



Forests at the heart of sustainable development

An overview of a public bank's impact

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A vital role to play

Forests are multifunctional ecosystems essential to landscape restoration, climate action and biodiversity protection. They provide a variety of services to society, including flood control, protection against soil erosion, carbon sequestration, and resilience to climate change. A forest-based economy plays a vital role in meeting the European Green Deal and the United Nations' 2030 Agenda for Sustainable Development.

Sustainable forest management covers the whole management cycle. It provides the means for protecting the environment, restoring biodiversity and supporting the production of renewable materials that can replace fossil-based counterparts.

The forest sector offers ideal investment opportunities for climate action in terms of mitigation (carbon sequestration) and adaptation (improved resilience). It also helps develop new technologies and offer other solutions for producing and using more renewable products.

Forests are natural carbon sinks and a key tool in the fight against climate change. Trees and their root systems sequester and store carbon, and harvested wood products offer long-term carbon storage.





Forests are important in climate change adaptation too because they reduce erosion, landslides and flood risks by stabilising soils and improving water retention. The forestry sector enhances productivity and healthy growth in sustainably managed forests. There is also a drive to set aside a portion of forests for conservation purposes, particularly in fragile areas.

In addition to timber production, forests, especially old-growth ones, offer a wide range of other benefits, such as habitats for wildlife, recreational activities for families, and a large number of products, such as firewood, berries and mushrooms. Agroforestry systems are important contributors to food security.





Forest damage from natural hazards and climate change has increased in recent decades. Wildfires, windstorms, pest and disease outbreaks, extensive drought and desertification have hurt forest health, damaging trees and creating other ecosystem problems.

Human actions have also harmed forests. Global population growth, urban expansion, infrastructure development and unsustainable practices have led to the widespread cutting down of trees and forest degradation.

Halting deforestation and ecosystems degradation through sustainable management helps economic development and makes sure that the production and consumption of agricultural and forest-based products are sustainable.

Sustainable development and economic growth

As a public bank, the EIB's role in the forestry sector is to help address the investment gaps specific to the forest-based bioeconomy. In this way, we help protect forests and the forest-based economy. By backing a wide range of forest projects, the Bank plays a leading role in supporting the Paris Agreement and the UN Sustainable Development Goals.

We also improve social and economic cohesion, particularly in rural areas, where the forestry sector is rooted. Our forest activities generate revenue and jobs, with significant benefits for local economies. The sector helps address geographical inequalities and promotes integrated territorial development.

Sustainable forestry operations include specific actions for maintaining and enhancing environmental benefits, biodiversity and ecosystem services, and the sustainable production of renewable biomaterials. This support plays a pivotal role in the global conversion from carbon-intensive materials to renewable and recyclable products.

Healthy and sustainably managed forests provide valuable renewable products for businesses working in the sector. Businesses promote long-term carbon storage by producing materials like lumber and wood panels, and when they substitute fossil fuel-based materials such as steel, concrete and plastic with renewable fibre and other materials. This substitution effect accounts for about half of the forestry sector's climate mitigation impact.



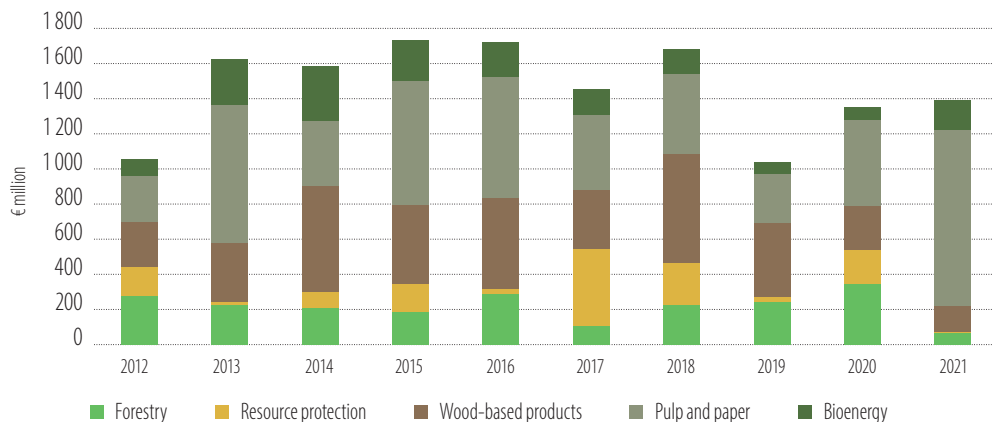
Impacts of forestry financing

With more than 40 years of lending to the sector, the EIB Group, made up of the European Investment Bank and the European Investment Fund, has developed extensive expertise in forestry operations.

