FINLAND

by
Anne Brunila
Finnish Forest Industries

EMERGING ISSUES FACING THE FOREST INDUSTRY IN FINLAND

Availability of domestic raw material is the critical question

Major part of Finland's forest industry production is based on the domestic supply of wood. In 2007, Finland's forest industry used about 75 million cubic metres of wood, and of this total, about 53 million cubic metres came from privately-owned forests. At the same time, 18 million cubic metres of wood was imported, originating mainly from Russia.

A survey conducted by the Finnish Forest Research Institute (Metla) showed that the annual growth of Finnish forests amounted to almost 100 million cubic metres. Of this total, 72 million cubic metres could annually be harvested sustainably, whilst within in ten years time the potential could reach as much as 80 million cubic metres. This means that Finnish forests have a large amount of unused potential for sustainable harvesting.

Up to 80 per cent of all domestic wood originates from privately-owned forests. Both the conditions and incentives for wood mobilisation should be further strengthened to secure wood availability for industrial use. The domestic harvesting potential should be used in full as import from Russia is likely to cease in the end of this year. Russian export duties on round wood will increase substantially in the beginning of 2009.

The standard of forest conservation in Finland can be regarded as excellent. Finland's sustainable forestry practices are a model for other countries to follow. 8.2 percent of forest land, amounting to close on 2 million hectares, is subject to strict conservation.

The forest biodiversity programme for southern Finland (METSO) launched in 2007 provides forest owners with a voluntary system for protecting their forests and increasing biodiversity. Voluntary methods, such as trade in natural values, offering areas for protection, and environmental support for forest management, can limit the impacts of protection on wood availability and are also more acceptable to forest owners.

Increased competition of wood: To raw material or to bioenergy?

Forest-based industry utilises several sources of energy. The Finnish forest-based industry's energy procurement focuses on low-emission alternatives, such as bioenergy, hydro and wind power as well as emission-free energy sources.

The forest industry is the largest producer of bioenergy in Finland. In recent years the industry has invested heavily in biomass-based energy and develops new technologies for biorefinery. To mitigate the climate change the industry supports the development and utilisation of renewable energy sources but at the same time stresses the importance to avoid conflicts between different uses of biomass.

The industry has invested in modern combined heat and power production technologies. This has improved energy-efficiency, increased generation of bioenergy, cut greenhouse gas emissions as well as reduced the dependence on imported electricity. As energy-efficiency yields direct cost savings and competitive advantages, companies are constantly looking for ways to save energy as well as to make its use as efficient as possible.

The EU Energy Package and specifically the revision of the ETS directive should secure a level playing field for the European pulp and paper industry. Less than one-third of the world pulp and paper production is subject to the EU emission trading and extra costs incurred both directly and indirectly. It is also extremely important that the national climate and energy strategy for 2020 recognises the potential of forest-based industries to be a part of the solution in achieving the national targets for renewable energy, biofuels and emission reduction.

THE MOST IMPORTANT BUSINESS DEVELOPMENTS IN FINLAND OVER THE LAST YEAR

Global changes in the forest sector have a strong impact on Finland

The forest industry has undergone an unprecedented upheaval during the 2000s. Slackening demand in growth in Western world, coupled with the strong growth experienced in the East, particularly in Asia, has moulded the markets into a new position. When the latest technology is combined with both strong demand and an increased capacity in production in Asia and Latin America, the competitive advantages will change significantly in the pulp and paper markets.

The Finnish forest industry bases its future competitiveness on efficiency, flexibility and innovations. Despite the ongoing structural change the Finnish forest industry's production has experienced continual growth.

In order to increase its competitiveness through innovations, the forest sector has launched several far-reaching R&D initiatives in Finland:

- A common vision and research agenda for the European as well as national level has been defined up to the year 2030. In 2006, the Finnish forest cluster defined its research strategy with seven priority areas to renew the industry, improve long term competitiveness and promote sustainable development.

- The Finnish state is providing public R&D funding to support the attainment of world-class competence in chosen research and business areas. One of the five established centres of excellence is forest cluster. "Forest Cluster Inc", the innovation boosting company, coordinates and defines the research programmes executed by the centre of excellence. The innovation-boosting company is a private company owned by major forest companies, machinery and chemical producers as well as universities and R&D institutes.

SOCIO-ECONOMIC CONTRIBUTION OF THE FINNISH FOREST INDUSTRIES

The forest industry is a major contributor to Finland's prosperity

One in ten Finns makes a living either from the forest industry (pulp and paper industries in addition to the wood products industries) or from the sectors that serve the industry.

In addition to this, the packaging, printing and publishing industries, maintenance companies, machinery and equipment manufacturers, timber harvesting contractors, the energy sector, the chemical industry and research establishments are all major employers serving the forest sector.

The entire forest cluster employs, directly or indirectly, almost 200 000 Finns, of whom 60 000 work in the pulp, paper and wood-products industry and 20 000 in forestry.

Finland’s forest industry is also a major user of transport services. It accounts for about 60 per cent of all tonne-kilometres on Finnish railways and about 30 per cent of the road transport. The forest industry also accounts for almost half of Finland’s exports by sea.

Trend and status of the benefits generated by the industry: Finnish wellbeing has been built on the forest-based industries

The entire forest cluster - forestry, pulp, paper and wood products industries, the machinery and equipment manufacturers, the timber harvesting contractors, the energy sector, the chemical industry and research establishments - together account for one third of the country’s net export revenues.

In addition to the large share in direct and indirect employment, the industry is investing in the rebuilds and renewals of its mills and machinery. In 2007, the capital investments of the forest industry amounted to 1,4 billion euros.

There are 40 paper and board mills as well as 40 pulp mils in Finland. The mills are located mainly in rural areas all over the country and they are usually the largest industrial employers locally. Most of the local communities have been built around the pulp and paper industry units which have long traditions. Some mills have already celebrated their 100th anniversaries.