BRIEFING

Initial Appraisal of a European Commission Impact Assessment

European Parliament

Forest monitoring and resilience in the EU

Impact assessment (SWD(2023) 373, SWD(2023) 374 (summary)) accompanying the Commission proposal for a regulation of the European Parliament and of the Council on a monitoring framework for resilient European forests, COM(2023) 728

This briefing provides an initial analysis of the strengths and weaknesses of the European Commission's impact assessment (IA) accompanying the above-mentioned proposal, submitted on 22 November 2023 and referred to the European Parliament's Committee on the Environment, Public Health and Food Safety (ENVI). The proposal is included in the Commission's 2024 work programme.

In its new EU forest strategy for 2030, the Commission announced a dedicated legislative proposal on EU forest observation, reporting and data collection, to ensure a coordinated EU forest monitoring system. According to the strategy – which is in line with the European Green Deal, in particular on enhanced climate and biodiversity ambition – information concerning the status of forests in the EU, their social and economic value, as well as the pressures and cross-border threats they face and ecosystem services they provide, is fragmented and inconsistent. There is currently no common EU monitoring system in place to collect long-term, accurate and comparable forest data. In recent resolutions and conclusions, the European Parliament and the Council of the EU have been calling repeatedly for enhanced forest monitoring.[1]

The present proposal aims to establish an EU-wide integrated forest monitoring framework, focusing on a set of specific indicators relating to forests, such as climate change, biodiversity, health, invasive alien species and forest management. It would enable the collection and sharing of timely, reliable and comparable forest data, building on existing national systems, and encourage Member States to develop integrated long-term forest plans or adapt their existing plans.

Problem definition

According to the IA, currently available information on EU forests is often based on outdated data and divergent definitions, resulting in significant knowledge gaps. The IA provides a comprehensive and detailed overview of the existing national forest monitoring systems, which measure different forest parameters and indicators in a different manner (IA, Annex 5.2). The IA states that in the current situation, it is not possible to achieve the climate, biodiversity and sustainable circular bio-economy policy objectives stemming directly from the European Green Deal, for which healthy forests are essential in the fight against climate change and biodiversity loss, and crucial for prospering rural areas and the bioeconomy.

The IA defines the **general problem** to be tackled, namely the lack of adequate and timely information on forests to make effective policy and ensure that forests contribute to multiple EU policy objectives.

Two interlinked **specific problems** are described in the IA:

- lack of forest data comparability and quality across the EU;
- lack of coherent and integrated long-term forest planning with neither a governance framework nor coordination structures at EU level.

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The IA defines and explains the **problem drivers**:

- Regulatory failure owing to:
  - a lack of comprehensive monitoring of biodiversity, carbon storage, health and resilience, and accessibility to collected data;
  - scattered responsibilities between national authorities with different objectives;
  - a lack of cross-sectoral coordination leading to scarce prioritisation of non-timber forest uses (biodiversity and climate and non-timber forest bioeconomy).
- Market failure:
  - Prices of forestry products do not necessarily reflect the environmental impacts of forestry (e.g. biodiversity and climate); indicators are 'historically biased towards timber production' (IA, p. 12);
  - Insufficient exchange of information among actors involved in forestry undermines the quality and coherence of long-term forest planning.

The IA substantiates its findings with references to several sources, such as the Commission's consultation activities, the supporting study in preparation of the IA, referenced studies and a literature review. The IA provides a well-structured and evidence-based analysis of the existing situation and how likely the problem will persist without EU intervention. It includes a separate annex (IA, Annex 5), where it describes in detail the current forest monitoring systems (including their specificities regarding for instance definitions and methods, integration of earth observation, indicators and parameters) and existing forest-related planning instruments (including a SWOT analysis (strengths, weaknesses, opportunities and threats) for integrated long-term forest planning in the EU) in the Member States. This includes a comprehensive (legislative) gap analysis, showing that existing legislation and recent initiatives are not sufficient to achieve the objectives of the present initiative (IA, Annex 5, pp. 120-157). The IA examines the nature and scale of the problem (such as increasing pressures on forests, e.g. pests, droughts and wildfires, invasive species), as well as who it would affect (EU institutions, national authorities, forest owners and managers, forest-based industry) and how (IA, Annex 3). It illustrates the drivers behind the problems and the specific objectives to be addressed by the present initiative. The IA explains the problem drivers in a comprehensive manner (IA, pp. 12-15).

