

December 16, 2024

To Japanese Financial Institutions,

## Request to reconsider investment in large-scale wood biomass power projects and implement strong biomass sustainability policies

The undersigned North American organizations are writing to request that your institution adopt a wood biomass climate and sustainability policy or strengthen existing policies. We ask that any such policy covers the areas of concern listed below.<sup>1</sup> We are diverse organizations ranging from community groups concerned about the local impacts of wood pellet production, to civil rights organizations opposed to wood biomass because of its pollution burdens on vulnerable communities, to regional and national environmental organizations concerned with the overall negative effects of wood pellet production on climate change and the health of North American forests.

**We urge you to end all investment in large-scale wood biomass power generation and pellet manufacturing that worsens climate change, degrades forests or harms communities; to engage with developers of projects you are currently financing to meet these criteria and to withdraw investment from such projects if they are unable or unwilling to comply.**

We are alarmed by the rapid growth of the North American wood biomass industry in a short span of time. There are now 29 wood pellet mills operating in the southeastern United States and 14 pellet mills in western Canada and these large-scale facilities primarily produce pellets for export. Civil society organizations are vigorously contesting permits to build three additional pellet mills in Washington State<sup>2</sup> and California.<sup>3</sup>

Major pellet producers including Enviva, Inc. and Drax Group Plc have too frequently skirted laws intended to protect residents from air pollution and dust, with a lengthy history of legal violations and penalties at many of the mills in the United States, counting more than 10,000 cases,<sup>4</sup> and nearly 200 more violations in Canada.<sup>5</sup> After repeated complaints by residents, one US state recently issued new

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<sup>1</sup> Global Environmental Forum. 21 May 2024. "NGO Comment: Praise for Japanese 3 Megabank Sustainability Policies for Wood Biomass and Challenges for the Future." <https://www.gef.or.jp/wp-content/uploads/2024/05/16cb18df52360e122e83b02f5001ed6f.pdf>

<sup>2</sup> Drax has plans to open a plant in Longview, Washington.

Drax. "Longview, Washington State." <https://www.drax.com/us/about-us/longview-washington-state/>

<sup>3</sup> Drax has plans to open plants in Lassen County and Tuolumne County, California.

Rita Frost. National Resources Defense Council. 16 July 2024. "Drax Coming for California Forests by Partnering with GSNR." <https://www.nrdc.org/bio/rita-frost/drax-coming-california-forests-partnering-gsnr>

<sup>4</sup> Southern Environmental Law Center. "Violations at Wood Pellet Plants Harm Southern Communities" <https://www.southernenvironment.org/biomass-violations/>

Camille Corcoran. Land and Climate Review. 4 November 2024. "Drax-owned facilities broke environmental rules more than 11,000 times in the US" <https://www.landclimate.org/drax-usa-11000/>

<sup>5</sup> Jaysim Hanspal And Bertie Harrison-Broninski. Land and Climate Review. 14 May 2024. "Drax's Pellet Mills Violated Environmental Law 189 Times in Canada." <https://www.landclimate.org/drax-mills/>

requirements to reduce excessive fugitive dust from shipping terminals.<sup>6</sup> As demand for wood pellets by Japanese companies has been a key driver of this expansion, Japanese buyers and financiers share a responsibility to reduce the pellet industry's negative impacts and avoid further harm.

Why better policies and exclusion of imported wood biomass are needed:

### 1. Wood biomass from North America worsens climate change

Wood biomass power emits more CO<sub>2</sub> during combustion than coal-fired power plants.<sup>7</sup> Wood biomass impacts the climate more broadly as trees are cut down that would otherwise be valuable carbon stores. Furthermore, even if regrown, forests in the southeastern United States can take more than 100 years or more to recapture the carbon lost, not to mention the emissions of processing and transporting the wood.<sup>8</sup> In Canada's slower-growing northern forests, that period of increased atmospheric carbon dioxide levels could last for centuries.<sup>9</sup>

