

## **CEPF reply – EU classification system for green investments**

**17 April 2020**

### **INTRO**

CEPF welcomes the fact that the sustainable finance initiative recognizes the significant contributions provided by the forest sector to the overall objective of a carbon neutral Europe. To strengthen these contributions, investments are indeed needed in order to achieve not only the climate change mitigation and adaptation objectives, but also to maintain other forest functions and to respond to other growing expectations from society addressed to European forests.

Thanks to Sustainable Forest Management (SFM), as stated by the IPCC experts, the forest and forest-based sectors can replace the fossil carbon by a circular bioeconomy and substitute the fossil based and fossil intensive materials and energy.

The impact assessment of the delegated acts following the TEG report is therefore crucial to achieve maximum climate benefit from the forestry sector.

### **Objectives and policy option**

The roadmap rightly reminds the need to develop the initiative in line with the requirement of art 14 of the Taxonomy Regulation, including the requirement to assess the alignment of the technical criteria with existing legislation. CEPF is of the views that the criteria set in the final TEG report are not in line with existing legislation, in particular the recast of the Renewable Energy Directive (RED II).

As noted in the EU Forest Strategy, forest management lies within the competence of Member States and e.g. therefore it was agreed in the REDII to include the sustainability criteria for forestry to the Directive by respecting the national legislations and their implementation with respective monitoring and enforcement systems in place. A similar kind of approach should be applied also in the taxonomy.

The evaluation of alignment with article 14 of the Taxonomy Regulation is therefore a very important exercise to carry out.

### **Economic impact**

CEPF believes that the likely economic impacts of the future Delegated Act should address carefully the possible impact of the criteria on forest management activities who have already undertaken important investments. Further investments to these activities may be needed to keep developing EU's circular bioeconomy and rural areas and ensure the supply of sustainable wood. Therefore, the security and continuity of investments should be secured. Also, the criteria set in the future delegated act should be not only practically feasible but economically feasible to ensure this future supply.

The criteria proposed in the TEG may put this supply at risks. The above is even more important, given the extremely complicated situation that many sectors, including the forest sector, are going through due to COVID 19.

## **Social impacts**

It is essential that future criteria do not hamper the developments of sectors which are essential to achieve the EU 2050 carbon neutrality goal, such as the forest and forest-based sectors, since this would have a significant impact on the EU society. CEPF is of the views that the criteria set by the TEG report may put at risk investments in active and sustainable forest management of EU forests, which is essential to deliver benefits to society, including carbon storage in wood products and substitution of fossil fuels.

## **Evaluation of impacts**

CEPF is the views that the evaluation should build on concrete and variable facts and data. To address both social and economic impacts of the future delegated act on the forest sector, CEPF calls the Commission to rely on expertise from the forest sector. CEPF regrets that the TEG did not rely on such expertise which has led to shortcomings and misconceptions related to forests and forestry in the final TEG report. CEPF hopes that experts from the forest sector will be part of the members of the platform on sustainable finance.

## **Public consultation**

Regarding future public consultation, CEPF is looking forward to providing inputs on the draft delegated act once it will be published and ahead of its expected adoption in Q4.