



## Financing a growing Forest Sector

### Realising the environmental & commercial potential of Europe's forest value chain

#### The EIB: the EU bank

Owned by the 28 EU Member States, the EIB supports public and private sector projects which help to further EU policy objectives. The Bank offers a range of funding solutions and can finance up to 50% of total project cost. Loans can be granted directly to projects worth over EUR 25m and smaller operations are supported through a network of local partner banks in the EU and our partner countries.

#### The EIB and the Forest Sector

The EIB has been active in the forest sector for some 35 years. Forests deliver a wide range of **benefits**; driving **economic** growth especially in rural areas, providing a range of important **environmental** products and services, and offering a **social** platform for health, recreation and tourism.

Our financing for the forest sector aims to realise the commercial and environmental potential of this valuable resource. Recognising the multifunctional role of forests, we invest in the entire forest value chain, from planting, management and fire protection, to processing, timberland funds and REDD+ operations.

In the five year period 2009-2013, the Bank provided EUR 4.4bn in loans to support forest sector projects, most of which within the EU, and our support to the sector is steadily growing.

#### Financial backing for the EU Forest Strategy

*In September 2013, the European Commission published a new Forest Strategy in response to emerging challenges facing forests and the forest sector. The strategy, which was welcomed by the Council in May 2014, takes a holistic look at the forest sector, recognising the EU's forests as a resource for improving quality of life and creating jobs, while also protecting ecosystems and providing global ecological benefits. It is complemented by a Blueprint for Forest Industries which outlines the remedial activities that could be undertaken to help EU's forest-based industries overcome their current commercial challenges.*

*The EIB seeks to support the implementation of the 2013 EU Forest Sector Strategy and the Blueprint for Forest Industries within the EU, financing projects at all steps in the value chain. The Bank stands ready to support co-financing of national and regional Rural Development Programmes and other Operational Programmes as they relate to forests and forestry, blending loan finance with support from the Structural and Investment Funds, LIFE and Horizon 2020.*

*Outside Europe, the Bank promotes operations in line with the EU's Forest Law Enforcement, Governance and Trade (FLEGT) Initiative. Globally, we require that all EIB supported forest projects be certifiable according to international best practice to ensure sustainable management of forests and the timber and fibre supply chain.*

## A flexible EIB offer, meeting needs across the entire forest value chain

The Bank's lending to the forestry sector includes afforestation, reforestation, forest rehabilitation and protection (including disaster recovery), wood processing, timberland funds, and REDD+ (Reducing Emissions from Deforestation and forest Degradation). Eligible activities cover the full forest value chain, from site preparation for planting through to the production of timber, paper, packaging and energy.

The investment needs of the EU's forest sector vary widely depending on project scale and the position in the value chain. To meet client and project-specific needs, the EIB offers tailored products, from large-scale capital investments, to guarantee schemes for small farmers and intermediated lending solutions for small businesses as well as research and development programmes.

## A growing resource to meet growing demand

Forests and other wooded land account for over 40% of the EU's land area. In recent decades, afforestation and natural succession have increased this area by approximately 0.4% annually. The standing volume of the EU's forests is also rising, with only 60% of the annual increment being harvested. In parallel, global demand for wood, renewable fibre and other forest products continues to grow steadily at an annual rate of 3%<sup>1</sup>. This demand is driven primarily by biodegradable packaging, soft tissue products and renewable energy.

### Growth areas for EIB activities

- Afforestation and reforestation
- Timberland funds which contribute to consolidated management of fragmented forest resources
- Timber processing facilities
- Forest-based industries such as pulp, paper and cork

### The EIB in action

- **Dasos Timberland I and II**
  - We committed EUR 60m to developing the market for timberland funds with an EU focus.
- **SAICA Papermill and Biomass CHP (Spain)**
  - We granted a EUR 250m loan to SAICA for the construction of an energy recovery plant and a recycled paper mill in El Burgo de Ebro, Spain. Part of the loan supports the construction of an energy recovery plant on the site.

## Climate action and biodiversity management

Forests play a major role in climate change mitigation, by storing carbon in trees and soil, and adaptation, through reducing risks of erosion, flooding and landslides. They also have a crucial role to play in watershed management. In addition, forests are valuable habitats for biodiversity. Consequently, approximately 25% of the EU's forest area is included in the EU's Natura 2000 network.

