



To: President Ursula von der Leyen  
Commissioner McGuinness

Cc: Commissioner Jutta Urpilainen  
Commissioner Ylva Johansson

31 March 2021

Dear President von der Leyen and Commissioner McGuinness,

## Re: Forest Taxonomy Criteria

As a leading renewable materials company, with 18 000 employees in the EU, Stora Enso fully supports the Green Deal ambition: we welcome and support both the 55% by 2030 target and the EU Biodiversity Strategy. We also support the European Commission's overarching sustainable finance objective: a well-calibrated Taxonomy framework will be a powerful vehicle through which to incentivise the changes needed to meet the EU's Green Deal targets. Yet, we fear that the draft criteria from March 2021 will not enable the green transition if sustainable forestry is not recognised sufficiently for the climate benefits it brings.

To ensure that the Taxonomy builds on today's sustainable forest management practices, and that the Green Deal's ambition is met, we would welcome the following changes to the draft from March 2021:

- **Removal of concepts that are not clearly defined, such as "close-to-nature forestry."** Unclear concepts, of which there are many, leave the criteria open to wide interpretation. This increases legal uncertainty and risks excluding sustainably managed forestry activity from the Taxonomy. It is unclear who ultimately interprets and decides on these definitions.
- **Simplify the Climate Benefit Analysis and ensure it does not lead to an unlevel playing field.** The latest draft criteria contradict the Taxonomy Regulation, which states that all economic activities within a specific sector should be treated equally. In addition to establishing an unlevel playing field, this section is complex and creates unnecessary administrative burden.

### Legal uncertainty and unlevel playing field created

We recognise that the draft criteria have been much improved. It is good that it is acknowledged that forest management should be defined by national law and match the applicable national definition or the Forest Europe definition, as forests and practises vary considerably between Member States. We also welcome that our concerns around "improved forest management" and the additionality criteria have been taken on board. Nonetheless, we remain concerned over the ambiguous formulations and the risk of uncertainty in interpreting the criteria. We present below a few examples of several identified issues.

**1. Unclear concepts, such as "biodiversity-friendly practices promoting close-to-nature forestry or similar national concepts adapted to the local conditions."** This criterion is included in the Do No Significant Harm (DNSH) section which requires further clarification and definitions. Stora Enso, for example, already manages its forest by including deciduous trees in the landscape and leaving deadwood and retaining old trees during harvesting, which are often considered part of close-to-nature practices. The range of interpretations for both close-to-nature forestry as well as how a company should "promote" this is wide. Several other undefined concepts exist throughout the DNSH section, such as "high-biodiverse" and "less biodiverse" ecosystems. Depending on the interpretation, several aspects of biodiversity could be used in defining these concepts, for example species number, abundance, taxonomic diversity, functional diversity, or combinations of these. Another important area where there is a lack of clear definition is "wood sourcing area". As a large forest industry company, we make contracts with different forest owners every year, which results in continuous changes in the wood sourcing area of the company. This must be taken into account in reporting on carbon accounting. A final example to illustrate how ambiguous the criteria can be is that it states that fertilisers should be "minimised". In Nordic forestry, fertilisation with nitrogen increase carbon sequestration into forest biomass and soils. Fertilisers are an extra cost,

so most actors already minimise its use. The lack of detail on the definition and interpretation of this criteria and others will create confusion, inconsistency and legal uncertainty. As there are no commonly agreed definitions for many of the DNSH criteria, **we propose that the Commission reconsider including any criteria that is not clearly defined in order to avoid legal uncertainty.**

**2. Climate Benefit Analysis:** We strongly agree on the importance of ensuring forests' climate benefit in the (global) carbon balance. Sustainable forest management in the Nordics has for the last century strongly promoted forests' carbon sequestration. It ensures the vitality and thus, the carbon uptake capacity, of forests. Scientifically based measures can further strengthen the carbon uptake by enhancing tree growth, while at the same time enriching the biodiversity of forest landscapes. We acknowledge the Taxonomy's ambition to consolidate the role of forests as carbon sinks, but we are concerned about the ambiguous formulation of the technical screening criteria 2.1 and 2.2 when it is not clear who will interpret them and how.

The Climate Benefit Analysis states that forest management should result in an improved greenhouse gas (GHG) balance vs. business as usual (BAU). It is not clear how a third-party auditor could determine what the BAU would have been. Determining BAU at the on-set of the 30-year period will be very difficult with a time perspective of decades. We also worry that if we, as a multinational global company find it difficult to analyse this section, it would be even more complicated for most small forest owners in Finland and Sweden, where the average holding size is much larger than the Commission's 25 hectare limit for exclusion from the process. **Perhaps a more constructive method would be to ask for a process of continuous improvement regarding the company's total GHG balance**, i.e. include substitution effects of the company's products in the GHG balance. A forest used to make wood-based products plays a larger role in society's overall GHG balance than a forest absorbing and periodically storing GHGs.

In addition, the Climate Benefit Analysis contradicts Article 19.1(j) of the Taxonomy Regulation which states that the criteria shall *cover all activities equally if they contribute equally towards the environmental objectives*. Companies that do not have the same high standard as Stora Enso, i.e. a low standard of BAU – for example, a negative GHG balance – would easily be able to fulfil this criterion. Considerably more effort and finance would have to be put in for companies who continually maintain or improve their climate benefit. **We propose that the Commission revise the new "Climate Benefit Analysis" to reduce complexity and ensure a level playing field across the EU.** If this has been inserted as a version of additionality criteria, we would be pleased to make a constructive proposal on how it could be developed in an alternative way.

Stora Enso believe that sustainable forest management and wood-based products are part of the solution to climate change and biodiversity loss. Our products substitute fossil-based alternatives and save approximately 18 million tonnes of CO<sub>2</sub> entering the atmosphere (2019). At the same time, growing trees absorb CO<sub>2</sub> from the atmosphere and store carbon, and measures to enhance biodiversity are integrated into daily operations and constantly improved.

As the President and CEO of Stora Enso, I can assure you that we want to show leadership and be a constructive partner for the Commission in the pursuit of the Green Deal's vision. We believe our expertise in sustainable forestry, where biodiversity concerns are high on the agenda, can be an inspiration to others – without claiming we have all the answers already today. We would be more than happy to contribute with constructive solutions if possible. If so, perhaps you could let me know through [REDACTED] [@storaenso.com](mailto:[REDACTED]@storaenso.com).

Yours sincerely,

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