

Finland's climate efforts would benefit from a strong NECP update process

Dramatic drop in net sink reshuffles Finland's climate policy

Finland is having trouble reaching its EU-targets in the ESR sector and in the LULUCF sector. The NECP draft itself states that the current measures are not sufficient to attain the ESR 2030 target and carbon-neutrality target of 2035 set in the Climate Change Act. The new Annual Climate Report (2023) prepared by the Ministry of the Environment outlines a need for additional measures in all sectors for Finland to reach its climate targets. The national carbon-neutrality target relies on our land use sector, including forests, being a significant net carbon sink. The Finnish Climate Change Panel has recommended that the land use sector's carbon sink should be at least 21 Mt in 2035 to reach carbon neutrality. Hence, the EU targets on the LULUCF sector support reaching our national targets.

But in 2021, it was revealed that our forest sink had collapsed during the past decade, and our Land Use sector changed from a net sink to a net emission source of 0,9 Mt. The first numbers for 2022 indicate that the land use sector will be near level zero: a weak net sink of 1 Mt. High levels of logging, the slowdown in forest growth, and the growth in soil emissions are the reasons behind this negative sink development. Turning the land use sector back into a big enough sink requires strong policies and fast action.

The NECP draft update is not up-to-date anymore. The Finnish NECP draft is based on strategies that are not sufficient or were outdated when published. The Climate Plan for the Land Use Sector did not take into account the alarming collapse in carbon sinks that now needs to be fixed. Finland does not have a credible plan to enhance carbon sinks in the LULUCF sector. On top of this there are worrying developments both in the ESR and ETS sector.

Finland's target for emissions reduction in the Effort Sharing sector by 2030 is 50% compared to 2005, according to the updated Effort Sharing Regulation. The national Medium-term Climate Change Policy Plan has calculated the emission reduction pathway to the 2030 target optimistically, just reaching the target level if all the possible flexibilities allowed are also used. However, the use of LULUCF flexibility is only possible if the net sink of the land use sector exceeds the target of the LULUCF regulation. This is an unrealistic assumption in light of the current greenhouse gas inventory of Statistics Finland. The Medium-term Climate Change Policy Plan emission reduction measures are not enough to meet the EU's Effort Sharing Regulation requirements. Moreover, it is very likely that the land use sector is going to be calculated as an emission source during the obligation period of 2021–2025, meaning that the emissions of the land use sector need to be compensated by additional emission reductions in the effort sharing sector.

On top of this situation of redefined EU targets and diminished Land Use sector sink, the current government is backing down on existing measures especially for traffic, thus making it even more difficult, if not impossible, to achieve both national and EU climate targets. **The Commission needs to send a strong message that the revised NECP due in summer 2024 has additional, effective policy measures that will restore and enhance the sinks in the Land Use sector and provide much-needed course corrections in the Effort Sharing sector.**

We believe Governance of EU climate legislation is critical and the NECP process should be strong and accelerate new measures in Finland to fulfil our targets. It is clear that more needs to be done:

- **ETS:** New government programme commits to BECCS and other CCS/CCU technologies that are not yet financially viable and are not urgently enough available to be able to help with 2030 climate targets. The focus should be in phasing out fossil fuels and peat, electrification of industries, taking up heat-pumps and other beyond burning technologies and reducing burning of wood for energy etc. in the ETS sector and keeping the new carbon capture technology as an additional approach. Budgetary cuts to [energy aid](#) could postpone investments and cuts to [energy counselling](#) postpone energy efficiency investments. Tax exemptions to peat and forest biomass burning should be removed.
- **ESR:** To secure emission reductions in the ESR sector, it is essential to maintain and improve current measures while simultaneously introducing new policies. This should be done without diminishing the current policies unless suitable replacement measures are in place.
- **LULUCF:** new policies must be set to
 - enhance the forest net sink via longer rotation periods, reduced harvesting levels on state owned lands, reduce wood energy use
 - reduce emissions from deforestation
 - reduce emissions from organic soils via continuous cover forestry, paludiculture and restoration.
 - support longevity and added value of harvested wood products via removing incentives to short lived products
 - measures should be set in accordance and to support the goals on biodiversity and good state of water bodies.

