallets can be repaired or made into other shipping materials. When a pallet is no longer suitable for shipping products, the wood can be transformed into everything in a cascade use from furniture and home decoration to panel boards, composite blocks use for new pallets or used as biofuel.

^{1.} Forests act as huge carbon sinks. As the trees grow, they absorb carbon dioxide from the atmosphere - approximately one tonne of carbon dioxide for one cubic metre of wood produced. The wood continues to store this carbon throughout until the end of its life.

^{2.} The production and processing of wood uses much less energy – known as embodied energy – than most other building materials, giving wood products a significantly lower carbon footprint. As a result wood can be used as a low-emission substitute for materials that require larger amounts of fossil fuels to be produced

Anticipating the requirement of the draft regulation, all wooden packaging and pallets are recyclable³ It is worth noting that there are differences in reusability caused by factors such as conflicting legislation⁴, global trade demands, or the exact circumstances of use in the logistics chain.

Moreover, technical properties of some materials, as well as their manufacturing processes make the use of recycled wood in their production impossible. Therefore, strong markets for secondary raw materials have to be supported that define wood from packaging waste as recycling and not as downcycling⁵ - and as in line with the principles of the circular economy, the waste hierarchy, and the cascading principle, thus ensuring the maintenance of sustainable carbon cycles in harvested wood products for a prolonged use of materials.

It has to be stressed that it is imperative that the special characteristics of wooden packaging, which are Pallets (PAL), Industrial Packaging (IP) and Light Weight Packaging (LWP), their intended use and the functioning of all trade flows, is of comprehensive significance. When outlining proposals this will have serious implications for the functioning of the internal market, and supplies to the European population and the European industry. The current proposal focuses primarily on flows of private end-consumer packaging and does not consider that these differ in many ways from B2B transport packaging flows - where the majority of wooden transport packaging does not reach the private end consumer.

GENERAL CONSIDERATIONS

The draft Regulation proposal considers the adoption by the Commission of numerous implementing and delegated acts, within certain deadlines. A general safeguard rule is needed to ensure that any delays in the publication of such acts are translated into equivalent transitional periods for the application of different requirements, ensuring legal certainty and predictability for economic operators.

Moreover, as with other legislation, it would be beneficial to establish a Technical Committee composed of representatives from national authorities and stakeholders from the entire packaging value chain. This Technical Committee will directly provide the Commission with the necessary technical and sub-sector specific expertise during the development of secondary legislation.

Furthermore, there should not be retroactive action for wooden packaging or any other materials already on the market before the regulation enters into force. It cannot be in the spirit of the rule maker that the 2.5 to 3 billion pallets already in circulation or in warehousing in Europe (including those with a low turnover frequency or the 15-year obligation to keep spare parts, for example, in the automotive industry) and the countless other wooden packaging materials should suddenly be classified as being illegal, re-labelled, or even shredded.

SPECIFIC CONSIDERATIONS

Article 3 - new definitions to be included: "renewability", and consideration on "design for reuse".

Pallets may be the common denominator of the logistics industry but not all pallets are made of the same materials. The PPWR proposal shall **clearly distinguish between packaging manufactured out of bio-based renewable materials and packaging manufactured out of non-renewable fossil-based materials**. Wood is a renewable resource, which means that new wood is grown to replace that which is harvested and indeed the EU forests are continually growing faster than timber is being felled in the forests.

^{3.} Additionally, wooden packaging and pallets are also in the scope of the *Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation.* A key requirement is the obligation to implement a due diligence system to avoid sourcing of commodities or products which are not deforestation-free or have not been produced in accordance with the relevant legislation of the country of production. Additionally, the Regulation impose that the wood sourcing did not cause any forest degradation.

^{4.} Such as Regulation (EC) No 1935/2004 on materials and articles intended to come into contact with food.

^{5.} As is mentioned in the impact assessment (SWD(2022) 384) and thus negates the fact that woody biomass is used for innovative carbon storing materials and solutions for packaging (pallet blocks), furniture and construction.



Overall, the current draft legislative proposal does not distinguish between different materials, except for plastic in some sections. While the intention to adopt a material-neutral approach can be understood, the life-cycle sustainability performance of materials should be reflected in the proposal.

"Design for reuse" should be defined in the same way than "design for recycling". It should be noted that recycling and reuse are equally important to tackling Europe's waste problem and to foster a more circular economy.

Many regions in Europe still have significant and untapped volumes of wood waste which could be valorised in a circular economy model. While wood waste utilization can play an increasing role in the production of a variety of wood-based products, it could also be used as a potential renewable energy source. For this reason, a new definition allowing the possibility of "energy recovery" of wooden packaging should be introduced.

Modification on "secondary raw materials" definition: "means materials that have been obtained through recycling process and can substitute primary raw material (for packaging design or other uses)"

Articles 4.4, 4.5, 11.7, 13.7, 46.6, 49.1.c & d, and 49.2 - labelling, Single Market, and free movement

In order to facilitate free movement and prevent a fragmentation of the Single Market, it is necessary to **avoid a proliferation of schemes and labels by the different Member States and also not granting national opening clauses allowing the Member States to set requirements beyond the minimum requirements laid down in PPWR**. This inconsistency would lead to unwanted material flows. Therefore, Articles 46 (6) as well as Art. 4 (4) should be deleted. Additionally, it is necessary to have harmonised requirements for labelling. Otherwise, this is diametrically opposed to the claim of Art. 114 TFEU for a single internal market.

One critical area is that of extended producer responsibility (EPR). In order to increase the collection and recycling of packaging without hampering competitiveness, it is paramount to have a complete harmonisation of labels, focusing on symbols and not languages or colours. This will potentially limit the space needed on packaging and avoid the obligation to increase packaging size. The current proposal allows Member States to introduce further labelling requirements to identify their own additional EPR schemes, as prescribed in Article 4(5).

Similarly, an **EU-wide sorting label should prevail over national labelling rules**. In recent years, a concerning number of national initiatives on packaging requirements and labelling has created confusion, leading to divergence between national measures.

Article 9 Packaging minimisation, reuse, protection and safety.

For any transport via train, truck, plane or ship – (usually a combination of these) it is the overall priority to protect the transported goods and ensure a safe trip throughout the logistics chain. This requires efficient loading, stacking and load securing that is facilitated by wooden packaging.

As machinery and other goods are often very heavy, have varied shapes, non-central centres of gravity and various mounting points, the foreseen packaging minimisation is not possible for Industrial Packaging. Overall, with forklift traffic, crane-handling, number of movements and number of cycles, wooden packaging is handled robustly. So, **reuse should be prioritised over material minimisation to protect the goods from the various stresses in the course of the logistics chain as well as the workers and users**. Otherwise, there is simply too much damage and danger of injuries and deaths.

Moreover, a buyer of machinery when ordering a brand-new piece of equipment (especially in the likes of the pharmaceutical, food and drinks sectors) does not expect to have a rusty machine delivered. To prevent rust or similar issues during transport and storage VCI-foils, desiccants and other materials for protective measures are used. These packaging materials can't be reused due to their function and due to the fact that they are customised to the needs of the transported goods. Therefore, a derogation for these materials used in the wooden packaging should be set up.

Article 26 Re-use and refill targets.

Targets should be indicative and defined on the basis of scientific and technical evidence, while being in line with existing legislation. In particular, discrepancies with the Regulation 1935/2004 shall be avoided.

The Regulation (EC) No 1935/2004 on materials and articles intended to come into contact with food when on the European market ensures a high level of food safety and all food contact materials (FCM) must comply with. In addition to this Regulation, all FCM must be manufactured in accordance with Good Manufacturing Practices (GMP, Commission Regulation (EC) No 2023/2006). Therein, the reuse of such packaging like Lightweight Packaging (LWP) is effectively prohibited by these legislations; consequentially where LWP would be caught by the reuse obligation, this could trigger a proliferation of plastics packaging solutions. It should also be noted that the Commission's impact assessment does not adequately consider the crucial role of packaging in ensuring consumer health and product safety. **Therefore, a derogation for LWP should be granted**.

A lot of wooden packaging, such as Industrial Packaging, is designed at the specific request of a customer in order to be able to package a particular product, which is often produced in batch sizes as low as a single item. For these types of packaging, it is not feasible to create a reuse system. It would therefore be appropriate to provide for some exceptions. Additionally, reuse targets for transport packaging need to take into consideration the particularities of companies and the global nature of their supply chain. Setting up a reuse system for transport packaging and it should be tailored accordingly.

Article 43 Return and collection systems.

A restrictive-clause on imported products (Art 43 (3) c)) is essential. It should be emphasised that the systems can reject imported products if they do not meet the system's quality requirements for reuse and repair. The need for reuse designed packaging requires to be rolled out Globally this would negate rejections for the reasons stated above.

Annex 5.

Packaging bans and restrictions on specific packaging such as food contact packaging need a specific and thorough assessment. The proposed ban of restricting all packaging for fruits and vegetables (less than 1.5 kg) risks leading to an increased food waste in the distribution chain, inducing an increased environmental and social burden. In any case, hygiene and safety of food contact materials (FCM) must not be jeopardised, considering the FCM legislation is currently being reviewed. Both legislations should be examined in parallel. It is adamant that we consider that food packaging must respect strict phytosanitary measures.

Signatories of these considerations:

CEI-Bois: European Confederation of the wood working industries https://www.cei-bois.org/ EOS: European Organisation of the Sawmill Industry https://eos-oes.eu/ EPF: European Panel Federation https://europanels.org/ FEFPEB: European wooden pallets and packaging manufacturers: https://www.fefpeb.eu/

6.11 RESILIENTWOOD

EOS is partner in "RESILIENTWOOD Anticipate changes, increase attractiveness, build skills and inclusiveness in the Woodworking Industries in times of crisis". The project is co-funded by the European Union and is granted under the Social Prerogative and Specific Competencies Lines (SOCPL) funding.

The CEI-Bois led project, together with EFBWW, Woodwize and FCBA aims to offer recommendations to tackle specific

challenges in the Woodworking Industries through strengthened social dialogue. The project focuses



on the adaptation of the industry and its outlook after the Covid-19 crisis, including the adaptation needs linked to expected technological changes and the need to increase the attractiveness of the sector for skills attraction and retention, with special attention given to gender balance in the wood industries.

Possible solutions to these challenges will be investigated through a cooperation involving social partners and VET providers. The project builds on a strong transnational dimension. To implement it the partners will conduct research and collect data from 5 countries (BE, FR, HR, IT, SE) and the European Sawmill sector, identify key findings, share best practices and propose strategies on how to tackle the above-mentioned social challenges of the WI in Europe. The project is further supported and implemented by EOS, the Croatian Wood Cluster, FILCA-CISL and the Union of Forestry, wood and graphical workers.

Objectives of RESILIENTWOOD:

- Provide social partners with an overview of the latest developments of the woodworking sector in Europe, including the economic impact of the Covid-19 pandemic, as well as expected technological and organisational changes within woodworking companies.
- 2. Stimulate the joint social partners' discussion on 4 specific issues through dedicated workshops (Adaptation of the industry and outlook after the Covid-19 pandemic and crisis, gender equality in the industry, expected technological changes in the industry and adaptation needs, increasing the attractiveness of the sector through education).
- 3. Develop recommendations and guidelines for companies, VET and public authorities to overcome the above-mentioned challenges, to be presented in the final report and final conference of the project.
- 4. Disseminate results within and outside the membership base of the European social partners of the woodworking sector.

On the 7th September 2023, the mid-term conference of the two-year European Woodworking social partners' RESILIENTWOOD project took place both in person, in Zagreb, Croatia. The conference showcased initial findings of the project aimed at providing social partners with an overview of the latest developments of the woodworking sector in Europe. Woodworking companies have undergone significant transformations, driven by technological advancements and evolving organizational structures. Attendees had the opportunity to delve into the latest developments and trends shaping the future of the sector. The mid-term conference also shed light on innovative approaches and best practices employed by



the industry to bolster resilience and adaptability in the face of the twin and digital transitions and to address the need for training, and skills development of the existing and future workforce.

The conference was opened by Mr. Ivan Vidiš, State Secretary at the Ministry of Labour, Pension System, Family, and Social Policy of the Croatian government. His opening remarks emphasized the vital importance of the RESILIENTWOOD project and its potential to drive positive change within the woodworking sector, not only in Croatia but throughout Europe. He stressed the need of having sector specific actions in place in order to maintain the high-quality work and long lasting competitiveness of the woodworking sector. He was followed by a keynote from Mrs. Kristine Krivmane, Team Leader – European Year of Skills, DG EMPL, European Commission, who welcomed the initiative and stressed the important role of the European sector social dialogue partners in bringing about knowledge and spreading awareness through joint actions on key issues such as those addressed in the project.

EOS ANNUAL REPORT

6.12 Proposal for a Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010

Readers are advised to regularly consult the official EUDR information page created by the EU Commission in order to see the latest updates about the implementation of the regulation. <u>https://green-business.ec.europa.eu/</u><u>deforestation-regulation-implementation_en</u>

Co-legislators reached a provisional agreement on the Regulation on the making available on the Union market as well as export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010 during the trilogue planned on 5 December 2022. The Parliament and the Council agreed on stringent due diligence obligations, a cut-off-date of the new rules on 31 December 2020, as well as an extensive list of commodities, including palm oil, beef, timber, coffee, cocoa, rubber, soy and derivatives. The Regulation applies only to products listed in Annex I. Products not included in Annex I are not subject to the requirements of the Regulation, even if they contain relevant commodities in the scope of the Regulation. The Regulation applies to products listed in Annex I, whether there are produced in the EU or imported.

How does the regulation apply to wood used for packaging?

For example, in the case of a producer selling packaging to manufacturers (to protect the final product - not to be sold as a final product to consumers), the text **"not including packaging material used exclusively as packaging material to support, protect or carry another product placed on the**



market" in Annex I under Wood HS code 4415 should be understood as follows: If any of the concerned packaging is placed on the market or exported as a product in its own right (i.e. standalone packaging), rather than as packaging for another product, it is covered by the Regulation and therefore due diligence requirements apply.

If packaging, as classified under HS code 4415, is used to 'support, protect or carry' another product, it is not covered by the Regulation.

Packaging material used exclusively as packaging material to support, protect or carry another product placed on the market is not a relevant product within the meaning of Annex I of the Regulation, regardless of the HS code under which they fall.

User manuals accompanying shipments are also falling under this exemption unless they are purchased in their own right.

On 9 June 2023, the Regulation was published in the Official Journal and entered into force on 30 June 2023.

The Regulation on deforestation-free products repeals the EU Timber Regulation. As of 29 June 2023, operators and

traders will have 18 months to implement the new rules. Micro and small enterprises will enjoy a longer adaptation period, as well as other specific provisions. Operators must ensure that the items entering the EU market are not from land that has been deforested or subject to forest

degradation since 31 December 2020. If such products do not comply with the EUDR, they cannot be placed on the EU market – meaning making them available for the first time on the EU market - from 30 December 2024.

From 30 December 2024 (or 30 June 2025 for micro or small businesses), the EUDR will be prohibited to place relevant products on the EU market, or export them from the EU, unless they are:

- 'deforestation-free';
- produced in accordance with the relevant legislation of the country of production; and
- covered by a due diligence statement indicating no more than a negligible risk of non-compliance.

'Deforestation-free' means that the relevant products contain, have been fed with or have been made using, relevant commodities that were produced on land that has not been converted from forest to agricultural use, whether human-induced or not, after 31 December 2020. Further, for products that contain or have been made using wood, it means they were harvested from forests without inducing forest degradation after 31 December 2020. 'Forest degradation' means the conversion of primary forests or naturally regenerating forests into plantation forests or into other wooded land.

The EUDR requires that products be produced in accordance with the relevant legislation of the country of production concerning the legal status of the area of production in terms of: land use rights; environmental protection; forestrelated rules, including forest management and biodiversity conservation, where directly related to wood harvesting; third parties' rights; labour rights; human rights protected under international law; the principle of free, prior and informed consent (FPIC), including as set out in the UN Declaration on the Rights of Indigenous Peoples; and tax, anti-corruption, trade, and customs regulations.

As from 30 December 2024, a company that places relevant products on the EU market will need to first upload a due diligence statement to their competent national authority, through a dedicated information system to be established by the European Commission. By issuing such a statement, companies assume responsibility for the product's compliance with the EUDR. Similarly, the obligation to conduct due diligence under the EUDR applies to companies who place relevant products on the EU market or export such products from the EU market. Non-EU companies may increasingly be asked by their customers to provide necessary information to comply with their due diligence obligations under the EUDR.

