

**Written evidence submitted by Biofuelwatch and the Partnership for Policy Integrity (US) to the Environmental Audit Committee inquiry on the Future of the Green Investment Bank.**

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**PLEASE NOTE We would like to be considered to be an oral witness**

**2079 words total**

**1. Executive Summary**

- 1.1. Biofuelwatch has been campaigning since 2012 to end the Green Investment Bank's (GIB) support for large scale biomass and energy from waste. In this evidence we set out our experience of GIB's failures in this area. **We do not suppose that this will improve when the focus and driver of the Bank is profit and it is run by investors.**
- 1.2. GIB urgently needs to have:
  - a) comprehensive green criteria,
  - b) external auditing of sustainability
  - c) strong procedures in place to ensure that funded projects are indeed sustainable and low carbon.
  - d) greater transparency over funding decisions both before and after they are made.
  - e) better green due diligence.
  - f) real independence from government policy and freedom from an over-riding profit motive.
- 1.3. All of its green criteria combined would be no more than would be expected of ordinary Corporate Social Responsibility but the fact that projects only have to adhere to one of them fatally weakens GIB's green credentials. GIB's CEO justified their investment in Drax to the Environmental Audit Committee's [enquiry on Green Finance](#) in 2013 as ultimately based on a "Government decision about what represents green". This disregards the responsibility placed on the board by the 'operational independence undertaking' to act according to its objects and green criteria. **If GIB cannot exercise sufficient Green due diligence and independence of mind as currently constituted that is unlikely to improve when it is owned and largely controlled by investors.**
- 1.4. We recommend that:
  - a) bioenergy and energy from waste be removed entirely from GIB's remit;
  - b) projects should have to meet all five green criteria which should be strictly and scientifically applied using the precautionary principle.
  - c) Funding decisions should be independently scrutinised and fully transparent.
  - d) GIB should take a rigorously independent view of government policy (as

provided for in their 'operational independence undertaking' and constitution) and only support genuinely green projects.

- e) GIB should not be overly influenced by the market, ie. simply what will generate return on investment. This is likely to be an over-riding principle when the bank is run by investors.

## 2. About Biofuelwatch and our reasons for submitting evidence.

- 2.1. Biofuelwatch provides information, advocacy and campaigning in relation to the climate, environmental, human rights and public health impacts of large-scale industrial bioenergy. We are a small team of staff and volunteers based in the UK and US.
- 2.2. The Partnership for Policy Integrity (PFPI) uses science, legal action, and strategic communications to promote sound energy policy.
- 2.3. Biofuelwatch has scrutinised GIB's work since its inception, in relation to bio-energy and found much wanting. We want to see the the recommendations in 1.4 actioned. We see little hope of this happening or current practice improving **when the focus and driver is profit and it is run by investors.**
- 2.4. Biofuelwatch's recent key focus in the UK has been on large scale biomass electricity generation. It has been running a Banking on Big Biomass campaign with the aim of ending GIB's financing of such projects.
- 2.5. GIB 'green'lighted and kickstarted Drax's biomass conversion with an initial £100m loan, without which Vince Cable said the power station would have had to close (due to EU sulphur emissions regulations). In its first annual report GIB claimed 91% of its carbon savings for that year came from that loan despite a growing body of science that shows that biomass electricity emits more greenhouse gases than coal for the same amount of energy produced over decades or even centuries.
- 2.6. Biofuelwatch has conducted several email alerts (eg) mobilising thousands of people to write to GIB about specific investment projects. We have written three open letters to GIB, and received a reply to one. We have held several protests at GIB events (see this informative short film).

## 3. Our Evidence

- 3.1. Any judgement about the future of the GIB must take account of its past performance. Not all our evidence fits easily under the inquiry's 5 questions but is highly relevant. We will provide that evidence first and then answer the questions with reference to the evidence.
- 3.2. Projects only have to meet one of the Bank's five green criteria: reducing emissions, advancing efficiency, protecting and enhancing the natural environment and biodiversity, environmental sustainability, 'reducing emissions' is compulsory. So a project may 'reduce emissions' but fail to protect the environment and biodiversity. The bio-energy projects fail to genuinely reduce emissions when full life-cycle emissions are taken into account.
- 3.3. In September 2011 the Opinion of the European Environment Agency Scientific Committee on Greenhouse Gas Accounting in Relation to Bioenergy, defined and explained 'carbon accounting error' that bio-energy

is considered carbon-neutral due to regrowth sequestering carbon. GIB ignored this and other reports available at the time of their loan to Drax.

- 3.4. Another serious problem lies in the lack of independent auditing, consultation and transparency. For instance Biofuelwatch has been trying for around two years to get the GIB to release information under Environmental Information Regulations to show how the decision that investment in Drax will reduce CO2 emissions was reached, given that, according to then Secretary of State for Business Vince Cable, without the GIB loan Drax would have closed resulting in a cessation of emissions rather than continued burning of coal (3m t per year) and biomass (>15m t per year) that the investment produced. The case is still with the Information Commissioner because GIB continues to refuse to divulge the information, citing commercial confidentiality.
- 3.5. At the Environmental Audit Committee hearing on Green Finance in 2013. GIB CEO Shaun Kingsbury said: "if, in the end, we found that any investment we made was not following the agreements we had in place around how it sourced its biomass, we have the ability to retrieve the loan, put them into default and get our money back" GIB have refused to release their agreements with Drax even under FOI and have privately told us that rescinding the loan "will never happen". Thus GIB is defending its decisions and reputation at all costs against mounting evidence that it is the opposite of green.
- 3.6. GIB assure us that they check Drax biomass sourcing and it is 'sustainable'. But they have repeatedly refused to acknowledge evidence, including photographic evidence, of clear-felling whole hardwood trees from highly biodiverse, carbon rich wetland forests in the southern US by Enviva for Drax. They did not take up invitations by the suppliers of the evidence to be shown examples on the ground or from the air.
- 3.7. When information about actual sourcing by Enviva, Drax's biggest pellet supplier, is matched to the generic sourcing scenarios in DECC's Biomass Emissions and Counterfactual (BEaC) report, it would appear that Drax's biomass electricity may be up to 3 times worse than coal, per unit of energy produced. See NRDC report and SELC report. The BEaC report (p125) highlights that under current OFGEM (and GIB) carbon accounting methodology this would still be accounted as low carbon and eligible for government subsidy.
- 3.8. GIB produced a Green Handbook in March 2015. They assured Biofuelwatch that harvesting 'whole trees' for biomass would not be deemed 'sustainable' and therefore allowable in a GIB funded project. In fact it prohibits "the clear-felling of *whole forest* exclusively for fuel-use... unless it is a forestry thinning harvested as part of a growth management plan". (By definition a 'thinning' cannot come from a clear-cut.) All definition echo the flawed definitions in OFGEM guidelines.

