A close-up photograph of a large pile of light-colored, fibrous wood pulp, likely eucalyptus, used for paper production. The fibers are long and thin, creating a complex, textured surface.

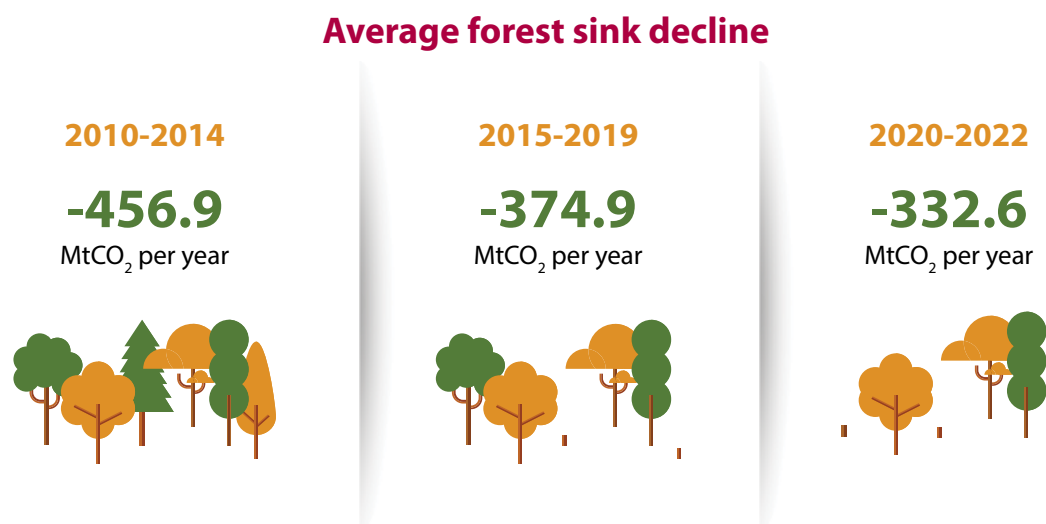
*Despite being the cause of many life-destroying forest fires, eucalyptus is central to Portugal's pulp and paper industry. Image: Eucalyptus wood pulp, by BK666 / Shutterstock*

# **PULPING UNFAIR INCENTIVES: SEPARATING EU POLICIES FROM PAPER INDUSTRY INTERESTS**

April 2026

Tax breaks and financial incentives for pulp and paper are costing governments and citizens billions of Euros per year and underpinning the continued logging of natural forests across Europe and beyond. The continuation of such subsidies are some of the key asks of companies such as SCA, UPM, and Navigator whose lobbying arms<sup>1</sup> have also recently called for the gutting of the EU Climate Law and the Land Use, Land Use Change and Forestry (LULUCF) Regulation. Their actions halt climate and nature friendly innovation in forestry and allow business as usual destruction of forests.

Recent studies show that carbon dioxide absorbed by forests has substantially decreased due to increases in logging over the past decade. Despite this, across the forestry sector, employment trends are abysmal compared to the EU average, despite pulp and paper shareholders pocketing huge dividends.<sup>2</sup>



Source: European Commission. 2025. "The European forest carbon sink is declining: can we reverse the trend?" [https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/european-forest-carbon-sink-declining-can-we-reverse-trend-2025-07-30\\_en](https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/european-forest-carbon-sink-declining-can-we-reverse-trend-2025-07-30_en)

This briefing challenges the notion that protecting the pulp and paper sector is the right strategic choice for the future of Europe's forest and forestry sectors and argues that funds should be re-directed to individual foresters and forest owners to move to continuous cover forestry, and protecting forests of high-conservation value. In addition, the paper outlines:

- The magnitude of public handouts (including tax breaks) to destructive companies.
- How large companies play a role in reducing the number and quality of forest jobs.
- The social impacts of pulp and paper industries in Finland, Portugal, Spain and Sweden.

It is undeniable that Member States are failing to meet forest and climate targets (LULUCF) partly due to the national subsidies, tax breaks, and EU funds companies receive for harmful practices.<sup>3</sup> We can turn this around through better regulation and clear support for alternatives.