The EUDR sets out how the due diligence should be conducted. It should involve:

- As per Article 9 collecting detailed information that demonstrates the products comply with the EUDR;
 - A key requirement, in this step, is to obtain the geographic coordinates of the plots of land where the relevant commodity was produced and to provide relevant information – product, CN code, quantity, country of production, geolocation coordinates – in the due diligence statement to be submitted via the Information System. If the operator (or traders which are not SMEs) cannot collect the required information, it must refrain from placing (or making available in case of non-SME traders) on the market or exporting the relevant product concerned. Failing to do so would result in a violation of the Regulation, which could lead to sanctions.
- As per Article 10 carrying out a risk assessment in relation to each product to ascertain the risk of noncompliance with the EUDR. This will reflect numerous factors including the risk category of the country of production ('high risk', 'standard risk', or 'low risk', to be set out by the European Commission). Operators need to demonstrate how the information gathered was checked against the risk assessment criteria and how they determined the risk.
- As per Article 11 mitigating risks by carrying out independent surveys/ audits, gathering additional documentation, or working with suppliers (particularly SMEs) through capacity building and investments. These measures need to be documented.

Operators sourcing commodities entirely from areas classified as low risk will be subject to simplified due diligence obligations. According to Article 13, they will need to collect information in line with Article 9, but they will not be required to assess and mitigate risks (Articles 10 and 11) unless the operator obtains or is made aware of any relevant information, including substantiated concerns submitted under Article 31, that would point to a risk that

the relevant products do not comply with this Regulation (Article 13.2).

Traceability

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The Regulation requires operators and traders which are not SMEs to collect geographic coordinates of the plots of land where the commodities were produced. Traceability to the plot of land (i.e. the requirement to collect the geographic coordinates of the plots of land where the commodities were produced) is necessary to demonstrate that there is no deforestation occurring



on a specific location. Geographic information linking products to the plot of land is already used by part of the industry and a number of certification organisations. Remotely sensed information (air photos, satellite images) or other information (e.g. photograph in the field with linked geotags and time stamps) may be used for verifying if the geolocation of declared commodities and products is linked to deforestation. The geolocation coordinates need to be provided in the due diligence statements that operators are required to submit to the Information System ahead of the placing on the market or export of the products. It is therefore a core part of the Regulation, which prohibits the placing on the market, or the export, of any product covered by the Regulation's scope whose geolocation coordinates have not yet been collected and submitted as part of a due diligence statement.

Collecting the geolocation coordinates of a plot of land can be done via mobile phones, handheld Global Navigation Satellite System (GNSS) devices and widespread and free-to-use digital applications (e.g. Geographic Information Systems (GIS)). These do not require mobile network coverage, only a solid GNSS signal, like those provide by Galileo.

Due diligence statements will be accessible to authorities, traders, and to a more limited extent the general public. Companies who place relevant product on the market also have an obligation to communicate the reference numbers of due diligence statements down the supply chain all information necessary to demonstrate that due diligence was performed, and that no more than a negligible risk was identified.

Operators shall collect, organise and keep for five years from the date of the placing on the market or export of the relevant commodities and relevant products the information gathered based on Article 9, accompanied by evidence. Based on the provisions of Article 10 (4) and Article 11 (3), the operators should be able to demonstrate how due diligence was carried out and what mitigation measures were put in place in case risk was identified. Relevant documentation about these measures must be saved for at least five years after the due diligence exercise was carried out. Operators must also keep record of the due diligence statements for five years from the date when the statement is submitted in the Information System, which is prior to the date of placing the product on the market or exporting it. In that regard, non-SME traders have the same obligations as the operators.

What is the role of certification or verification schemes?

Certification schemes can be used by supply chain members to help their risk assessment to the extent the certification covers the information needed to comply with their obligations under the Regulation. Operators and traders which are not SMEs will still be required to exercise due diligence and they will remain responsible for any breach.



The Information System is the IT system which will contain the due diligence statements submitted by operators and traders to comply with the requirements of the Regulation. Pilot Testing of the Information System will run till the end of January. The EU Single Window Environment for Customs (EU SWE-C) is a framework that enables interoperability between customs IT systems and non-customs systems, such as the Information System established pursuant to Art. 33 of the Regulation. The central component of EU SWE-C, known as EU CSW-CERTEX system, will interconnect the Information System with national customs IT systems and will enable sharing and processing of data submitted to customs and non-customs authorities by economic operators. The Single Window will thus ensure information sharing in real-time and digital cooperation between customs authorities and competent authorities in charge of enforcing non-customs formalities, including in the field of environmental protection.

The Commission will provide a training environment and "train-the-trainers" sessions to all interested companies in the summer of 2024, in coordination with member states authorities. This will give all interested stakeholders the opportunity to familiarize themselves with the System well before the Regulation enters into application. The Commission is also expected to make available user manuals and other relevant self-learning material such as video tutorials.

Timeline:

The Regulation was published in the Official Journal of the European Union on 9 June 2023. It entered into force on 29 June 2023. However, the applicability of certain Articles listed in paragraph 2 of Article 38 will enter into application on 30 December 2024 (18 months transition) and on 30 June 2025 (24 months transition) for micro- and small enterprises.



The operator bears the burden of proof for this exception and must be able to provide relevant information as reasonable proof that the conditions of Article 1(2) are met. While in this case the operator is not obliged to submit a due diligence statement, the operator should save necessary documents proving non-applicability of the Regulation and its obligations.

In the spotlight:

On 22 April a letter was sent by the Commissioner Janusz Wojciechowski (European commissioner for agriculture) to the President of the European Commission, von der Leyen.



The letter states "I have also received numerous letters illustrating the difficulties our farmers,

forest-owners and businesses faces in the implementation of this Regulation. They report administrative burden and uncertainties, and call for a deferral of the deadline for the implementation.....Let me conclude by reiterating that in order to make the EU Deforestation Regulation a success for the Green Deal on a global scale, we need more time to address the substantial concerns raised by Member States and our partners.....It is our obligation to take all the necessary measures to ensure continuity of business and supply of products covered by the regulation and to avoid any disruption of trade due to a hasty implementation of this regulation"

On 15 May 2024, the Brussels based forestry industry organization (including EOS) together with COPA-COGECA had a physical meeting with the Commissioner Wojciechowski.

Finally, on 27 April, the Austrian Ministers for Agriculture and the Economy (Norbert Totschnig and Martin Kocher) sent also a letter to Ursula von der Leyen calling for a postponement of the entry into application of the Regulation and for a revision of the Regulation. The two ministers believe that the implementation of the regulation is likely to generate too much red tape for Europe's small farms and for the Member States. The letter reports concern as well related to the delay in the countries benchmarking and the consequential disproportionality in the due diligence obligations.

6.12.1 Multi-Stakeholder Platform on Protecting and Restoring the World's Forests

EOS is actively involved in the Multi-Stakeholder Platform on Protecting and Restoring the World's Forests.

The platform offers the possibility for a continuous dialogue between EU Member States, selected interested parties (mainly trade and business associations and NGOs), third countries and the European Commission.

In particular the mission of the Multi-Stakeholder Platform is to provide advice and assistance to the Commission in the preparation of legislative proposals and policy initiatives, the preparation of delegated acts and the implementation of Union legislation, programmes and policies in relation to the protection and the restoration of World's forests, including illegal logging, as well as coordination and cooperation with Member States and stakeholders in that regard. To ensure cooperation between Member States Competent Authorities and stakeholders and with the Commission in order to ensure compliance with the EU Timber Regulation and to assist the Commission in ensuring a uniform implementation of the EUTR and the FLEGT Regulation across the EU.

On 24.04.24 EOS attended the "Expert Group/Multi-

Stakeholder Platform on Protecting and Restoring the World's Forests (Deforestation). Key information provided on this occasion:

- **Information System:** The EU Commission informed that improvements have been made in the Information System. Namely:
 - More precise errors will be displayed to guide users;
 - An option has been introduced in order to not disclose geolocalisation information to downstream operators

referencing to DDs:

- Full list of HS code will be available in the production environment;
- A supplementary unit qualifier will be introduced where applicable;
- Scientific name (mandatory for wood commodities) is included:
- The industry standard GeoJson file format will be used to import geolocalisation data;
- Coordinates must be provided in conformance to the WGS84 standard with EPSG:4326 projection system regardless of the input methods (UI or API);
- A limit of geolocalisation data file size will be introduced (based on a maximum of coordinate pairs that a DDs can contain) and cannot exceed 25MB per DDS;
- The following additional properties can/must be added to the geolocalisation data:
 - Producer country and area for points in ha (mandatory)
 - Producer name and production place name (optional)
- When geolocalisation data is large, the User Interface will not display them;
- API foe EO. List of supported operations:
 - Submit new DDS
 - Retrieve DDS (reference number and status)
 - Amending existing DDS
 - Retract and existing DDS (cancel or withdraw)
- Submission of a new DDS -examples of errors:
 - You don't have the required role
 - No right role to create that DDS of that activity
 - Missing geolocalisation data
 - Invalid referenced DDs number or token;
 - Invalid Operator information
 - Invalid country of entry

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- Missing quantity
- Missing operator EORI
- Webservice:

Who can use the EO API webservices?

- One system per unique operator
- One public sector system for one or more operators
- One commercial software for one or more operators How to authenticate?
 - The credentials for each operator must be granted by EC ("web service user" based on EU Login credentials)
 - At connection time, the remote system must login with the credentials of the operator
 - If a system operates for many operators, It must manage the credentials of all of them for all the individual connections
 - Authentication over SOAP
 - Conformance testing strategy:
 - Publication of a set of segmented tasks of development and tests
 - Connectivity and Authentication Test

- □ Test of Submission of ODS Happy Flow
- □ Test of Submission of ODS Error Management
- □ Test of Retrieval of ODS Information
- Test of ODS Amendment
- □ Test of ODS Retraction (Cancel and Withdraw)
- Once all tests passed, the EO will have clearance to connect to the PRODUCTION (once operational)
- Open-ended phase
- User support & Training:
 - TRACES support shall be contacted for IT related problems only
 - User instructions and support materials will be published online, including short videos for each specific set of functionalities.
 - Training:
 - Hybrid hands-on end-user training will be provided in Brussels with online participation option
 - Member States representatives will also be trained as trainers to be able to provide training at national level
 - Training sessions estimated to be 1/2 day long
- Timeline of the Information System:



- **Countries Benchmarking**: The EU Commission confirmed that the process for the countries benchmarking has started and a consultancy has been selected to support the EU Commission. No time framework was presented.
 - **To be noted**: <u>Guidehouse Netherlands B.V.</u> has won the call for tender and it will support the EU Commission for the Establishment of a Benchmarking System According to Article 29 of the Regulation on Deforestation-free Supply Chains. The commission signed the grant agreement on 18.04.24
- Frequently Asked Questions and Guidelines on the Deforestation Regulation. The Frequently Asked Questions will be revised, and an updated version is expected in May. 30 new answers will be added (including: traceability for composite products, packaging, products in silos). Regarding the Guidelines, the Commission informed that these are expected to be published by June 2024. To be noted: the Commission mentioned that these guidelines are drafted with the support of "some" Member States.
• **General Comment.** The EU Commission denies that there are delays in the practical implementation of the regulation and reiterated that the Regulation will entry into application on 30 December 2024.

6.12.2 Examples of Joint actions on the EUDR

The European sawmill organization has closely followed the development of the EUDR by contributing to the institutional debate and making a tangible contribution to the complexity of this regulation voicing the views and concerns of the timber supply chain. Joint actions were also undertaken with the other organizations related to the commodities included in the scope of the regulation. Below are some of the actions carried out by EOS. The list is not exhaustive.





Brussels, 16 November 2023

European woodworking sector solutions for effective and efficient EUDR implementation

The European Confederation of Woodworking Industries (CEI-Bois) and the European Organisation of the Sawmill Industries (EOS) would like to underline that the European timber sector is fully committed to comply with the Deforestation-free Products Regulation (EUDR)¹. At the same time, CEI-Bois and EOS reiterate that the EUDR establishes a highly complex mechanism to ensure that only deforestation-free products enter or leave the EU. Moreover, several of the EUDR provisions lead to obligation redundancies for the European operators and traders. For this reason, the European Timber Industries call for practical approaches and solutions in order to achieve the noble objectives of the new regulation while avoiding market disruptions.

In order to be able to deal with the practical implementation difficulties, the timber sector proposes several specific solutions, as outlined below:

1. Confirmation from the legislators' side that timber and timber products that were produced between 29 June 2023 and 30 December 2024 in compliance with the EU Timber Regulation (EUTR)², and that were placed on the market from 30 December 2024, shall also be deemed compliant with the EUDR.

This confirmation is absolutely necessary in order to guarantee companies the 18-month implementation time and allow an effective and efficient adaptation to the EUDR, thereby avoiding disruptions on the markets leading to negative impact to the wood trade. Moreover, it should be noted that the Information System will be officially launched in December 2024 and that businesses will need sufficient time to identify which key technologies and supply chain partners to leverage in order to increase evidence-based traceability. Moreover, an electronic interface between business and the EU Information System is of utmost importance to be in place as of 30 December 2024 to avoid unintended human errors and red tape due to manual submission of required data. At the same time, the EUTR

^{1.} Regulation (EU) 2023/1115

^{2.} Regulation (EU) No 995/2010



is a solid and reliable piece of legislation, and its temporary implementation should be considered sufficient during the transition towards the full application of the EUDR.

It is equally important to note that, while the sector appreciates the positive intention of putting in place a transition period for EUTR-compliant timber and timber products that were harvested and produced before 29 June 2023 (date of entry into force of the EUDR), the 31 December 2027 deadline is still not feasible in practice, and it does not reflect the realities on the ground. A good rule of thumb is to let hardwood species season for at least 12 months before you sell them: thus, what will be harvested in the coming months (in absence of the Information System!) will be likely be sold after 2024. Moreover, it should also be noted that European timber importers traditionally have large stocks with certain timber qualities, species, and dimensions that can remain in stock for more than 10 years. It is an inescapable reality that, at this very moment, European companies have in stock EUTR-compliant wood that would certainly only be sold after 31 December 2027, without the possibility of retroactively satisfying the EUDR's new requirements. It cannot be the goal of the EUDR to see the destruction of wood that is fully compliant with the legislation that had been applicable at the time of its harvesting. As a result, the deadline within which companies must be able to place on the market EUTR-compliant timber and timber products that were produced before 29 June 2023 should be flexible.

2. The immediate identification of low risk producing countries or parts thereof should be prioritised.

Until producing countries or parts thereof that pose a low risk to deforestation are identified as "low risk", they will be considered as "standard risk", a situation which does not entail any reduction in the number of due diligence obligations. Until then, the risk-based approach that lies behind the EUDR is practically ineffective, which unnecessarily overburdens operators, traders, and competent authorities (CAs). At the same time, an ineffective risk-based approach can disincentivise producing countries from already taking measures aimed at improving the situation on the ground.

3. Organisation of information sessions by the European Commission and/or the Member States' competent authorities for operators and traders on the practical use of the Information System.

The legal responsibility for compliance with the EUDR and its practical implementation rests with the EU operators and EU traders, which are also the most familiar with the situation on the ground. Therefore, they are in most need to understand how the Information System works, as well as best placed to point out any potential weaknesses it might have. As the Information System is intended to be the tool via which strict traceability would be realised, its proper functioning and accurate reflection of the realities on the ground is essential. Therefore, we request that information sessions on the use of the Information System be held as soon as possible leading up to December 2024 and beyond to directly engage businesses in the talks with the authorities, in addition to their engagement via their trade associations.

4. Clear and commodity-specific instructions regarding enhanced traceability to be provided by the Commission.

Moreover, in order for the EUDR to fulfil its deforestation-free value chains ambitions and for strict enhanced traceability to play its key part in this - as opposed to becoming a tool for generating unimaginable amounts of data with questionable utility, we strongly call upon the Commission to assume a leadership role in helping to shape the creation, utilisation, and referencing of due diligence statements (DDSs) via clear and commodity-specific instructions.

The Commission's leadership is indispensable for two reasons: first, to establish unambiguous rules for uniform and nonredundant data collection at the point of first placement on the market, or of importing/exporting, as well as uniform and non-redundant reporting across various product groups and geographic regions; and second, to alleviate the substantial administrative burden placed on businesses undertaking this significant endeavour. The alternative, leaving these critical

aspects solely to individual businesses' discretion, could result in the EUDR system becoming an unwieldy database inundated with meaningless DDSs.

To realise these objectives, we urge the Commission to provide clear and tailored guidance to woodworking industry businesses, including best practices and example scenarios on how DDSs should be employed and linked to timber supply chains, while reduce redundancy.