### Growth areas for EIB activities

- Erosion control, soil and air quality management and enhancement
- Habitat restoration following natural disasters or post-industrial use
- Forest conservation through REDD+
- Investing in natural capital

<sup>1</sup> The EU Forest Strategy 2013: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0659:FIN:en:PDF>

## The EIB in action

- **Afforestation and Erosion Control I and II (Turkey)**
  - In December 2013, a second EUR 150m loan reconfirmed our support for forest rehabilitation, afforestation and erosion control in Turkey. In addition to the project's environmental value, the reforestation project created employment for 6 500 people in rural villages. Rehabilitating forests also helps to meet energy needs in areas where fuelwood from state forests is the major energy source.
- **Althelia Climate Fund (Africa and Latin America)**
  - We have made a EUR 25m investment in this innovative sustainable landscapes fund which is investing in some 20 REDD+, sustainable forestry and landscape management projects.
- **The Natural Capital Financing Facility (EU)**
  - Our EUR 50m loan, matched by European Commission financing under LIFE, for this new EU-level financial instrument will help to finance projects promoting the conservation, restoration, management and enhancement of biodiversity and ecosystem services.
- **Braunkohlesanierung Lausitz, (Germany)**
  - We have committed EUR 200m to support the rehabilitation, stabilisation and remediation of former lignite mining sites in the Federal State of Brandenburg during the period 2013-2017. Afforestation is an important post-industrial land use for some of the sites concerned.

## Innovating for renewable energy

About half of the EU's total renewable energy consumption is a result of forest biomass, making this the single most important source of renewable energy in Europe. According to EU Member States' National Renewable Energy Action Plans, biomass used for heating, cooling, electricity and transport would supply about 42% of the 20% renewable energy target for 2020. This is equivalent to today's total EU wood harvest. Gaining the right balance between sustainable increase of harvesting within the EU, and growth in imports, is critical.

Moreover, while innovations and new technologies increase opportunities to process wood and fibre into higher value goods, by-products and residues also can be utilised for renewable energy. Promising pathways include biorefineries for new bio-based renewable materials such as advanced second generation biofuels and synthetic natural gas (SNG) from wood. The EU's Blueprint for the EU Forest Industries articulates some of the opportunities in this regard<sup>2</sup>.

## Growth areas for EIB activities

- Sustainable biomass to energy projects
- Biorefineries including advanced second generation biofuels and SNG
- Public and private sector RDI activities within this important field

## The EIB in action

- **Biomass to energy projects, such as France Biomasse Dalkia (France)**
  - We committed a loan of EUR 100m to finance a group of four new biomass combined heat and power (CHP) plants. Biomass raw material will primarily comprise woodchips sourced from forests in the region, wood processing industries and waste wood recycling centres.
- **RDI projects such as Corticeira Amorim RDI (Portugal)**
  - Our EUR 35m investment will support Amorim's RDI investment programme for innovation and product development in the cork industry, including energy efficiency, environmental protection and safety.

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<sup>2</sup> [http://europa.eu/rapid/press-release\\_MEMO-13-803\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-803_en.htm)

## Growth and employment for the rural economy

Forests contribute to economic development of rural areas and provide around three million jobs in the EU. Wood is still the main source of financial revenue from forests. The most important source of forest sector financing within the EU is the EU's Common Agriculture Policy via the Rural Development Programmes (RDPs), and the EIB actively co-finances the forest-related measures under the RDPs in several EU Member States. In addition, we are developing specific instruments to meet the needs of small farmers.

### Growth areas for EIB activities

- Forest-related measures within the RDPs of EU Member States and Regions
- Forest infrastructure, for example forest roads, reservoirs and fire-fighting facilities, to support improved management and protection

### The EIB in action

- **RDP co-financing in several countries and regions including Hungary, Poland, Slovakia and Spain**
  - We have lent EUR 200m to support the forest-related measures of the Hungarian Rural Development Programme, including establishment of new forest plantations; improved management of existing forests; and strategic use of planting to tackle soil erosion.
- **Forestry and Coastal Management (Spain)**
  - A EUR 120m EIB loan will help finance investments in rehabilitation of coastal areas, recovery of areas affected by forest fires and other investments targeted at environmental protection in Spain.

#### For all other information on the EIB's forestry activities, please contact:

European Investment Bank  
98 -100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
☎ +352 4379-1  
☎ +352 4377 04  
[www.eib.org](http://www.eib.org) – [info@eib.org](mailto:info@eib.org)