General comments

Public participation in preparation of the draft NECP

FANC notes that, in our view, the preparation of two national plans that the NECP is based on has been lacking in public participation, namely the preparation of the National Climate And Energy Strategy and the Climate Plan for the Land Use Sector. In the case of the National Climate and Energy Strategy public participation was not possible for the broader public before the public consultation just before the strategy was adopted. We have had good experiences with public online surveys conducted during the same process four years earlier and multiple participatory methods utilised while drafting the Climate Change Act and the Medium Term Climate Change Policy Plan, which would have been expedient to utilise also here. In the case of the Climate Plan for the Land Use Sector the consultation was biased focusing on certain stakeholders and without the possibility for the wider public to get involved and the final scenarios were released late, that is when the consultation period was already ongoing. [The feedback in the consultation](#) was very critical, but this was not taken into account in a sufficient manner when finalising the plan. The nature of the feedback is neither reflected in the Finnish NECP, despite the requirement in article 10 of the Governance regulation. We feel that the Århus Convention requirements for participation have not been met.

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Itälahdenkatu 22 b A, FI-00210 Helsinki, Finland | tel. +358 9 228 081

www.sll.fi | toimisto@sll.fi

The Finnish Climate Change Panel on the Climate Plan for the Land use sector: “The implementation of the measures selected for the program and the sink effect they achieve with regard to forests is mainly based on information control instead of additional financial control means or regulation.”

The Nature Panel: “...the presented actions and control measures to increase the net sink are insufficient and that increasing logging from the current level endangers the climate goals of the land use sector and threatens the diversity of forest nature.”

The Ministry for the Environment: "...some measures identified as effective have been left out without proper justification. Several actions have been included, for which it is reported that the climate impact cannot be assessed." “Taking into account the social importance of the plan, it would be justified to strive for a more open preparation process, in which stakeholders and citizens could broadly participate and influence more easily and in a more diverse way than was realised in the preparation of this first Climate Plan for the Land Use sector.”

The Central Organisation of Finnish Trade Unions (SAK): “In terms of fairness and legitimacy, it is important that various stakeholders and citizens are widely consulted in connection with the preparation and monitoring of the plan - not only narrowly the operators of agriculture and forestry. Attention should be paid to this in the further work on the climate plan for the land use sector.”

FANC also notes that under Article 11 of the Governance Regulation, Member States must establish a multilevel energy and climate dialogue. During Prime Minister Marins government a [Climate Policy Roundtable](#) was established (2020-2023) to facilitate high level dialogue on climate policy and just transition. The prime minister Petteri Orpos' programme mentions the continuation and development of the Roundtable, but a new Roundtable has not been established and the necessary funds for this have been cancelled from next year's budget. We regret that the opportunity to continue constructive dialogue is suspended for now. The future of such dialogue should be outlined in the Finnish NECP.

LULUCF

Logging levels and wood energy use are both at record levels, while, for the first time in recorded history, **forest growth is decreasing**. As a result, the **carbon sink has collapsed**. During the last decade (2012-2021) Finland's land-use sector has turned from a relatively large carbon sink into a net source in 2021, marking a dramatic shift. In 2022 forest harvesting levels **remained high** and the net sink remained near **level zero**. Given the essential role sinks play in Finland's climate policy, the implications will be very significant. Based on the analysis by the Finnish Natural Resource Institute during the first LULUCF commitment period from 2021-2025 **a sink deficit** of 30-60 million tonnes of CO₂ will accumulate for Finland in case the flexibilities (about -22 Mt + -5 Mt) can not be used. The Finnish Environment Institute SYKE predicts that if the linear trend of 2010-2021 continues **the forest sink might also turn to a source of carbon dioxide by 2025**.

Logging levels **are expected to increase in the coming years** as wood imports from Russia have ceased, and a new pulp mill will open in Kemi and demand for wood biomass energy increases. Predictions for 2024 are contradictory as Luke predicts **logging levels could decrease** by 1% next year, which would still mean that Finland is far away from reaching its LULUCF commitments.

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Between 2016 and 2022, average removals [already exceeded](#) the maximum felling potential in six out of 21 regions. (The maximum felling potential does not consider biodiversity or climate limits, only the wood volume renewal.)

Finland has been strongly defending the status quo on forests, pushing back on all EU's forest related policies and initiatives, [maintaining](#) that forest policy should remain within national competence. Yet, in light of scientific facts, Finland's national forest policy is failing.

