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The Central Union of Agricultural Producers and Forest Owners, Finland (MTK)

A Bigger Role for the Bioeconomy in the Green Transition of the EU

The Finnish Union of Agricultural Producers and Forest Owners (MTK) thanks the European Commission for the opportunity to participate in the consultation on the future Bioeconomy Strategy. In this document, MTK highlights the role of the bioeconomy in the sustainable and competitive transition of the European Union.

MTK welcomes the EU's Bioeconomy Strategy. Bioeconomy strengthens the strategic autonomy of the European Union and plays an important role in decarbonising Europe and securing European bio-based businesses that bring prosperity to rural areas. To realise the full potential of the bioeconomy, the whole value chain – from sustainable management to the production of circular and sustainable products – must be well considered in future EU decision-making. The bioeconomy plays a key role in rural areas, agriculture, forestry and fisheries, and is therefore a cornerstone of a viable rural economy in the EU.

MTK thanks for the inclusion of the Bioeconomy Strategy in the work programme of the European Commission (2024-2029), EU climate targets for 2040, EU Competitiveness Compass, Clean Industrial Deal and Vision for Agriculture and Food. MTK also supports the Commission's aims to simplify EU policies. Simplification and reduction of the regulatory burden are cornerstones to minimise all policy barriers that currently hamper the European bioeconomy.

Ahead of publication of the new EU Bioeconomy Strategy, MTK would like to highlight the following:

1) Securing EU competitiveness and adequate EU budget for rural areas

Bioeconomy needs significant investment, which can be supported by both supply and demand stability. The EU Bioeconomy Strategy should ensure the EU long-term security of supply. In the current global situation, European-produced materials are more important than ever. Having a strong EU Bioeconomy Strategy that reinforces European production and investments is also key to enhancing European competitiveness. As the Commission is hurrying to create new concepts around bioeconomy, the Finnish Farmers and Forest Owners emphasize the need of encompassing the whole value chain and not exclude the more traditional actors, technologies, products and models from the definition. Forest and agriculture-based bioeconomy must be seen as economic and active sectors which offer solutions to various societal and economic opportunities: they provide jobs that enhance the livelihoods and welfare of rural areas and foster European innovations and business. By producing food as well as fossil-free, renewable materials, energy and fuels, the bioeconomy helps reduce emissions and contributes to biodiversity through its commitment to sustainable forest management and agriculture.

i. *Use the already agreed definitions of the bioeconomy*. Bioeconomy's definition is wide and does not need to be reinvented but acknowledge the whole value chain.

ii. *Part of the next EU Multiannual Financial Framework (MFF), allocate adequate funding for rural areas ensuring infrastructure and rural development. Also, of the multi-purpose Cohesion Fund should be earmarked for this purpose. Reflect the need*

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for robust research and innovation funding on project calls for the forest and agriculture-based bioeconomy under the EU Horizon Programme.

iii. *Increase the awareness of bioeconomy and its multiple benefits to the society. Also, secure enough education opportunities for biobased industries and related fields.*

iv. *Promote new market-driven initiatives. Voluntary, market-based models should boost private money in methods e.g. related to multifunctional biomass production. The possible markets for ecosystem services should be developed in an applicable way considering multiple benefits of forests and agriculture areas.*

2) Decreasing regulatory barriers to boost international markets

Increasing bioeconomy investments need locally adapted solutions that do not bring burdensome reporting obligations for small-scale landowners, primary producers and entrepreneurs. The EU should make sure that policies do not create regulatory barriers that hamper the European level-playing field with other continents. On the other hand, we must not create a situation where, for example, the Bioeconomy Strategy would dictate the EU's CAP. If the EU fails on bioeconomy development, other continents will take the steering wheel.

