

Sub-measure fiche (annex V to the measure fiche "forestry")

Investments in forest technologies, processing, mobilising and marketing of forest products

Measure 8.6

Article 21(1) (e) and 26 of Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)

This fiche is based on the text of Regulation (EU) 1305/2013 [EAFRD] and, when relevant, on Regulation (EU) 1303/2013 [CPR], Regulation (EU) 1306/2013 (HZR) and 1310/2013 (Transitional rules). The Delegated and Implementing Acts supplementing these regulations have also been considered in this guidance fiche. This guidance does not represent a binding legal interpretation of Regulation (EU) 1305/2013 or its Delegated and Implementing Acts. It is therefore essentially non-binding in nature and complements the related legal acts.

1. RATIONALE OF THE MEASURE

Forests managed by private entities as well as private investments in the forestry sector play an important role in rural economies. EU support is important for the development of woodlands, forest protection, innovation, improving production, technologies, processing technology and marketing of forest products, thus enhancing market and job opportunities in the forestry sectors, including provision of biomass for energy.

Simultaneously, the EU commitment to multifunctional forestry contributes to the key environmental and climate objectives of the Union. In order to guarantee the delivery of these benefits in a balanced way, it is essential to promote multifunctionality and sustainable forest management (SMF), which are among the key principles of the EU Forest Strategy. Strengthening SFM is needed to improve competitiveness and job creation, in particular in rural areas, while ensuring forest protection and delivery of ecosystem services.

Apart from the economic, environmental and societal justification of this sub-measure, the supported actions respond to the growing demand for wood. The EU harvesting levels are expected to rise 30 % by 2020 (in comparison to 2010) in order to satisfy the growing demand¹. As current harvesting rates cover only 60-70% of the growing demand there is a recognised need to improve the competitiveness of the forestry sector² along with the economic value of forests in order to mobilise the raw material.

¹ The EU submission to UNFCCC CMP.6

² Standing Forestry Committee report (2008) on mobilisation and efficient use of wood.

In some countries of the European Union fragmented ownership structures slow down harvesting logistics and lead to potential loss in economic performance. This measure aims at targeting also the forest potential that would not be otherwise targeted.

2. CONTRIBUTION TO FOCUS AREAS AND CROSS-CUTTING OBJECTIVES

In terms of intervention logic³ foreseen for the 2014-2020 Rural Development programming period, the sub-measure “Investments in forestry technologies and in processing and marketing of forest products” contributes to Priority 5 *"Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors"*, and especially to the Focus area 5 c *"Facilitating the supply and use of renewable sources of energy, of by-products, wastes, residues and other non-food raw material for purposes of the bio-economy"*, and Focus area 5 e *"Fostering carbon sequestration in agriculture and forestry"* as well as Priority 6 *"Promoting social inclusion, poverty reduction and economic development in rural areas"* and the focus area 6 a *"Facilitating diversification, creation of new small enterprises and job creation"*.

3. SCOPE, TYPE AND LEVEL OF SUPPORT

3.1. Type of operation

The eligible types of operations may be:

3.1.1. *Investments in forestry technologies, processing, mobilising and marketing adding value to forest products:*

- Development and rationalization of the marketing and processing of wood, including investments in machinery and/or equipment related to felling, dismembering, stripping, cutting up, chipping, storing as well as protective treatments, drying of wood and other working operations prior to industrial sawing of wood at a sawing mill, including production of material for energy generation.
- Investments in mobilising of wood. This includes support for machinery, or other investments for sustainable and effective use of forest resources.

³ See the Commission Working Paper "Elements of strategic programming for the period 2014-2020".

3.1.2. Investments in improving the economic value of forests:

- Investments in harvesting machinery and/or equipment.
- One-off operations, such as introduction a second crown layer, under-planting, early thinning and pruning⁴. The purchase of specific forestry equipment for carrying out these operations can be considered as a part of the investment.
- Forest tree nursery technologies for production of nursing forest trees.⁵

3.2. Beneficiaries

The eligible beneficiaries may be:

- Private forest holders
- Municipalities
- Associations of private land holders or municipalities
- SMEs

There are no limitations on ownership.

3.3. Eligible costs and conditions

3.3.1. Eligible costs

- Investment costs in machinery and equipment.
- One-off operations, as described under the Chapter 3.1.2.
- Support for the preparation of the Forest Management Plan according to article 45(2)(e) of the Rural Development Regulation, either as part of an investment or as self-standing funding opportunity, as Article 45(2)(e) does not introduce a separate funding possibility.

3.3.2. Further conditions

- In order to comply with the requirement as laid down in Article 26(3), the Member State should define the difference between "industrial processing" and "prior to industrial processing". In general, industrial sawing is considered as first step of industrial processing.
- Investments related to the improvement of the economic value of forests shall be justified in relation to expected improvements to forests on one or more holdings and may include investments for soil- and resource-friendly harvesting machinery and practices. This means that the support can be also granted to forest holders

⁴ Normal maintenance operations are not eligible under this measure, if the aim is not in enhancing the forestry potential or improving the economic value of forests.

⁵ Only for small forest nurseries and as a part of the forest holding.

who will provide forest management services with the purchased machinery to other forest holders, apart from their own holding. In addition, contractors (service providers) are also included under this measure. In these cases, when the acquired machinery is meant to serve several forestry holdings, it should be clearly defined in the application for support.