Finland's Forest Law does not secure the sustainable use of forests. It [does not include](#) a mechanism to preserve sufficient sinks and sustainable renewal of forests in light of biodiversity preservation, which is why Finland's Nature Panel has repeatedly [called](#) for better regulation. According to [a report by Luke](#) forest carbon sequestration could be increased by updating the forest law to moderately increasing the rotation times of forests and reducing thinning intensities.

The [new programme](#) by Prime Minister Petteri Orpo's government keeps ambiguous on several important policy tools to enhance carbon sinks on the land sector. The focus of the programme is on BECCU. The [Finnish Innovation Fund Sitra](#) has reminded that while negative emissions are necessary the use of BECCS cannot be used to justify increasing or maintaining logging at the current level.

The government programme states that logging levels on state lands will continue as they are or will increase. This is a severe risk to carbon sinks as almost half of the net sink of forests has been on state owned lands between 2014-2018.

EU policies have been a major driver of improvements in Finnish environmental legislation. The 2016 LULUCF Regulation led to carbon sinks being included in the Prime Minister Marin's government programme, in the renewed Climate Change Act and the [new climate plan for the land use sector](#). This is important progress but not enough.

[Luke estimates](#) that with current methods the reference level for managed forests between 2021-2025 would be -21,15 Mt CO₂-ekv. The changes in FRL are due to changes in estimates of emissions from organic soils ect. However, the change in FRL is [double](#) compared to the change in inventory, a possible inconsistency flagged by [LULUCFEG in 2020](#). In 2021 managed forest sink was -11,81 Mt CO₂-ekv. with harvested wood products.

Thus a sink deficit of 9,34 Mt CO₂-ekv. accumulated. The 2022 preliminary data predicts a net sink of -10,1 Mt (without HWP that have been about -3 Mt annually) leading to a deficit of about 17,3 Mt in 2021-2022 if there are no big changes in HWP ect.

Bridging the LULUCF gap can be done, by returning to earlier, lower logging levels, and by taking strong action to reduce land-use emissions in other land categories namely deforestation and organic agricultural lands. Large untapped emission reduction potential exists, for example, in peatlands, as the Climate Panel has repeatedly reminded. Luke has [estimated](#) the sink potential of several new measures and also [the impact of harvesting levels](#). [Sampo Soimakallio](#) from the Finnish Environment Institute has estimated that since the average felling accumulation for the years 2021 and 2022 is approx. 76 Mm³, the felling accumulation for the years 2023-2025 should be approx. 64-65 Mm³, in order to reach the reference level of forests on the assumption that there are no changes in the growth of forests, soil emissions and the sink of wood products. The logging accumulation in 2023 will very likely be higher than mentioned above.

Wood fuels are Finland's [largest energy source](#). Consumption of solid wood fuel reached a new [record](#) in 2022 and it is set to grow further. Primary woody biomass (biomass directly from forests) [accounts for](#) about

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40 % of the solid wood energy.

[Finland's Nature Panel](#) and [Climate Change Panel](#) have constantly reminded that bioenergy is not carbon neutral, and that the removal of *forest biomass* for energy negatively impacts forest ecosystems already under threat. The Nature Panel has called for strict sustainability criteria, [finding them critical](#) particularly now that the pressure to burn even more biomass grows. The Climate Change Panel has proposed that burning of wood should be [taxed](#) and even our Ministry of Finance wants this to be [examined](#). Thus [a project](#) ordered by the Marin government is on the way.

Under current policies, nothing prevents even ancient wood from ending up in heat & power plants in Finland, as demonstrated by the cases of [Inari](#), [Kuusamo](#) and most recently in [Salla](#). The Marin government wanted to avoid the burning of industrial wood for energy, but no policies have been adopted to this respect. And now, the majority of the overall technical potential for forest chip *increase* [exists](#) in industrial wood (ainespuu) and stumps.

According to Finland's [official position](#): *"The Government considers it important that wood energy included in the EU's targets does not impair biodiversity and will deliver the expected climate benefits with certainty."* Meeting this goal will require strong revisions to Finland's national sustainability criteria and biomass taxation, given the limited changes RED III will deliver.

Etna and EFI have found that from the economic point of view [value added in the Finnish forest industry can increase](#), in particular if the by-products of production can be diverted from energy production to high value-added products. Disappointingly the Government of Petteri Orpo seems to remain passive about this as [the programme](#) states: *"The sustainable use of biofuels will not be restricted through taxation and legislation, for example, as bioenergy plays an important role in phasing out fossil energy use and ensuring security of supply."*

On top of this the national process to set criteria on old growth forests under the EU Biodiversity Strategy is getting [highly political](#) and there is a fear that despite [expensive work to recognise the last remaining old growth forests](#) the criteria will be set so strict that the conservation status of valuable forest will not improve.

