



Regulation

Stefan Sundman, Vice President, Public Affairs

EU energy crisis potential mitigation efforts contain several initiatives, divided views and challenge of implementation



Gas markets

- Russian deliveries have been heavily reduced
- Gas storage requirements set on all member states
- Discussion on decoupling / limiting the impact of the price of gas on the price of electricity
 - Capping price for electricity producers
 - Capping price on imported gas
 - Excluding gas-based electricity production from merit order

Physical electricity markets

- Coordinated demand reduction measures for electricity
- Discussion on temporarily capping the electricity price earned by inframarginal generators and use the collected money as support
- Discussion on impact of the EU ETS system and opportunity to release more allowances to the market

Financial electricity markets

- Immediate credit line support for market participants experiencing very high margin calls
- Discussion on modifying temporarily the regulatory requirements for collateral in electricity trading including revisiting automatic price ceilings adjustments

EU sanctions and Russian response

- COAL: Import ban on coal and other fossil fuels as of August 10, 2022
- OIL: Import ban on crude oil (Jan 2023) and certain petroleum products (March 2023)
- GAS: No EU agreement, Russia has cut export to several EU countries
- ELECTRICITY: No EU agreement, Russia has cut electricity export to neighbouring countries

FORESTS and BIODIVERSITY



Renewable Energy Directive

- Targets to increase share of all renewables
- Sustainability criteria for biomass in energy use
- Criteria and mandate for advanced biofuels



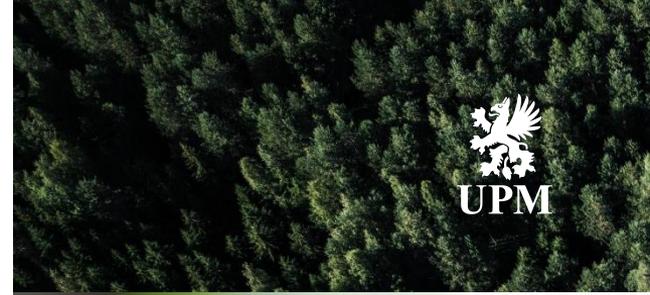
LULUCF directive

- Climate targets for land-use sector in each member state
- Role of forests acting as a carbon sink



Forest degradation regulation, Nature restoration regulation

- Forest management practices
- Biodiversity requirements and implementation



UPM key messages



Carbon



Circular bioeconomy offers a sustainable alternative to fossil economy. UPM is committed to stringent climate policy. ETS main tool in reducing emissions. Carbon leakage measures are continuously needed to secure global competitiveness.



Energy market



Current electricity markets function and have ensured continuous demand-supply balance. Investments in hydrogen must have a technology-neutral approach. Adequate electricity supply and transmission are needed to enable electrification.



Transport



Competitiveness of sectors impacted by higher logistics costs must be recognised. Global solutions preferred in maritime transport. UPM welcomes EU's high ambition on advanced biofuels and e-fuels.



Industry



Green growth should be enabled instead of capping energy consumption. New policies should not penalise early movers, that have taken action to reduce emissions. Policies targeting industry must consider risk of carbon leakage and recognise competition.



Forests & biomass



EU should recognise the role of sustainable forest management in enabling green growth. Policies must recognise social, ecological and economic benefits of forestry and the industry. Forest policy has to remain a national competence as local conditions vary significantly.

- <https://www.upm.com/responsibility/people-and-society/views-and-positions/>



POSITION PAPER BOOSTING GREEN GROWTH

UPM calls for a Green Deal policy framework within Fit for 55 proposal that creates a long-term outlook for green growth investments and recognizes the opportunity to replace fossil consumption with renewable alternatives.

Climate change is real and urgent action is required to mitigate its consequences. Our collective response to the challenge requires a fit for purpose policy framework that enables green growth investments and a rapid reduction of fossil emissions.

This position paper describes key policy asks from UPM with illustrative examples on how UPM is supporting climate action with our existing product portfolio of wood-based products and by constantly innovating products to replace fossil raw materials.

UPM supports EU's ambition to become carbon neutral by 2050 and recognizes the need to set more ambitious targets already for 2030. As the path towards carbon neutrality requires major changes to current ways of operating, contribution by all parts of the society, and most importantly significant investments, UPM calls for a policy framework which enables and stimulates green investments. Regulatory environment must be sufficiently long term and predictable to unleash the potential investments.

UPM calls for policies that recognize the pivotal role of renewable resources in replacing the use of fossil resources. Current and future wood-based innovations replace fossil materials in packaging, construction materials, fuels, chemicals, textiles and many more applications. Furthermore, the innovation opportunities of bio-based solutions are only at their resource-significant opportunities and in enabling further substitution of fossil materials as innovations are developed concurrently. The use of sustainably sourced renewable materials and the substitution potential must be recognized coherently in EU policies. At the same time, sustainability of the use of renewables is key to ensuring stakeholder confidence, and long-term viability of operators. Sustainability concerns must be adequately and proportionately addressed.



UPM EXPECTATIONS ON PACKAGING AND PACKAGING WASTE DIRECTIVE REVIEW

Sustainable and recyclable packaging enables consumption beyond fossils

UPM is one of the leading producers of sustainable packaging materials in the EU.

Our renewable raw materials - pulp, wood-based naphtha and renewable MEG - are used to produce recyclable fibre-based packaging and renewable plastics.

Food and a myriad of consumer goods are packed safely in UPM's flexible paper packaging materials. We also create high-performing labelling materials for branding and promotion as well as informational labels and labels with functionality.

The amount of packaging waste globally is growing alarmingly fast. The European Union has recognised this problem in the European Green Deal and Circular Economy Action Plan. The European Commission intends to propose a review for the Packaging and Packaging Waste Directive (PPWD*) in 2022.

We strongly believe in renewable circularity as the foundation for a sustainable packaging sector in the future. Our key expectations for the PPWD review are:

1. Recycling should have an equal position in legislation with reuse.
2. Mandatory reuse targets should not be proposed in the PPWD review for climate, resource-efficiency, hygiene, and waste prevention reasons.
3. Innovation potential of sustainable packaging must not be hindered by dictating technical solutions in regulation.
4. Renewable virgin material should have an equal footing with recycled content in PPWD.
5. Food contact materials must be excluded from mandatory recycled content requirements and rules need to be developed to ensure the food safety of recycled materials.
6. Packaging waste collection systems and labelling should be harmonised in the EU.



WHITE PAPER CLIMATE POSITIVE FORESTRY AND GREEN GROWTH

UPM **BIOFORE**
BEYOND FOSSILS