### 2. Wood biomass production harms our forests

Primary forests in Canada, the second largest exporter of wood pellets in the world, are harmed by increasing demand for wood biomass. Never been logged primary forests, including old growth forests critical for biodiversity, are being clear-cut and turned into biomass fuel.<sup>10</sup> Whole trees are widely used, contrary to the industry's claim that they utilize mill residues. This subsidized industry is enabling the further exploitation of forests to serve Japanese buyers, with 76% of pellets produced in British Columbia shipped to Japan in 2023.<sup>11</sup>

In the United States, the biomass industry's ceaseless drive to provide wood pellets for foreign power plants destroys 175,000 acres of forest (70,820 hectares) in the South every year.<sup>12</sup> Wood biomass production degrades forest ecosystems, worsens flooding and erosion, potentially intensifying impacts from weather and natural disasters.<sup>13</sup> Pine and other monoculture

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<sup>6</sup> North Carolina Department of Environmental Quality. 24 June 2024. "DEQ Requires Two Companies to Adopt Dust Control Measures at the Port of Wilmington." <https://www.deq.nc.gov/news/press-releases/2024/06/24/deq-requires-two-companies-adopt-dust-control-measures-port-wilmington>

<sup>7</sup> Center for Biological Diversity. June 2020. "Biomass Energy is Polluting: A False Climate Solution that Worsens the Climate Crisis." [https://www.biologicaldiversity.org/programs/climate\\_law\\_institute/pdfs/Biomass-Energy-Is-Polluting-2.pdf](https://www.biologicaldiversity.org/programs/climate_law_institute/pdfs/Biomass-Energy-Is-Polluting-2.pdf)

<sup>8</sup> John Sterman, Lori Siegel, and Juliette Rooney-Varga. IOP Science. 18 January 2018. "Does Replacing Coal with Wood Lower CO2 Emissions? Dynamic Lifecycle Analysis of Wood Bioenergy." <https://iopscience.iop.org/article/10.1088/1748-9326/aaa512/meta>

<sup>9</sup> Jay R Malcolm, Bjart Holtmark and Paul W Piasecik. "Forest harvesting and the carbon debt in boreal east-central Canada." *Climatic Change*. Apr. 11, 2020. p.14 <https://doi.org/10.1007/s10584-020-02711-8>

<sup>10</sup> Conservation North. "Logging What's Left." <https://conservationnorth.org/logging-what-left-japanese/>  
Biofuel Watch. "Logging What's Left." <https://www.biofuelwatch.org.uk/2024/drax-bc-pellets-investigation/>

<sup>11</sup> Ben Parfit. Center for Policy Alternatives. April 2024. "Log it and Burn it: Wood Pellets, Climate and British Columbia's Deepening Forest Crisis." <https://policyalternatives.ca/sites/default/files/uploads/publications/2024/04/CCPA-Log%20it%20and%20burn%20it-web%20final.pdf>

<sup>12</sup> Dogwood Alliance. "Hold Enviva Accountable to Communities." <https://dogwoodalliance.org/actions/2023-enviva-petition/>

<sup>13</sup> Environmental Paper Network. "The Biomass Delusion." <https://environmentalpaper.org/biomass/the-biomass-delusion/>

plantations are growing in place of natural forests. These monocultures lack biodiversity and do not absorb and store carbon at the levels that natural forests and ecosystems are able to.<sup>14</sup>

### **3. Wood biomass production violates the civil rights of communities**

Wood pellet plants emit toxic levels of pollution, including particulate matter, volatile organic compounds (VOCs), carbon monoxide, methanol, formaldehyde as well as noise pollution. These plants have a history of evading Clean Air Act requirements to avoid installation of more stringent pollution controls, and for violating emissions limits in their permits, which exposes these communities to excessive levels of pollution.<sup>15</sup>

In the US South, Black and underserved communities experience the worst of the wood biomass industry. Wood pellet mills have become major sources of additional air and noise pollution in already disadvantaged communities in the southeastern United States. Across the southeastern United States wood pellet mills are 50% more likely to be located in such communities.<sup>16</sup> This has prompted years of opposition, including a demand from the NAACP, known for its advocacy during the civil rights movement, to call for a moratorium on the manufacturing of pellets. The NAACP resolution stated, “the hazardous and toxic manufacturing of wood pellets has proven to be a clear-cut case of environmental injustice by wood biomass industries, mostly locating their operations in close proximities of low income and/or communities of color.”<sup>17</sup>