Finland's national forest policy is failing to deliver on sustainability. **Strong, science-based EU policies are indispensable to help Finland achieve the climate and biodiversity goals it has committed to.**

There is untapped potential for controlling peatland emissions on both forest and agricultural lands. Simply by banning the new peatland fields, we could prevent new emission sources. While Finland's own Climate and Nature panels have both urged the government to take strong action by either banning land conversion or making it subject to licence or payment, the Marin government has failed to take meaningful action. A law on land use change payment is under preparation [in a joint ministry working group](#), but the process has been delayed, and a payment is foreseen at the beginning of 2025 if the new government decides to implement it. The programme of PM Orpo says they will run an impact assessment on the payment but does not commit to it.

With existing peatlands, several measures are needed to be able to find suitable solutions for each individual peatland area. Again, the problem is that the Orpo's government is cutting funding from paludiculture and afforestation of wasteland. Without proper funding to stop emissions from organic soils, the fields will remain a source of emissions. This is unfortunate because our peatlands [possess the potential](#) to be carbon sinks and storage sites.

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The new government budget also presents cuts to agricultural environmental compensation, organic production, for advice and non-productive investments. [The Finnish Climate Change Panel](#) has recommended that while Orpo government is planning to update its measures under the Common Agricultural Policy (CAP) the plan should be tightened according to the commission's request, steering in a more climate-friendly direction.

Transport

The NECP draft summarises the transport measures in three categories: replacing fossil fuels with alternative transport fuels, renewing the car fleet, and improving the energy efficiency of the transport system. Orpo's new government is taking steps back at each measure. Most notably, they are lowering the biofuel distribution obligation, which is the key measure to reduce emissions in the transport sector. The target for biofuel distribution obligation was 34% in 2030. In the new government programme, to tackle the rising price of transport fuel, the new levels of biofuel distribution obligation are planned as follows ([p. 165](#)): *“The legislation will be amended so that the distribution obligation will be the same as at present, 13.5 per cent, in 2024. Between 2025 and 2027, the distribution obligation will be moderately increased so that it will be 16.5 per cent in 2025, 19.5 per cent in 2026 and 22.5 per cent in 2027. The additional obligation related to the advanced category will be raised from the present about two per cent to three per cent in 2025 and four per cent in 2026. Efforts will be made to maximise the share of domestic biogas in fulfilling the additional obligation.”* The legal proposal ([HE 53/2023 vp](#)) for the new, lower biofuel distribution obligation level for 2024 has been given to the parliament.

It has [been estimated](#) that lowering the distribution obligation between 2024 and 2027 will account for 4,1 Mt CO₂ emissions in transport during those years compared to the previous plan of raising the distribution obligation slowly. The decision to lower the distribution obligation will also make it difficult to achieve the ESR 2030 target, especially when no replacement or additional measures for the transport sector have been brought forward.

In addition to the distribution obligation, Orpo's government plans several measures to compensate for the high price of fuel, such as lowering the taxation of transport fuels and lowering the basic vehicle tax. At the same time, the government is also removing funding from transport measures supporting electrification, such as the grants for purchasing electric or gas-powered vans and trucks, the installation grants for electric charging points, grants for advancing public transport, and improvements to walking and cycling routes (all in the [state budget proposal for 2024](#)). Taken together, these actions convey a harmful message to Finnish car owners, implying that there's no immediate plan for removing fossil fuels from Finland's transportation system and that it's possible to keep driving gasoline-based combustion engine cars for the foreseeable future.

The government should explore alternative means of addressing the high fuel prices that don't contribute to increased emissions within the transportation sector. [The Finnish Economic Policy Council](#) amongst others has recommended lump-sum transfers to address unequal fuel tax burdens to low-income households. Various strategies can be employed to decarbonize the transportation sector, such as supporting the electrification of different vehicles, developing public transportation, and encouraging cycling and walking with land use planning and maintenance of routes.