Our work in the past decade:

- Lending about **€15 billion** to the forestry sector, improving the Bank's position as one of the biggest financiers in the sector.
- Improving more than **3 million** hectares of degraded landscapes through sustainable forest management.
- Providing over **€1.3 billion** in financing to EU projects aimed at disaster prevention, preparedness, response and post-disaster recovery.
- Committing about **€220 million** to private equity and venture capital funds in the European Union and beyond targeting sustainable forest and land management and the reduction of emissions caused by land degradation and deforestation. These funds helped mobilise over €1.5 billion of private and public investments in about 600 000 hectares of land restoration projects, and about 30 000 hectares of forest and natural habitats placed under conservation.

EIB lending to forestry and related industries 2012-2021





The Bank's long-term financing in the forest sector helps mobilise private funding around the world. Our work focuses on addressing market failures and overcoming poor investment situations.

The markets do not fully value the environmental, climate and social benefits of the forestry sector or its financial returns. Therefore, investments in forests would remain below the level that maximises social welfare without support from public institutions such as the European Investment Bank. The Bank's long-term financing promotes these investments to strengthen forests' valuable carbon and environmental effects as well as the supply for sustainable round wood and renewable fibre, applicable to a wide range of different consumer goods and materials. This generates high economic returns not only for the entire value chain, but for society as a whole.

We ensure that our forestry projects create positive environmental, social and economic benefits, in line with our [Environmental and Social Policy](#), [Gender Strategy](#) and [Environmental and Social Standards](#).

Rural communities depend heavily on ecosystem services for their livelihoods, so the EIB Group is especially interested in supporting nature-based activities that help local communities, women and indigenous groups. The Bank's work improves the lives of people through the sustainable production of timber and other forest products, enhanced market access and the long-term productivity of local ecosystems.

Our forest lending follows a value chain approach. Primary-sector work focuses on long-term investments restoring and rehabilitating degraded lands, combating coastal erosion, and enhancing the biodiversity, health and resilience of forests. Investments in forest industries focus on sustainable production and circular use of renewable materials and bioenergy, including research and innovation.



The European Investment Bank's priorities in the forestry sector:

- Climate change mitigation and adaptation
- Environmental sustainability and circular economy
- Nature restoration and biodiversity conservation

Potential clients:

- **Public sector**
 - National and regional governments, forest administrations, environmental agencies, agencies for management of protected areas
- **Private sector**
 - Companies of all sizes, forest cooperatives or associations
 - Private equity funds, commercial banks

Paris alignment and the Climate Bank Roadmap

Through its Climate Bank Roadmap, the European Investment Bank is strengthening support for long-term investments in the forestry sector, with a focus on environmental protection, nature conservation and sustainable production of biomaterials and bioenergy.

The Bank's forestry financing focuses on:

- afforestation, biodiversity conservation, restoration of ecosystems and enhancement of forest functions;
- nature-based solutions and natural capital management that promote sustainable practices;
- supply of sustainable renewable fibre and materials.

Through its financing of the sector, the European Investment Bank also fosters innovation and competitiveness, promoting sustainability and circularity principles that strengthen the design, production and use of renewable materials and reduce the use of fossil fuels. Priority is given to investments in industries that use wood for the production of long-term circular materials and products, followed by short-term wood products and materials in the pulp and paper industries, and the use of sustainably harvested wood in the construction sector.

Promising investment areas include:

- **development of engineered wood products and high-value long-term wood materials;**
- **resource efficiency operations**, which play an important role in the forest-based bioeconomy, such as the recovery of wood fibre from processing and reuse of wood and paper recycled from the construction sector, pallets, furniture and packaging;
- **digitalisation and innovation.**

Grants and loans for biodiversity and nature conservation

The **Natural Capital Financing Facility (NCFF)** was founded by the European Investment Bank and the European Commission in 2015 to invest in biodiversity and climate adaptation projects. The programme also offered grants to help clients with the technical side of projects.

NCFF offered funding to conservation, restoration, management and enhancement of natural capital projects. The facility is not accepting new proposals.



NCFF examples:

- **Rewilding Europe Capital** — lending to rural small and medium biodiversity businesses that applied close-to-nature land management practices.
- **SLM Silva Fund** — focused on sustainable forestry in Ireland, ensuring the transition of semi-mature forest plantations to close-to-nature management.
- **CDC Biodiversité** — rehabilitation and management of conservation sites around France. A European Investment Bank loan supported conservation sites with high ecological and biodiversity value.

Afforestation and erosion control in Türkiye

The European Investment Bank provided three loans to Türkiye between 2010 and 2015 to support **afforestation and erosion control**. Total Bank financing of **€420 million** mobilised over **€1 billion** in investments from 2011 to 2018.



Afforestation and erosion control in Türkiye, 2016.

The results:

- Over 900 000 hectares of new area planted (afforestation)
- Over 1 100 000 hectares of areas with improved management (forests and rangelands)
- Over 3 000 000 hectares of degraded forests and rangelands rehabilitated
- Over 1 300 000 tonnes of carbon sequestered (CO₂ equivalent) annually
- Over 25 000 permanent jobs (full-time equivalent) created

Forest fire prevention and post-disaster recovery in Spain

Bank financing of about **€700 million** helped mobilise over **€1.7 billion** for a Spanish programme to prevent and contain forest fires. This helped reforestation, clearing of flammable undergrowth, early detection and monitoring systems, forest fire teams and equipment, and the upgrading of forest roads and fire breaks.