To do this, the following industry recommendations will need to be accepted and confirmed via subsequent secondary legislation:

- → Already at the start of the timber supply chain (roundwood harvesting), the smallest and justified possible number of initial DDSs necessary to meet the regulation's objectives should be submitted. Given the submission of subsequent DDSs further down the supply chain, this is one the best ways to avoid the unnecessary proliferation of excessive amounts of reference numbers of subsequent DDSs and the submission of the same information multiple times.
- ➔ By submitting their initial DDS when placing for the 1st time roundwood on/from the EU market and simultaneously complying with the EUDR, upstream operators such as forest owners or managers assume full responsibility for the results of their extensive due diligence efforts. Therefore, these products will be deemed EUDR-compliant. Once the EUDR-compliant roundwood arrives at the sawmills' log yard, it is mixed on the basis of quality. However, since this mixing will take place within the 100% EUDR-compliant material, all the wood and timber products exiting the sawmills will also be 100% EUDR-compliant.
- → The submission of the DDS by upstream operators (forest managers) implies that the products placed on the market (roundwood) are EUDR-compliant, which also makes it sufficient for downstream operators (sawmills) and traders to only collect the reference numbers of the DDSs from their suppliers, without having to re-verify a huge volume of data behind the received reference numbers linked to DDSs and without having to create brand new DDSs and associated data of questionable utility (it would in any case only serve the purpose of referring to existing DDSs, for which legal liability had already been assumed).
 - This approach would not only eliminate any redundant work which would pose significant financial and administrative burden on all downstream operators, such as the already-mentioned sawmills, but also other manufacturers of timber products or paper and packaging producers, and traders but it is the only way to make the EUDR practically applicable.
 - If downstream operators and traders will nevertheless have the obligation to submit their own DDSs for products
 manufactured from EUDR-compliant roundwood (in which they will simply refer to existing DDSs, through which
 legal liability has already been assumed), then the application of a mass balance system should be allowed because
 wood that is not compliant with the EUDR will inevitably be absent from the stream. Moreover, for downstream
 operators and traders, the issuance and submission of DDSs should be limited only to actual new placements on the
 market (it should absolutely not be necessary for every single delivery of the same contract to the same customers).
- ➔ For operators and traders that will eventually have to submit DDSs, it should be possible to do this in an automated manner as of 30 December 2024, given the high number of DDSs to be submitted on a daily basis. To this purpose, it should be possible to link data management systems used by the woodworking industries to the Information System via electronic interface (i.e., API Integration). The timber sector is available to provide further technical guidance on practical solutions for the automated submission of DDSs.

- → One serious and important concern associated with the Information System and the data it generates is that of undue access to confidential and sensitive commercial information, which has the potential to severely disrupt the wood market, in addition to placing operators and traders in a position of potentially violating the EU Competition Law. Therefore, access to information collected during the due diligence process (including geolocation information) and submitted via the Information System should be highly restricted from the eyes of downstream operators/traders.
- → The Commission should also work with the governments of producer (third) countries as part of its engagement efforts to create more supportive regulatory environments that require transparency on commodity production. Third country governments are indeed key data providing actors (e.g., official public sector datasets), thereby facilitating the long-term effective implementation of the EUDR.



BRUSSELS, 12 March 2024 - The European Woodworking Industries express great concern about EUDR

The European Woodworking Industries are greatly concerned regarding information disclosed about the EU Deforestation-Free Products Regulation (EUDR)1 in a recent article in the Financial Times (8th March 2024)2. According to the article, the EU intends to delay the application of the much-needed risk-based approach – practically implemented via a risk benchmarking of producing countries (low, standard, and high risk) – which is essential for enabling compliance with the EUDR by market actors (operators, traders, importers, exporters, and their authorised representatives) and the competent authorities of the EU Member States (CAs), as well as for incentivising good practices in producing countries (EU Member States or third countries).

Instead, all countries will now apparently be designated as "standard risk" in order to "give them more time to adapt" to the new Regulation. It is crucial to understand that the benchmarking of countries is a central part of the EUDR and its implementation, and any delays related to this classification will only result in additional costs and administrative burden for market actors, without any real advantages either for the producing countries or for the CAs. Indeed, per the EUDR, whether market actors source their commodities from standard risk countries or from high-risk countries, they are facing the same due diligence obligations. Simply put, the benefit implied by the seemingly planned delay of the country risk benchmarking does not exist because no simplified procedure for export or imports is actually foreseen for standard risk countries, compared to high risk countries.

The only difference between the two tiers of risk is the implication that it has on the control and verification obligations of CAs: CAs must control 9% of all the operators placing or making available on the market or exporting relevant commodities and products originating from high risk countries, compared to 3% in the case of relevant commodities and products originating from standard risks countries (as per Article 16, paragraphs 8 and 9 of the EUDR). However, it is essential to identify low-risk countries as the implications are significant to all the actors: when

sourcing from low-risk countries, market actors do actually benefit from the possibility of simplified due diligence, while CAs can reduce the number of controls to 1%, as foreseen by Article 16 paragraph 10.

The difficulties associated with the implementation of the EUDR are also reflected by the challenges faced by the EU when seeking to deliver on its own commitments under the Regulation. One such example is the task of benchmarking the risk level of countries, particularly the identification of the low risk-countries, which, to underline again, needs to take place urgently.

An aggravating factor is that the EU's Information System, intended to be the main tool supporting the EUDR implementation by all the actors, is still at an early stage of development and needs significant improvement, in particular when it comes to the automatic, reliable and safe collection, registration, and protection of commercially sensitive information. Moreover, in the case of timber, aspects related to the transition period from the currently applicable EU Timber Regulation (EUTR)3

3 to the EUDR still need to be clarified. The goal is to ensure that wood which has been legally sourced until 30 December 2024 in full compliance with the EUTR can be sold on the EU market. It is crucial that the EU Information System takes this into account and does not require retrospective submission of Annex2 data of downstream producers when they place goods (e.g., sawn wood) on the markets which originates of raw material harvested before 30 December 2024.

Conclusion:

The European Woodworking Industries fully support the scope and the objectives of the EUDR and strongly oppose all forms of deforestation and forest degradation. At the same time, the European Woodworking Industries regret that the EUDR has become a huge administrative and regulatory monster.

In the light of all the above, the European Woodworking Industries urge the EU institutions to delay the entry into application of the EUDR for the operators and traders, to amend the EUDR in order to eliminate unnecessary bureaucratic hurdles and to provide actors with sufficient time to adapt for full and adequate compliance.

Moreover, it is imperative that the EU Commission swiftly proceed with the classification of the low risk countries, with this action being its main priority.

Signatories:

CEI-Bois – The European Confederation of Woodworking Industries – Transparency register n° 470333818389-37
EFIC: European Furniture Industries Confederation – Transparency Register n° 95910795422-52
EOS - European Organisation of the Sawmill industry – Transparency register n° 024776016336-52
EPF - European Panel Federation – Transparency register n°: 572064811767-22
ETTF - European Timber Trade Federation – Transparency register n° 151485550468-20
FEP - European Federation of the Parquet industry – Transparency Register n° 294492727880-53

1. Regulation (EU) 2023/1115 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1115

 https://www.ft.com/content/8dab4dc6-197b-4a2f-86f0-d5e83ce00b09?accessToken=zwAGE0p5FlfYkdONq03GGXtKL9OG8NXoPOALCQ.
 MEQCICIJwazzpNonhTUzJWEQGFfowolsUv27TiHUoYJaDTIXAiAckaNxRapvAHx8GqrdGlk0DLG_uz0aSiFmx5HqHmvQoQ&sharetype=gift&token=5e38e6fc-53e7-4784-a1d9-b2d000994eff

3. Regulation (EU) No 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market Text with EEA relevance: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32010R0995

Coalition letter

To: Virginijus Sinkevičius, European Commissioner Environment, Oceans and Fisheries
 Cc: Florika Fink-Hooijer, Director General for Environment
 Astrid Schomaker, Director ENV. F.
 Astrid Ladefoged, Head of Unit ENV. F.1

Brussels, 28 March 2024 24ENV116

Joint cross-commodity call to EU Commission and Member States to provide urgent clarifications and workable solutions for EUDR implementation

Extract only.

Dear Commissioner Sinkevičius,

We, the undersigned organisations, are active in preparing for the implementation of the EU Deforestation Regulation (EUDR) with our member companies and across our respective supply chains.

As part of our commitment to support a successful implementation of this regulation, considering the significant adjustments that are needed from suppliers, operators and traders, we would like to express serious concerns regarding the pace of preparation of EUDR-related legislative acts, the mandatory systems (i.e. Information System), and the guidance and clarifications required for implementation by operators and traders and enforcement by competent authorities.

Operators and traders are working hard to prepare their supply chains and adapt their systems and due diligence processes for compliance with the EUDR.

They try to develop workable solutions, compatible with the EUDR provisions, but implying less administrative burden. However, these efforts are impeded by large gaps in information, lack of appropriate technical solutions and by misconceptions as to the functioning of our complex chains.



Letter to: Maroš Šefčovič, Executive Vice-President of the European Commission for the European Green Deal, Interinstitutional Relations and Foresight

8 April 2024

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European forest-based sector's call for legal clarity and adequate transition time to ensure a smooth and effective implementation of the EUDR

The letter aimed at requesting clarifications and workable solutions, completion of country benchmarking, prioritising the identification of low-risk countries, common understanding of the implications among all actors, including SMEs, finalization of Information System....

Finally, EOS together with EPF, CEPI, ETTF and EFIC commissioned a Memorandum (legal opinion) to the legal firm Van Bael & Bellis in order to provide the legal basis for a legitimate delay of the application date of the EU Deforestation-free Products Regulation (EUDR). The Memorandum was been delivered (as follow up action) to several Members States and Competent Authorities.

Here reported some of the key findings of the Memorandum:

An in-depth analysis of the provisions of the EUDR suggests that the declared objective of giving to operators and traders the possibility "to adapt to the new requirements" during a transitional period of 18 months (24 months for small and micro-enterprises) is impaired by other provisions of the EUDR, that make such adaptation either impossible or disproportionately burdensome:

 Despite the provisions of the EUDR clearly suggest that the implementation of this Regulation should be made in such a way to minimise any limitation to the operators' and traders' fundamental rights, the memorandum explains why both (i) the provisions of the EUDR and (ii) the way in which they have been implemented by



the European Commission ("Commission") and Member States are not in line with this stated objective. More precisely, the transitional period set out in the EUDR does not provide operators and traders with a reasonable period of time to adapt to the new requirements, because it does not allow them to effectively prepare for the EUDR compliance.

2. While no legal provision of EU law nor the EU case law provides for clear guidance regarding the precise length of the transitional period that should be foreseen once new rules - such as those set out in the EUDR are adopted by the EU legislature (with a view to ensure the respect of the EU fundamental rights), it is nevertheless important to note that other EU rules that contain obligations of similar nature provide for a substantially longer transitional period compared to that foreseen in the EUDR. By way of example: The EU Conflict Minerals Regulation, which introduced supply chain due diligence obligations for EU importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas => the length of the transitional period was 42 months. The EU Forced Labour Products Ban Regulation, which is currently at the last stage of the legislative process, will become applicable 36 months

after its entry into force. Under the compromise agreement on the <u>EU Corporate Sustainability Due</u> <u>Diligence Directive</u> ("CSDDD"), the transitional period that is currently being discussed ranges between 3 and 4 years after the entry into force of that Directive. **Taking into account the complexity of the EUDR obligations and the obligations envisaged under other EU instruments such as those analysed above, it seems manifest that the transitional period envisaged in the EUDR is insufficient to allow affected operators and traders (including micro-undertakings and small undertakings) to duly prepare for the EUDR implementation.**

- 3. The concerns regarding the insufficient length of the transitional period become even more pronounced considering that the EUDR due diligence obligations will also apply to operators that are small and micro-enterprises. Whereas for small and micro-enterprises the EUDR envisages a longer transitional period, it should be noted that due to the nature of the due diligence obligations, small and micro-enterprises that are in the supply chain of bigger operators will be contractually required to comply with the EUDR obligations already from 30 December 2024. This means that, in most cases, small and micro-enterprises will not be able to make use of the more generous transitional period to prepare for their EUDR compliance.
- 4. Considering the stated purpose of the transitional period and the scope of the far-reaching new obligations of the EUDR, the transitional period set out in Article 38 of the EUDR appears to violate the principles of proportionality, the freedom to conduct a business and the principle of legal certainty, insofar as the EUDR empowers the Commission to adopt fundamental implementing acts – such as for

the country benchmarking system and the information system – until the very last day of the transitional period. The unreasonable nature of these provisions of the EUDR is confirmed by the fact that different – and more appropriate – solutions have been envisaged under other EU law instruments introducing due diligence obligations. For instance, the EU Batteries Regulation requires the Commission to publish guidelines on the application of the due diligence requirements six months before the obligations will become applicable.

5. The missing implementing act on the country benchmarking leads to disproportionate and unjustified results. In particular, considering that all countries have been assigned a standard level of risk on 29 June 2023, the efforts made by companies to comply with the obligations of the EUDR with regard to the countries that will be eventually classified as "low risk" will be essentially pointless in the end, resulting in a disproportionate and unnecessary burden for operators and traders. Furthermore, considering that one of the likely results of the country benchmarking is that companies may "shift their sourcing from 'high-risk' countries to 'lowrisk' countries", the delayed adoption of the relevant implementing act is also likely inconsistent with the principles set out in recital 45 of the EUDR to "[minimise] sudden disruption to supply chains" and, ultimately, to "ensure a proper balance between the protection of the legitimate expectations of operators and traders placing relevant commodities and relevant products on the market or exporting them [...] and the fundamental right to protection of the environment as established in Article 37 of the Charter of Fundamental Rights of the European Union".

Chapter 6.13 Trade overview

6.13.1 Japanese Agricultural Standard (JAS) Review

JAS0600 standard is under the regular quinquennial review in 2025. In the last 2020 review the JAS0600 standard remained unchanged for European spruce, which remained for now in the SPF group. However, in the 2025 review the European industry is requested to collect and submit to MAFF – the Japanese Ministry of Agriculture, Forestry and Fisheries of Japan – the strength data for European spruce.

EOS has established a working group which worked hard starting from Summer 2023 to find a solution to this issue.

The Working Group tackling this issue has managed:

- To establish contacts with the Japanese authorities and also with the help of the European Commission it was possible to postpone the deadline to provide the strength data
- To send a credible project to the Japanese authorities regarding the submission of strength data
- To contact test laboratories across Europe and inspectors which will perform and verify tests
- To appoint a project manager overseeing the project
- To find an agreement regarding cost sharing among participants. EOS will also contribute to the cost sharing with a small amount

As of April 2024 the project is running. The final report with the updated strength data for the Japanese authorities will be co-signed by EOS on EOS letterhead. If the Japanese authorities approve the report, it will be possible for all dimension lumber sawn spruce to keep being exported to Japan, even for companies that as of today do no deliver any dimension lumber sawn spruce to Japan.

6.13.2 Export of Oak Logs to China

EOS – together with the European Panel Federation (EPF), the European Federation of the Parquet Industry (FEP), the European Furniture Industries Confederation (EFIC), the European Office Furniture Federation (FEMB), and the Italian Federlegno – with the help of the legal company Van Bael and Bellis have conducted an action with the European Commission to show that exports of oak logs to China have reached an unsustainable level and risk jeopardizing the viability of the industry.

Exports of oak logs to China amount in some instances to about 25-30% of harvested wood in a given area.

In our interactions with the EU Commission (some online meetings and a physical meeting in the premises of DG Trade), it was reiterated that DG Trade do not consider putting in place any restriction to the export of logs. Talking purely from a trade perspective, they do not want to do this because they fear Chinese retaliation in other sectors (there is increasing trade and geopolitical tension with China which is not going to improve in the coming years) and because any measure aiming to restrict exports is not something that the Commission usually does in any sector as it goes against EU trade principles. The EU is fighting some export controls of some Chinese goods at WTO and bilateral level and they do not want to do the same to keep policy consistency.

There is an intention to keep the dialogue open with the industry so the EOS Secretariat as well as the members will keep monitoring the trade flows with China.

6.13.3 Export of Ash Logs to Vienna transformed into sawnwood to China

In 2013, China issued a total ban on ash wood products (logs and lumber) from Europe due to the increasing spreading of the ash dieback fungus in Europe. (Chinese Law No 156, year 2013).

In 2015, following requests from Chinese companies who needed ash veneer and small thickness lumber from Europe, the Chinese customs changed the regulation to allow imports of lumber up to 30 mm thickness. (Chinese Law No 143, year 2015). Ash is a widely used species in China for the furniture industry. The main specification (2/3 of the market) is 50 mm thickness lumber as it is the section needed to produce all furniture legs and framework.

