

PRI RESPONSE

TOWARDS A CIRCULAR, REGENERATIVE AND COMPETITIVE BIOECONOMY

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ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the call for feedback on: [Towards a circular, regenerative and competitive bioeconomy](#).

ABOUT THIS CONSULTATION

The EU initiative aims to offer solutions for a circular and climate neutral economy, boosting the EU's prosperity and competitiveness within planetary boundaries. Its objective is to help citizens, regions and key economic sectors (including agriculture, forestry, fisheries, biomanufacturing and biotechnologies industries and services) make the best and most sustainable use of biomass. This will keep material and products in the economy for as long as possible, reconciling planet, people and prosperity.

This consultation response is based on the PRI policy report on [Addressing EU bioenergy policy and investment risks for climate and nature](#), published in December 2024. The report assesses the role of bioenergy for the EU's renewable energy targets and provides policy recommendations on how to use biomass most effectively to achieve competing energy, climate, and nature objectives, while contributing to the EU transition to a competitive net-zero economy.

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PRI RESPONSE TO PUBLIC CONSULTATION: 'TOWARDS A CIRCULAR, REGENERATIVE AND COMPETITIVE BIOECONOMY'

Biomass has a core function in supporting the EU net-zero climate transition and a competitive bioeconomy. But scarce bioresources face growing demands from competing sectors and have different use cases and investment opportunities. This requires careful consideration to decide which competing policy objectives and respective use cases to prioritise.

A coherent EU whole-of-government strategy is necessary to take advantage of both the material benefits of harvested biomass and the in-situ benefits of living biomass. The PRI considers the following principles as key to achieve climate targets, enhance biodiversity and restore nature, and bolster a circular, regenerative and competitive bioeconomy.

Apply the cascading principle

- **As different sectors are competing for limited supply, the highest-value material uses of biomass need to be established at a level above distinct economic sectors.** Applying the cascading principle – i.e., using and re-using biomaterials before energy recovery as a last step – is core to the transition to a competitive net-zero economy, as it helps to prioritise bioresources across various use stages and sectors.
- An assessment of highest-value use should include in-situ benefits of leaving ecosystems intact. For woody biomass, this includes the benefits of forests beyond harvest for material uses, i.e., providing ecosystem services, climate mitigation (through carbon removal and storage), climate adaptation, biodiversity, and increased resilience to climate change impacts.

Integrate bioenergy impacts and risks

- **Burning biomass for energy increases pressure on supply for the bioeconomy.** 59% of renewable energy comes from biomass, mainly from wood. While more than half of the EU's wood harvest is burned for energy, demand is continually increasing.
- Given increasing demand and competing use cases for biomass, its current allocation for bioenergy use is not consistent with the EU's climate, nature or bioeconomy objectives.
- Biomass for energy, specifically from wood, can help to decarbonise the EU economy, but only where it provides significant, near-term cuts in greenhouse gas emissions compared to fossil fuels, and where low-carbon alternatives are not yet feasible.

Provide a coherent governance framework for biomass

- **A holistic governance framework for the production and use of biomass needs to consider competing policy objectives.** This requires a whole-of-government approach shifting the focus from 'biomass for energy' to nature-based climate solutions, for EU climate targets, the 2030 Biodiversity and Forestry Strategy, and the transition to a competitive net zero bioeconomy.
- A coherent governance framework should provide transparent market signals to biomass suppliers, users, and investors, and a common terminology for sustainability criteria (including GHG emissions).

To address these competing policy objectives and strengthen a competitive and circular net zero bioeconomy, the PRI recommends to:

Create a coherent governance framework for biomass

- Apply the cascading use principle to maximize biomass value, including in-situ benefits
- Strengthen data and impact assessment for biomass in National Energy and Climate Plans.

Shift from biomass for energy to nature-based solutions

- Provide a cap on biomass for energy as part of REDIII
- Ensure biomass use for carbon sinks and LULUCF objectives

Provide consistent price signals for emissions from biomass use

- End financial support for the use of primary wood biomass for energy
- Evaluate GHG emissions across the entire life cycle of biomass, including combustion and loss of forest carbon storage

For more information, please see PRI's policy report on [Assessing EU Bioenergy Policy and Investment Risks](#) below.

<https://www.unpri.org/policy-reports/policy-briefing-addressing-eu-bioenergy-policy-and-investment-risks/12921.article>