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## **The Finnish forest industry has already met the Kyoto objectives - Allocation of sufficient emission allowances is a reasonable requirement**

In a decision dated June 4, 2007, the EU Commission proposes that Finland's emissions quota be reduced significantly (5,2%) in the 2008-2012 emissions trading period. Reducing the quota would increase the forest industry's costs and weaken its competitiveness. In global competition it is not possible to transfer the additional costs to product prices.

In its programme, the new Finnish government committed to taking into account the operating and competitive prerequisites of Finnish export industries, which compete on the global arena, when applying the emissions trading scheme on the national level. The forest-based industries are one of the most important employers in Finland. They also contribute significantly to the employment in Europe.

"The Finnish forest industry has already reduced its carbon dioxide emissions more than required in the Kyoto Protocol. Emissions are now below the levels of the 1990s, even though production volumes have increased by some 40%. The forest industry must be allocated the same amount of emission allowances as Finland has proposed to the Commission", says **Stefan Sundman**, director of energy policy issues in the Finnish Forest Industries Federation.

Finland is being offered a smaller quota than before because the Commission's calculations are based on the amount of carbon dioxide emissions realised in 2005. The Commission had earlier communicated to the Member States that the first year of emissions trading should not be used in the calculation of emission allowances.

### **Exceptional circumstances of 2005 make it an unsuitable year for basing calculations**

Year 2005 is not a suitable basis for calculations of Finland's emissions quota, because the emissions were exceptionally low that year. Heavy rains in Norway and Sweden fuelled the generation of large amounts of hydropower, which contributed to the high share of emission-free electricity import to Finland. Additionally, a labour market dispute in the pulp and paper industries reduced carbon dioxide emissions by 13% in the industry.

In 2005, total emissions across the entire emissions trading sector fell by about a quarter in comparison to 2004 and 2006, during which normal circumstances prevailed. The forest industry's need for emission allowances has in fact been further increased by new working time arrangements, which make it possible to keep factories operating over the Christmas and midsummer holidays.

### **Allocation of emission allowances must take the needs of exporters into account**

The forest industry's generation of emissions is tied to manufacturing processes. It is not possible to reduce them significantly without cutting production volumes. During the current decade, the forest industry has already invested over €500 million in the



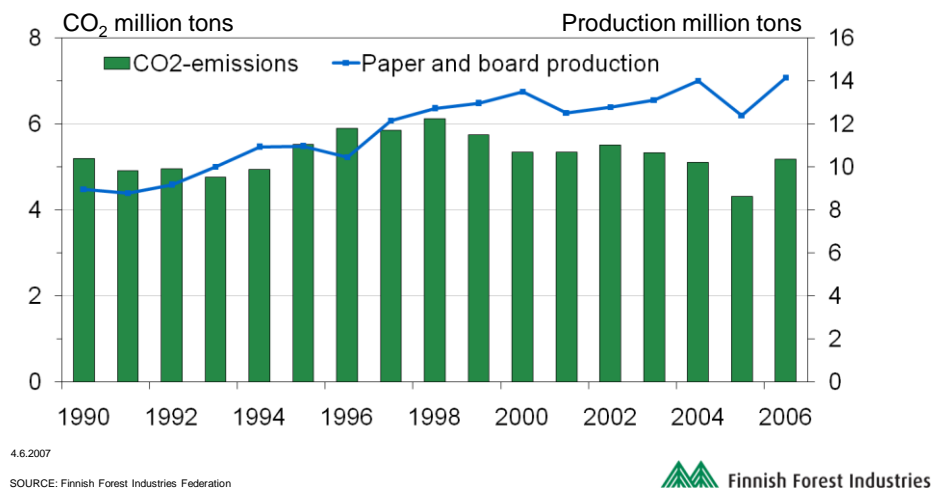
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generation of efficient biopower and a further €115 million in measures aimed at enhancing energy-efficiency. Emissions have been kept at the target level for Finland, even though paper production volumes, for example, have increased by over 40% since 1990. The forest industry is willing to further increase the efficiency of its operations through constantly implementing development projects.

Climate change is a global problem, but emissions trading has distorted the situation by forcing energy-efficient actors to buy emission allowances from competitors that have not made corresponding investments into cutting emissions.

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CO<sub>2</sub> emissions of the Finnish forest industries have not increased from the 1990-level, although paper and board production, for instance, has increased by 40%.



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The forest-based sector employs directly and indirectly for nearly 200,000 Finns. It also boosts income and vitality in sparsely populated areas and accounts for one-third of the nation's export earnings.