[English translation of two Japanese letters]

March 8, 2023

To: CEO of XX Corporation

HUTAN Group
Plantation Watch
Mighty Earth
JATAN
Fair Finance Guide Japan
Fridays For Future Sendai

Letter of request to power generating companies to reconsider biomass power projects using imported wood fuel /
Letter of request to financial institutions to develop a policy on imported woody biomass power projects, conduct ESG engagement with biomass power businesses, and reconsider investments and loans

We are NGOs/citizen groups concerned about the rapid growth of large-scale imported wood biomass power generation projects in Japan and its negative impact on climate change caused by greenhouse gas (GHG) emissions, the destruction of forests and ecosystems and the impact on the livelihoods of local residents from fuel production.

In February 2021, over 500 scientists from 42 countries and regions submitted a letter to the Japanese, U.S., EU, and Korean governments claiming that power generation using woody biomass is not carbon neutral.[1] In addition, in September 2022, the European Parliament passed an amendment to the EU's Renewable Energy Directive ("RED III"), which further tightens the regulations on forest biomass fuels, for example, by making the use of biomass for electricity generation ineligible for subsidies. It is increasingly likely that large-scale biomass power generation will no longer be considered a climate change mitigation measure in Japan.

For the reasons set forth below, we request that your bank develop a policy on investment in and financing of imported biomass power generation projects and actively carry out ESG engagement with biomass power generators and related businesses. We also request that you reconsider your investment and loan if the biomass businesses fail to meet your policy criteria. This request has been sent to 20 companies (in order of total generating capacity) that operate woody biomass power generation projects of 50 MW or more certified under the feed-in tariff (FIT) [renewable energy subsidy] system and 20 financial institutions that are assumed to be investing in and financing these projects.

(1) Woody biomass power generation emits enormous amounts of greenhouse gases and is not carbon neutral.

Biomass power generation is a form of thermal power generation that generates electricity by burning

[1] https://foejapan.wordpress.com/2021/02/16/letter-from-500-scientists/

biomass fuels. The National Institute for Environmental Studies' “Greenhouse Gas Inventory Report for Japan” (2021) notes that the carbon emission factor of woody biomass during power generation (29.6 t-C/T) is higher than that of coal (24.3 t-C/TJ).[2] Although it is claimed that biomass power generation is carbon neutral because "GHG emissions from combustion are absorbed by trees as they grow," many researchers, including Dr. Timothy Searchinger of Princeton University, a leading researcher on GHG emissions from biomass, have reported that "cutting down trees and burning them will exacerbate global warming fordecades to centuries.”[3]

The GHG Protocol, the international standard for calculating and reporting corporate greenhouse gas emissions, requires that CO_2 from the combustion of biomass fuels be disclosed as supplemental information, and it is expected that biogenic CO_2 emissions will be accounted for in Scope 2 in the future. In addition, Science Based Targets Initiative (SBTi), an initiative for companies to meet the 1.5-degree target, requires companies using biomass energy to report CO_2 emissions from the combustion, processing, and shipping and transport of biomass, as well as emissions and removals from land use associated with bioenergy feedstocks.[4]

Regarding the cofiring of biomass in coal-fired power plants, rules based upon the Japanese Law Concerning the Rational Use of Energy (Energy Conservation Act) calculate this will also reduce emissions, but in reality, emissions will increase. Therefore, coal-biomass co-firing is not considered to be a climate change measure, but rather only prolongs the life of coal-fired power generation.

(2) <u>Biomass power generation has caused deforestation and ecosystem destruction in North America and Southeast Asia for the production of wood pellets/chips, affecting the lives of local residents.</u>

In September 2022, we visited wood pellet-producing regions in British Columbia, Canada, where old growth forests (forests that have never been industrially logged, regardless of age), which are inhabited by grizzly bears, wolves, and woodland caribou, and include First Nation conservation areas, were clear-cut. CBC[5] , BBC[6] and other local news outlets have also reported extensively on the environmental problems caused by Drax, a company that operates pellet mills in the area. In Japan, this production area was also featured on NHK's "Close-Up Today" program,[7] which generated a great deal of publicity.

