

NORTHERN PERSPECTIVES ON THE EUROPEAN DEFORESTATION REGULATION



October 25, 2023



TABLE OF CONTENTS

Background	3
WPAC / Canada Objectives	4
Activities, Deliverables & Outcomes	4
Activities	4
Deliverables & Outcomes	4
Key Observations	4
Recommendations	5
EUDR: Implications for Canada	5
Event: Northern Perspectives on the European Deforestation REgulation	6
WPAC Presentation	7
Lead Generation	9
Additional Meetings with Potential Offshore Partners/Influencers	10
Sharing Information with Canadian Pellet Sector	10
Additional resources.....	10

BACKGROUND

The Wood Pellet Association of Canada (WPAC) was invited to speak at a seminar hosted by the [Northern Sparsely Populated Areas \(NSPA\)](#) in Brussels, Belgium, on October 25, 2023.

Canada and the northern regions of Finland, Norway and Sweden (Northern Nordic Region) have many common circumstances, such as harsh climate and sparse population across long distances. Canada and the Northern Nordic Regions are home to abundant forests that are sustainably managed and provide critical biomass sources needed in the global effort to address climate change. Both also share common concerns about the impending European Union Deforestation Regulation (EUDR).

The Northern Sparsely Populated Areas, North Sweden European Office, East and North Finland EU Office and North Norway European invited EU decision-makers and bioeconomy stakeholders and experts to hear from panel experts and to discuss questions on what different implications the legislation could bring.

EU Deforestation Regulation

- On June 9, 2023, the EU published Regulation (EU) 2023/1115 on deforestation-free products. Operators and traders have 18 months to implement the new rules.
- The main driver for these processes is the expansion in agricultural land linked to the production of commodities like soy, beef, palm oil, wood, cocoa, coffee, rubber and their derived products, such as leather, chocolate, tires, and furniture.
- Any operator or trader who places these commodities on the EU market, or exports from it, must be able to prove the products do not originate from recently deforested land and have not contributed to forest degradation.
- Read the FAQ [here](#).

WPAC / CANADA OBJECTIVES

Gordon Murray, Executive Director at WPAC, attended the event as an expert speaker. He also met with government officials to provide Canadian perspectives on the EUDR. Key objectives included:

1. Sharing Canada's perspectives to policymakers and regulators in the European Union (EU).
2. Building alliances with like-minded nations such as the Nordic countries.
3. Seeking joint solutions to addressing the challenges and opportunities of the upcoming EUDR.

ACTIVITIES, DELIVERABLES & OUTCOMES

Activities

1. Presenting Canadian wood pellet sector perspectives, concerns, and suggestions on the EUDR implementation at an international event in Brussels.
2. Meeting with EU stakeholders, as arranged by officials from NRCAN and Global Affairs Canada within various directorates of the European Commission.

Deliverables & Outcomes

Note: a full breakdown of these deliverables and outcomes is further down in this report.

- Expand international business development efforts for 15 Canadian companies.
- Interact with 10 foreign participants.
- Protect/enhance market access for 15 Canadian pellet producers that export products into the EU.
- Reach 70 Canadian industry personnel through a market intelligence/trip report developed as a result of the association's participation in this activity.

KEY OBSERVATIONS

- The timeline associated with the new EUDR regulation poses its own set of challenges. Companies have approximately 18 months from June 2023, when the regulation was put in place, to prepare, with a deadline set for the end of December 2024. Considerable work lies ahead. The European Commission is developing a national benchmarking system to categorize countries based on their deforestation status, which will be published in early 2024.
- It is anticipated a review will be carried out over the course of the next two years, potentially adding more products to the benchmarking system, such as biofuels.

- Geolocation continues to raise more questions than answers; and is largely seen as unrealistic and unachievable.
- Concerns around World Trade Organization (WTO) compliance and alignment with the Comprehensive Economic and Trade Agreement (CETA). National government outreach to the EU will be critical in these areas.
- Sharing supplier information is a concern, especially around confidentiality.
- Alignment and consistent communications with allied nations are important.

RECOMMENDATIONS

- Continue communications with Canadian government officials regarding pellet sector's concerns.
- Explore opportunities to develop systems in Canada addressing evolving topics such as geolocation and how they may work in the Canadian context.
- Consistent and regular communications with allied nations.

EUDR: IMPLICATIONS FOR CANADA

The EUDR became law in June 2023 and will be enforced as of December 2024. All Canadian exporters to the EU and UK must comply. This will account for approximately half of all Canadian pellet exports. Of particular concern are European requirements regarding primary forests, definitions of deforestation and forest degradation, non-EU country benchmarking, provisions for "substantiated concerns", and complicated tracing requirements for raw material sourcing.

