



**EUROPEAN PANEL FEDERATION**  
WOOD - BASED PANELS

European Commission  
DG COMP.A.3

Brussels, 25 March 2025

**EPF feedback on the draft Communication on the Framework for State Aid measures to support the Clean Industrial Deal**

The European Panel Federation (EPF) welcomes the opportunity to provide feedback on the draft Communication on the Framework for State Aid measures to support the Clean Industrial Deal. EPF believes that ensuring the full implementation of the cascading principle for biomass is essential for resource efficiency and to meet the sustainability and greenhouse gas (GHG) emissions saving criteria outlined in Directive (EU) 2018/2001 for aid schemes covering investments relying wholly or partly on the use biomass fuels. This is particularly relevant when designing State aid measures under the Clean Industrial Deal State Aid Framework (CISAF), especially given the expected increase in biomass demand in the near future as demonstrated by the JRC<sup>1</sup>.

Importance of the Cascading Principle:

1. **Resource Efficiency:** The cascading use of biomass prioritises high-value material applications before lower-value energy uses. This ensures that biomass is used in a way that maximises its economic and environmental benefits before being burned for energy.
2. **Carbon Storage:** Wood-based panels and other biomass-derived materials store carbon, which helps reduce atmospheric CO<sub>2</sub> levels. Premature energy recovery (burning biomass before material use) leads to lost carbon storage potential.
3. **Preventing Market Distortion:** Experience has shown that favouring biomass for energy production without implementing the cascading principle creates artificial demand distortions. This harms industries that rely on biomass for material uses, such as the wood panel industry, which produces long-lived products storing carbon.
4. **Alignment with the Renewable Energy Directive:** The directive sets sustainability and GHG savings criteria for biofuels, bioliquids, and biomass fuels, requiring that aid measures ensure compliance. The current loophole in REDIII that excludes domestic heat installations with a production capacity of less than 7.5 MW from sustainability criteria should be closed.
5. **Avoiding Unintended Subsidy Effects:** If State aid under CISAF prioritises biomass for energy without safeguards, it could lead to over-extraction and suboptimal use, contradicting circular economy objectives.

Moreover, EPF believes that the CISAF should not solely support energy-intensive industries as the framework should aim to create a competitive, resilient, and decarbonised industrial ecosystem across the European Union.

The importance of including broader industrial support:

1. **Inclusive Industrial Transition:** The CISAF should seek to accelerate decarbonisation and innovation across the entire industrial sector, not just energy-

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<sup>1</sup> <https://publications.jrc.ec.europa.eu/repository/handle/JRC133505>  
<https://publications.jrc.ec.europa.eu/repository/handle/JRC128384>



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- intensive industries. Supporting a wide range of industries ensures that cleaner technologies and sustainable practices are adopted across the economy
2. **Circular Economy and Resource Efficiency:** CISAF highlights the importance of circularity to reduce dependencies and enhance economic competitiveness. Many non-energy-intensive industries, such as wood-based panels manufacturing, play crucial roles in adopting circular economy principles.
  3. **Avoiding Market Distortions and Ensuring Fair Competition:** The framework should better balance State aid with competition policies to prevent market distortions. If only energy-intensive industries receive aid, other industries may face an unfair disadvantage, undermining the goal of a level playing field.
  4. **Broader Societal and Economic Benefits:** Supporting a wide range of industries ensures that the benefits of decarbonisation, job creation, and regional economic development are distributed more equitably. This aligns with the EU's goals of social cohesion and just transition.

To conclude, EPF believes that state aid should include broader industrial support while ensuring that biomass - which is valuable resource - is first used for durable materials before being diverted to energy to be in line with the objectives of the Green Deal and thus fostering the development of a competitive circular bioeconomy in Europe as foreseen in the update of the Bioeconomy Strategy and the upcoming Circular Economy Act.

*About EPF - the European Panel Federation has members in 30 European countries and represents the manufacturers of particleboard, MDF, OSB, hardboard, softboard and plywood. The EU wood-based panels industry has an annual turnover of about 25 billion euro and creates over 100,000 jobs directly.*  
[www.europanel.org](http://www.europanel.org)

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