

UPM Position Paper | EU Bioeconomy Strategy

Leveraging the bioeconomy as a growth engine for European sustainable prosperity and competitiveness

UPM welcomes the European Commission's upcoming revision of the EU Bioeconomy Strategy as a key opportunity to **elevate the bioeconomy to become a key pillar of the broader EU industrial, climate, and innovation policy** frameworks. A robust and forward-looking strategy is key to boost European competitiveness, revitalizing the European chemical sector and transition to climate neutrality while creating economic value and regional employment.



UPM is a leading global material solutions company committed to building a sustainable, innovation-driven bioeconomy. Operating in 46 countries and employing roughly 16,000 professionals, UPM is active across the entire value chain of the bioeconomy. UPM contributes to the sustainable transformation of society with material solutions, utilizing renewable feedstocks. It creates long-term value through an extensive portfolio of decarbonization solutions, advanced materials, renewable fibres and communication papers, collaborating with industries and brands worldwide. UPM has invested in biorefining capacities as early as 2015 and will soon start-up the world's largest bioeconomy operation with a 1.3 bn CAPEX biorefinery in Germany. The company has been at the forefront of scaling the industrial production of renewable alternatives to fossil-based fuels and chemicals, driving the decarbonization of the transport and petrochemical industries. UPM is globally recognized for its strong environmental credentials, regularly ranking among the leaders in the Dow Jones Sustainability Index, SBTi, CDP and Ecovadis.

To fully harness the bioeconomy as a driver of sustainable growth and global competitiveness, the EU Bioeconomy Strategy must incorporate four key elements:

- 1. Stimulate demand and ensure fair market conditions for bio-based products**
Adopt enabling policies that promote the uptake of bio-based materials, including through quotas and incentives, and ensure their recognition in key EU legislation to create a level playing field.
- 2. Scale innovation through investment and integrated funding**
Increase EU investment in pilot and first-of-a-kind bio-based plants, and align research, demonstration, and deployment funding across major EU programs to accelerate industrialization of innovative bio-based technologies.
- 3. Secure sustainable biomass supply**
Promote stable access to diverse and sustainable biomass sources without increasing land pressure and avoiding restrictive feedstock rules, building on existing voluntary certification schemes, and enabling flexible sourcing based on sustainability and availability.
- 4. Boost global competitiveness of EU bio-based industries**
Align the EU Bioeconomy Strategy with trade, energy, and industrial agendas, ensure access to affordable fossil-free energy, and reduce trade and regulatory barriers to support international market access for European bio-based innovations. Guarantee the integrity of feedstock used in EU regulated market applications against fraudulent or non-sustainable imports.

1 Driving demand and market uptake of bio-based products and materials

As Europe aims to lead in global sustainability and technological innovation, it must create the right framework conditions to unlock investments, drive innovation, and scale sustainable industrial solutions. In this context, bio-based solutions are key in boosting European competitiveness, revitalizing the European chemical sector, achieving net-zero targets, and reinforcing the principles of a truly circular economy. EU needs to adopt enabling policies and avoid counterproductive measures that may hinder innovation and industrial competitiveness.

Supporting the market uptake of bio-based solutions is vital to enabling growth of relevant industrial production. The EU Bioeconomy Strategy must therefore introduce concrete policy instruments that stimulate demand and create a level playing field for renewable alternatives to fossils-based materials. This includes explicitly recognizing the importance of bio-based materials and acknowledging their substitution potential in key legislation such as the Ecodesign for Sustainable Products Regulation (ESPR), the End of Life Vehicle Regulation (ELVR), the Packaging and Packaging Waste Regulation (PPWR) and the Circular Economy Action Plan. The strategy needs to promote mechanisms

such as quotas and incentives for bio-based options for certain end-use applications to set a clear way forward for industry development. Considering bio-based options complementary to recycled solutions is critical to fostering the replacement of fossil-based materials and advancing the bioeconomy. In summary, the introduction of quotas for bio-based options is critical in contexts where recycling quotas are already mandated, and voluntary measures will simply be not enough to encourage investments. Recycled materials alone cannot meet the quality and market demands by existing and upcoming regulatory requirements. Over time, the quality of recycled materials diminishes, and available supply often falls short. Without the integration of sustainable bio-based options, a net-zero materials system will remain out of reach. Additionally, obligated parties gain a new, environmentally responsible option for meeting compliance requirements. This approach promotes both sustainability and fair competition. Moreover, reflecting the climate benefits of bio-based products in environmental assessments will help stimulate demand and support the broader transition to a circular net zero economy. With its long and integrated value chains, European bioeconomy connects sustainable biomass production with state-of-the-art innovation in the European industrial production.