i. *Bring simplification proposals forward and allow locally adapted solutions. Reduce barriers such as regulatory, market and financial ones. It should be clear that bio-based products are treated better compared to non-bio-based materials.*

ii. *Landowners and rural area entrepreneurs need applicable policies. There are no one-size fits all solutions for land-based EU policies, but the EU should ensure adequate flexibility. An example of an unworkable financial barrier is the Taxonomy regulation and as it stands it can bring bureaucratic burden for small holders and entrepreneurs although both forest and agricultural sectors should be seen as solutions for green investments.*

iii. *European forests are sources of critical raw materials that ensure European self-sufficiency and strategic autonomy throughout the whole forest-based value chain. To make this possible, investment and approval processes for products produced in Europe should be facilitated.*

iv. *The production challenges posed by increasing disease and pest pressure, combined with a strict European pesticide approval policy, require the rapid introduction of new genomic technologies.*

v. *European agriculture and food production is needed to ensure European self-sufficiency in crisis situations and strategic autonomy in a changing geopolitical situation and as climate change complicates production around the world. New innovative solutions need to be utilized, such as new genomic techniques, production methods (incl. vertical farming and cellular agriculture), and products, to ensure that*

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agriculture is as resilient as possible in changing conditions and to strengthen the growth in value added in the food sector.

3) Simplify the EU policies

In production of renewable materials, landowners are in a key position. The future EU Bioeconomy Strategy should be built upon the fact that 16 million private forest owners – who own more than half the EU's forests – have a strong position in the value chain and thus administrative requirements for management should be minimized. During the past years, the EU has proposed lots of restrictive legislation for forestry through increased targets for conservation and restoration without well encompassing the economic values forests have.

i. *To maintain the supply and availability of biobased materials, the EU should not restrict sustainable forest management and harvesting levels as this could shift the wood-based investments to other continents where sustainability standards are significantly lower than in Europe[1]. This would also risk the existing bio-based investments in Europe and discourage private forest owners in the long-term ownership that is key in keeping forests as forests (no change in land use) and well-managed.*

ii. *The European forests and their active, sustainable management and use will continue to play a key role in the transition towards an EU bioeconomy. As management practices and forests differ across the EU, there is no need to prepare EU-wide rules on forest management but respect national decision-making and policies.*

iii. *To ensure sustainable biomass production, actions on private lands are key. If supporting forest owners in their daily practices regarding their forests, we can ensure that biomass is produced sustainably. Also, market-based incentives, such as nature credit markets are a good example of effective tools to maintain forests' multiple functions. However, possible market incentives need to be developed hand in hand with landowners who are the ones providing ecosystem services. Suitable ways to enhance biodiversity vary between forest sites depending on landowner's objectives and site characteristics and thus, nature credit markets shall acknowledge different approaches. To unlock the full potential of the nature credit markets, possibilities to encourage high uptake of landowners need to be a priority.*

iv. *No new sustainability criteria should be proposed in the future EU Bioeconomy Strategy. Sustainability is key to European forest management, and the EU as well as national laws, standards and voluntary practices on forest sustainability are among the highest in the world (RED III, EUDR, Birds and Habitats Directive, LULUCF). Sustainability criteria within the EU would undermine the competitiveness of the region and shift production elsewhere. Also, the CAP and related eco-schemes and eligibility requirements well cover biodiversity enhancement.*

v. *The Commission's omnibus-proposals to simplify agricultural policy are welcome. We also encourage the Commission to look more broadly at legislation relating to agriculture and forestry, particularly environmental legislation, in order to promote a holistic and coherent approach to the bioeconomy.*

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4) Getting rid of fossil dependency

With a strong Bioeconomy Strategy, the EU can also reach its ambitious climate targets. Forests contribute to climate change mitigation in various ways. With increased growth, forests can produce a range of wood-based materials from construction materials, textile fibers and renewable wood-based fuels, to innovative applications such as bio-chemicals that all play a key role in substituting fossil fuels and fossil fuel-based materials. However, forests are not efficient long-term carbon storages. European forests' sink is fluctuating due to climate change and if EU climate policies are anchoring to forest sink, the great possibilities that forests might be dismissed.