US-based NGO Mighty Earth notes that in the southern United States, "natural forests rich in species diversity and high carbon storage capacity are being turned into industrial forests." Wood pellet giant Enviva's wood pellet plants, which operates here, is located in the vicinity of what the World Wildlife Fund

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[2] 国立研究開発法人国立環境研究所, "日本国温室効果ガスインベントリ報告書"（2021.4）, p.82
http://www.nies.go.jp/gio/archive/nir/jqjm1000000x4g42-att/NIR-JPN-2021-v3.0_J_GIOweb.pdf

[3] https://www.foejapan.org/forest/biofuel/pdf/211215_Searchinger.pdf

[4] WWF、CDP、WRI、国連グローバル・コンパクトによる共同イニシアティブ,
https://www.env.go.jp/earth/ondanka/supply_chain/gvc/intr_trends.html

[5] https://www.cbc.ca/news/fifthestate/the-big-burn1.6603564

[6] https://twitter.com/BBCPanorama/status/1576828899950

[7] https://www.nhk.or.jp/gendai/articles/4716/

(WWF) designates as "Critical/Endangered Forests," which are mixed coniferous forests in the southeastern United States and along the Mid-Atlantic coast. It is also noted that they are located in areas with high concentrations of poor people and racial minorities, which are vulnerable to environmental destruction.[8]

(3) <u>Imported biomass power generation does not contribute to energy self-sufficiency in Japan, and the risk of business failure is increasing. Further consumer burden should be reduced.</u>

Imported biomass power generation, oil, coal, and nuclear power does not contribute to energy self-sufficiency in Japan because they are based upon imported fuel from overseas. The majority of the cost of the imported biomass power generation is covered by the "renewable energy generation promotion levy" collected from the electricity bills of Japanese residents under the feed-in tariff (FIT) system, and it is inevitable that the people of Japan will raise their voice against the national burden of over 8 trillion yen (~$60 billion USD) over the next 20 years.

The cost of procuring biomass fuel has skyrocketed in recent years due to the weak yen and high transportation costs. In the power generation business using palm oil, a biomass liquid fuel, all power plants in Japan have suspended operations due to soaring fuel prices, and in September 2022, HIS Super Power Company became insolvent and gave up its business.[9]

In Vietnam, the largest wood pellet producing country, the largest company in the export business of wood pellets, An Viet Phat Energy, was found to have committed certification fraud and was suspended from the Forest Stewardship Council (FSC) wood product certification system, which the Japanese FIT program uses to demonstrate legality. It became clear that the supply of pellets from Vietnam has major challenges in guaranteeing sustainability.[10]

<u>For financial institutions, we ask that you respond to the following questions by March 24.</u>

(1) Scientists and environmental NGOs around the world have pointed out that promoting large-scale biomass power generation dependent on imported fuels is not carbon neutral, does not help combat climate change, and puts pressure on global forest resources. Do you plan to develop a policy for wood biomass power projects in the future? And is there a possibility that you will revisit your financing of new biomass power projects in the future in line with the policy?

(2) Do you plan to count and disclose CO2 emissions from biomass combustion in accordance with the GHG Protocol or SBTi, which is expected to be revised in the future?

(3) How do you check the sustainability of fuel pellets/chips imported from overseas such as Canada,

[8] Mighty Earth, “Smokescreen: Sumitomo’s Carbon Neutral Failures.” June 2021. https://action.mightyearth.org/wp-content/uploads/sites/4/2021/12/Mighty-Earth-Sumitomo-Report-12.8.2021web.pdf

[9] https://www.ryoko-net.co.jp/?p=111072

[10] https://toyokeizai.net/articles/-/633934 and https://www.argusmedia.com/es/news/2386288-fsc-suspends-vietnamese-wood-pellet-producer-avp?amp=1

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Vietnam, Malaysia, Indonesia, and the U.S. for the biomass power generation projects financed by your bank (i.e., that they are not of primary forest origin - including unused wood and sawmill residues - and that they do not violate the human rights of local residents, etc.)? -) and that they do not infringe on the human rights of local residents, etc.?

(4) It has been pointed out that cofiring biomass with coal should not be implemented because it leads to the prolongation of coal-fired power plants and emits enormous quantities of GHGs. What is your position and plan on coal biomass cofiring?

For Power Generation Companies we ask that you respond to the following questions by March 24.

(1) Scientists and environmental NGOs around the world have pointed out that promoting large-scale biomass power generation dependent on imported fuels is not carbon neutral, does not help combat climate change, and puts pressure on global forest resources. How does your company view this and plan to do to address it?

(2) Do you plan to count and disclose CO_2 emissions from biomass combustion in accordance with the GHG Protocol or SBTi?

(3) How do you verify the sustainability of fuel pellets/chips imported from abroad for your business, such as Canada, Vietnam, Malaysia, Indonesia, the U.S., etc. (in particular, that they are not of primary forest origin - including unused wood and sawmill residues) - and that they do not violate the human rights of local residents, etc.?

(4) Due to the high risk of imported woody biomass directly harvesting of forests or having a high risk of mixing in wood originating in natural forests, do you ensure that the cascade use principal is implemented for biomass so that that the primary fuels from forests (including unutilized wood and low quality wood) are not used?

(5) Even if sawmill residues or forest residues, if fuels are derived from natural forests, will you commit to not using them as fuel?

(6) Do you avoid buying anything that has concerns related to local environmental/human rights?

(7) Based on the above, if you recognize that a project has problems, will your company reconsider the project?