Working with the European Commission and with the backing of scientific evidence, the European hardwood sector has tried to show in the past to the Chinese authorities that kiln-dried ash sawnwood is safe. The Chinese legislation has not changed.

It has recently come to the attention of the European hardwood sector that significant quantities of European ash logs are being exported to Viet Nam. The European hardwood industry believes that European logs being processed in Viet Nam are wrongly labelled with another origin in order to circumvent the existing Chinese legislation. As a result, we urge the European Delegation to China to take the appropriate steps and warn the Chinese custom authorities about what is happening. The firstbest solution for the European hardwood industry would be unhindered trade of ash sawnwood with China. The unjustified Chinese legislation and the imports of European ash logs from Vietnam transformed into products and sold in China is directly damaging European companies and creating a market distortion.

EOS has sent a letter in October 2023 to the European Commission describing the situation and demanding the support of the EU. We have established interactions with DG Trade and as of April 2024 this issue is ongoing.

6.13.4 EOS and CEI-Bois Statement: Possible Japanese Imports Ban on Russian Wood Products

In March 2024, EOS, together with the European Confederation of Woodworking Industries (CEI-Bois), has sent a letter to the cabinet of the European Commissioner for Trade Mr Valdis Dombrovskis to encourage DG Trade in their discussions with the Japanese counterparts to raise the question of a possible Japanese ban on the imports of Russian wood products, in particular lumber and glue laminated timber.

According to figures shared by the Japanese Lumber Importers Association, Japan in 2023 was still importing 13% of its total lumber imports from Russia. This is regrettable as Russia is a major global power in the woodworking industry and Japan is an important market for many Russian exporters.

EOS and CEI-Bois believe that a concerted effort to persuade Japan to stop importing Russian lumber would be a significant step in further impacting the Russian economy and its war machine. The EU's trade posture towards Russia, and sanctions in particular, should be coordinated and coherent among the coalition of countries that have decided to punish Russia's unprovoked, unjustified, and barbaric invasion of Ukraine.

Up until 2021 the European Union imported significant quantities of wood products from Russia (and Belarus), much more than what Japan is currently importing, even in proportion to the larger EU population and economy. As an industry and a society, we should be proud that in the space of some months we were able to give up importing Russian wood products, swiftly readjusting and adapting to the new reality.

We have thus shown that this is feasible, and we believe that Japan should join Europe in banning imports of wood products originating from Russia.



Permanent Representations Trade Attachés

EOS and CEI-Bois Statement: Possible Japanese Imports Ban on Russian Wood Products

Dear Commissioner Dombrovskis,

With this statement the European Organisation of the Sawmill Industry (EOS) and the European Confederation of Woodworking Industries (CEI-Bois) would like to encourage you in your discussions with your Japanese counterparts to raise the question of a possible Japanese ban on the imports of Russian wood products, in particular lumber and glue laminated timber.

According to figures shared by the Japanese Lumber Importers Association, Japan in 2023 was still importing 13% of its total lumber imports from Russia. This is regrettable as Russia is a major global power in the woodworking industry and Japan is an important market for many Russian exporters.

We believe that a concerted effort to persuade Japan to stop importing Russian lumber would be a significant step in further impacting the Russian economy and its war machine. Our trade posture towards Russia, and sanctions in particular, should be coordinated and coherent among the coalition of countries that have decided to punish Russia's unprovoked, unjustified, and barbaric invasion of Ukraine.

Up until 2021 the European Union imported significant quantities of wood products from Russia (and Belarus), much more than what Japan is currently importing, even in proportion to the larger EU population and economy. As an industry and a society, we should be proud that in the space of some months we were able to give up importing Russian wood products, swiftly readjusting and adapting to the new reality.

We have thus shown that this is feasible, and we believe that Japan should join Europe in banning imports of wood products originating from Russia.

We would be grateful if you could help us achieve that.

We remain available for any clarification you might need.

Sincerely,

Herbert Jöbstl, EOS President

obill

Sampsa J. Auvinen, CEI-Bois President

CEI-Bois – The European Confederation of Woodworking Industries - Transparency register nº 470333818389-37 EOS - European Organisation of the Sawmill industry - Transparency register nº 024776016336-52

6.13.5 Statement of the European Woodworking Industries and the Timber Trade: Red Sea crisis escalation jeopardizes trade with Asia and Africa

EOS, together with the European Confederation of Woodworking Industries (CEI-Bois) and the European Timber Trade Federation (ETTF), has sent a letter to the cabinet of the European Commissioner for Trade Mr Valdis Dombrovskis in January 2024.

The Red Sea route is a pivotal maritime route for global trade, including for the European woodworking industries and the timber importers. The escalating crisis in the Red Sea has profoundly negative implications for the European economy, not least for the European wood sector. At a time of subdued demand for wood products across Europe, swift and unimpeded access to Asian and African countries is







Brussels, 15 January 2024

To the Executive Vice-President, Mr Valdis Dombrovskis,

To the Internal Market, Industry, Entrepreneurship and SMEs Commissioner, Mr Thierry Breton Cc: DG GROW, Deputy Director-General, Mrs Maive Rute

Statement of the European Woodworking Industries and the Timber Trade: Red Sea crisis escalation jeopardizes trade with Asia and Africa

vital to keep our businesses afloat. As a result of the crisis, our companies are confronted with many issues that are making extremely challenging the sourcing and supplying of our products from and to Asian and African markets. Some of our challenges are listed below:

- Higher costs for insuring vessels transiting the Red Sea
- Partly as a consequence, shipping companies are introducing extremely high surcharges
- Very high uncertainty and price volatility
- Cargo delays and cancellations
- Extended transit time, lack of information about delivery time

The European Wood industries and the trading sector demand that urgent action be undertaken by the European institutions and relevant partners to ensure that safety and stability in the Red Sea is restored. Targeting cargo ships is unacceptable and should be suppressed - not least to ensure that firing rockets at cargo vessels is not an inspiration for other terrorist groups.

For both imports and exports, the overseas markets especially in Asia are crucially important and, together with trade routes to east-African ports, the Red Sea route is by far the most important connection and needs to be safeguarded.

6.13.6 Investment barriers report 2023 by the European Investment Bank

In February 2024, the Investment barriers report 2023, an authoritative assessment by the European Investment Bank Group on investment hurdles in the European Union was published. The report details constraints that impede investment at the national and EU level.

Within the report, one chapter is related to the forestry sector.

Investments in the forestry sector have the potential to contribute positively to various crucial issues in the sector, such as mitigating climate change, developing the wood-based bioeconomy and protecting biodiversity. However, a lack of coordination between the various policies and strategies affecting the forestry sector can lead to inertia, or even an inability to act. In addition, many wood-processing companies consume a lot of energy and are therefore sensitive to regulations that affect energy prices.

In a nutshell, the report underlines the following points:

lack of coordination between the various policies and



strategies affecting the forestry sector can lead to inertia, or even an inability to act. In addition, many woodprocessing companies consume a lot of energy and are therefore sensitive to regulations that affect energy prices.

- Lack of adequate insurance mechanisms is a growing barrier to investment in the forestry sector given the risks associated between increasing forest stocks
- Small and medium businesses and microenterprises
 => it results in relatively high unit costs. Combined with the high volatility of timber prices, these factors make investment risky and uncertain.
- While environmental, climatic and commercial contexts have become more complex, the budgetary capacities of the public forestry sector have not increased to the same extent.
- Lack of information on forest resources (species, qualities, dimensions) makes difficult for investors in value chain activities to make informed decisions.

The Report is available at the following link: https://www.eib.org/en/publications/20230330investment-barriers-in-eu-2023

Special Focus: An overview of the revision of the Construction Products Regulation

EOS expresses gratitude to Claudiu-Nicolae Sonda, Construction and Sustainability Policy Officer at CEI-Bois, for his contribution to this Special Focus

In April 2024, the European Parliament adopted its first reading on the proposal for a **revision of the Construction Products Regulation** (revised CPR). The revised CPR is now expected to be formally adopted by the Council of the European Union and published in the Official Journal of the EU by the autumn of 2024, resulting in its entry into force after 20 days.

As a regulation, the revised CPR will be directly applicable (transposition into national law by the Member States is not necessary) and it will seek to contribute to two overarching objectives:

- a) The efficient functioning of the internal market by ensuring the **free movement of safe and sustainable construction products** in the Union;
- b) The green and digital transition by **preventing and reducing the impact that construction products** have on the environment and on the health and safety of people.

Generally, the revised CPR will apply 12 months after the date of its entry into force. However, several articles¹ become applicable exactly on the date of its entry into force, while one article² will apply 24 months afterwards. At the same time, the application of the revised CPR will generally trigger the repeal of the current CPR³. Nevertheless, several provisions⁴ of the current CPR will only be repealed 15 years later.

Background for CPR revision

The current CPR has applied fully since 1 July 2013⁵. Its objective is to achieve the proper functioning of the internal market for construction products, including wood-based ones, by means of harmonised rules for their marketing in the EU.

In March 2022, the European Commission put forward a proposal to revise the current CPR as part of a wider legislative package aimed at making sustainable products the norm in the EU and boosting circular business models. The stated aims of the proposal were to improve the functioning of the internal market for construction products, address the implementation challenges that still exist at national level (particularly regarding market surveillance), simplify the legal framework, and support the green and digital transition in the sector.

2. Article 92

^{1.} Article 1, Article 2, Article 3, Article 4, Article 5(1) to (7), Article 7(1), Article 9, Article 10, Article 12 first subparagraph, Article 16(3), Article 37(3), Article 63, Article 89, Article 90, Annex I, Annex VI, Annex X

^{3.} Regulation (EU) No 305/2011 of the European Parliament and of the Council of 9 March 2011 laying down harmonised conditions for the marketing of construction products and repealing Council Directive 89/106/EEC Text

Article 2, Articles 4 to 9, Articles 11 to 18, Articles 27 and 28, Articles 36 to 40, Articles 47 to 49, Articles 52 and 53, Article 55, Articles 60 to 64, and Annexes III and V
 Notably, the current CPR also replaced a preexisting piece of legislation, the Construction Products Directive, itself adopted back in 1989: Council Directive 89/106/EEC of 21 December 1988 on the approximation of laws, regulations and administrative provisions of the Member States relating to construction products

Main provisions

The revised CPR establishes harmonised ruled for the placing and making available on the market of construction products via:

- a) Harmonised rules on expressing their environmental and safety performance in relation to certain **essential characteristics**;
- b) Environmental, functional, and safety **product requirements**.

Harmonised standards, essential characteristics, and other harmonised technical specifications

At the centre of the CPR-based harmonisation is the standardisation process, which creates the common technical language via **mandatory harmonised standards and other harmonised technical specifications**.

Mandatory harmonised standards lay down:

- a) the essential characteristics of construction products;
- b) their assessment methods for different product categories.

Given their focus on the performance of construction products, these standards can also be referred to as performance harmonised standards. They are prepared by a European standardisation organisation (usually CEN/CELEC) based on **standardisation requests drafted by the Commission with the assistance of the so-called CPR Acquis Expert Group**. As Member States have exclusive competence over the legal requirements for construction works on their territories, and as construction products are incorporated into construction works, the regulatory needs of the Member States are predominantly at the origin of the Commission's standardisation requests.

The essential characteristics of construction products - which will be laid down via (performance) harmonised standards - are to be determined on account of **8 basic requirements for construction works** (BRCW)⁶. They will also include a list of **19 predetermined environmental essential characteristics**⁷ aligned with the lifecycle assessment (LCA) indicators of EN 15804⁸, commonly used by the construction sector to produce environmental product declarations (EPDs). The obligation to declare these LCA indicators will arise gradually, with global warming potential (GWP) indicators being the only ones rendered mandatory on the regulation's date of application. Notably, (performance) harmonised standards shall also cover to the extent possible the predetermined environmental essential characteristic of **capability to temporarily bind carbon and of other carbon removals**.

The methods for the assessment and verification of the performance of construction products in relation to their essential characteristics will also be prescribed in the (performance) harmonised standards and will be selected among **a list of 6 predefined systems**⁹. The actual assessment and verification are to be carried out in the relevant Member States by authorised conformity assessment bodies, officially known as **the Notified Bodies**.

Under strict conditions and to avoid bottlenecks and lagging standards, the revised CPR envisages a **fallback solution** by empowering of the Commission to adopt other mandatory harmonised technical specifications via implementing acts. This is a novelty brought about by the CPR revision.

- 6. Listed in Annex Lof the revised CPR
- 7. Listed in in Annex II of the revised CPR
- 8. EN 15804+A2 Sustainability of construction works Environmental product declarations Core rules for the product category of construction products
- 9. Listed in Annex IX of the revised CPR

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Product requirements and voluntary harmonised standards

For construction products covered by a (performance) harmonised standard or by other technical specifications (i.e., Commission delegated acts), **the Commission can also establish environmental, functional, and safety product requirements**¹⁰ via delegated acts, which are also mandatory for construction products manufacturers. Conformity with these product requirements can be facilitated by showing conformity with **voluntary harmonised standards for product requirements**, which are to be drafted by the standardisation organisations at the request of the Commission.

Under strict circumstances and as a **fall-back solution**, the Commission can also establish via implementing acts common specifications as alternative means to comply with the product requirements.

Declaration of performance and conformity, CE marking, EOTA route, and harmonised zone

Prior to the placement on the market of a construction product covered by harmonised technical specifications (harmonised standards and Commission delegated acts), the manufacturer must ensure that the product's performance is assessed in relation to the applicable essential characteristics. If the product is also covered by product requirements (established via Commission delegated acts), the manufacturer shall ensure that the product has also been designed and constructed in accordance with those requirements.

As the basis for **the declaration of performance and conformity**, the manufacturer shall also draw up a technical documentation. The declaration of performance and conformity is a sine non qua for being allowed **to affix the CE marking**, via which the manufacturer is assuming responsibility for the conformity of the product with the declared performance and applicable product requirements. Construction products without the CE marking cannot be placed on the EU market.

However, not all construction products are covered by harmonised technical specifications, either due to delays in the standardisation process or due to innovative nature of the product. In this case, the CPR (existing and revised) foresees the so-called **EOTA¹¹** route to CE marking. The European Organisation for Technical Assessment (EOTA) is a Europe-wide association of **Technical Assessment Bodies** (TABs) for non-standardised construction products, issuing **European Technical Assessments** (ETAs) for these products on the basis of **European Assessment Documents** (EADs). In this alternative scenario, the manufacturer of a non-standardised construction product can draw up the declaration of performance and conformity of these products in accordance with the relevant EAD and ETA, thereby being allowed to affix the necessary CE marking.

Another novelty of the revised CPR is the concept of **harmonised zone**, which consists of all the products subject to harmonised technical specifications, and which falls under the exclusive competence of the EU. This means that Member States shall not prohibit or impede in any way the marketing of construction products covered by the harmonised zone (ensuring therefore the harmonisation of the internal market for construction products). As such, Member States cannot lay down additional essential characteristics to the ones prescribed in the harmonised technical specifications. They also cannot establish their own markings, other than CE marking, covering essential characteristics or product requirements. Nonetheless, since construction works falls under the exclusive competence

^{10.} Annex III of the revised CPR lists a variety of product requirements to be established and further specified via delegated acts

^{11.} The European Organisation for Technical Assessment (EOTA) is a Europe-wide association of Technical Assessment Bodies for construction products. It provides the framework for the European Technical Assessment (ETA) of construction products to ensure consistent product performance information throughout Europe. The EOTA network is the only platform which allows European manufacturers of innovative or non-standard construction products to bring their products to the European market with CE marking. The basis of the approach is the European Assessment Documents (EADs) developed in EOTA.



of Member States, they are allowed to specify national requirements for the use of construction products (in construction works) covered by the harmonised zone.

Obligations and rights of economic operators and simplified procedures

In addition to the requirements mentioned so far, the entire **Chapter III** of the revised CPR (Articles 20-25) provides a list of **obligations and rights for economic operators**, including manufacturers, authorised representatives, importers, distributors, fulfilment service providers, and online marketplaces).

Given the massive administrative burden expected for economic operators (particularly SMEs) during the adaptation and implementation phases, the revised CPR foresees **three simplified procedures** meant to alleviate some of the challenges. In view of preparing the technical documentation for a construction product - which is necessary for drawing up the declaration of performance and conformity (and thus for being able to affixing the CE marking) - the manufacturer can replace type testing and type calculation with **technical evidence** proving that:

- a) for one or several essential characteristics, the product is deemed to achieve a certain level or class of performance without testing or calculation, or without further testing or calculation, in accordance with conditions set out in delegated acts (**declaration without assessment**);
- b) the product is a system made of already-tested components (**cascading**);
- c) the product corresponds to a product-type of a product manufactured by another manufacturer that is already subject to type testing or type calculation (**sharing**).

