



Helsinki, 17 April 2020

**The forest owners' associations of Denmark, Finland, Norway and Sweden find the proposal of the Sustainable Financing taxonomy troublesome as it refers to existing forest management practices and sustainability of it without recognizing the existing definition of sustainable forest management neither the multifunctionality and long-term nature of forestry in the Nordic countries.**

### **Sustainability in forestry**

There is absolutely no need to re-define the sustainable forest management. The word sustainability in the finance sector means something very different.

Forest Europe process has defined the term sustainable forest management (SFM) in 1993 which is broadly recognized by the EU member states and the EU Commission. The sustainability of forest management in the Nordic countries is also ensured by national forest and forest related regulations, existing EU legislation and soft laws as well as with a possibility for voluntary forest certification.

Commonly agreed risk-based approach in the renewable energy directive (RED II) is a well-functioning example of EU regulation. As the TEG report states there should be no contradiction to already existing EU legislation. Therefore, we find the RED II as the best possible tool for sustainable forest management criteria.

It is also important to clarify that normal logging activity is defined as sustainable. The definition of "Do not significantly harm" is not clear to us. It is important to underline that normal logging activity will not be considered as an activity that does "significantly harm".

### **Reporting the GHG levels**

Forestry is the only sector actually sequestering carbon. The Nordic countries have accurate national forest inventory data reaching over decades. This data is national and can well be used to calculate the carbon stock in forests in national level.

The RED II and LULUCF directive use the country level data as the basis for reporting. This should also be the case in sustainable finance criteria because the forest-based companies also use the whole country as their sourcing area. Reporting GHG level for every forest property will create a lot of practical and economic problems.

### **Forest management plans**

The Nordic forest estates are managed after individual values of the forest owners. The values are multifunctional and comprise of wood production, combatting climate change, endorsing biodiversity, enabling outdoor recreation and game management – all at the same time!

The suggested criteria imply that there should be only one way of managing forest by a management plan set out by a third party. This interferes severely with both the property rights of private forests owners and the multifunctionality of forests. Most probably, the administrative and economic burden of a third-party revision is in no relation to the benefit the forest owner and the society will get.

### **Special features of the Nordic family forestry**

There are one million private family forest owners in the Nordic countries. Due to long growing periods they have a strong sense of stewardship for their forest land as they are managing it for their children. These one million forest owners are suppliers of wood raw material for the few forest-based companies.

The growing period of the Nordic tree species is long (50-100 years). On average, a Nordic forest owner gets their biggest income from their forest once every 60-80 years. During this time the forests sequester carbon efficiently. Management operations, such as thinning, increase the volume growth in the stock (that is carbon sequestered) over the whole growing period.

### **Points for the further work**

Sustainability finance reporting is mandatory for the big listed companies. There should be no reporting required from the private forest owners.

There needs to be much clearer indication on what the principles such as “taxonomy aligned” and “do no significant harm” mean in practice, especially to forest owners and to sustainable forest management.

The national forest and forest-related regulation ensure the sustainability of forest raw material. There should be no additional criteria for them. Also, the substitution effect of wood material must be considered as carbon-neutral activity.

There should be an economic impact assessment of the possible delegated act which assesses the imbalance between the beneficiaries from financing and other stakeholders. There is a big risk this regulation will cripple the wood markets with one million suppliers and a handful of buyers.

NSF member organisations are Danish Forest Association ([Dansk Skovforening](#)), National Forest Cooperative Organisation in Sweden ([LRF](#)), Central Union of Agricultural Producers and Forest Owners in Finland ([MTK](#)) and Norwegian Forest Owners' Federation ([Norsk Skogeierforbund](#)).

The organisation has been represented at EU level in Brussels by a joint lobbying office, Bureau of Nordic Family Forestry. Our representative in Brussels is Lotta Heikkonen ([lotta.heikkonen@mtk.fi](mailto:lotta.heikkonen@mtk.fi)).