

Economic impacts on the forest sector of increasing forest biodiversity conservation in Finland

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In the next coming years, political decisions will be made upon future actions to safeguard forest biodiversity in Southern Finland. We address the economic consequences on the Finnish forest sector of conserving additional 0.5% to 5% of the old growth forest land in Southern Finland. The impacts on supply, demand and prices of wood and forest industry production are analysed employing a partial equilibrium model of the Finnish forest sector.

An increase in conservation raises wood prices and thus the production costs of the forest industry. This makes sawnwood production fall, but does not affect paper and paperboard production. The forest owners' aggregated wood sales income is unaffected or slightly increased, because an increase in stumpage prices offsets the decrease in the harvests. If conservation increases wood imports, negative effects on forest industry become smaller whereas aggregated forest owners income may decline depending on the magnitude of import substitution.