Other implementation tools: digital product passport and green public procurement

The Commission will set up via an upcoming delegated act a **construction digital product passport system**, the centrepiece of which will be the **digital product passport** (DPP). The DPP will be modelled after the digital product passport proposed in the Ecodesign for Sustainable Products Regulation (ESPR), and it will contain all the relevant information pertaining to a certain construction product.

Although the exact date for the establishment of the construction digital product passport system (and all the other details) will only be specified in the delegated act, manufacturers will have to make available DPPs for their construction products **within 18 months** from entry into force of this delegated act. According to unofficial information, however, the establishment of the construction digital product passport system is anticipated around the **middle of 2026**, while the delivery of DPPs is foreseen to become mandatory around the **beginning of 2028**.

Also via delegated acts, the Commission will specify **mandatory minimum environmental sustainability requirements**, which will in turn be used in Member State public procurement where contracts require minimum environmental sustainability performance for construction products (**green public procurement** or GPP). **By 31 December 2026**, the Commission will launch the first impact assessment for subsequently establishing these mandatory minimum environmental sustainability requirements.

Special Focus: The recast of the Energy Performance of Buildings Directive

EOS expresses gratitude to Claudiu-Nicolae Sonda, Construction and Sustainability Policy Officer at CEI-Bois, for his contribution to this Special Focus

In March 2024, the European Parliament adopted its first reading on the proposal for a **directive of the European Parliament and of the Council on the energy performance of buildings** (recast), also known as the recast EPBD. Following its adoption by the Economic and Financial Affairs Council (Ecofin) Council in April 2024, the recast EPBD can be published in the Official Journal of the European Union, resulting in its entry into force after 20 days.

Once transposed into national law by the Member States (within two years from its entry into force), the recast EPBD will aim to strongly contribute to the gradual reduction of greenhouse gas emissions associated with the EU building stock, with a view to achieving the 2050 climate neutrality goal. It intends to do this by accelerating the energy renovation rate (with a focus on the worst performing buildings), raising the energy performance standard for new buildings, introducing a whole-life carbon approach, requiring the calculation and disclosure of the lifecycle global warming potential (GWP) of buildings, and recognising the benefits of carbon storage in construction.

Rationale and legislative background

Buildings account for 40% of energy consumed and 36% of energy-related direct and indirect greenhouse gas emissions in the EU. Heating, cooling and domestic hot water account for 80% of the energy that households consume.¹ The renovation of buildings has therefore been seen as essential for reducing the energy consumption of buildings, for bringing down emissions, and for reducing energy bills by making them more energy efficient and less dependent on fossil fuels (especially in a new geopolitical context). Renovation is also expected to generate local jobs and reignite economic growth.

Against this background and as part of the **European Green Deal**, the Commission presented in October 2020 its **Renovation Wave Strategy**, an action plan with concrete regulatory, financing and enabling measures to boost building renovations. Aiming to at least double the annual energy renovation rate of buildings by 2030 and foster deep renovation, one of the strategy's key building blocks is the revision and strengthening of the existing EPBD²: in December 2021, the Commission published its proposal for a recast of the EPBD as the last component of the **Fit for 55 package**.

Main provisions

The wording of the recast EPBD has suffered various changes since first proposed by the Commission due to the legislative process and in order to integrate the adoption of the **REPowerEU plan**³. Nevertheless, the recast directive has maintained its ambition and complex scope: while focused on the energy renovation of existing buildings and energy performance standard for new buildings, the recast EPBD also covers closely-linked topics such as renewable energy uptake and building electrification (phase out of fossil fuel boilers and deployment of

^{1.} European Commission Proposal for a directive of the European Parliament and of the Council on the energy performance of buildings (recast), 15.12.2021

^{2.} The initial EPBD (EU/2010/31) was amended in 2018, as part of the Clean energy for all Europeans package (https://energy.ec.europa.eu/topics/energy-strategy/ clean-energy-all-europeans-package_en)

^{3.} REPowerEU, a plan to rapidly reduce dependence on Russian fossil fuels and boost the green transition, was adopted in May 2022 as one of EU's responses to Russia's invasion of Ukraine in February 2022



heat pumps, solar installations, batteries and recharging infrastructure), as well as green mobility infrastructure (bicycle parking spaces and recharging points for electric vehicles). More importantly, given the central role played by timber as material and by wood-based construction products in green construction, the recast has strengthened the EPBD's potential to enable the woodworking industries to contribute to mitigating climate change in the built environment by:

- a) boosting the economic activity of the overall construction sector;
- b) tightening the sustainability requirements of construction works.

In essence, the recast EPBD consists of obligations and requirements for the EU Member States, among others regarding:

- a) the methodology for the calculation of the energy performance of buildings;
- b) the minimum energy performance requirements for existing and new buildings;
- c) the minimum energy performance standards for existing buildings;
- d) the calculation and disclosure of the lifecycle GWP of buildings.

Zero-emission buildings, the A+ energy performance class, and minimum energy performance requirements

Zero-emission buildings (ZEBs) represent the energy performance standard for new buildings and replace the previous energy performance standard of **nearly zero-energy buildings**. ZEBs are defined as buildings with a very high energy performance, requiring zero or a very low amount of energy, producing zero on-site carbon emissions from fossil fuels, and producing zero or a very low amount of operational greenhouse gas emissions. Member States shall ensure that new buildings are ZEBs according to the following timeline:

- a) from 1 January 2028, new buildings owned by public bodies;
- b) from 1 January 2030, all new buildings.

In line with the updated provisions for energy performance certificates (EPCs), Member States will be able define an **A+** energy performance class, which is superior even to ZEBs. For existing buildings renovated to A+ class, Member States shall ensure that the lifecycle GWP (more details about lifecycle GWP below) is estimated and disclosed in the building's EPC.

Until the full application of ZEBs (timeline above), Member States shall ensure that all new buildings are at least nearly zero-energy buildings and meet the **minimum energy performance requirements** (MEPRs). Already contained in the existing EPBD, MEPRs are meant to ensure the necessary depth of renovation and are set by Member States both for new buildings and for existing buildings undergoing major renovation⁴.

Minimum energy performance standards for non-residential buildings and trajectories for progressive renovation. of the residential building stock

A novel concept introduced by the recast EPBD is that of **minimum energy performance standards** (MEPSs) for non-residential buildings. MEPSs are rules that require existing buildings to meet certain energy performance requirements by 2030, 2033, 2040 and 2050, thereby triggering the renovation of existing buildings. Compared

^{4.} A major renovation – the conditions of which are laid down on the recast EPBD - is the fundamental trigger point for the application of MEPRs to existing buildings

to MEPRs, which ensure the necessary depth of renovation, MEPSs are meant to ensure that the renovation of inefficient buildings takes place altogether.

Their introduction should therefore lead to a gradual phasing out of the worst-performing buildings (currently, two thresholds are key with regard to the worst-performing buildings, namely a 16% threshold and a 26% threshold) and a continuous improvement of the national building stock. Trigger points for the application of MEPSs are the wide renovation plan for a building stock or the sale, rent, donation or change of purpose within the cadastre or land registry of a building. Compliance of individual non-residential buildings with the thresholds shall be checked based on the EPCs.

The renovation of residential buildings in each Member States will instead follow a **national trajectory for progressive renovation**⁵ The proposed timeline for the national trajectory for progressive renovation shall ensure that the average primary energy use in kWh/(m2.y) of the entire residential building stock:

- a) decreases by at least 16 % compared to 2020 by 2030;
- b) decreases by at least 20-22 % compared to 2020 by 2035;
- c) by 2040, and every 5 years thereafter, is equivalent to, or lower than a nationally determined value derived from a progressive decrease in the average primary energy use from 2030 to 2050.

Regulation of embodied emissions

The **lifecycle GWP** is an indicator which quantifies the global warming potential contributions of a building along its full life cycle. It brings together greenhouse gas emissions embodied in construction products with direct and indirect emissions from the use stage. A requirement to calculate the lifecycle GWP of new buildings constitutes a first step towards increased consideration of the whole life-cycle performance of buildings and a circular economy.

In addition to the situation mentioned above (renovation of existing buildings to renovated to the A+ class), the lifecycle GWP of new buildings will have to be calculated and disclosed in the EPC of buildings, according to the following timeline:

- a) from 1 January 2028, for all new buildings with a useful floor area larger than 1000 m2;
- b) from 1 January 2030, for all new buildings.

For harmonisation purposes, the Commission will adopt by 31 December 2025 the first delegated act setting out a Union framework for the national calculation of lifecycle GWP. Additionally, by 1 January 2027, Member States shall publish a roadmap introducing limit values on the total cumulative lifecycle GWP of all new buildings and set targets for new buildings from 2030, considering a progressive downward trend. In this exercise, Member States shall also address carbon removals associated to carbon storage in or on new buildings.

Implementation tools: national building renovation plans, renovation passport, digital building logbook, databases for the energy performance of buildings

To ensure the renovation of the national stock, each Member State shall quinquennially prepare and submit to the Commission so-called **national building renovation plans**⁶ (NBRPs). Among others, the NBRPs shall include:

- 5. It is expressed as a decrease in the average primary energy use in kWh/(m2.y) of the entire residential building stock over the period from 2020 to 2050
- 6. NBRPs were previously named long-term renovation strategies updates



- a) an overview of the national building stock;
- b) a roadmap with nationally established targets and measurable progress indicators;
- c) the thresholds for the operational greenhouse gas emissions and annual primary energy demand of a new or renovated zero-emission building;
- d) minimum energy performance standards for non-residential buildings;
- e) the national trajectory for the renovation of the residential building stock.

Notably, in their NBRPs, Member States shall also indicate policies and measures for **phasing out fossil fuels in heating and cooling**. The first step is to phase out stand-alone boilers powered by fossil fuels and, from 2025, to avoid offering any financial incentives for the installation of such boilers.⁷ In the recast EPBD, **energy from renewable sources** is defined as energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, osmotic energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas.

The recast EPBD also introduces the **renovation passport** as a voluntary tool for building owners meant to offer them a tailored roadmap for the deep renovation of a specific building in a maximum number of steps that will significantly improve its energy performance. Member States may allow for the renovation passport to be drawn up and issued jointly with the EPC.

The renovation passport shall be stored in or made accessible via the **digital building logbook**. Envisaged as a repository for all relevant building data, including data related to energy performance such as EPCs, renovation passports and smart readiness indicators, as well as data related to the lifecycle GWP, the digital building logbook is intended to facilitate informed decision-making and information sharing within the construction sector, and among building owners and occupants, financial institutions and public bodies.

Each Member State shall also set up a **national database for the energy performance of buildings** which allows data to be gathered on the energy performance of individual buildings and on the overall energy performance of the national building stock. Data may also be gathered and stored on both operational and embodied emissions and lifecycle GWP. At least once per year, the information in the national database shall be transferred by the Member States to the **EU Building Stock Observatory** (EU BSO), whose main objective is to provide transparent and reliable information and data on the EU's building stock.

7. It should still be possible to provide financial incentives for the installation of hybrid heating systems with a considerable share of renewable energy, such as the combination of a boiler with solar thermal or with a heat pump

7. High Level Conferences co-organized by EOS

The International Softwood Conference (ISC) and the International Hardwood conference (IHC) are co-organized by EOS and ETTF, which are also the holders of the event. The International Softwood Conference (ISC) is organised annually, instead the International Hardwood Conference (IHC) is a biannual 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. In 2023 the ISC took place in Vienna. As usual the quality of presentations was top class. In 2024 the ISC will take place in Taormina while the IHC will take place in Vienna. Below a summary of the ISC 2023 as well as the announcements for the ISC 2024 and the IHC 2024.



Both conferences on top of the conference day will also feature some side events which will surely attracts many participants.

7.1 Press Release of the International Softwood Conference 2023, Vienna, 12 October.

CHALLENGING TIMES AMID CONSTRUCTION MARKETS DOWNTURN

On the 12th of October 2023 the 71st edition of the International Softwood Conference was held at the Hilton Vienna Park. The Conference was hosted by the Fachverband der Holzindustrie Österreichs, which co-organized the event with the two usual partners: the European Organization of the Sawmill Industry (EOS) and the European Timber Trade Federation (ETTF).

Vienna, 12th October – The event drew many participants as 333 people attended the Conference in the Austrian capital – a record-breaking audience – coming from over 30 countries all over the world. The conference was opened by a session focused on the availability of raw materials, which was not the main concern for the industry in 2023 but remains a vital question amid a changing forest due to climate change and forest policies playing a bigger role both at state and at European level. Sami



Pastila of AFRY showed that the Northern Hemisphere will keep driving the availability of raw materials in the softwood industry, with growth opportunities in the US South. A steady supply is expected in Europe but with regional differences. Silvio Schüler of the BFW - Austrian Forest Research Centre - stated that the growing stocks of conifers in Europe are still high but increasingly subjected to climate risk and long-term availability of softwood resources needs an adapted management. Herbert Jöbstl, President of EOS, emphasized that we do not have to narrowly focus on the availability of logs only, but the industry has to improve efficiency for instance

when it comes to logs' yield, and wood reusability and recyclability.

Information-packed sessions about the market trends were followed with attention by the audience. While previous years since the beginning of the pandemic were characterized by extraordinary volatility but good profitability for many sawmills across Europe, in particular 2021, this year the softwood markets have disappointed traders and sawmillers alike on the back of the slowdown already started in the second half of 2022. The downturn can be compared to the one that affected the industry 15 years ago during the global financial crisis.



Having peaked in 2021, the development of softwood production and consumption suggests that in 2023 production will have declined by over 8% in Europe and consumption by around 11% compared with 2022. Speakers at the conference concurred in identifying the reasons that have caused the market to go down.

Herbert Jöbstl and Morten Bergsten, Vice-President and Softwood Chairman of ETTF, delivered similar messages in their presentations from their respective vantage points of producer and user. Production in the sector has been curtailed to accommodate weak demand. The situation is somewhat more complex in Central Europe than in Scandinavia, particularly in Sweden. Sawn softwood prices have sharply declined from the peaks observed during the previous years. High inflation rates have forced Central Banks to increase interest rates and after more than a decade of relatively low mortgage rates, the latter sharply increased and pose affordability challenges to aspiring homebuyers. Inflation itself dents consumers' savings, deters homebuyers and increases costs for construction firms. This combination of factors has contributed to the downfall of the construction sector, which is key for the softwood business. Sluggish construction markets seem set to remain well into 2024, so at least in the short term the crunch time for the softwood industry is expected to continue. Energy and personnel costs remain high.

When it comes to trade, Mr Bergsten voiced the united message of producers and traders alike – EU sanctions on the Russian and Belarusian wood products should be respected by all players in the woodworking industry: EOS and ETTF strongly condemn the residual imports of such products via third countries.

Overseas exports have functioned as stabilisers for many businesses in H1, with European producers achieving at the end of the summer a 14% market share in the all-important US market amid a decline of Canadian exports to the US. Chinese imports of sawn softwood have increased in H1 but from a very low base in 2022 and the local construction market is also in dire straits. As a result, already during the summer there were signs of an import decline in China. The MENA region is an important outlet for European sawnwood, particularly when markets in other regions are negative.

While there are reasons to be pessimistic about the markets in the coming weeks and months, the Conference also provided some upbeat messages.

Wood as a building material has achieved a good market share in some European countries over the last few years. A promising area is also the renovation market, which is less affected by business cycles than the new built market. Also, the industry is in a better position than during the market downturn of 15 years ago. It was stressed that as a result of the high profitability over the last few years, many sawmills have invested in their businesses and in expanding capacities. The softwood industry is a resilient sector and the long-term market drivers remain favourable with the benefits of using wood to fight climate change increasingly recognized. However, challenges related to policies will also play an important role as emphasized by Silvia Melegari, Secretary General of both EOS and

CEI-Bois, in her presentation about the EU Deforestation Regulation, which is expected to significantly increase the administrative requirements related to the compliance of the due diligence requirements.

The International Softwood Conference 2023 was preceded by an extremely interesting visit to a Mayr-Melnhof plant, which is the world's first PEFC-certified cross-laminated timber plant. The high-tech CLT plant has been recently inaugurated and is located in Leoben, Styria. The next edition of the International Softwood conference will take place in Taormina, Italy in October 2024. For more information and the presentations soon to be uploaded, please visit the website https://isc2023.com/.