2 Scaling innovation from lab to industry

To accelerate the sustainable transformation and boost European competitiveness significant investments are needed to develop first-of-its-kind commercial low-carbon and circular technologies, leading into substantial investments to fully deploy these technologies across Europe. The EU Bioeconomy Strategy must address the persistent gap between research and market deployment by establishing an integrated framework that aligns research, demonstration, and scale-up funding. Setting the pace in bioeconomy technologies addresses the risk of becoming reliant on imports. Investments valorizing sustainable feedstocks are ready to scale—provided there is policy certainty and support.

To support bio-based businesses in scaling from lab to industrial production, the strategy should prioritize increased investment in pilot and first-of-a-kind plants. It must also ensure that competitive project results can be protected, allowing businesses to retain strategic data and maintain a competitive edge. The strategy should elevate the circular bioeconomy as a priority across major EU funding instruments, including the successor to Horizon Europe (FP10), the European Competitiveness Fund, and Important Projects of Common European Interest (IPCEIs). This will help secure long-term co-financing and attract private investment. Ultimately, creating regulatory incentives stimulating the market uptake of sustainable bio-based products would create the necessary environment for companies to invest in research and development.

3 Securing sustainable biomass supply without increasing land pressure

Biomass-based materials are essential to Europe's industrial transformation, enabling the shift to climate neutrality, reducing fossil dependence, and supporting innovation and competitiveness. Bio-based feedstocks enhance strategic autonomy and open new markets for all industrial end uses, including the chemical sector. A successful bioeconomy requires wide, stable, and sustainable access to diverse biomass sources for materials, energy and high-value industrial uses. To achieve this, the new EU Bioeconomy Strategy must promote market demand for renewable materials while ensuring secure, long-term biomass supply. This includes supporting the mobilization of advanced biomass feedstock based on sustainability performance and system co-benefits, without increasing pressure on land or creating unnecessary regulatory barriers. Sustainability criteria for material uses are pertinent only for regulated markets.

Should a quota for bio-based options be established, sustainable sourcing of biomass should be demonstrated against common criteria inspired to existing risk-based approach (RBA). The Strategy should reject overly complex, prohibitive compliance

systems and instead build on existing, proven sustainability frameworks such as FSC, PEFC, and ISCC EU. These voluntary certification schemes already ensure high environmental standards, industry acceptance, and consumer trust—without introducing excessive administrative burdens or market distortion. New regulation must avoid duplicating or layering requirements, particularly those based on the energy-focused Renewable Energy Directive (RED), which has proven too complex and poorly adapted to the material and chemical sectors. The focus should be on maintaining flexibility and allowing market actors to select feedstocks based on sustainability, availability, and technological fit.

Restrictive feedstock lists or prior approvals risk creating artificial supply shortages, price effects and undermining innovation. The Bioeconomy Strategy should also recognize the value of new innovative and additional feedstock sources such as agroforestry and silvopastoral systems, which integrate biomass production with ecological resilience and land-use efficiency. These systems can enhance biodiversity, soil health, and carbon storage while diversifying feedstock supply. To sustainably guide Europe's bioeconomy onto an ecological and technological growth path, it will be crucial to go beyond the potential of residual biomasses and simultaneously explore additional agricultural and forestry feedstock sources that offer co-benefits for the climate, nature, and regional value creation.

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Strengthening global competitiveness of European bio-based industries

To position European bio-based industries as global leaders, the new EU Bioeconomy Strategy must be fully aligned with Europe's broader trade, energy, and industrial agendas. Ensuring global competitiveness requires a strategic approach that supports innovation, lowers production costs, and opens international markets for bio-based products and technologies.

Access to affordable, fossil-free energy is essential to ensure that EU bio-based production remains cost-competitive with regions that benefit from lower energy prices and looser environmental standards. At the same time, strong safeguards must be in place to prevent carbon and harvesting leakage and ensure a level playing field for European producers. International competitiveness also depends on reducing regulatory fragmentation and removing trade barriers for bio-based goods. This should be achieved while guaranteeing the integrity of feedstock used in EU regulated market applications against fraudulent or non-sustainable imports.

The EU should actively promote free trade agreements that include provisions for clean technologies and bio-based products, fostering global demand and recognition for EU-developed innovations.

The Strategy should support internationalization efforts through dedicated export promotion tools, innovation diplomacy, and cooperation mechanisms with strategic global partners. This includes harmonizing sustainability standards, enabling mutual recognition of certification schemes, and promoting EU bio-based solutions in global markets, particularly where demand for sustainable alternatives is rising.

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