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Amendment on Article 38 of the Monitoring and Reporting Implementing Regulation (EU) 2018/2066.

The Bioenergy Association of Finland welcomes this initiative. **There is a clear need for this amendment** as the implementation on RED2 sustainability criteria is long overdue and this may have detrimental effects on the use of biomass in the ETS sector.

Therefore, it is a matter of urgency that the proposed implementing regulation will be promptly adopted restoring legal certainty for users of biomass. **We encourage the EC to prioritize work on this file**, and communicate accordingly with relevant national regulatory authorities and market participants seeking guidance on the accounting of emissions from biomass within the EU ETS and the new legislative framework set by RED2. **Lack of clarity in this regard currently undermines the competitiveness of biomass** technologies and is contradictory to both the objectives of the Fit-for-55 package and the intention of the legislator who explicitly stated that sustainable biomass should retain emission factor zero within the proposed revision of the EU ETS Directive.

We support and highlight the use of forest industry and forestry by-products and wood residues for energy production, as the usage of sustainable woody biomass can make a meaningful contribution to climate change mitigation. **We acknowledge the concerns that an increased EU biomass demand could also have short term negative impact on carbon sink and biodiversity**. Hence, a robust, harmonized and timely implementation of the new sustainability criteria by Member States and economic operators is crucial and these implementing rules are needed to facilitate functioning biomass markets.

It must be highlighted that **some Member states have acted on time and implemented the criteria in national laws** and have thus been waiting for the EC to act for the past year. This applies to Finland, where the economic operators have anxiously been waiting for the EC to publish the guidance on examples of rules for the criteria and are still waiting, while the deadline for national implementation was on June 30th this year. The operators acted according to RED2 and national laws. It is very unsatisfactory that there is still a great unclarity whether the Commission is expecting MSs to update national schemes according to the implementing rules.

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This situation creates a real practical problem for both national administrations and stakeholders using biomass, which is absurd given the EU's very high dependence on fossil fuels and the great emphasis to drive renewable energy. This is also harmful for the long-term investment environment in Europe.

On the amending Implementing Regulation itself. **We see no reason to bring up the national taxation schemes or cascading use and waste hierarchy in this implementing regulation.** In fact, these do not even fall into the competence of the Commission on ETS MRR. Taxation is currently discussed in the context of the proposal of energy tax directive. The issue of cascading is likewise debated under RED3 proposal. Our view is that cascading as a principle should not be enforced through legislation.

The Bioenergy Association of Finland supports the proposed amendment of art 38 of Monitoring and Reporting Implementing Regulation: 'Member States may consider as fulfilled the sustainability and greenhouse gas emissions saving criteria referred to in that paragraph for biofuels, bioliquids, and biomass fuels used for combustion from 1 January 2022 to 31 December 2022.' **Moreover, derogation might be further strengthened by replacing 'may consider' with 'shall consider'**. This wording would guarantee a robust, efficient, and harmonized implementation of the EU law within all Member States and decrease the threat of the fragmentation of the single market.