#### **Future of the Green Investment Bank inquiry questions:**

- 1. Whether the proposed privatisation of the Green Investment Bank (GIB) will achieve the benefits claimed by the Government.**
- 2. Whether the proposed privatisation of the GIB is consistent with its role in unlocking private investment and supporting projects that would not otherwise be funded.**

- 2.1. Some projects are being funded that do not appear consistent with official government policy objectives, such as carbon reduction, not harming ecosystems and biodiversity, achieving 'decarbonisation at lowest cost', prioritising projects that are high on the waste hierarchy, creating jobs, reducing air pollution. We would contend they **should not** be funded. (see below)
  - 2.2. Biomass and Energy for Waste are not GIB 'priority areas' under State Aid rules. Yet they have received disproportionate attention and funding. We were told in a meeting with GIB in 2013 they were not bound by priority areas but made investment decisions governed by the market: financial viability and attractiveness to commercial funders was a key criteria for GIB funding. This is contrary EC State Aid decision on the GIB: "The GIB's intervention will also rest on a so-called "additionality principle": whenever possible, funding provided by the GIB will come in addition to market financing." This profit motive will only increase when the bank is controlled by investors.
  - 2.3. Drax was a leading lobbyist for lucrative renewable energy subsidies for biomass without which it would be financially unviable to burn biomass. Without biomass it would have to close soon after 2016. Since the subsidies were agreed and GIB gave the 'Green' light to Drax large corporate investors have made significant investments in Biomass. They often parrot GIB and Drax's PR. These same people would be likely to also own stakes in GIB. They would not permit GIB to remove its green stamp of approval which would put their investments at risk. For instance Invesco, of which current DECC Minister of State was Senior Investment Officer, has a 26% stake in Drax plc.
  - 2.4. Energy from Waste is being hugely funded on the basis of a flawed report identifying a funding gap when DEFRA and industry consultants highlight problems as overcapacity, inefficiency, reduced recycling and reuse, and pollution. Biomass gasification and pyrolysis is being funded, delivered by Nexterra who have never had a successful roll out of the technology being funded and Ogen whose main director has presided over many failed projects and £50m losses to investors. The technology is extremely inefficient at 20-30%. See Biofuelwatch report <http://www.biofuelwatch.org.uk/2015/biomass-gasification-and-pyrolysis/>
  - 2.5. Energy from Waste comes low on the government's legally binding Waste Hierarchy, which prioritises, reduction, reuse, recycling. As such it should not be funded by GIB. But there is considerable commercial and investor interest in these 'innovative' projects and GIB can catalyse investment easily this hitting its investment targets.
3. **Whether the performance of the GIB is put at risk by the proposed privatisation.**
    - 3.1. Its Green performance is already compromised. This will not change under new management and is likely to get worse as the Bank is run increasingly by investors.
  4. **Whether this policy forms a coherent part of the Government's broader strategy on renewables and the green sector.**
    - 4.1. The Government's strategy in renewables and the green sector as it relates to bio-energy is not coherent or defensible. Bio-energy currently forms 72% of UK renewable energy and this (especially Biomass electricity) is set to grow, despite study upon study which shows that bio-energy

releases more greenhouse gas emissions than the fossil fuels it replaces, as well as destroying ecosystems and biodiversity and causing dangerous pollution.

4.2. Biomass subsidy is maintained at the expense of onshore wind and solar which have been cut. Thus it is not displacing fossil fuel but other renewables despite their being genuinely low-cost and low-carbon.

**4.3.** Biomass and Energy from Waste are not priority areas for the bank and yet have received disproportionate attention and investment. Energy from Waste is low on the legally binding Waste Hierarchy and damages the recycling and re-use which generate more jobs and save more carbon. Eunomia's recent report shows it will deliver worse carbon emissions than grid average before 2020. Lots of peer reviewed science shows Biomass electricity is worse for the climate than burning fossil fuels and forest and biodiversity impacts are severe. Neither does it deliver energy security being dependent on imports and government subsidy. Nor does it contribute to the transformation to a genuine renewable, low-carbon energy sector but wastes money that could be doing that.

**5. Whether the part-privatisation of GIB presents any other risks or opportunities.**

5.1. The risk is that poor green performance will only get worse, especially in relation to bioenergy and energy from waste. GIB is likely to prioritise projects that produce energy over those that save energy as there is more money to be made from creating infrastructure and production than there is from reducing demand for energy.

In conclusion we would urge that the Environmental Audit Committee holds an inquiry into Biomass Electricity Subsidies (including GIB and Treasury Loan Guarantees)