

Brussels, 10th of September 2018

Subject: POTENTIAL NON-COMPLIANCE OF THE SUGGESTED AMENDMENTS TO THE LAW ON FORESTS OF THE REPUBLIC OF LITHUANIA.

Your Excellency,

The European Landowners' Organization ELO (www.elo.org) was founded over 40 years ago as a federation of national organisations, to ensure that the European Union respects the property rights of citizens, so that private landownership can continue to make a positive contribution to the economy and the environmental management of rural areas. ELO represents the concerns of active landowners and their rural businesses in relation to agriculture, forestry, the environment, housing, field sports and rural tourism.

Recently ELO has received an information regarding the possible forthcoming restrictions of property rights in Lithuania. This situation is a matter of grave concern for our members, especially with regard to the amendments of the Law on Forests of the Republic of Lithuania No XIIP-2265 and No XIIP-2288 (the Amendments) registered with the Lithuanian Parliament, which mainly suggest that:

- 1) a person together with associated persons may not acquire into ownership more than 1,000 ha or 1,500 ha (varies between the Amendments) of forest land;
- 2) a special permit would be required in order to acquire shares (part) in the company owning more than 400 ha or 10 ha (varies between the Amendments) of forest land, etc.

Having been appraised of these amendments, we would like herewith to express our support for Lithuanian landowners and state that **these amendments are, in our opinion, in conflict with European Union (EU) law.** The suggested restrictions not only fail to comply with EU law to a large extent, but would cause serious damage to the domestic economy by restricting free movement of capital and limiting investments. **The proposed amendments would result in discrimination of private forest owners,** which is in principle prohibited by the provisions of the Treaty on the Functioning of the EU (TFEU) regulating fundamental freedoms, including free movement of capital.

In contrast to the penalties suffered by private owners, these amendments would not apply to or restrict the size of land plots owned by the state or state-controlled entities. Therefore – should the proposed amendments be adopted – the State Forest Enterprise (SFE) would be able to continue to manage 1.089.000 hectares of forest land and thereby maintaining an extraordinary market advantage as by far the largest player in the Lithuanian timber trade. Conversely, the proposed amendments would, by law, severely restrict the ability of private entities to compete or achieve economically justified scales of production. Should the proposed limits to private forest management of 1.000 to 1.500 hectares be passed, even the largest private enterprise could only manage 0.1% of what is managed by the SFE. Such an outcome would result, in our opinion, **in conflict with EU Competition Law.**

Through the framework of the European Landowners' Organisation (ELO) in cooperation with our member – the Forest Owners Association of Lithuania – the ELO is fully informed about the situation in Lithuania. In this respect, ELO would like to ask for your assistance in order to help the Lithuanian landowners. Since 1st May 2004 Lithuania has been a EU Member State. Private property rights are highly respected in the European Union. The ELO hope that the Lithuanian authorities will do everything necessary to fulfil international commitments and to respect the private ownership rights of landowners, through creating and effectively implementing a credible body of laws on ownership and management of forest land.

Yours sincerely,
Thierry de l'Escaille

Secretary General, CEO