KEY MESSAGES of the International Softwood Conference 2023

Johan Freij, Economic Outlook and the Effects on the Lumber Market (Danske Bank)

Mr Freij introduces the Conference from a general economic point of view focusing on the effects of the global macroeconomic turmoil especially on the lumber market. Inflation in North America and in Europe, having been at its worse for 30-40 years, is decreasing. Many commodities prices remain volatile and over the last few years lumber has definitely won the "volatility contest".

There are good reasons to believe that we could have a global soft landing and not a strong recession as some feared a few months ago, thanks to resilience in Japan and in the US. The Chinese and the EU economies are disappointing instead.

At any rate uncertainty is high because we haven't had interest rates this high for many years and some of their effects in markets are still not clear. It is obvious that they have caused the yields on government bonds to jump at levels not seen for more than a decade. These factors contribute to the massive slowdown which we have observed in construction markets all over the world. For instance, in the US, where people contract mortgages with fixed rates for 20+ years, the number of mortgages contracted lately sharply declined. Judging by the historical relation between house prices and mortgage rates it is possible that house prices in the US will further slow down if not decline. This does not bode well for the wood industry.

However, we should not forget that long-term drivers remain in favour of the wood industry with green bonds

increasing the demand for wood constructions in real estate. Life cycle analyses are also an opportunity as well as the possible timber shortage. This might create disruption in the short term but in the medium term it can drive innovation: improving efficiency in sawmills will allow to process narrow diameters. Also, tailor-made cutting in the forest knowing in advance for what product a certain log will be used can be a good way to improve efficiency as well as the maximization of value from residues.

Mr Freij cautions against investing too much in increasing production.

Sami Pastila, Global softwood availability - trends (AFRY)

Mr Pastila argues that the northern hemisphere continues to drive the supply of softwood, accounting for close to 90% of current global softwood log supply.

Most of softwood sawlog supply is processed locally in Europe and while the supply trend is declining in Central Europe (Germany and Czechia mainly) it has the potential to increase in Sweden and Finland. Supply in other European regions such Baltics, Poland but also France is expected to be more or less stable.

Against this background, however, EU regulations and initiatives (biodiversity, LULUCF to name a few) may have significant impact on softwood supply in Europe, partly conflicting with climate targets of the EU. Also, there are significant climate change risks and importantly public opinion regarding current forestry methods may push for decreasing the use of clear-cuts and force foresters towards



continuous cover forestry, which would likely decrease the yield per ha and softwood supply.

Contribution of the Russian softwood surplus to global market is challenged by geopolitics: Western sanctions mean that Russian machinery will increasingly suffer from the lack of spare parts availability impacting negatively on the supply of softwood. This will depend also on the length of the war.

The North American outlook overall does not look too promising either in terms of supply increase, with a decline expected in BC and an increase only in the US South where a lot of investments are taking place. Annual allowable cut in all regions apart from US South will probably decline over this decade.

Oceania will not contribute significantly to the softwood logs supply and the potential of South America seems also limited with the exception of Argentina.

The Chinese capability to supply additional domestic raw material has not been at the pace of increasing demand. Despite potentially increasing domestic supply and weakening demand in the short term, increasing reliance on imported softwood will remain. Softwood supply is expected to increase by 2 million m³ until 2030 in China. The Chinese appetite can be partly filled by increasing Russian exports but there should be space also for other operators.

Overall, Europe and North America will continue to drive the supply of softwood – Europe is expected to gain share from North America in boreal softwoods, while southern yellow pines are increasing the share of North American supply.

Silvio Schüler, Raw material availability (Austria-Europe): Short- & mid-term perspectives and long term challenges, (Austrian Research Centre for Forests BFW)

Mr Schüler starts his presentation by emphasizing the significant impact of the bark-beetle attacks over the last few years. In Austria the multi-decadal trend line for bark-beetle attacks is clear: attacks are increasing. In Austrian forests the growing stock is still on the rise though and overall only 0.5% a year is damaged by calamities.

The forest area is also increasing but the spruce decline in forest area is apparent. The picture is complex however as the Norway spruce growing stock is actually increasing so the density is increasing.

In Germany the situation is a bit different with calamities having a stronger impact – 2.7% a year of conifer growing stock is damaged.

In Europe overall disturbances are also increasing. As a result of climate change we can expect the decrease of cultivation areas for European conifers. Due to environmental changes there will be novel ecosystem, more mixed forests.

To defend forest ecosystem services in climate change there are three main lines of intervention:

- Assisted migration, climate resilient genotypes, stronger thinning measures
- Planting other native species and changing species mixtures
- Planting non native tree species

More space for trees would decrease rotation times and reduce risks. With assisted migration forest productivity will increase. More biodiverse forests will also find the favourable opinion of changing societal interests.

In short, Mr Schüler argues that:

- Growing stocks (of conifers) in Europe are still high and (at least regionally) increasing.
- Effects of climate change are visible in increasing forest damages with expected abrupt changes of wood accessibility.
- Future production area for conifers will be much smaller than today.
- Without adaptation management: long-term availability of softwood resources is seriously at risk.
- Resource availability and mobilisation also depends on social acceptance and governance.

Herbert Jöbstl, Europe Production (EOS president)

Mr Jöbstl's presentation started by stating that after a very positive period, markets began turning in Q3 2022. Ever since sawmills are struggling and squeezed amid higher production costs and sawn prices for sawnwood much lower than during pandemic:

- The first quarters of the year were negative, and no short-term improvement is visible; important differences within Europe with Central Europe production decline much stronger than Scandinavia (particularly Sweden). Consumption of sawn softwood is low throughout
- Consumers and producers alike are confronted with high inflation and interest rates which have not been this high since the global financial crisis of 2008 2009.
- The slowdown of construction markets all over the world is the main responsible of the difficulties for the sawmill industry. Building permits and housing starts declining basically everywhere.
- As statistics have shown, during Winter By products sales have slightly compensated for the massive revenues decline and remain higher than their historical average.
- Export markets are important and at least during the first part of the Year sales in volume have done OK in some markets. Recently there has been a significant slowdown in most markets.

In 2021 sawn softwood production in the EOS member countries peaked at 86 million m³. In 2022 production declined by 4% and this year it is expected to decline by a further 9% to levels last seen in 2014 (around 75 million m³). EOS countries expect a further reduction in 2024 up to 2.5%. Interestingly, consumption has been declining much faster than production over the last few years in Europe.

Raw materials supply is declining, and the EOS index reached its lowest level since 2013.

When it comes to export, before the pandemic in 2019, EU exports of sawn softwood stood at \in 4.4 billion. In just 2 years, they more than doubled to \in 9.3 billion and in 2022 they reached \in 9.5 billion. This year, though, there was a big fall in H1 of over 38%.

In volume, the EU exports of sawn softwood to the US keep growing (but a slowdown was noticeable over the last couple of months). The market share of European players in the US has attained 14%.

Russian competition has not prevented European suppliers to increase their sales to China which for a few months

during the winter were at their highest level since 2020. Now there was a strong slow down also in China due to weak construction markets. And the Chinese market does not seem too reliable in the foreseeable future. There was also a sales decline to Japan while other East Asian markets are doing better overall.

When it comes to the construction markets, the EOS President stated that EU construction firms are limiting production mainly because of a shortage of labour and weakening demand. Shortages of material/equipment are abating having been very strong during the pandemic. Construction markets are weak all over Europe, with the exception of Spain. The decline in Europe is slightly bigger than in North America.

A sector with potential is the renovation and maintenance. The R&M is more counter-cyclical, and it is a sector that some EOS members have singled out as having high potential. It has steadily increased over the past 15 years. In 2008, 48% of EU production volume in construction consisted of R&M works. This has gradually increased to more than 54% in 2022. Also, wood as a building material keeps gaining market share.

The EOS President also reports about an Austrian-led study on the economic impact of the forestry and wood industry in Europe. It turns out that the impact is much bigger than foreseen with 1 out of 16 jobs generated directly or indirectly by the forestry and wood industry.

Finally, the outlook for the next months is the following:

- In the short term the situation will remain difficult for the European sawmill producers with high inflation rates and weak construction markets.
- Exports markets have absorbed quantities in H1 but they are now weaker
 - They are expected to remain subdued in the coming months. Exchange rates play an important role (weak SEK for example). The US market is more and more important for many sawmills.
- On a brighter note, the industry is coming off a good period and is better placed than in 2008/2009 to absorb the shock of this massive downturn and looks at the future with confidence. EOS Members have announced capacity increases, particularly in Northern Europe

- Long-term market drivers remain in our favor (global urbanization, fight against climate change...). Renovation has potential in Europe.
- This year raw materials supply was not the top concern of the industry, but it remains a key issue for the industry with climate change and European legislation playing a key role.
- Question marks: will the war continue? Energy prices/ general costs will be higher again during the winter? How long will interest rates stay high for? Can building sector adapt to new cost structure?

Morten Bergsten, Europe Consumption (ETTF Vice President for Softwood)

Mr Bergsten reports that based on the presentation given the previous year at the International Softwood Conference 2022 reality has turned out to be much more difficult than expected: the decline in consumption across Europe has proven to be much stronger by around 10% on average.

This is explained by higher interest rates and slower consumption markets. The DIY sector was also subdued. The lack of sawnwood from Russia and Belarus was a non-factor due to the consumption slowdown. Judging by the various construction indices that Eurostat publishes it seems that no improvement will be on the cards in the coming months.

Imports and consumption will remain below the average of the last few years even in 2024 so Mr Bergsten echoes Mr Jöbstl in believing that a real market improvement might not take place at least until 2025.

Central Europe is doing comparatively worse than Scandinavia.

Mr Bergsten voiced the united message of producers and traders alike – EU sanctions on the Russian and Belarusian wood products should be respected by all players in the woodworking industry: EOS and ETTF strongly condemn the residual imports of such products via third countries.

He delivers the final take-home messages:

- Disturbing decreasing consumption
- Decreasing activity in the building sector in general
- General decrease in building permits in 2024

- Consumer confidence still on a low level, and is expected to be on the same level in 2024
- Unemployment rate various from 2,0 11,5 % but forecast for all countries are stable in 2024 on the level as in 2023
- Positive signs on inflation
- Positive signs on interest rates, expected to be stable throughout 2024
- Positive focus on using wood from a political/ environmental perspective (But also, still more focus on protecting the forests)
- Uncertain energy prices this Winter
- US and Chinese market (US stable import China, we must expect even stronger competition from Russia and as a result bigger imports)

The sector must find a new market balance before hopefully the next upturn.



Ewald Rametsteiner, Sustainable Production and Consumption of Wood - Global Developments (FAO)

Mr Rametsteiner delivers an overarching presentation on trends in global production and consumption.

There is no doubt that wood holds the potential to answer many of the global questions we are concerned about: it is a carbon neutral material when produced from sustainably managed forests, it is a circular material, and it provides stable jobs. However, at global scale, there are many projections pointing to a potential supply gap due to demand growing from many sectors and the necessity to urgently address deforestation which is an important issue in some parts of the world.

It is thus urgent to find solutions to stop deforestation and foster afforestation measures and to better use the material "wood": prioritizing longer-lasting application, improving efficiency and overall enhance value added.

A positive trend is that the potential but also the challenges connected to the sustainable use of wood as increasingly recognized. Best practices and experience exchanges are more and more widespread, but a lot of work is still to be done. Especially there is a need for a lot of investments in particular into innovation to improve efficiency.

Mr Ramesteiner reflects on the fact that forests and sustainable wood are increasingly at the centre of the global policy agenda with the COP27 explicitly giving the message that to slow down global warming the forestbased bioeconomy will be key. Forests and sustainable wood are expected to remain on the global policy agenda even this autumn and in 2024.

In short, sustainable wood solutions definitely have policy momentum but at the same time questions connected to global supply need to remain on the table and be addressed.

Paul Jannke, North America (FEA)

Mr Jannke starts his overview of North American markets with an exhaustive economic overview. The economy in the US has been artificially propped up over the last few years, especially during the pandemic with savings of consumers sharply increasing. They have now gone down.

Mortgage rates are following general interest rates as well as interest rates on treasury yields. They increased to levels unseen over the last 15 years. At the moment this is not reflected into lower house prices because but the sharp increase of house prices seen over the last few years came to an end. Home inventories are indeed at rock bottom.

Home affordability has deteriorated rapidly and housing starts are expected to decline by 10% in 2023 and slightly edge up in 2024. Underbuilding continues unabated. But the recession – if any – is expected to be mild as job markets are still resilient, with job openings still much higher than historical averages. The demographic profile of aspiring

homebuyers is good. There is a decline in R&M expenditure but from historically high levels.

Lumber consumption is expected not to see any significant growth until 2025 (but doing better than in Europe). The industry has investing in new capacity especially in the US South but production has overall fallen in the first part of the year.

Productivity at sawmills is on the rise and the modern sawmill needs more and more skilled labour. Markets will remain tough but we are probably close to rock bottom. Making lumber will become more expensive for a number of reasons, including labour shortages and high logging and hauling costs.

In BC multiple factors will constrain harvest levels and lumber production, as well as in the US West Coast. While in Eastern Canada there are (limited) opportunities to increase harvest. US South supply can continue to grow for a few years. The severity of the wildfire season in Canada is having an impact on near-term supply.

The take-home messages of Mr Jannke's presentation are the following:

- Lumber consumption will see little growth over the next 12-18 months.
- Capacity is expanding rapidly, but achieving nameplate output is difficult.
- Costs are elevated, and will hold markets higher.
- Supply is constrained outside of the US South.
- Recent fires will increase near-term supply, but decrease longer-run timber availability

Mathias Fridholm, China (Swedish Forest Industries Federation)

Mr Fridholm states that over the last few months the big story dominating China is concerns over the economy, in particular over the over-leveraged construction sector. Growth is still much higher than in the West but far from levels seen up until a few years ago and stabilising around 4-5%.

There are officially 7 million vacant homes but according to unofficial estimates the real figure is much higher. According to latest data youth unemployment rate is at a whopping 20% (the publication of these data has been discontinued by the government recently). Robotization in factories might be a factor. Unlike in most countries in the world, in China there is actually deflation.

Boosting consumption is the way out in the opinion of the decision-makers to exit from this situation with local tourism doing well.

When it comes to the woodworking industry, Mr Fridholm shows that logs imports have been much lower than over the last few years (this year -8% vs 2022), especially from Russia (logs export ban) and Germany. New Zealand remains by far the main supplier with a 62% market share.

Imports of lumber have instead increased (from the low base of 2022) by 12% with no significant increase of Russian market share which remains around 2/3.

Giving his final outlook, Mr Fridholm states that:

- we are observing reduced inventories in the major ports in China with Taicang gone from 1.7 to 1.0 M m³
- at the moment in spite of construction challenges demand is rather big
- there are several challenges but we have heard it in the past and the Chinese economy has always found a way out. But it is not certain that it will happen again in the future amid very high geopolitical challenges
- economic stability is top priority of decision-makers

Finally, Mr Fridholm talks about European Wood, the initiative of which Norway, Sweden, Finland and Austria are part aiming to influence building codes and standards in order to promote wood construction.

Eiji Sahara, Japan (Hanwa Co. LTD.)

Mr Sahara, after presenting his company which is responsible for 12% of Japanese imports from Europe, proceeds to analyse the Japanese market.

Inflation in Japan was much lower than in Europe and in the US and is hovering around 2.7-2.8%. Long-term interest rates remain ultra-low. Recently there has been a sharp depreciation against both the dollar and the euro. Tourists are back but at levels below 2018-2019. Lumber inventories at the Tokyo lumber terminal have been on a rollercoaster – they reached a record low in January 2022 but then a record high in September 2022 of 206,000 m³. Now they stabilized at about 120,000 m³.

Japanese Sugi and European wood prices are now on similar levels and Sugi is gaining market share for instance in glulam posts, thanks also to the influence of the weak yen.

With the declining population, the number of new housing starts is also on the decline. Currently, there are about 860,000 housing starts per year, about 56 % of which are made of wood. House prices remain high also in Japan for similar reasons than the ones we have seen in US and Europe – high costs for housing materials, not enough homes built, high costs for labour.

Interestingly there is strong room for market growth of wood in such segments as offices, shops and apartments with market in detached houses saturated (the share of wood in this segment is high at around 90%). Wood as a building material is gaining market share in most segments.

Finally Mr Hawara emphasizes the great opportunities for wood connected for the 2025 expo which will be held in Osaka. Hanwa will supply 6,000 m³ and 20,000 m³ of lumber will be used in total.