- Construction of roads within the forest or leading to the forest is not eligible under this sub-measure. However, support for such investments can be sought under the “investment measure” as infrastructures-related operation (article 17 of the Rural Development Regulation) and to certain extent, under the article 20 "Basic services and village renewal in rural areas" allowing support for investments in roads as part of the general road network serving general circulation in rural areas.
- Activities related to regeneration after final felling are excluded from support.
- Reforestation or restocking (simply replacing the harvested trees) is not eligible. Nevertheless, a forest conversion aiming at changing the forest structure or species composition, with a demonstrated improvement of the economic value, could be acceptable and eligible.

3.3.3. Requirements pointed out by the Court of Auditors⁶

- In order to target the support in the most efficient manner, the Member State/region should adequately describe in their Programme the specific economic needs and opportunities of the different types of forest areas and beneficiaries.⁷
- Investments shall not be done in non-durable goods such as short-cycle consumables (personal protection equipment, clothing for forest workers, etc.).
- A clear distinction is to be made between the agricultural and forestry products. For example, chestnuts can be considered as forest product if they are grown in the wild and collected in forests⁸. However, in case chestnuts (or any other similar product) are grown in orchards, they are normally considered as an agricultural product, thus excluded from the EU support under the forestry measures.
- The Member State/region shall ensure that the support is effective and actually increases the economic value of the forest areas where the investment takes place. In order to assess the achieved improved economic value of forest, the Member State/region should require beneficiaries to provide appropriate information of the

⁶ European Court of Auditors: Special Report No 8 Support for the Improvement of the economic value of forests from the European Agricultural Fund for Rural Development, (2013/C 272/08) http://www.eca.europa.eu/Lists/ECADocuments/SR13_08/SR13_08_EN.pdf

⁷ This description can be also added in the Annex of the Programme.

⁸ NACE Rev. 2, Statistical classification of economic activities in the European Community , pages 102-103 http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-015/EN/KS-RA-07-015-EN.PDF

expected value of their forest area both prior to and after the supported investment. The managing authority⁹ should be required to validate these values.

3.4. Principles with regard to the setting of selection criteria

See the European Commission document *"Guidelines on eligibility and Selection Criteria"*.

3.5. Links to other legislation

Article 17 of the Rural Development Regulation¹⁰

Article 20 of the Rural Development Regulation

3.6. Aid intensity/amount of support

The maximum support rates are determined by State aid rules¹¹ as follows:

50 % of the amount of eligible investment in less developed regions.

75 % of the amount of eligible investment in outermost regions and in the smaller Aegean islands.

40 % of the amount of eligible investment in other regions.

Application of **standard costs** is possible in those cases when the calculation of standard costs is supported by evidence, e.g. established practices, based on calculation by research institution and the application of the standard costs is controllable (see Article 67 of the Common Provisions Regulation).

3.7. Co-financing rate(s)

This measure is among the measures which contribute to the compliance with the requirement stipulated in Article 59(6) of Regulation 1305/2013 and which requires that at least 30% of the total EAFRD contribution to the rural development programme shall be reserved for measures contributing to climate change mitigation and adaptation as well as environmental issues.

The EAFRD contribution rate applicable to this measure is defined in Article 59 of Reg. (EU) No 1305/2013.

4. INDICATORS

In planning the indicators it should be taken into consideration the principles detailed in the Annex IV of Working Paper "Elements of strategic programming for the period 2014-2020".

⁹ E.g. through delegated bodies, forest services, institutes

¹⁰ Especially, regarding the construction of forest roads

¹¹ Point 525(c) of Draft Commission Guidelines for State aid in the agriculture and forestry sector and in rural areas 2014 to 2020 (draft GL) and Article 40(9) (c) of the draft Block Exemption Regulation for the agriculture and forestry sector and for rural areas (draft ABER)

5. VERIFIABILITY AND CONTROLLABILITY

Reference to be made to the "*Guidelines on verifiability and prevention of errors*".

6. BEST PRACTISES

Some good examples of what could be done under this measure (based on past experience) are found in the ENRD website or brochures.

The following studies (among others) are recommended to take into consideration in programming the forestry measure, as defined in the article 26 of the Rural Development Regulation:

Prospects for the market supply of wood and other forest products from areas with fragmented forest-ownership structures:

http://ec.europa.eu/agriculture/analysis/external/supply-wood/index_en.htm

Good practice guidance on the sustainable mobilisation of wood in

Europe:http://ec.europa.eu/agriculture/fore/publi/forest_brochure_en.pdf and

Study of the Effects of Globalization on the Economic Viability of EU Forestry:

http://ec.europa.eu/agriculture/analysis/external/viability_forestry/index_en.htm

Working document providing guidance to MS for the result indicator 'increase of GVA':

http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=84053593-C697-FF89-ED5C-51797D9754FD

Prospects for the market supply of wood and other forest products from areas with fragmented forest-ownership structures:

http://ec.europa.eu/agriculture/analysis/external/supply-wood/index_en.htm;

EU Rural Review No. 9: Forestry and rural development:

http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=ED57142C-E0C7-3E97-E70E-E40EC9E8CCB1

The European Agricultural Fund for Rural Development Examples of Forestry projects:

http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=6871F084-FDA8-A93F-FF0C-DC38AD30D86C