The Future Strategy of the European Forest-based Sector

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Content:

1. Forest-based sector challenges in Finland
2. Driving forces for the forest-based sector change in Europe
3. To succeed or not to succeed?
4. The strategy
In Finland, a recent (30.9.2008) high level policy report focused on recommendations to improve wood mobilisation, labour availability and the organisation of private forestry. Only few recommendations focused on forest industry.

- To improve road and railroad infrastructure.
- To increase wood production.
- To improve wood harvesting technology in peatland forests.
- To increase the average size of private forest holdings.
- To renew forest taxation system for higher forest use.
- To improve the functioning of domestic wood markets.
- To improve year-around employment opportunities.
- To increase the education of forestry machine operators.
- To develop conditions for private forestry services.
- To improve the use of site-specific forest inventory information.
- To improve the efficiency of forestry administration.
- To increase R&D for novel innovations.
- To increase the availability of risk funding.

Prime minister Vanhanen, and the chairman of the forest sector strategy group Mr. Esko Aho in September 2008.
The biggest problems are at the wood processing sector, not in forestry!

The main recommendation of the Future Forum on Forests was to diversify the economic structure of the forest-based sector, since:

- The current pulp&paper based industrial structure is no longer on a sustainable basis.

- Mechanical wood products, fibre-made parcels and containers, heat, electricity, biofuels, bio-chemical products, wood-based composites, tourism, carbon sequestration, health services etc. provide growing business opportunities.

- At the time of these recommendation, the current economic down-turn was not on.
Brazil and eucalypts

Tervasaari pulp mill in Finland closed in 2008

World paper trade structure has fundamentally changed

Asian markets
Pulp & paper sector is ongoing a historical re-organisation in Finland and all of Europe.

Aside declining competitiveness of these industries, what are other driving forces for the forest sector’s change?
Content

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Globalisation
Declining supply of non-renewable resources
Energy
Climate change
Food and land
Higher demand on renewable resources
EU aims to decrease the consumption of non-renewable resources (especially oil and natural gas) and become more self-sufficient on its resource use.

This is the key to the future of the forest-based sector.

Opportunities are many.
Wood chemistry

Energy

Construction

New printing

Fibre

Lignan from spruce inner branches
Health products

Tourism & recreation
Stock market price for CO2

Euro / ton Co2

September 2008

Euro / ton Co2

April 2009
Shifts in the wood use in the future

**Sawn industries**
- over capacity
- low profitability
- wood price 70%
- opportunity: climate change friendly products

**Pulp & paper**
- European markets
- most important
- capital intensive
- capacity reductions
- need for new products

**Energy**
- wood residues, bark, stumps etc. also pulpwood
- CO2 trading
- EU policies 20/20/20/10

**Biorefineries**
Biorefining: chemicals, fuels, composites ...
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Forests have increasing and diversified value in meeting EU’s strategic objectives in the future.

The probable increase in the demand of renewable resources creates opportunities for new livelihood in countries that are:

- rich in (forest) resources
- have open attitude and institutions for developing new innovations
- have high know-how on forest-based products, production and customers
Structural changes have always occurred ... and the forest sector succeeded
BUT: Process innovations are no longer enough!
Radical innovations are needed.

They need "changes" in business, markets, customer knowledge, ways of thinking, organisation of the sector, institutions, education, etc.

... and are therefore extremely difficult for a traditional sector as the forest sector is...
Reasons why "change" in the forest sector is difficult:

• mental: changes are not wanted, stability is preferred

• economic: financial interests are secured, no risk-taking, no competition

• social: institutions and procedures are fixed

• systemic: change would require re-structuring of organisations
Long lasting economic down-turn would make investments on radical innovations even more difficult
Despite the challenges: The future vision of the forest-based sector can be very positive

*Forests provide solutions for EU’s policy challenges and economic development.*
*At the same, forests provide opportunities for citizen’s sustainable consumption and new entrepreneurship.*
Thank you!
This is a sun-rise!