

GREEN GROWTH NEEDS GREEN DEMAND

The EU should enable green growth by recognising wood-based materials as one of the key solutions to replace fossil-based materials. Wood grown in Europe strengthens the EU's competitiveness and strategic autonomy, while facilitating the transition away from fossil fuels. Actively managed forests mitigate climate change and provide a sustainable raw material base for new solutions.

The energy sector is **decarbonising** fast – now it is time to **defossilise** materials.

By setting targets and policies, the EU has enabled the growth of renewable energy such as wind and solar power and successfully driven the green transformation of the energy sector. If we are replacing fossil fuels with renewables in energy already, why not replace them in materials, too? Already today, **renewable** materials are replacing fossil-based materials in a wide range of sectors, such as plastics, packaging, automotive, and textiles.

Green growth needs green demand. Fit-for-purpose EU policies help to drive demand towards sustainable choices.

The EU Emissions Trading System (ETS) and biofuels mandates have been proven to be effective incentives to ensure a transformation away from fossil fuels. UPM calls on the new Commission to prepare a regulatory market framework to create demand for sustainable new materials for example in plastics and chemicals. Further EU commitment to advanced biofuels is also essential to enable the defossilisation of all modes of transport, including aviation and maritime.

Simplified regulation will accelerate green growth.

Over the last 5–10 years, EU legislation has created a large number of new reporting and monitoring requirements for companies operating in Europe. For example, the EU Taxonomy, the EU Deforestation Regulation, and the Corporate Sustainability Reporting Directive have increased the reporting obligations of the companies, but it is unclear, whether the information produced actually advances the green transition. So far, the main tangible impacts have been additional costs and extra work for businesses. It is also essential to assess how much new regulation is needed at this stage when the focus should be on implementing the agreed rules of the Green Deal.

Europe needs investments. For investments to happen, we need a globally competitive, simple, and enabling regulatory environment.

Green industrial targets alone will not create **competitiveness**. In a world of competing industrial policies, the EU needs to set the right market conditions, supported by smart, efficient, and non-bureaucratic policies that enable competitiveness and innovative investments.

To invest, companies need first and foremost an attractive market, and a reliable operating environment. We must ensure that the EU policy framework is enabling rather than restrictive, promotes the principle of technology neutrality and ensures long-term prospects to attract investments.

Wood is part of the solution to replace fossil-based materials. The bioeconomy should be a high priority in the Commission's forthcoming work programme.

Many solutions are needed to reduce fossil-based materials. We need to use materials more efficiently by

recycling and reusing them. It is also necessary to reduce the use of fossil-based materials and replace them with renewable ones, first through the bioeconomy and in the future also through synthetic materials.

EU policies should better recognise and clarify the substitution effect and potential of wood-based materials to replace fossil-based materials. One of the most obvious cases is the substitution of oil in the production of plastics. Global oil consumption for the production of plastics is expected to increase from 6% to 20% by 2050, with future worldwide demand for plastics tripling. However, more than 98% of carbon-based raw materials still come from fossil sources.

UPM POLICY RECOMMENDATIONS

Make the bioeconomy a high priority in the next Commission's work programme and recognise wood-based materials as one of the key solutions to replace fossil-based materials

The new EU Commission should recognise the bioeconomy as a strategic choice to strengthen Europe's autonomy, competitiveness, and security of supply. The substitution effect and potential of locally harvested wood to replace fossil-based materials should be clarified in the EU policies.

Forest-related policies should take into account subsidiarity and environmental, economic and social aspects. There is no common "EU forest": all forest ecosystems are profoundly different and require site-specific attention. Therefore, the forest policy competence must reside where the forest grows, at Member State level.

Create fit-for-purpose EU policies to drive demand towards sustainable new materials

To create an attractive market for sustainable solutions, targets for the share of renewable raw materials should be set for specific end-product groups. Targets would work well in sectors such as packaging, textiles and automotive industry, where materials are already successfully recycled.

Carbon Dioxide Removal (CDR) is an additional and necessary tool to combat climate change and create new synthetic products. Regulatory requirements should be simplified to allow CDR technologies and markets to develop. While fossil emission reductions must remain a priority, carbon storage products and biogenic CO₂ streams from our industry must be recognised as building blocks for further climate and hydrogen policies.

Policies need to enable a globally competitive regulatory environment instead of restricting European businesses

For investments to take place, we need a globally competitive, simple, and enabling regulatory environment. The EU needs to set the right market conditions, supported by smart, efficient, and non-bureaucratic policies that enable competitiveness and innovative investments.

Also, the EU should be prepared to review whether all reporting obligations, such as the EU Taxonomy, the EU Deforestation Regulation and the CSRD, are fulfilling their original purpose, and to reduce and simplify regulatory requirements where necessary.

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