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Agriculture

There has barely been progress in agriculture emission reduction during the past decade. The Annual Climate Report 2023 details that emissions in the agriculture sector have stayed the same. The 2022 Medium-term Climate Change Policy Plan lists several measures for the agriculture sector, such as restricting the clearing of fields, restricting the transfer of previous peat production areas to agricultural use, afforestation of wasteland, and converting agricultural land into climate wetlands. For arable land, the measures include the cultivation of wet peatlands (paludiculture), adding carbon to fields by cultivating grass instead of annual crops, and introducing precision farming methods. In addition, efforts are made to reduce methane emissions from dairy cows through feeding methods.

In the Medium-term Climate Change Policy Plan, the WAM scenario still foresees that peatland is converted to fields in the 2030s and 2040s with diminishing hectares. Restricting clearing peatlands to fields is a measure stated in the Medium-term Climate Change Policy Plan, but it is not a strong enough measure in itself. There should be a ban in place. Peatlands constitute a substantial emissions source, and by curbing these emissions, Finland has the potential to make significant reductions in its overall greenhouse gas emissions. Peatlands emit 8.7 Mt CO₂eq per year, according to the [Natural Resource Institute Finland](#). The Finnish Climate Change Panel (2022) has estimated that in the agriculture sector, it is possible to reduce 1,6 Mt CO₂eq of N₂O emissions born from peatland usage that are accounted for in agriculture emissions, not in the LULUCF sector.

In addition, the Medium-term Climate Change Policy Plan lists several measures that can reduce greenhouse gas emissions in the agriculture sector in the future, but for which emission impact cannot be calculated at the moment. Achieving emission reduction in the agriculture sector is not about lacking measures but having the political will to implement them and creating proper programmes with sufficient resources to actually execute the measures. Many of the agriculture measures in place are voluntary giving farmers the choice to participate. To make a substantial impact on reducing emissions, it is vital to actively promote increased participation among eligible farmers. Achieving a more comprehensive transition towards sustainable farming practices and a consequent reduction in emissions requires improved integration of these pro-climate and pro-nature agriculture measures into Finland's Common Agricultural Policy (CAP) plan.

Political zigzagging is also harming the efforts. Farmers and other agricultural investors need to be able to trust that measures (grants, tax refunds, etc.) are available during different governments. For example, Marin's government prepared a programme for biogas and created new markets for it by adding the target to the biofuel distribution obligation. Now Orpo's government is undermining the biogas investments by lowering the biofuel distribution obligation, rendering the possible investment plans under further review instead of positive investment decisions.

Buildings

Heating with oil or gas in Finland is marginal but produces significant emissions. The most common ways to heat buildings are electricity and district heating, followed by wood. Statistic Finland reports that in 2021 oil represented 3% and gas 1% of the total energy consumption of residential buildings. Oil heating is used most in detached or semi-detached houses, and [around 40%](#) of the total emissions from detached and

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semi-detached houses in turn arise from oil heating. The previous government had a [plan](#) to phase out oil in residential properties at the beginning of the 2030s. To achieve this, grants aimed specifically at detached and semi-detached houses were introduced against costs arising from the removal of the oil heating system of a house in round-the-year residential use and its replacement by another heating system.

According to the Annual Climate Report (2023), the grant for switching away from oil heating has provided a considerable boost to heating system conversions. By the end of June 2023, 24,101 positive grant decisions had been made.

Unfortunately, Orpo's government is not going to continue with this successful grant as they are removing it totally from the budget. Moreover, in the state budget proposal for 2024, energy grants that are for projects improving energy efficiency are also discontinued. These energy grants have funded energy renovations of apartment buildings. On top of that, the 2024 budget also proposes funding cuts for energy advice services.

These underfunding decisions show poor judgement. The aftermath of rising energy and electricity prices has, at least here in Finland, [increased the interest](#) of the general public in improving both energy savings and energy efficiency. The grants of removing oil or gas heating have been important from the just transition point of view, offering people with less means an opportunity to switch away from fossil fuels and reduce their energy costs. The Annual Climate Report states that in 2019, 130 000 households had used an oil heating system the previous year. 24 100 removed oil boilers is a good start, but there are still plenty of buildings heating with fossil fuels, hence the need for a scheme to encourage energy renovations and new, fossil-free heating systems.

For more information:

Hanna Aho, Climate Policy Officer, hanna.aho@sll.fi , +358 50 354 6550
Anna Ikonen, Climate Policy Officer, anna.ikonen@sll.fi, +358 44 491 4269

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