1 SCA is a huge forestry sector actor and a member (sometimes as part of the Swedish Forest Industries Federation) of the pulp and paper lobbying group (CEPI), the European organisation of the sawmill industry (EOS), CEI Bois, and Bioenergy Europe. It is unclear if they are a member of the Confederation of European Private Forest Owners (CEPF), though it is noteworthy that they are the largest private landowner in Europe, owning six per cent of Swedish land. They are therefore represented in at least five of the nine lobbying groups calling for a weakening of climate targets in the LULUCF Regulation.

2 UPM: 5-year average comparable EBIT of €1,351 million annually. SCA: Total shareholder return of 131% from 2017-2025

3 Pulp and paper climate impacts are comparable to the contribution of international shipping, according to the IEA, <https://www.iea.org/energy-system/industry/paper>

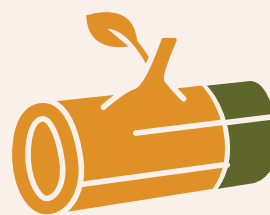
## Paying companies to harm the climate

On 23 October 2025, the European Council shared conclusions calling for the protection of the pulp and paper industry, and hinting at a future weakening of the LULUCF Regulation, that sets carbon dioxide absorption targets for forests, among other things. This is a concerning move given that the pulp and paper sector is made up of the largest companies operating in EU forests, many of whom are industrial conglomerates already in charge of multiple parts of the supply chain (known as vertical integration), from forests and forest management services to paper and cardboard mills, sawmills and energy infrastructure.

**Supporting such companies disadvantages smaller producers and foresters producing higher value timber.**

It is hard to quantify the exact extent of the industry's subsidies, due to the complexity of their financial operations, but tax-payer money is being used to incentivise and further lock-in bad practices.

Of particular concern is the pulp and paper industry's link to bioenergy production (they are the dominant force in biomass electricity generation in four of the EU's top five pulp-producing countries (Finland, Portugal, Spain and Sweden)), who together with Germany account for almost 60% of pulp produced in the EU. This bioenergy link allows the pulp and paper industry to benefit from a wide variety of EU and national



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of forest biomass subsidies are financed by government or other public bodies

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financial advantages including investment subsidies (feed-in tariffs and direct grants for bioenergy), State Aid, exemption from Emissions Trading System costs, and tax breaks (reduced Value Added Tax rates and flexibilities under the EU Energy Taxation Directive). Such public support is unnecessary as these companies were already producing energy from burning their processing residues before it was introduced.

The impact is clear: **revenue that would have gone to, or stayed in, the state budget remains in the hands of large companies, with no societal benefit.**

Around **25% of forest biomass subsidies are financed by government or other public bodies**, using budgets that could instead focus on preserving the environment, diversifying forestry jobs, or supporting less-polluting renewables. The other **75% of subsidies are financed by final consumers through their bills.**

*Finland, Germany, Portugal, Spain and Sweden are the EU's top five pulp-producing countries. Together, they account for almost 60% of pulp produced in the EU. Image: A pulp and paper industrial plant, near Castelo Branco, Portugal, by Celli07 / Alamy*





Many companies operating in the EU pulp and paper sector are industrial conglomerates that operate across the supply chain, from forest and forest management services to paper and cardboard mills, sawmills and energy infrastructure. Image: A Metsä pulp mill in Rauma, Finland, by Kallerna, CC BY-SA 4.0 / Wikimedia Commons

## What does this cost the public?

The latest EU data shows that **forest biomass subsidies cost EU taxpayers an estimated €5.9 billion<sup>4</sup> to €6.9 billion<sup>5</sup> in 2024**. This is likely an underestimate as the forestry sector has also received grants for research and innovation framework programmes, cohesion policy and regional funds. They also benefit from tax exemptions and feed-in tariffs for burning wood and biofuel manufacturing. This particularly benefits pulp and paper companies as they use biofuel in their boilers and benefit from government aid to build or retrofit mills. The table below outlines some national examples of government support.