Subsidiarity / proportionality

The proposal is based on Article 192(1) (Environment) of the Treaty on the Functioning of the European Union (TFEU). The IA includes a section on subsidiarity (IA, pp. 15-18), where it describes the legal basis and explains the necessity and added value of EU action. The IA states that intervention at EU level is justified in view of the scale and cross-border aspects of the problem, the risk to the EU's economy from growing disturbances (e.g. cross-border threats of pests, droughts and wildfires), and the need to monitor the effects of EU policies and legislation with a view to achieving forest-related policy objectives (e.g. Land Use, Land-use Change and Forestry (LULUCF) Regulation, Habitats Directive). The IA comprehensively explains the cross-border aspects and transboundary impacts on forests, such as climate change, forest pests, droughts and invasive species. Member States developed their national forest monitoring systems without a coordinated approach, therefore, according to the IA, forest monitoring in the EU is patchy and fragmented; and Member States are 'unlikely to resolve this fragmented situation without EU intervention' (IA, p. 16). EU action would allow the integration of new earth observation (EO) technologies in forest monitoring systems, complementary to in-situ data collection. The IA expects benefits from better comparability, time-relevance and transparency of forest data, which will 'allow to better face challenges and protect forest ecosystems, including timber resources, in view of the growing importance of forests for climate, biodiversity and the bioeconomy'.[2] As recommended by the Task Force on subsidiarity, proportionality and 'doing less more efficiently', the IA is accompanied by a separate subsidiarity grid, which also covers **proportionality**. According to the IA, the initiative does not go beyond what is necessary to achieve the identified objectives. It states that 'data collection is required from the Member States, only on forest data that are linked to EU legislation and policy

objectives', and that harmonised data from existing national data collection systems – mainly National Forest Inventories (NFIs) – will be shared, which will minimise the extent to which Member States will have to adapt their data acquisition methods (subsidiarity grid, p. 5). The deadline for the subsidiarity check by national parliaments is 1 March 2024. No reasoned opinions have been submitted by the time of writing.

Objectives of the initiative

The IA identifies one general and two specific objectives, which are briefly outlined in the IA without entering into much detail (IA, pp. 19-20). The **general objective** is to develop an EU-wide monitoring framework for resilient European forests, which will seek to contribute to the EU commitment to combat climate change and achieve sustainability goals (such as the objectives identified in the EU strategy on adaptation to climate change, the EU biodiversity strategy for 2030 and the new EU forest strategy for 2030), and improving the level of preservation, protection and quality of the environment.

The IA defines two interlinked **specific objectives**:

- to ensure the availability of common digitalised, consistent, comparable, timely and accessible data on the state of EU forests;
- to facilitate integrated long-term forest planning.

The objectives correspond to the problem and the problem drivers identified in the IA. The IA depicts the relationship between the problems, the problem drivers and the specific objectives in a comprehensive manner (IA, pp. 12-13). With regard to the S.M.A.R.T. criteria, the specific objectives appear to be specific, measurable, achievable, relevant and time-bound (see Better Regulation Toolbox, Tool #15). The IA does not present operational objectives, which are defined in terms of the deliverables of specific policy actions after identifying the preferred option. However, the IA states that 'the Commission will monitor the roll-out and impacts of the measures on a regular basis (biannual)', and lists some specific elements for this exercise (see IA, p. 64). It suggests to evaluate the initiative within three years of entry into force of the legal instrument.

Range of options considered

The IA identifies five policy options in addition to the **baseline scenario** ('no policy change'), while only retaining **three policy options** (with two options having been discarded at an early stage). Option 2 includes two sub-options. The IA adequately describes the baseline (IA, pp. 20-22, see Better Regulation Toolbox, Tools #16, #60) by taking into account existing EU legislation and relevant Commission legislative proposals (not yet adopted by the co-legislators), relevant policies in place and their possible developments, and voluntary international forest monitoring and reporting frameworks.[3] The retained policy options are summarised in Table 1.