Also, grasslands have a huge potential to sequester carbon in both the harvested crop and the soil. On agricultural land, residues and organic waste can be converted into biogas, biofertilizers, and bio-based materials, reducing reliance on fossil fuels and synthetic inputs, thus boosting circular bioeconomy targets. Diversified farming systems and bioeconomy-based approaches improve resilience to droughts, floods, and pests, including the climate-friendly use of peat fields.

i. *The EU's climate policy has been heavily relying on forest carbon sinks. Due to climate change and its effect on carbon sinks this approach needs to be shifted. The main goal on EU climate policy should be getting rid of fossils emissions and materials but at the same time enhance forests' growth with locally adapted methods.*

ii. *The future EU legislation should be reformed to support the sustainable use of forests that allows long-term resilience for forests as sustainably managed forests are less prone to climate change-related threat.*

iii. *The past EU forest-related regulation has been focusing on restricting forests harvests. However, decreasing harvesting levels would hinder the transition away from the fossil-based economy.*

iv. *Bioenergy also has its role in European energy production. Forests are not grown and harvested into energy purposes but while managing forests in order to produce high-quality biomass, low-quality forest biomass is used e.g. for energy purposes. Energy biomass also enhances forest owners' profitability and substitutes fossil energy sources that are produced outside the EU.*

v. *Utilizing the benefits of the forest-based bioeconomy to its full extent would mean acknowledging and considering the substitution effects not only for long-lived products but for the full range of products from sustainably managed forests.*

5) Combining bioeconomy and circular economy into "bio-circular economy"

Materials need to be reused as many times as possible, but in the future, there is also a need for new raw materials. These new materials should be biobased and renewable. However, if restricting markets with policy instruments such as proposing regulation on cascading principle, this can hamper the markets from

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functioning. A clear distinction should be made between renewable and non-renewable resources which means that the use of bio-based materials in the EU and global markets should be strongly supported.

Agriculture is inevitable part of bioeconomy in all Member States. Bioeconomy based on agriculture should operate efficiently in terms of materials and resources without compromising profitability. It must be integrated into the businesses by forest industry, food system, and energy sector.

i. *Increase innovative market-based models on circularity. Use the knowledge from Member States, such as Finnish model that covers a digital marketplace that helps sellers and buyers of materials to find each other. The service focuses on biobased side streams resulting from primary production and industry. For example, it is important to have a market for nutrient-rich by-products such as manure or ashes to promote nutrient recycling.*

ii. *Resource efficient use of forests means that all forest-based materials are used as efficiently as possible. High-quality timber is used for construction whereas lower quality wood is used for pulp, paper, chemicals, textiles and energy. This is already implemented through markets. Therefore, there is no need to legislate the cascading principle. If cascading principle is embedded into EU legislation, it would hamper the market functions and the substitution of fossil-based materials with bio-based ones.*

iii. *The by-products of agriculture and forestry could increasingly be utilized as new value-added products by boosting the demand from markets. The use of these by-products should be used also as recycled nutrients, soil improvement agents, and as a part of safe modern biotechnology-utilizing processes.*

iv. *There is a need for financial support for companies that invest in circular, bio-based solutions. In here, private money should be stimulated.*

v. In *order to promote nutrient transfer, a new symbiosis between urban and rural areas must be built, so that pollutant-free (heavy metals, pharmaceuticals, etc.) nutrients can be used to promote the bio-circular economy.*

6) <u>Ensuring a coherent policymaking</u>

Decisions on bioeconomy should be seen as an overarching EU policy theme that encompasses e.g. sustainability, competitiveness, security of supply and self-sufficiency. The EU directorates need to make sure that bioeconomy is not prepared in silos. Before publishing new initiatives on bioeconomy, the EU should prepare thorough impact analysis for the whole value chain.

i. *Ensure cross-sectoral thinking in bioeconomy. The bioeconomy value chain is large but without landowners, primary producers and rural entrepreneurship there will be no bioeconomy. Therefore, farmers and forest owners, as well as local communities, should be put at the center. In addition, their solutions need to be considered from a local perspective and sufficient flexibility in implementation needs to be ensured.*

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ii. *Impact assessments should be integrated into all EU bioeconomy policies. These assessments should consider impacts on all parts of the value chain, in particular primary producers. The assessment should also take into account potential costs and benefits as landowners are one facing increasing costs due to EU policies.*

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