Over the past decade, the Canadian wood pellet sector has become one of the largest pellet producers in the world, exporting 3.6 million tonnes of sustainable wood pellets, primarily to Europe and Asia; and is increasingly becoming a viable bioenergy solution in Canada. Wood pellets have been fundamental to the global transition from coal to biomass. Our sector is working toward commercializing bioenergy with carbon capture and storage, putting us on track to achieving negative greenhouse gas emissions.

WPAC's main comments of the standard include:

1. The term Primary Forests is not particularly helpful in a Canadian context. We encourage the Government of Canada (GOC) to persuade the EU's regulatory authorities to respect Canada's science-based approach to classifying forests where decisions are made at national, provincial/territorial and regional levels. For old forests, Canadian authorities use an integrated approach that provides for environmental, economic, and Indigenous reconciliation benefits.
2. Geolocation of Feedstock from Industry Residues (i.e., sawdust) is a challenge for Canadian producers. With almost 362 million hectares, Canada has the third-largest forest area in the world; more than 95 percent of the forestland is publicly owned.

Currently, the fibre that goes into wood pellets comes from many sources (i.e., sawmill residues, post-harvest slash, and wildfire and insect salvage) and from vast areas within a given region. Individual wood pellets are made from hundreds of wood particles. A single batch of wood pellets placed on the EU market will include wood particles sourced from hundreds or even thousands of plots of land as defined by the EUDR. Tracing each wood particle back to its source plot of land will be complex and require substantial computing power.

3. Benchmarking should include additional criteria. Chapter 5 of the EUDR establishes a three-tier system for the assessment of countries or parts thereof, including the opportunity to be classified as a low-risk country. We believe that the primary assessment criteria should include the rate of deforestation and forest degradation; the rate expansion of agriculture land for relevant commodities; and production trends of relevant commodities and of relevant products.

EVENT: NORTHERN PERSPECTIVES ON THE EUROPEAN DEFORESTATION REGULATION

On October 25, 2023, North Sweden came together to the North Norway European Office, East & North Finland, and NSPA, Northern Sparsely Populated Areas who hosted a hybrid seminar on EUDR. The purpose of the seminar was to discuss the implications of the legislation. More than 40 delegates from Belgium, Canada, Finland, the Netherlands, Norway, Sweden, the United Kingdom, and the United States attended the seminar.

Meet our speakers

- Delphine Sallard**
Senior Expert Trade & Environment,
DG Trade, EU Commission
- Majja Rantamäki**
Manager of International and EU Forest
Affairs from Finnish Forest Industries
- Gordon Murray**
Executive Director of Wood
Pellet Association of Canada
- Sara Nordin**
Partner at White & Case Lawfirm
- Jonas Larsson**
Head of Customer Supply
Center Södra Cell International



Member States have until December 2024 to implement the regulation and for those who trade in forest products, the regulation could be extensive. NSPA represents some of the most forest-rich regions in Europe and therefore wanted to bring together EU policymakers and bioeconomy stakeholders to discuss the implications of the legislation.

The seminar was moderated by North Sweden's project manager in bioeconomy, Carina Christiansen. Together with a panel of experts, the seminar addressed key questions:



- What challenges may arise during the implementation of this regulation?
- What are the key elements to apply to the business to meet the requirements?
- How could the regulation affect the development of the bioeconomy and the circular economy in Europe?

WPAC Presentation

Canada was the only non-Nordic nation invited to sit on the expert panel. You can read WPAC's presentation [here](#). A quick summary is provided below:

Primary Forests

- We encourage the EU authorities to recognize Canada's science-based approach to forest classification where decisions are made at multiple levels of government.
- We use an integrated approach that considers environmental, economic, and Indigenous reconciliation benefits. Moreover, under the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP), the sovereignty of Indigenous people is being recognized in forests and we don't understand the desire of European authorities to override Indigenous rights.
- Less than 1/2 of one percent of Canadian forests have been deforested since 1990.

Geolocation

- Individual wood pellets are made from hundreds of wood particles. A single batch of wood pellets will be sourced from thousands of plots of land covering many thousand square kilometres. Moreover, when individual batches of wood pellets reach the loading port, they are mixed with pellets from many other pellet plants. It is common for as many as 15 plants to contribute to a vessel load of wood pellets. Tracing each wood particle back to its source will be complex and require massive computing power.

- The EUDR is set to be implemented by December 2024, which means the Canadian pellet industry only has a little over a year to develop the necessary computing tools to comply with geolocation requirements.