Gerd Ebner, MENA (Timber Online)

Mr Ebner opens his presentation by showing that global trade at world level plummeted in H1 2023 both in volume (-34%) and value (-61%). In MENA European producers account for 80% of all exports of softwood lumber to the area. The area as a whole is by far the largest overseas market for European producers.

It is a good match because for Europeans MENA is a stable importer of lower quality redwood from Scandinavia and whitewood from Central Europe. For MENA importers Europeans provide the required grades & sizes, surpassing North Americans and Russians producers in this regard. Lumber prices in the region are less spiky than elsewhere.

Total top 10 export flows to MENA from Europe in H1 increased by 17% in volume and declined by 15% in value, with Swedish producers doing especially well (+35%, 1.4

million m³), followed by Finland (+10%, 1.3 million m³). Austria has seen a +30% but from a much smaller base – almost 400,000 m³.

Largest importer remains Egypt (1.2 million m³, +20%), followed by Algeria (700,000 m³, +40%) and Saudi Arabia (600,000 m³, -14%).

Egypt has seen its own currency plummet. It remains a market with high potential with many infrastructure programmes. While there are no reliable data for Russia in 2022 and in 2023, it looks that Russia's exports to Egypt are trending down based on data until 2021.

In Saudi Arabia construction and infrastructure dynamics look good for the rest of the decade with lively demand for commercial timber (formwork).

Algeria has had a very strong year in terms of imports with many import licenses granted after a lot of difficulties in the past.

Lybia has also potential – until 2011 it was probably the largest market in the region and if stability is restored it can play an important role.

Mr Ebner ponders whether in the future exports to the area will still be mainly formwork – there is potential for more added value products.

He states that without any major crisis the MENA region will see increasing demand for infrastructure, housing construction and possibly renovation. Maybe there are



options also from New Zealand and Australia suppliers. European suppliers can increase their volumes in the area also from South America.

Silvia Melegari, EU Deforestation Regulation (Secretary General EOS and CEI-Bois)

Mrs Melegari presents the draft Regulation of the European Parliament and of the Council on the making available on the union market as well as export from the union of certain commodities and products associated with deforestation and forest degradation and repealing regulation (EU) no 995/2010 presented in November 2021 by the EU Commission. She clarifies that the draft Regulation is now under discussing by the three institutions (EU Parliament, EU Council and EU Commission).

She clarifies that by promoting the consumption of 'deforestation-free' products and reducing the EU's impact on global deforestation and forest degradation, the new rules are expected to bring down greenhouse gas emissions and biodiversity loss. Thus, this dossier is delayed by the policy makers with great emphasis on the "emotional aspects". The Proposal is presented as part of the European Union's initiatives to address climate change, such as the European Green Deal. It will become mandatory 12 months after its entry into force, while microenterprises will benefit from a 24-month grace period.

The Commission proposes a progressive scope of the commodities to be regulated, reviewing and updating the list regularly, taking into account new data. While the current EUTR applies to timber and timber products circulating in the EU market, the scope of the new proposal is enlarged to coffee, cocoa, palm oil, soya, beef (in addition to wood).

Traders that are not SMEs will be subject to the same obligations as operators because –according to the EU Commission- they have a significant influence on supply chains and play an important role in ensuring that covered goods are deforestation-free. Traders that are SMEs will be subject to less stringent requirements as they will be dispensed from the due diligence obligations.

A benchmarking system operated by the Commission will identify countries as presenting a low, standard or high risk of producing commodities or products that are not deforestation-free or in accordance with the legislation of the producer country. Obligations for operators and authorities will vary according to the level of risk of the country or region of production, with simplified due diligence duties for products coming from low-risk and enhanced scrutiny for high-risk areas.

Through the benchmarking system, the Commission will assess the risk that countries or parts thereof are producing covered goods that are not deforestation-free. While many details are still to be defined, the benchmarking system is particularly likely to raise concerns under WTO law.

Mrs Melegari explains that the Regulation sets mandatory due diligence rules for operators which place specific commodities on the EU market. Its purpose is to ensure that only deforestation-free and legal products are allowed on the EU market. Article 8 introduce the principle of due diligence while the following articles 9 and 10 describe step 1 to 3 of the due diligence.

As step one, it would need to ensure access to information on, amongst others, the commodity, quantity, supplier, country of production - a key requirement, in this step, is to obtain the geographic coordinates of the plots of land where the commodities they place on the market were produced. As deforestation is linked to land-use change, monitoring deforestation requires a precise link between the commodity or product placed on the EU market and the plot of land where it was grown. Using geolocation coordinates is the simplest and most cost-effective way of obtaining the necessary geographic information for authorities to be in a position to check whether products and commodities are deforestation-free. Combining geolocation with remote monitoring via satellite images is expected to boost the effectiveness of the Regulation. Article 10 defines the criteria for risk assessment that should be carried out. It applies to standard and high-risk Countries while as per Art 12 a simplified due diligence is foreseen for commodities "that have been produced in countries or parts thereof that were identified as low risk in accordance with Article 27". In this case operators do not need to undertake the risk assessment and risk mitigation elements of due diligence that are outlined in Article 10. However, they are still required to collect the information, including plot-level geo-location, outlined in Article 9.

As in the EUTR, the Deforestation Proposal also considers independent certification or other third-party verification schemes as complementary information that operators can use in the risk assessment, nonetheless certifications don't automatically release operators from due diligence requirements. For products covered by a FLEGT licence there is only a presumption of legality unless substantiated concerns are raised. In short: in step two of the due diligence, companies will need to use the information on the plots of land used for producing the commodities to analyse and evaluate the risk in the supply chain. In step three, they will need to take adequate and proportionate mitigation measures.

Additionally, the enforcement will take place at Member State level. The competent authorities in each Member State will be responsible for imposing penalties, such as fines, the confiscation of the covered goods and possibly also of revenues, the suspension or prohibition of relevant economic activities and the exclusion from public procurement processes for the operators and traders that violate the Proposed Regulation.

The ISC participants are also informed about a new tool that the EU Commission will create: the "Register": an online information system to host due diligence statements and other relevant information (*this is innovation with regards to EUTR*). The provision of anonymised datasets to be shared with the wider public following open data guidelines, in order to foster transparency.

Concluding, Mrs Melegari clarifies about the 'substantiated concerns' that can be presented by a complaint mechanism introduced under Article 10(2) of the EUTR and that allows third parties to submit to a national competent authority evidence of illegal conduct in regard to placing timber on the EU market.

European Wood Policy Platform – Wood PoP: Georg Rappold (Federal Ministry for Agriculture, Forestry, Regions and Water Management, Austria) and Petri Heino (Ministry of Environment, Finland)

Messrs Rappold and Heino give a joint presentation about this European initiative: the so-called Wood PoP.

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This is about supporting the upscaling of wood policies on various levels, including at global level. But the focus is Europe: especially fostering dialogue between policymakers, administration, stakeholders, science and society. Spreading best practices adopted in some European countries and scaling them up if appropriate at European level.

There have been already two high level meetings in October 2023 aiming to upscaling wood policy cooperation in Europe and exchanging views on how to prioritize initiatives.

The Wood PoP call on upscaling wood policy cooperation in Europe, for the benefit of:

- FACILITATING a wood focused policy dialogue platform on sustainable production and consumption of wood and its contribution to an innovative, circular bioeconomy
- FOSTERING cooperation and joint activities on wood related matters as well as effective wood policy development and implementation in the pan European region
- PROMOTING the added value of wood, wood-based materials and especially long-lived wood products from sustainable forest management as key drivers for inclusive green growth, contributing to climate protection and mitigation through reducing greenhouse gas emissions
- EMPHASIZING the numerous benefits of multifunctional forests and the need for transformative change in order to foster wood use as a nature-based solution, to promote its climate mitigation and adaptation potential and contribute to halting the global loss of nature
- ACKNOWLEDGING the broad expertise and vast knowledge of the forest-based sector in Europe as a key enabler to develop efficient, future oriented woodbased pathways

There are various technical working groups, whose target is identifying issues and addressing data gaps, providing recommendations to the high-level meetings of Wood PoP, discussing challenges and trade off and possibly developing solutions. The next Working Group will take place in Innsbruck on November 29 titled 'Wood governance in Europe and beyond'

Katharina Lehmann, Perspectives and challenges for wood industry (and timber constructions) (Blumer Lehmann)

Mrs Lehmann, after presenting the company Blumer Lehmann, a more-than-450 people strong business offering extensive expertise in timber construction, gives an aesthetically very attractive presentation showing many inspiring pictures about state-of-the-art wooden buildings.

Wood as a building material is very promising also in the renovation and extension sector which is not always obvious. Modular buildings hold high potential and free form constructions can be aesthetically very pleasing as well as functionally very efficient.

In short, building with wood is not a transitory trend, but part of a sustainable development of the construction industry. Challenges abound though.

Products must be proven sustainable: building with wood itself is not enough. Wood products have to circular/ demountable, long-lasting, dematerialized on top of being reliable and compliant with renovation and standards. The industry needs to be innovative and go towards utilizing 100% of the log. The KPIs for construction/timber sector are the following: storage optimization and minimize release/leakage. So, long-life cycle products and reusable and recyclable. Emissions during the production process have to be low.

The process also, which has improved a lot, still has room for further improvement: starting from planning and production, timber constructions must be IT-supported and data-based, no longer sequential and based on industrial production. The process has to be integrated spanning across disciplines. In short processes need to be efficient and optimized.

Mrs Lehmann shows pictures about the magnificent Cambridge Mosque in the UK showing how it was designed and its rationale as well as the Wisdome Stockholm, with curved beams out of flat LVL.

After products and process, the final important "P" is people: the sector needs a network of specialists able to work across disciplines, who exchange experiences,

knowledge and expertise. Education and training are key; and also, the ability to live a trustful cooperation internally and externally. The industry needs increasingly skilled people.

Collaboration with clients is also key as well as pushing for wood-friendly building standards, innovation and holistic view in the material utilization.



Disclaimer: This summary of the International Softwood Conference 2023 has been prepared by the EOS Secretariat based on the presentations given during the Conference. It has been done to the best of the knowledge of the Secretariat, but it does not necessarily reflect the views of the presenters of the Conference nor it claims completeness.

7.2. An Evening for Timber and Innovation



In 2023, the International Softwood Conference was anticipated by the event "An evening for timber and innovation". Goal of the event to bring together industry experts and forward-thinking leaders from around the globe, creating an environment for extensive networking, co-creation and collaboration. The international wood industry gathered in Vienna for the final event of the 48h Hackathon. From 9 to 11 October, the Evergreen Private Foundation hosted the third Evergreen Innovation Camp in Vienna. The focus: a 48-hour hackathon in which ten teams from over 30 European universities and 19 countries put their creativity to the test. Their goal: to master the 'Viral Wood' challenge. The camp culminated in a gala at Vienna City Hall, where the winning team was crowned.

The mission of the teams was to create a social media video within 48 hours from Monday to Wednesday. The video had to highlight the sustainable importance of the wood industry for the Circular Economy, especially for the digital-savvy young Generation Z. All teams showed their work to a renowned jury of wood and communication experts. Three teams, Woodloop, Holzome and Jollywood, prevailed. Team Woodloop finally impressed the most with a video that presented the diversity and advantages of wood processing.

7.3. SAVE THE DATE: The 2024 International Softwood Conference

The Italian Association of the Wood Traders Industries (Fedecomlegno of FederlegnoArredo) together with the European Timber Trade Federation (ETTF) and the European Organisation of the Sawmill Industry (EOS), invite you into the Region of Sicily to the wonderful place of Taormina for the International Softwood Conference 2024 – one of the most awaited events of the year in the wood world. **EOS** ANNUAL REPORT



The conference will be held only in presence.

In the evening of October 16th, you are invited to join us on the splendid panoramic terrace of the UNAHOTELS Capotaormina for a welcome reception where you can sip on cocktails made by special barmen together with a buffet including specialities and an interpretation of Sicily's culinary heritage, following a genuine inspiration with appetising delicacies caught on the very same day.

On the 17 and 18th October, participants will attend the International Softwood Conference taking place in Congress Centre in Capotaormina UNAHOTELS. They will then spend the evening in a spectacular venue "in the green heart of the Mediterranean, an enchanted place where the gaze has no boundaries..." This networking dinner will give you the opportunity to broaden your network and talk to main actors of the international softwood markets.

This two-day conference will offer the opportunity to deeply scrutinize trends in the timber market focusing on facts and figures showing softwood production as well as consumption in the most relevant countries for the business worldwide – not just in Europe.

Speakers will give a perspective about the future that we – as sawmillers and timber traders - are facing in those moments of sudden changes due to the conflicts in different regions and which are deeply affecting the way we live. Simultaneously they will address important topics ranging from geopolitical situations, new requirements on timber trading – such as EUDR – and they will outline the future prospects of the timber market evaluating the economic impact on global markets for the coming years.

More information on the conference will follow in due course. Stay tuned!

10th International







7.4. SAVE THE DATE: The 2024 International Hardwood Conference

We have the pleasure to inform you that the 2024 International Hardwood Conference will take place in Vienna on 7 & 8 November 2024.

Please already save the date in your calendar. Further details will be available on the event dedicated website: https://ihc2024.at/







HARDWOOD CONFERENCE

Vienna 2024, 7th – 8th November

8. European Standardisation – Update

CEN/TC 124 "Timber structures"

Scope:

Preparation of standards for the structural use of timber, covering : - test methods for the determination of strength and stiffness for solid timber, glued laminated timber, mechanical joints, wood based panel products, timber structures and their components; - solid timber: preferred sizes, strength grading and strength classes system (included glued laminated timber), evaluation of mechanical properties; - glued laminated timber: essential requirements, production requirements and control, structural full size finger joints; - mechanical fasteners.

Technical Secretariat(s): AFNOR CCMC Programme Manager: Alessia Gaetani

Structure of the technical committee

Reference	Title
CEN/TC124/WG 1	Test methods
CEN/TC124/WG 2	Solid timber
CEN/TC124/WG 3	Glued laminated timber
CEN/TC124/WG 4	Connectors
CEN/TC124/WG 5	Prefabricated wall, floor and roof elements
CEN/TC124/WG 6	Wood poles
CEN/TC124/WG 7	Preparation of the revision of harmonised standards

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 14592:2022	2022-04-27	Timber structures - Dowel-type fasteners - Requirements
EN ISO 8970:2020	2020-04-01	Timber structures - Testing of joints made with mechanical fasteners - Requirements for timber density (ISO 8970:2020)
EN 336:2013	2013-10-02	Structural timber - Sizes, permitted deviations
EN 15228:2009	2009-03-25	Structural timber - Structural timber preservative treated against biological attack
EN 15497:2014	2014-04-30	Structural finger jointed solid timber - Performance requirements and minimum production requirements
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 14081-2:2018+A1:2022	2022-06-08	Timber structures - Strength graded structural timber with rectangular cross section - Part 2: Machine grading; additional requirements for type testing



Reference	Date	Title
EN 338:2016	2016-04-06	Structural timber - Strength classes
EN 14358:2016	2016-06-22	Timber structures - Calculation and verification of characteristic values
EN 16784:2016	2016-06-29	Timber structures - Test methods - Determination of the long term behaviour of coated and uncoated dowel-type fasteners
EN 1382:2016	2016-02-17	Timber Structures - Test methods - Withdrawal capacity of timber fasteners
EN 14374:2004	2004-11-24	Timber structures - Structural laminated veneer lumber - Requirements
EN 14080:2013	2013-06-26	Timber structures - Glued laminated timber and glued solid timber - Requirements
EN 14081-3:2022	2022-04-27	Timber structures - Strength graded structural timber with rectangular cross section - Part 3: Machine grading; additional requirements for factory production control
EN 1912:2012/AC:2013	2013-08-21	Structural Timber - Strength classes - Assignment of visual grades and species
EN 15737:2009	2009-08-19	Timber Structures - Test methods - Torsional resistance of driving in screws
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 14081-1:2016+A1:2019	2019-08-14	Timber structures - Strength graded structural timber with rectangular cross section - Part 1: General requirements
EN 408:2010+A1:2012	2012-07-25	Timber structures - Structural timber and glued laminated timber - Determination of some physical and mechanical properties
EN 16351:2021	2021-03-03	Timber structures - Cross laminated timber - Requirements
EN 16929:2018	2018-12-12	Test methods - Timber floors - Determination of vibration properties
EN 1380:2009	2009-04-01	Timber structures - Test methods - Load bearing nails, screws, dowels and bolts
EN 16737:2016	2016-05-25	Structural timber - Visual strength grading of tropical hardwood
EN 1912:2012	2012-04-18	Structural Timber - Strength classes - Assignment of visual grades and species
EN 1383:2016	2016-02-17	Timber structures - Test methods - Pull through resistance of timber fasteners
EN 384:2016+A2:2022	2022-06-08	Structural timber - Determination of characteristic values of mechanical properties and density
EN 383:2007	2007-01-10	Timber Structures - Test methods - Determination of embedment strength and foundation values for dowel type fasteners
EN 1075:2014	2014-12-17	Timber structures - Test methods - Joints made with punched metal plate fasteners
EN 12512:2001	2001-11-21	Timber structures - Test methods - Cyclic testing of joints made with mechanical fasteners
EN 14229:2010	2010-10-06	Structural timber - Wood poles for overhead lines
EN 14250:2010	2010-01-27	Timber structures - Product requirements for prefabricated structural members assembled with punched metal plate fasteners
EN 594:2011	2011-06-29	Timber structures - Test methods - Racking strength and stiffness of timber frame wall panels
EN 596:1995	1995-03-22	Timber structures - Test methods - Soft body impact test of timber framed walls
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 912:2011	2011-07-13	Timber fasteners - Specifications for connectors for timbers