The IA provides an overview of two discarded options (covering targeted EU funding (option 4) and strengthened international engagement (option 5)), and it is transparent about the reasons for discarding them. An option covering targeted EU funding for forest monitoring and an integrated long-term planning was discarded because of expected limited cost-efficiency (given the experiences with a dedicated funding instrument in the past), and 'funding without specific objectives and targets or obligations would not achieve the objectives of this initiative' (IA, p. 27). However, funding is considered by the IA as a useful add-on to the preferred option. A stand-alone option for strengthened international engagement was discarded, because none of the existing international commitments and forums 'includes an obligation for the EU or its Member States that establishes a common framework for forest monitoring or integrated long-term planning or provide a structured process for doing so' (IA, p. 27). However, the IA states that international engagement should continue and could be considered as part of the preferred option. The retained options are linked to the specific objectives and the problem drivers. Overall, the IA provides a balanced description of the options and explains the similarities and differences between them. However, the

description of the options would have benefited from a more detailed elaboration by using information from the supporting study for this IA.

Table 1 – Overview of retained policy options (preferred option highlighted in grey)

	Description of the main policy measures
Baseline	Forest monitoring and planning continues to be based partly on the legal frameworks at EU level and partly organised separately by each Member State under voluntary international forest monitoring and reporting frameworks. The Commission would continue to provide existing earth observation (EO) services through the Copernicus land monitoring service (CLMS) on selected forest data.
Option 1	**Fully voluntary option**: voluntary coordination through Commission guidelines and sharing of best practice to harmonise national data collection, strengthen forest planning frameworks and promote EO. The Commission would be supported in the preparation of the voluntary guidelines by an expert group as part of the new EU forest governance.[4]
Option 2	The **legislative option** would include setting up an **obligatory EU framework** for data collection and reporting, advanced use of EO and integrated forest planning with **two sub-options** at the level of EU intervention. Similar to option 1, an expert group would support the Commission in developing common methods for indicator harmonisation, standardisation and monitoring.
Sub-option 2.1	**Medium level of intervention**: this option includes (i) the set-up of a new EU framework including harmonisation and/or standardisation of targeted forest indicators[5] and mandatory reporting to a common platform (forest information system for Europe, FISE) on those indicators that are required by EU legislation or are included in international monitoring systems relevant to EU policy objectives; (ii) the obligatory use of EO with a possibility for Member States to opt in to an EU system (by adding their own sources to the data pool), based on the CLMS; and (iii) Member States would be required to prepare, report on and review integrated long-term forest plans (see IA, p. 24); the Commission would not make recommendations on these plans.
Sub-option 2.2	**High level of intervention**: (i) Member States would be required to report on a more comprehensive set of forest indicators and parameters extending beyond current EU and international monitoring and reporting systems (including data harmonisation for existing indicators and standardisation of data collection for new indicators); (ii) the Commission would be required to operate a single EO-based forest monitoring system to which Member States would be obliged to supply additional forest data; (iii) the Commission would issue non-binding recommendations on the integrated long-term forest plans.
Option 3	**'Hybrid' option**, combining the voluntary aspects of option 1 on long-term integrated forest planning with the obligatory aspects on forest monitoring of option 2.2.

Source: Compiled by the author based on the IA (IA, pp. 20-26 and executive summary of the IA, p. 2)

Assessment of impacts

With regard to **economic impacts**, the IA assesses the impacts on public budgets (EU, national, regional) mainly qualitatively, with the following sub-divisions: i) costs for monitoring systems; and ii) harmonisation and standardisation of data collection and reporting. In addition, it identifies regulatory burdens and opportunities for small and medium-sized enterprises (SMEs) and other businesses and discusses impacts on digitalisation. According to the IA, the economic impact on national budgets largely depends on the current situation in the individual Member States. The reasons for the lack of quantification of economic impacts in the analysis should have been explained in more detail in the IA. The assessment of **environmental** and **social impacts** is sub-divided into several chapters: climate mitigation; forest health and resilience; biodiversity and

ecosystem conditions; countering deforestation and illegal logging; greater trust in forest data from different stakeholders; sustainable provision of forest resources and services. The assessment of impacts and the comparison of the options is mainly qualitative. The IA describes stakeholders' views throughout the assessment of impacts, and then compares the options.