| Finland  | Sweden   | Portugal   |
|--|--|--|
| In March 2025, Metsä Group signed an agreement for up to <b>€86.5 million</b> in grant funding from the EU Innovation Fund for its proposed wood fibre packaging material mill in Rauma. | In January 2025, Stockholm Exergi was awarded <b>€1.7 billion</b> in support for a bio-Carbon Capture and Storage plant. The biomass-fuelled <b>Värtaverket</b> plant, where the plant is being built, is powered by residues from the pulp and paper industry. Such support encourages continued pulp and paper production. | The “Caima Go Green” project received funding from the Recovery and Resilience Plan (RRP) for the conversion of its energy production system, involving the construction of a new biomass boiler, with a total investment of <b>€130 million</b> (an undisclosed portion of this comes from public RRP funds). |

Given the harm that the sector is still causing to [local populations and the environment](#) (see page 5), it is time to end their access to grants and tax breaks, and to use it instead to support a shift towards continuous cover forestry, including:

- Offering advisory services for alternatives to the clear-cutting monoculture model
- Increasing recycling by encouraging upscaling of recycled fibres within the whole supply chain
- Researching, developing and investing in [alternative forestry economies](#) that contribute to the restoration of EU forests
- Ensuring adequate working conditions for forest operators
- Restoring European forests, with specific attention to small forest owners and public/state owned forests
- Decreasing short-lived uses of primary wood in favour of high-value wood products with a longer shelf life

4 Calculated using 2020 subsidy levels, which have increased.

5 A 2025 report analysing all bioenergy subsidies projected €15 billion for 2024. Forest biomass has a reported share of 46% of all bioenergy.

## Social impacts of pulp and paper companies

### In Sweden, six decades of industrial forestry has eliminated

71% of lichen-rich forests crucial for Sámi reindeer herding, replacing it with tree plantations, leading to communities warning that ‘the reindeer are starving’. **Sámi groups have sent an open letter demanding government action.** SCA, Europe’s largest private forest owner (motto: “pure pulp for a pure world”), has been fined multiple times for illegal logging, including six violations of logging bans in reindeer grazing areas. Despite increased harvest volumes, the forestry sector employs fewer than 30,000 people and ranks in the EU’s bottom tier for value-added per hectare, while the outdoor recreation sector—which depends on forest integrity—employs 167,000 people and has a €14 billion turnover.

Continuous controversies now mean that the Swedish paper industry is considered a risky investment. Food giant Nestlé has stopped buying raw wood materials from northern

Sweden, clothing giant Zalando has phased out SCA packaging – citing human rights concerns, and SCA’s forestry operations are criticised by its own audit body.

**Still in Sweden**, every year, an estimated 5,000 migrant seasonal workers are brought in to do the back-breaking work of planting trees, having typically been sub-contracted by companies who dominate the country’s forest sector. The abusive exploitation of these workers has been extensively documented from 2005 until today, and ranges from physical threats to sub-par wages and precarious housing arrangements. This is driven by a business model which seeks large volumes of pulp wood and timber at the cheapest price, regardless of the long-term consequences, and in which profits and margins are swallowed by the paper and biomass industries, at the expense of workers and smaller forest owners.

**In Finland**, in 2024, there was national outrage when Stora Enso logging machinery destroyed a critical habitat for the critically endangered freshwater pearl mussel – a protected species that can live up to 200 years.

**Also, in Finland** an investigation **revealed what may be the country’s largest human trafficking scandal** – **nearly 200 forest workers were brought in with false documentation, dozens of whom were Nepalese men suspected of being trafficked.** Having been lured to Finland with false promises, they faced non-payment, poor working conditions, and exploitation. The scale is staggering, and cases have been linked to major actors, including Metsä Group, UPM, Tornator, and even state forest owner Metsähallitus.



**In Portugal**, which is Europe’s third largest producer of wood pulp, a devastating fire in Pedrogão Grande in eucalyptus plantations managed for pulp production led to a debate on the industry’s responsibility for preventing such disasters (eucalyptus plantations are a fire hazard). Bank of Portugal recently estimated the fires cost €1,500 million (0.8% of Portugal’s Gross Domestic Product) and that they **increase the price of mortgages**, as financial institutions’ perception of risk increases.