Work Programme

Project	Title	Forecasted voting date
FprEN 1912(WI=00124178)	Structural Timber - Strength classes - Assignment of visual grades and species	2023-10-04
prEN 1075 rev(WI=00124192)	Timber structures - Test methods - Joints made with punched metal plate fasteners	2026-03-02
prEN 12512 rev(WI=00124197)	Timber structures - Test methods - Cyclic testing of joints made with mechanical fasteners	2026-08-28
prEN 14229 rev(WI=00124193)	Structural timber - Wood poles for overhead lines	2026-03-02
prEN 14545-1 rev(WI=00124204)	Timber structures - Part 1: Connectors - Requirements	2025-02-17
prEN 14545-2 rev(WI=00124203)	Timber structures - Part 2: Ring connectors, shear plates and toothed-plate connectors	2025-02-17
prEN 15736 rev(WI=00124194)	Timber Structures - Test methods - Withdrawal capacity of punched metal plate fasteners in handling and erection of prefabricated trusses	2026-08-28
prEN 408 rev(WI=00124200)	Timber structures - Structural timber and glued laminated timber - Determination of some physical and mechanical properties	2024-10-17
prEN 409 rev(WI=00124195)	Timber structures - Test methods - Determination of the yield moment of dowel type fasteners	2026-08-28
prEN 594 rev(WI=00124196)	Timber structures - Test methods - Racking strength and stiffness of timber frame wall panels	2026-08-28
(WI=00124201)	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)	2025-02-17
(WI=00124202)	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)	2025-02-17

CEN/TC 175 "Round and Sawn Timber"

Scope:

Standardization of round and sawn timber in all uses, including timber prefabricated products and excluding structural aspects.

Technical Secretariat(s): AFNOR CCMC Programme Manager: Alessia Gaetani

Structure of the technical committee

cen	

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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 5	Environmental topics
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

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Reference	Date	Title
EN 1313-2:1998/AC:1999	1999-06-30	Round and sawn timber - Permitted deviations and preferred sizes - Part 2: Hardwood sawn timber
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/AC:2003	2003-09-17	Moisture content of a piece of sawn timber - Part 2: Estimation by electrical resistance method
EN 1927-2:2008/AC:2009	2009-04-01	Qualitative classification of softwood round timber - Part 2: Pines
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 975-1:2009/AC:2010	2010-09-29	Sawn timber - Appearance grading of hardwoods - Part 1: Oak and beech
EN 13183-2:2002	2002-04-17	Moisture content of a piece of sawn timber - Part 2: Estimation by electrical resistance method
EN 14761:2006+A1:2008	2008-07-09	Wood flooring - Solid wood parquet - Vertical finger, wide finger and module brick
EN 13183-3:2005	2005-03-16	Moisture content of a piece of sawn timber - Part 3: Estimation by capacitance method
EN 17456:2021	2021-04-14	Wood flooring and parquet - Determination of top layer delamination of multilayer elements - Test method
EN 1534:2020	2020-01-08	Wood flooring and parquet - Determination of resistance to indentation - Test method
EN 13990:2004	2004-02-11	Wood flooring - Solid softwood floor boards
EN 975-1:2009	2009-03-18	Sawn timber - Appearance grading of hardwoods - Part 1: Oak and beech
EN 14915:2013+A2:2020	2020-01-15	Solid wood panelling and cladding - Characteristics, requirements and marking
EN 12246:1999	1999-06-23	Quality classification of timber used in pallets and packaging
EN 12248:1999	1999-06-23	Sawn timber used in industrial packaging - Permitted deviations and preferential sizes
CEN/TS 15680:2007	2007-11-28	Prefabricated timber stairs - Mechanical test methods
EN 1533:2010	2010-08-04	Wood flooring - Determination of bending strength under static load - Test methods
EN 14762:2006	2006-02-15	Wood flooring - Sampling procedures for evaluation of conformity
CEN/TS 15676:2007	2007-11-21	Wood flooring - Slip resistance - Pendulum test
CEN/TS 14464:2010	2010-07-21	Sawn timber - Method for assessment of case-hardening
EN 13228:2011	2011-05-18	Wood flooring - Solid wood overlay flooring elements including blocks with an interlocking system
EN 13647:2021	2021-04-14	Wood flooring and wood panelling and cladding - Determination of geometrical characteristics
EN 1313-1:2010	2010-01-27	Round and sawn timber - Permitted deviations and preferred sizes - Part 1: Softwood sawn timber
EN 13442:2023	2023-04-05	Wood and parquet flooring and wood panelling and cladding - Determination of the resistance to chemical agents
EN 13488:2002	2002-12-18	Wood flooring - Mosaic parquet 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 13227:2017	2017-11-01	Wood flooring - Solid lamparquet products
EN 14342:2013	2013-07-10	Wood flooring and parquet - Characteristics, evaluation of conformity and marking
EN 17009:2019	2019-03-13	Flooring of lignified materials other than wood - Characteristics, assessment and verification of constancy of performance and marking
EN 13629:2020	2020-03-18	Wood flooring - Solid individual and pre-assembled hardwood boards
EN 13556:2003	2003-06-25	Round and sawn timber - Nomenclature of timbers used in Europe
EN 844:2019	2019-08-28	Round and sawn timber - Terminology
CEN/TS 12169:2008	2008-01-30	Criteria for the assessment of conformity of a lot of sawn timber
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 15644:2008	2008-12-10	Traditionally designed prefabricated stairs made of solid wood - Specifications and requirements
EN 1315:2010	2010-01-27	Dimensional classification of round timber
CEN/TS 15717:2008	2008-04-16	Parquet flooring - General guideline for installation
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

Reference EN 16755:2017 217

Date	Title
2017-10-11	Durability of reaction to fire performance - Classes of fire-retardant treated wood products in interior and exterior end use applications
2014-06-18	Timber stairs - Structural design - Calculation methods
2006-11-08	Timber and wood-based materials in internal windows, internal door leaves and internal doorframes - Requirements and specifications
1999-08-18	Sawn timber - Appearance grading of softwoods - Part 1: European spruces, firs, pines and Douglas firs
2018 07 18	Durability of reaction to fire performance. Classes of fire retardant treated wood products in interior

		and exterior end use applications
EN 16481:2014	2014-06-18	Timber stairs - Structural design - Calculation methods
EN 14221:2006	2006-11-08	Timber and wood-based materials in internal windows, internal door leaves and internal doorframes - Requirements and specifications
EN 1611-1:1999	1999-08-18	Sawn timber - Appearance grading of softwoods - Part 1: European spruces, firs, pines and Douglas firs
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 975-2:2004	2004-07-07	Sawn timber - Appearance grading of hardwoods - Part 2: Poplars
EN 14076:2013	2013-12-11	Timber stairs - Terminology
CEN/TS 15679:2007	2007-11-28	Thermal Modified Timber - Definitions and characteristics
EN 15146:2006	2006-12-13	Solid softwood panelling and cladding - Machined profiles without tongue and groove
EN 13696:2008	2008-12-10	Wood flooring - Test methods to determine elasticity and resistance to wear and impact resistance
EN 12249:1999	1999-06-23	Sawn timber used in pallets - Permitted deviations and guidelines for dimensions
EN 13489:2023	2023-07-05	Wood-flooring and parquet - Multi-layer parquet elements
EN 14298:2017	2017-10-25	Sawn timber - Assessment of drying quality
EN 13756:2018	2018-09-12	Wood flooring and parquet - Terminology
EN 1316-2:2012	2012-10-17	Hardwood round timber - Qualitative classification - Part 2: Poplar
EN 1927-1:2008	2008-03-26	Qualitative classification of softwood round timber - Part 1: Spruces and firs
EN 1312:1997	1997-02-19	Round and sawn timber - Determination of the batch volume of sawn timber
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 14951:2006	2006-03-15	Solid hardwood panelling and cladding - Machined profiles elements
EN 1927-2:2008	2008-03-26	Qualitative classification of softwood round timber - Part 2: Pines
EN 1316-1:2012	2012-10-17	Hardwood round timber - Qualitative classification - Part 1: Oak and beech
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 14519:2005	2005-12-21	Solid softwood panelling and cladding - Machined profiles with tongue and groove
EN 1927-3:2008	2008-03-26	Qualitative classification of softwood round timber - Part 3: Larches and Douglas fir
EN 1313-2:1998	1998-11-18	Round and sawn timber - Permitted deviations and preferred sizes - Part 2: Hardwood sawn timber
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 1438:1998	1998-08-19	Symbols for timber and wood-based products
EN 942:2007	2007-03-14	Timber in joinery - General requirements
EN 13183-1:2002	2002-04-17	Moisture content of a piece of sawn timber - Part 1: Determination by oven dry method
EN 1309-1:1997	1997-04-23	Round and sawn timber - Method of measurement of dimensions - Part 1: Sawn timber
EN 1910:2016	2016-04-27	Wood flooring and wood panelling and cladding - Determination of dimensional stability
EN 1309-3:2018	2018-01-24	Round and sawn timber - Methods of measurements - Part 3: Features and biological degradations

Work Programme

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Project	Title	Forecasted voting date
prEN 13226(WI=00175194)	Wood flooring - Solid parquet elements with grooves and/or tongues	2024-04-18
prEN 13556 rev(WI=00175204)	Round and sawn timber - Nomenclature of timbers used in Europe	2026-04-10
prEN 13696 rev(WI=00175195)	Wood flooring - Test methods to determine elasticity and resistance to wear and impact resistance	2024-01-18
prEN 14342 rev(WI=00175205)	Wood flooring and parquet - Characteristics, evaluation of conformity and marking	2028-04-10
prEN 14519 rev(WI=00175198)	Solid softwood panelling and cladding - Machined profiles with tongue and groove	2023-04-13
prEN 14951 rev(WI=00175199)	Solid hardwood panelling and cladding - Machined profiles elements	2023-04-13
prEN 15146 rev(WI=00175196)	Solid softwood panelling and cladding - Machined profiles without tongue and groove	2023-04-13
prEN 16449 rev(WI=00175203)	Wood and wood-based products - Calculation of the biogenic carbon content of wood and conversion to carbon dioxide	
prEN 16485(WI=00175181)	Round and sawn timber - Environmental Product Declarations - Product category rules for wood and wood-based products for use in construction	2024-06-06
prEN 16755 rev(WI=00175197)	Durability of reaction to fire performance - Classes of fire-retardant treated wood products in interior and exterior end use applications	2023-04-13
prEN 1910 rev(WI=00175201)	Wood flooring and wood panelling and cladding - Determination of dimensional stability	2024-04-08
(WI=00175202)	Product Category Rules (PCR) for wood flooring including parquet	2028-04-10
prEN 15146 rev(WI=00175196)	Solid softwood panelling and cladding - Machined profiles without tongue and groove	2023-04-13
prEN 16449 rev(WI=00175188)	Wood and wood-based products - Calculation of the biogenic carbon content of wood and conversion to carbon dioxide	
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	2024-06-06
prEN 16755 rev(WI=00175197)	Durability of reaction to fire performance - Classes of fire-retardant treated wood products in interior and exterior end use applications	2023-04-13
prEN 1910 rev(WI=00175201)	Wood flooring and wood panelling and cladding - Determination of dimensional stability	2024-04-08
(WI=00175191)	Product Category Rules (PCR) for wood flooring including parquet	

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EOS Organisation 2023/2024

Board of Directors:

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EOS Secretariat

Secretary General: Silvia Melegari (silvia.melegari@eos-oes.eu) Economic Affairs Director: Diego Benedetti (diego.benedetti@eos-oes.eu) Director of Public Affairs: Paul Brannen (paul.brannen@cei-bois.org) Technical Advisor: Andrew Norton (andrew.norton@cei-bois.org)

EOS Secretariat - Offices

EOS is located, together with CEI-Bois, at Rue Montoyer 40 in Brussels, Belgium. Members and partners are always welcome to visit our facilities when in Brussels.



EOS Member Federations – May 2024

AUSTRIA

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🞬 Fachverband der Holzindustrie Österreichs

EOS ANNUAL REPORT

- Schwarzenbergplatz 4, PF 123
 AT-1037 Wien
- **a** +43 1 712 26 01-0
- 🕆 www.holzindustrie.at
- s office@holzindustrie.at

BELGIUM

- Confédération Belge du Bois Belgische Houtconfederatie
- Koningstraat/Rue Royale 163
 B-1210 Brussel/Bruxelles
- **a** +32 2 219 27 43
- 🕀 www.confederationbois.be www.houtconfederatie.be
- contact@houtconfederatie.be / contact@ confederationbois.be

OENMARK

DI – Dansk Traeindustrier

- HC Andersens Boulevard 181553 København V
- **a** +45 3377 3411
- 🕆 www.di.dk
- 🖪 siab@di.dk

😚 FINLAND

🞬 Sahateollisuus ry

- Säästöpankinranta 4 C 24
 FI-00530 HELSINKI
- **a** +358 20 7790960
- 🕆 www.sahateollisuus.com
- Info@sahateollisuus.com

😚 FRANCE

📸 FNB – Fédération Nationale du Bois

- 6, Rue François 1erFR-75008 Paris
- **a** +33 1 56 69 52 00
- 🕆 www.fnbois.com

GERMANY

- DeSH-Deutsche Säge-und Holzindustrie Bundesverband e.V.i.Gr.
- Chausseestraße 99
 D-10115 Berlin
- **a** +49 30 2061 3990 0
- 🕆 www.saegeindustrie.de
- Info@saegeindustrie.de

🔶 LATVIA

- Latvian Timber Producers and Exporters Association
- Skaistkalnes street 1
 LV-1044 Riga
- **a** +371 29 47 38 57
- kristaps.klauss@latvianwood.lv

NORWAY

🞬 Treindustrien

- 🖃 Middelthuns gate 27, 0368 Oslo
- **a** +47 920 93 301
- ✤ www.treindustrien.no/
- helene.amundsen@treindustrien.no

221

😚 ROMANIA

📸 ASFOR - Associatia Forestielor Din România

- SOS. Pipera 46A, sector 2 RO-020112 Bucarest
- **a** +40 21 2333705, +40 31 8054121
- ♪ https://asfor.ro/
- contact@asfor.ro

SWITZERLAND

🞬 HIS – Holzindustrie Schweiz

- Helvetiastrasse 17 CH-3000. Bern 6
- **a** +41 31 350 89 89
- admin@holz-bois.ch

SWEDEN

SFIF – Swedish Forest Industries Federation

- Storgatan 19
 SE-102 04 Stockholm
- **a** +46 (0)8-762 72 60

EOS Associate Member – May 2024

HS Timber Productions S.R.L.

- Strada Grigore Alexandrescu Nr. 59, et. 2
 Sector 1, 010623 Bucharest
 Romania
- office@hs.ro



ADVISORS • ACCOUNTANTS • AUDITORS

- Romeinsesteenweg 1022, 1780 Wemmel
- **a** +32 (0)2 456 89 10
- Info.brussel@alaska-group.eu
- 🕆 www.alaska-group.eu

ANNUAL REPORT 2023 - 2024

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 from 11 European countries (Austria, Belgium, Denmark, Finland, France, Germany, Latvia, Norway, Romania, Sweden and Switzerland), 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 EU27.

The EOS secretariat extends its thanks to all persons and organisations that have contributed to the publication of this report.

Note: the information provided in Chapter 4 "Main results from the EOS Market Survey April 2024" as well as in the country reports is based on information supplied by the EOS member federations and may differ from the information included in other databases or reports. If the EOS member federations could not provide the required information, the EOS secretariat has used information derived from other sources in order to present the full picture.



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