When comparing the options, which is mainly qualitative, the IA considers their effectiveness, efficiency and coherence. In an effort to facilitate the assessment of the above-mentioned criteria, the IA presents all options in summary tables showing how the options score qualitatively compared with the baseline scenario (ranging from '+++' meaning that objectives are fully met to '+' meaning slight improvement over the baseline). In the assessment of **effectiveness**, sub-option 2.2 scores highest. The IA expects option 1 to be less effective than sub-options 2.1 and 2.2 and option 3 when it comes to reaching the initiative's monitoring objectives. Regarding data quality, the IA states that sub-option 2.1 would score higher than sub-option 2.2 or option 3 if Member States provide data through the 'opt-in' approach. Data comparability would be higher under sub-option 2.2 and option 3. Overall, both sub-options and option 3 score equally in relation to data. On a holistic forest governance planning framework, sub-option 2.2 scores highest and would meet the objectives fully (sub-option 2.1 would only meet them partially), while options 1 and 3 score lowest. With regard to **efficiency**, the IA compares the expected economic costs and benefits, the reduction of administrative burden and the improvement of regulatory compliance of all options. Sub-option 2.1 scores highest. Economic costs (e.g. one-off costs, investment costs) and benefits (e.g. improved policy- and decision-making based on better data quality, reduced costs for ground-based data collection) would be higher under sub-options 2.1 and 2.2 and lowest under option 1. Mandatory strategic planning would bring higher administrative burden under sub-options 2.1 and 2.2 for those Member States that are not yet implementing strategic planning. Public authorities would face administrative burden under sub-options 2.1 and 2.2 and option 3 for ensuring that monitoring systems fulfil minimum standards (i.e. frequency of data collection). A reduction in administrative burden for national authorities, businesses and citizens is expected under both sub-options 2.1 and 2.2, and under option 3 establishing a single portal access to accurate forest information, with a slightly higher efficiency under sub-option 2.1. Sub-option 2.2 scores highest for strengthening evidence-based decision-making on forests status and uses, and supporting better control of illegal activities (regulatory compliance). With regard to **coherence**, the IA provides a comprehensive overview of existing and proposed EU legislation, strategies and policies in a separate table (see IA, pp. 58-60), indicating how the policy options score for each of them. Overall, sub-option 2.2 scores highest, while option 1 scores lowest. Option 3 would meet the objectives of long-term integrated planning only partially.

After comparing the options, a combination of policy options has been selected as the **preferred option**: in relation to **monitoring**, the preferred option is **sub-option 2.1**; in relation to **integrated long-term planning**, the preferred option is **sub-option 2.2**. According to the IA, the preferred option would bring benefits by ensuring the set-up of an EU-wide framework for forest monitoring and integrated long-term forest planning. The increased use of EO would generate direct economic benefits as shown in case studies.[6] Indirect benefits include for instance: easier access to reliable forest data through a single digital platform (FISE); forests' higher potential for climate change mitigation through enhanced carbon storage and sequestration; better control of illegal logging; reduced forest disturbances; and enhanced resilience of EU forests (IA, p. 103). Expected one-off costs for the Commission and the national authorities include system alignments (e.g. development of data harmonisation methodologies; training and hiring of staff to harmonise and collect data and measure new indicators; development of EO data products). The Commission and national public authorities would incur recurrent costs for quality assurance and quality control of the reported data from Member States; application of harmonised definitions and standardised data collection; and data processing for EO-based indicators not currently produced by the CLMS. Additional costs would occur from increased frequency for existing EO-based indicators, issuing Commission recommendations, and drafting of integrated long-term planning reports by Member States. As regards the preferred option's impacts on the **Sustainable Development Goals** (SDGs), the IA

mentions the relevant ones[7] and describes – in fairly general terms – the expected progress on the goals (IA, pp. 106-108).