The results:

- 390 000 hectares of forest area covered by rehabilitation measures
- 10 000 kilometres of forest roads and fire belts upgraded
- 130 000 hectares planted with trees
- Over 35 000 temporary jobs
- Over 10 000 permanent jobs

Ireland's sustainable forestry

In 2016, the European Investment Bank financed the Irish national forest company Coillte's forest plantation and management programme for 2016-2020. The Bank's **€90 million** loan mobilised over **€200 million** to help plant over 40 000 hectares of forests and support the management of 440 000 hectares of Forest Stewardship Council certified forests.

The results:

- 1 800 kilometres of new and upgraded forest roads
- 1 000 kilometres of upgraded trails (hiking and biking)
- Over 85 000 hectares of forests for biodiversity and nature conservation
- Over 75 000 tonnes of carbon sequestered (CO₂ equivalent) annually



Seedling production, tree planting and forest management in Ireland, 2016.

Close-to-nature forestry in Romania

In 2022, the European Investment Bank granted a €10 million loan to SLB Group to implement sustainable and “close-to-nature” forest management principles and meet forest certification standards in Romania. The forests will be managed under continuous-cover forestry guidelines, promoting natural regeneration and tree species diversification. Continuous-cover forestry is a management system that maintains continuous tree cover over long periods of time.

The project will take place in less developed regions of Romania, supporting employment and economic growth in remote rural areas.



Forest operations will focus on conservation of ecosystems, including special attention to protect soils and water streams and to use forestry equipment with a low environmental footprint that will reduce damage to forest stands.

Forest-based industries

Forest industry projects supported by the Bank target the production of renewable materials through primary and secondary wood processing. This includes the development of new technologies that allow for the storage of carbon in bio-based materials and harvested wood products and the substitution of fossil fuel-based materials with renewable materials, renewable energy production, energy efficiency measures and research and development.

Improving competitiveness and sustainability

The Bank's work to improve competitiveness and sustainability in the EU forestry sector includes support for renewable paper packaging, modernisation of production sites, and other work for the [European Circular Bioeconomy Fund](#).

- **Cork industry research in Portugal:** In 2014, the Bank loaned €35 million to the world's biggest cork manufacturer, Corticeira Amorim, to develop new cork products and improve energy efficiency, environmental protection and safety.
- **Modernisation of a pulp and wood products mill in Finland:** In 2020, the Bank loaned €250 million to Metsä Fibre to modernise a pulp mill in Kemi. The work will improve efficiency, save energy and reduce water use.



Bioproduct mills ensure a better use of resources, enabling the full use of wood materials and better production processes, while replacing fossil fuel-based materials.

- **Health and hygiene products research in Sweden, Germany and France:** In 2021, the Bank approved a €300 million loan to Essity to develop innovative hygiene and health products and services that are better for the environment, requiring less water, natural fibre and energy to produce.

How we finance projects

The investment needs of the forestry sector vary widely depending on the project type or the company. The European Investment Bank offers a broad range of financing, including large-scale loans, lending to other financial institutions to support small and medium companies, a blend of loans and grants, loan guarantees (for example, for small farmers) and equity financing.



Climate Awareness Bonds

Our [Climate Awareness Bonds](#) support renewable energy and energy efficiency projects. The Bank issued its first Climate Awareness Bond in 2007.



Forest-based industry projects financed by the Bank can contribute to renewable energy generation, enhancement of energy efficiency and research and development. Because the projects reduce greenhouse gas emissions, they are eligible for Climate Awareness Bond financing. Typical projects might include modernising industrial facilities to add biomass, or recovery boilers and other replacement equipment that lead to energy savings.

Sustainability Awareness Bonds

The Bank's [Sustainability Awareness Bonds](#) support environmental and social sustainability projects. Since 2021, these bonds have helped projects in biodiversity and ecosystem services restoration that contribute in particular to the UN Sustainable Development Goal 15 (Life on land).



Advisory services

Our advisory staff help investments succeed in the European Union and beyond. The Bank complements its financing in the forestry sector with tailored technical assistance to help clients prepare and implement projects.

The InvestEU Advisory Hub is one of the most important advisory programmes in the European Union. It is the central entry point for companies and financial institutions seeking assistance to find and develop a project. Managed by the European Commission, the InvestEU Advisory Hub helps in these InvestEU priority areas:

- sustainable infrastructure;
- research, innovation and digitalisation;
- small and medium companies;
- social investment and skills.

The EIB acts as the main advisory partner within the InvestEU Advisory Hub, providing advisory support in all four policy priorities as well as some cross-sectoral activities. Public and private promoters in forestry sectors can request technical assistance from the InvestEU Advisory Hub. Project advisory, knowledge building and market development services can be provided in the fields of bioeconomy, environment and natural resources, circular economy, natural capital and ecosystem restoration.



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