**For the above-listed reasons, as part of a strong biomass power policy, banks should commit to the following:**

1. We will count and disclose all financed CO<sub>2</sub> emissions from the full lifecycle of biomass power (including combustion) in accordance with the GHG Protocol<sup>18</sup> and require that recipients of project finance also fully report their emissions.
2. We will require biomass power generators to confirm that fuel they use does not originate in primary or natural forests including unused wood, waste wood, and sawmill residue.
3. We will stipulate the principle of cascading use of wood in our policy so as not to invest in power projects that use biomass fuel produced by the processing of whole trees.
4. We will require that biomass power plant operators verify that the wood fuel they import does not contribute to forest degradation or conversion of natural forest to plantations.

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<sup>14</sup> Anand Osuri et al. IOP Science. 18 February 2020. “Greater Stability of Carbon Capture in Species-rich Natural Forests Compared to Species-poor Plantations.” <https://iopscience.iop.org/article/10.1088/1748-9326/ab5f75>

<sup>15</sup> Mokuzai Joho. February 2023. “Health impacts of Air Pollution from Wood Pellet Production in the Southeastern US.” <https://www.mightyearth.org/wp-content/uploads/biomasshealth2023.pdf>

<sup>16</sup> Stefan Koester and Sam Davis. April 2018. “Siting of Wood Pellet Production Facilities in Environmental Justice Communities in the Southeastern United States.” pp 64-70. <http://doi.org/10.1089/env.2017.0025>

<sup>17</sup> NAACP. October 2021. Resolution in Opposition to Wood Pellets Manufacturing and Use of Wood-Bioenergy. <https://naacp.org/resources/resolution-wood-pellets-opposition>

<sup>18</sup> The Greenhouse Gas Protocol currently requires corporate reporting of biogenic emissions and is revisiting its guidance on emissions from land use. The IPCC will soon take up methodological work on carbon dioxide removal (CDR) definitions, which may result in revisions to the current inaccurate treatment of emissions from biomass power at the national level. Changes in accounting rules could undercut the basis for the use of woody biomass in the power sector by more accurately counting lifecycle emissions associated with the use of forest biomass for energy.

5. We will require biomass power generators to confirm that imported fuel was not produced in facilities that violate local environmental laws or cause health problems in nearby communities.
6. To enable the third-party evaluation of the above-mentioned confirmations #1-5, we will require recipients of finance to disclose the name and location of all plants from which biomass fuel is procured on the company's website.
7. In implementing the above-mentioned requirements and evaluations #1-5, we will conduct due diligence or risk assessment on companies. We will not rely upon biomass-related sustainability certificates as evidence of sustainable practices or legality.
8. We will not invest in pellet mills and supply chains of pellets that are sited in vulnerable communities with high concentrations of poverty and minority residents.
9. We will not invest in wood biomass power plants or biomass/coal cofired power plants which are inconsistent with holding global temperatures increases to 1.5C, undermine Japan's G7 commitment to decarbonize the power sector by 2035, and prolong the lifespan of coal power plants.
10. We will expand the application of our policy specifying #1-9 above to existing power generation and fuel processing projects as well as new or expansion of power plants.

**Our organizations request an update on the status of your policy on biomass power by January 7, 2025.** We extend an invitation to meet with you online to discuss these concerns at your convenience. We also invite you to visit the communities and forests in North America affected by your investments.

Respectfully,

350PDX

Biofuelwatch

Biomass Working Group of the Pacific Northwest Forest Climate Alliance

Cascadia Climate Action Now

Climate Communications Coalition

Concerned Citizens of Northampton County

Dogwood Alliance

Friends of Bell Smith Springs

Friends of the Earth US

Greater Greener Gloster Project

Healthy Gulf

Heartwood

John Muir Project of Earth Island Institute

Mighty Earth

Natural Resources Defense Council

Partnership for Policy Integrity

Pivot Point

Robeson County Cooperative for Sustainable Development

STAND.Earth