SMEs / Competitiveness

The present initiative has been listed by the SME envoys network in the SME filter and is considered relevant for SMEs. In line with the Better Regulation Guidelines (see also Better Regulation Toolbox, Tool #23), an SME test has been carried out as part of the IA, the main findings of which are described in the IA (IA, p. 43). The IA considers that the initiative does not explicitly target SMEs, and that no direct impact on them is expected. The IA states that 'indirect impacts on wood-based industries cannot be excluded if reporting on the production and use of timber products is passed onto the forest-based industries' (IA, p. 43). However, the IA expects only limited additional costs for (largely already existing) international reporting that would be used. The IA concludes that the present initiative is not relevant for SMEs in terms of its potential negative impacts. Therefore, no further analysis would be needed. The IA considers that the preferred option creates economic opportunities for SMEs; the envisaged greater role of EO for instance could offer 'possibilities to SMEs active in acquiring and processing the satellite imagery, data processing and providing services related to forests and forestry, including advisory services' (IA, p. 43). The IA mentions **competitiveness** in the assessment of environmental impacts (sustainable provision of forest resources and services), without discussing it in detail (IA, p. 52).

Simplification and other regulatory implications

Currently, no legislative framework on forest monitoring exists in the EU. According to the IA, the preferred option is coherent with related initiatives such as the nature restoration law and the carbon removal certification framework, and complementary to existing legislation (e.g. LULUCF Regulation, Habitats Directive). It is also coherent with related EU policy objectives and instruments, such as the policies on climate, air, water and nature (IA, pp. 58-60). In light of the 'one-in, one-out' approach, the initiative is expected not to generate significant administrative costs to businesses and citizens, since it 'does not introduce new direct administrative requirements applicable to these groups' (IA, p. 106).

Monitoring and evaluation

For the purpose of monitoring the proposal's operation on a regular basis (every two years), the IA presents a set of monitoring indicators linked to the two specific objectives. They appear relevant for the achievement of the specific objectives, for instance: number of indicators with a common definition and with harmonised or standardised data collection methods; data provision by Member States to FISE and data access via FISE; national adaptation strategies and risk-assessment and risk-management strategies relying on common indicators; and number of long-term integrated plans adopted by Member States. The IA envisages an evaluation, taking into account the Member States' reports on the integrated long-term plans, within three years of entry into force of the regulation.

Stakeholder consultation

The IA provides a description of the stakeholder consultations in a separate annex, as required by the Better Regulation Guidelines (IA, Annex 2). The Commission carried out a call for evidence for an impact assessment between 8 April and 6 May 2022 (116 replies) and an open public consultation (OPC) from 25 August to 17 November 2022 (315 contributions in total), meeting the Better Regulation Guidelines' 12-week requirement. The insights from the OPC are reported throughout the IA. In addition, the Commission organised three expert workshops in October and November 2022 on relevant thematic topics, such as strategic plans for forests, present and future possibilities of earth observation for forest monitoring, and benefits and costs of forest monitoring. The IA provides a short summary of the main issues raised (IA, p. 98). Discussions took place during the meetings of the Standing Forestry Committee's sub-working group on forest monitoring and strategic plans, where Member States exchanged views and provided their input. The Commission

was also actively engaged in two workshops on harmonised forest observation, reporting and data collection and on harmonised forest monitoring and reporting for the EU, hosted by the Czech and Swedish Presidencies of the Council (September 2022 and February 2023).

The IA provides the views of stakeholder groups (EU citizens, public authorities, business organisations and associations, academic/research institutions, environmental organisations, non-governmental organisations and trade unions) on the problems, their drivers and the objectives. It is transparent about the different stakeholder groups' diverging views, for instance in the feedback to the call for evidence on the overall support for the initiative of an EU framework on forest monitoring and strategic plans (IA, p. 78), where a majority of EU citizens was not in favour of such an EU framework, while a majority in all other stakeholder groups supported it. In the responses to the OPC regarding the need for harmonised forest data and information, only half of the forest owners agreed that harmonised information is needed for example on forest biodiversity, forest carbon stocks and flows and forest management. Between 80 and 100 % of forest data providers agreed that such data are needed (IA, p. 85). It appears that the views of stakeholders were broadly taken into account in the IA in a balanced manner.