Low-Risk/Country Benchmarking

In Canada, 95 percent of forests are publicly owned and a complicated tenure system is used to allocate timber rights to companies that supply wood fibre—sawdust and forest debris—to the wood pellet industry. We must work within this system to implement EUDR traceability.

Chapter 5 of the EUDR establishes a three-tier system for the assessment of countries or parts thereof, including the opportunity to be classified as a low-risk country. The primary assessment criteria include:

- Rate of deforestation and forest degradation.
- Rate of agriculture land expansion for relevant commodities.
- Production trends of relevant commodities and relevant products.

Although we've yet to see the detailed evaluation criteria, we believe that Canada—given our absence of deforestation, strict forest laws, government compliance and extensive third-party certification—should be able to achieve a low-risk country status. Low-risk countries may use a simplified system of due diligence and are subject to a lower rate of checking by European authorities.

Comprehensive Economic and Trade Agreement (CETA)

The EU is Canada's second-largest trading partner. We are now into the seventh year of the provisional application of the CETA between Canada and Europe.

There are a few things to note from CETA that relate to the EUDR, and may in fact, represent a conflict with these provisions of CETA:

- Article 24.10 recognizes the importance of the conservation and sustainable management of forests ... and of market access for forest products harvested in accordance with the law of the country of harvest and from sustainably managed forests.
- Article 24.4 recognizes the value of international environmental governance and agreements as a response ... to global or regional environmental problems and the need to enhance the mutual supportiveness between trade and environment policies, rules, and measures.
- Article 10.4.4 provides for the parties to work ensure that their technical regulations are compatible with one another.
- Article 24.3 recognizes the right of each party to set its environmental priorities, to establish its levels of environmental protection, and to adopt or modify its laws and policies.

Canadian Approach to Advocacy

WPAC is a member of Bioenergy Europe and rely on their policy team for local eyes and boots on the ground and their relationships with European policy-makers.

WPAC cooperate with Canadian federal and provincial governments, including with our local trade offices and rely on them to express Canadian views on a government-to-government basis.

The Canadian government is proactive in seeking the views of a broad cross-section of industry and regularly convenes meetings of multiple trade associations to seek our perspectives. This enables government to ensure their actions are in the best interests of Canadians.

LEAD GENERATION

Gordon Murray met numerous existing and potential important contacts:

- Ms. Delphine Sallard, Senior Expert Trade and Environment, DG Trade, European Commission
- Ms. Sara Nordin, Partner at White & Case Law
- Ms. Maija Rantamäki, Manager of International and EU Forest Affairs from Finnish Forest Industries
- Mr. Jonas Larsson, Head of Customer Supply Center Södra Cell International
- Ms. Carina Christiansen, Project Manager Bioeconomy at North Sweden European Office
- Niklas Johansson, Senior Adviser in European Affairs North Sweden European Office
- Maria Boström, Communications Manager, North Sweden European Office
- Andrew Georgiou, Director, Policy and Regulation – Europe, Enviva
- Christopher O’Toole, Counsellor (Trade and Economic Policy), Mission of Canada to the European Union
- Gregory MacDonald, Counsellor (Agriculture), Mission of Canada to the European Union

BUILDING A BETTER WORLD

- We are committed to supplying the world with responsible and renewable clean energy.
- We recognize that the fight against climate change requires immediate and urgent action.
- We fully support policies that encourage responsible and sustainable forest management.
- The advancement of new renewable energy alternatives to replace fossil fuel-generated power is key in the fight against climate change.
- Wood pellets sourced from responsible producers in well-regulated countries like Canada are unquestionably sustainable and a part of the solution.

Strong and implementable regulations are key to delivering on these outcomes.

17



Additional Meetings with Potential Offshore Partners/Influencers

- Bioenergy Europe (Jean-Marc Jossart, Secretary General; Irene Di Padua, Policy Director; Daniel Reinemann, Senior Policy Officer)
- Drax Group (Katarzyna Wilk, Head of Public Affairs and Policy, EU and Asia)
- Mission of Canada to the European Union (Christopher O'Toole, Counsellor (Trade and Economic Policy) and Gregory MacDonald, Counsellor (Agriculture))

SHARING INFORMATION WITH CANADIAN PELLET SECTOR

WPAC has shared this report and its observations and recommendations with more than 70 companies, including WPAC members. It is anticipated the report will be shared, reaching more than 500 key Canadian industry leaders.

ADDITIONAL RESOURCES

- Gordon Murray [Presentation](#)
- WPAC [Position Paper](#) on EUDR
- North Sweden's [Summary](#) of Seminar
- Video [Recording](#) of Seminar