**In Spain**, in May 2024, 20,000 people protested in Galicia’s Palas de Rei against eucalyptus pulp company Altri’s planned mill. The mill-linked textile fibre company Greenfibre suspended public consultation events following a “raucous reception” from local residents, and protests which at their height, included 100,000 people marching in Santiago in Galicia in December 2024. In April 2025, the Spanish government officially excluded Altri’s application for European decarbonisation funds and has not included the mill in the country’s electricity plan. Ulloa Viva, a grassroots platform, continued the rally against this project, with 80,000 people mobilising in December 2025, and **the continued public pressure led to the shelving of the project in February 2025.**

## Forestry employment: weak growth and labour concerns

In addition to their intrinsic value, forests provide resources which wood industries compete for. With many companies operating across forest employment sectors, it is important to look at all employment categories to get a picture of the economic resilience of forestry in Europe.

**According to the United Nations Economic Commission for Europe, common issues affecting all these forest sectors include mechanisation, restructuring of large companies, and the spread of contractor models in forestry and harvesting.**

This puts pulp and paper employment figures into perspective. While paper manufacturing jobs grew by 10.6%, forestry employment declined by 10.1% and wood worker roles fell by 0.4% from 2012-2022. **The overall forestry and wood-based industry grew by only 1.4% compared to 8.4% for other industries across the EU.**

***Employment in forestry and wood-based industries grew by only 1.4% compared to 8.4% for other industries across the EU.***

Having large pulp producers control parts of the supply chain from land ownership to wood processing and product production has negative impacts across the entire forest sector, from wood production to employment. For example, their demand for large quantities of low-value wood, fibre and biomass pressures forest owners into converting forests into fast-growing plantations of one or two species. In addition, some have come under scrutiny for unfair labour practices and even human trafficking (see page 5).



*Six decades of industrial forestry in Sweden has eliminated 71% of lichen-rich forests, which are crucial for Sámi reindeer herding. Image: A Sámi reindeer herder feeds reindeer lichen in Harads, Sweden, by Tina Manley / Alamy*



*In December 2024, over 100,000 people hit the streets of Santiago de Compostela to protest plans to build a new pulp mill in Galicia, Spain. Continued public pressure led to the shelving of the project in February 2025. Image by Alba Cambeiro / O Salto*

## Conclusions

The pulp and paper industry is dominated by very few giant conglomerates, has an outsized and destructive effect on forests in Europe and abroad and still receives huge taxpayer backed subsidies. The impacts are felt on our purses, our climate, and our rural economies, but also within other forestry sectors, as the large industry's favourable treatment squeezes smaller actors looking to make a living from better and more resilient forestry practices.

This can all be changed.

It is time to stop listening to the pulp and paper lobbyists calling to weaken laws that support better forestry. Subsidies are not intended to prop up abusive and extractive oligopolies, they are there to ensure smaller, environmentally sustainable businesses are able to get off the ground and create the opportunities to ensure local, thriving rural economies. Nowhere is this clearer than in the forestry sector, where the initial cost of changing from clear-cutting to continuous cover forestry can be intimidating, but the benefits (economic, social, ecological) are myriad.

## Where the money should go

Money siphoned off by industrial giants could be powering a proven, just transition in Europe's forests. Fern's [recent research](#) showed the wholesale positive change that could be achieved by redirecting €2.5 billion of annual subsidies towards foresters themselves.

Models already exist.

In France, Sylv'ACCTES brings together local authorities, companies, and private and public forest owners to co-finance sustainable silviculture practices that generate measurable benefits for climate, biodiversity, and landscape.

In Belgium, Forêt.Nature demonstrates the centrality of training foresters — the professionals who must implement restoration plans. To do this requires making public funding for advisory services and knowledge-sharing permanent.

Phasing out harmful subsidies and redirecting EU and Member State funding towards forest management that supports nature and protects carbon stocks would benefit private and communal forest owners and strengthen the whole rural forest sector.