Supporting data and analytical methods used

The IA describes the supporting data and analytical methods in a separate annex (IA, Annex 4). The identification of problems, problem drivers (see Better Regulation Toolbox, Tool #13), the objectives and the analysis of impacts are based on several sources, for instance on the referenced and publicly available supporting study for the IA, literature review and expert knowledge (all references listed in the IA, pp. 66-71), results of EU research and innovation projects, and stakeholder feedback from the Commission's consultation activities. The comparison of the retained policy options is depicted in comparison tables, summarising the expected impact of each policy option. However, the result is an assessment that is **mainly qualitative, including only limited quantitative estimates**. Data limitations and uncertainties could have been described in more detail.

Follow-up to the opinion of the Commission Regulatory Scrutiny Board

The Regulatory Scrutiny Board (RSB) issued a positive opinion with reservations on 17 February 2023, considering that the IA should rectify the following shortcomings: i) the report is not clear about the gaps to be filled and the added value of EU action, in particular regarding long-term forest planning, and on the proposed level of EU intervention on the Member States' long-term forest planning; and ii) the report does not present all key policy options, including 'hybrid' options. The IA explains how the RSB's comments have been addressed in the revised IA (IA, pp. 73-76). It appears that the comments were taken broadly into account in the revised version of the IA.

Coherence between the Commission's legislative proposal and the IA

The proposal appears to follow the IA's preferred option, with the exception of the envisaged mandatory integrated long-term plans. The proposal limits the level of intervention to voluntary integrated long-term plans (Article 13). This may affect the achievability of the specific objective to facilitate integrated long-term forest planning. Article 16 of the proposal provides that the regulation will be kept under review and that the Commission will report on its implementation within five years after its entry into force.

The problem definition in the impact assessment (IA) appears to be well-supported by evidence. The description of the policy options is balanced, albeit sometimes lacking in detail. The assessment of the options' impacts (economic, social and environmental) is mainly qualitative, with only limited quantified estimates of costs and benefits. Data limitations and uncertainties could have been described in more detail. The IA consistently presents the stakeholders' views on the problems, their drivers, the objectives and the policy options. It is transparent about diverging views of the different stakeholder groups, for instance on the overall support for the initiative of an EU framework on forest monitoring and strategic plans, and the need for harmonised forest data and information. An SME test was carried out to measure potential impacts on small and medium-sized enterprises. The IA concludes that the present initiative is not relevant for SMEs in terms of its potential negative impacts, and considers that the preferred option creates economic opportunities for SMEs, e.g. possibilities for SMEs active in acquiring and processing satellite imagery, data processing, and providing services relating to forests and forestry.

ENDNOTES

1 See, for example, the European Parliament's resolution of 8 October 2020 on the European forest strategy – The way forward; Parliament's resolution of 13 September 2022 on the new EU forest strategy for 2030 – Sustainable Forest Management in Europe; and the Council conclusions of 10 November 2020 on perspectives for the EU forest-related policies and EU forest strategy post-2020.

2 See subsidiarity grid (SWD(2023) 372), p. 4.

3 The IA mentions for instance Forest Europe's State of Europe's forests (SoEF) and the international co-operative programme on assessment and monitoring of air pollution effects on forests (ICP Forests).

4 On 22 November 2023, the Commission adopted an amending proposal for an updated EU forest governance, which aims to set up a renewed interdisciplinary expert group of Member States competent on all forest and forestry matters, reflecting all the environmental, social and economic objectives of the new EU forest strategy for 2030.

5 The methodology for the selection of indicators is described in Annex 5 (IA, pp. 130-132). Option 2 would envisage a step-wise approach, with some specific indicators already included in the basic legislative act, while the remaining indicators could be included at a later stage, depending on the policy needs and the expert group's advice.

6 For instance, the IA mentions a case study in Sweden that assessed the benefits of replacing ground-based data collection for forest regeneration by satellite-based monitoring (see also IA, Annex 3, p. 102).

7 SDGs 3 (good health and well-being), 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth), 12 (responsible consumption and production), 13 (climate action) and 15 (life on land).

This briefing, prepared for the Committee on the Environment, Public Health and Food Safety (ENVI), analyses whether the principal criteria laid down in the Commission's own Better Regulation Guidelines, as well as additional factors identified by the Parliament in its Impact Assessment Handbook, appear to be met by the impact assessment. It does not attempt to deal with the substance of the proposal.

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