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## **BLACKROCK: INVESTING IN BIOMASS ENERGY HARMS FORESTS, CLIMATE AND COMMUNITIES**

May 2022

### **Background:**

BlackRock Inc. is the world's largest asset management company, overseeing an estimated \$10 trillion in funds, 60% of which are for institutional investors.<sup>1</sup>

Many of BlackRock's investments are in businesses responsible for significant harm to climate, forests, and people. Those include companies with coal, oil, and gas investments, as well as agribusiness and pulp and paper companies linked to deforestation and rights violations against Indigenous Peoples and other communities in the Amazon and elsewhere.<sup>2</sup> They also include investments in generating

electricity and heat from the large-scale burning of wood sourced from forests and monoculture tree plantations.

This briefing looks at four of BlackRock's investments in companies which are making a profit from this type of biomass energy: Drax<sup>3</sup>, Apollo Management Holdings<sup>4</sup> (majority owners of Graanul Invest), Albioma<sup>5</sup> and its future owners, KKR<sup>6</sup>, and the wood products company Arauco (Celulosa Arauco y Constitución)<sup>7</sup> and its parent company, Empresas COPEC S.A.<sup>8</sup>

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## **Impacts of large-scale burning of wood from forests and tree plantations:**

The harmful impacts of energy from burning wood from forests and tree plantations are summarised in a joint statement about the "Biomass Delusion" signed by 175 environmental organisations from 36 countries.<sup>9</sup> They include:

- **Worsening climate change:** Upfront CO<sub>2</sub> emissions from burning wood are no less than those from burning coal per unit of energy. Even in the most optimistic scenario, it will take decades before new trees can sequester the CO<sub>2</sub> emitted, time we do not have if we want to have any chance of avoiding more than 1.5 or even 2 degrees of warming.
- **Harming forests:** The expansion in large-scale wood bioenergy is leading to more
- **Harming people:** Large-scale biomass combustion and the processing of wood to pellets result in substantial air pollution, linked to respiratory and cardiovascular illness. Facilities are often located next to already disadvantaged communities. Monoculture tree plantations, especially in the Global South, are frequently linked to land-grabbing and violations of the rights, lives and livelihoods of Indigenous Peoples and other local communities.



Area logged for wood pellets by Pinnacle", Photo: Michelle Connolly, Conservation North

## Drax Plc:<sup>10</sup>



(Oldgrowth forest in British Columbia, Photo: Stand.Earth)

Drax's power station in Yorkshire, UK, burns more wood than any other plant in the world. Since its takeover of the Canadian company Pinnacle Renewable Energy in April 2022, Drax has also become the world's second biggest producer of wood pellets, both for its own use and for sale to other energy companies. All of Drax's pellet mills are located in the Southern USA and Canada.

Drax's power station burns imported wood pellets of a volume equivalent of 155% times the UK's total annual wood harvest. Most of the pellets are imported from the southern USA and Canada, followed by the Baltic States, Brazil and Portugal. Drax's largest

external pellet suppliers are Enviva and Graanul Invest, both discussed below.

In Canada, Drax owns 7 pellet mills in located in British Columbia and two in Alberta. In 2021, prior to Drax's acquisition of the plants, the environmental NGO Stand.earth published "Risk Maps" showing that "Pinnacle's seven wood pellet facility 'haul zones' [in BC] overlap with critical primary forests and threatened species habitat". The organisation warned that ".<sup>11</sup> Since then, Drax has admitted in its 2021 Annual Report<sup>12</sup> that it indeed sources wood from old growth forests for its pellet mills – not just in BC, but also in Alberta. Drax states: "Our approach continues to evolve as the provincial Government of BC embarks on a multi-year comprehensive review of old growth forests, including interim protections for some of these forests until the review is completed. We...will follow the development of new policies related to old growth management closely, and ensure our procurement policies and procedures are aligned". In other words, Drax will continue pelletising and burning wood from old growth forests for as long as it remains legal in the Province. In April 2022 Drax hired BC's former Chief Forester, who had until then played a decisive role in ensuring the legality of continued old growth forest logging.

## Albioma S.A.:<sup>13</sup>



(Log trucks entering Enviva pellet manufacturing plant in Southampton, Virginia, Photo: Dogwood Alliance)

Albioma is a French energy company in the process of being acquired by the multinational investment company KKR.<sup>14</sup> At present, the majority of the energy generated by Albioma comes from coal power plants with co-firing of biomass, mostly sugar cane residues (bagasse), in three French Overseas Territories (Martinique, Guadeloupe, Réunion) and in Mauritius. Starting in the French Overseas Territories, Albioma has started phasing out coal burning by replacing coal with biomass, the vast majority of its wood pellets are imported from North America. Investing in import-reliant bioenergy undermines

the main goal of energy policy agreed across France as well as by the administrations of Martinique, Guadeloupe and Réunion, which is Energy Autonomy.<sup>15</sup>

Albioma first started burning wood pellets on Martinique in 2018, sourced from Enviva in the Southeastern USA. Enviva pellets are now also being burned in an Albioma plant on Guadeloupe and are expected to meet most of Albioma's future pellet demand of around 1.4 million tonnes a year. The first of Albioma's two large coal-to-biomass plant conversions on Réunion is currently underway.

Enviva routinely sources wood, including whole logs from mature trees, from the clearcutting of highly biodiverse coastal hardwood forests in the Southeastern USA. Most of its pellet plants are sited in locations where the wood dust, air pollution and noise from their operations disproportionately affect black and low-income communities, who are often already exposed to high levels of industrial pollution and social deprivation.



(Aerial view of clear cut site in North Carolina, Photo: Dogwood Alliance)

## **Graanul Invest:**

Graanul Invest is Europe's largest pellet producer. The company was founded in Estonia by Raul Kirjanen in 2003. While Kirjaunen remains CEO, most of the shares were bought by Aollo Global Management Inc. in August 2021.<sup>16</sup>

Graanul Invest owns 12 pellet plants: 4 in Estonia, 6 in Latvia, 1 in Lithuania and 1 in Texas, USA.<sup>17</sup> Its pellets are sold to European energy companies, including Drax, RWE and Ørsted.

In July 2021, the Centre for Research on Multinational Corporations (SOMO) in the Netherlands, commissioned by Greenpeace Netherlands, published a detailed report describing how Graanul's wood pellet production in

Estonia has been aggravating the climate and biodiversity crises.<sup>18</sup>

The report focuses on three particularly damaging logging practices in Estonia: logging in High Conservation Value Forest areas, logging in watersheds, and logging in peatlands. The authors found that: *"Graanul Invest is either involved in [each of] these controversial felling practices as a forest company or has been linked to them as a forest company client...The company does not have systems and procedures in place to prevent wood from other controversial logging sites being used to produce wood pellets."*



(Graanul's Osula pellet plant, Estonia, Photo: Biofuelwatch)

## **Arauco:**

Arauco, part of the Empresas COPEC group, is a multinational company headquartered in Chile, which owns 7 pulp mills as well as sawmills, panel board plants and biomass heat and power stations. Arauco also owns more than one million hectares of monoculture eucalyptus and pine plantations in Chile, Uruguay and Argentina. Its activities are linked to land conflicts, violations of the rights of Indigenous Peoples and other communities, river, air and noise pollution and other environmental and social harm.<sup>19</sup>

In October 2021, Colectivo VientoSur, Global Forest Coalition and Environmental Paper Network published a joint case study about Arauco's Valdivia biomass power station in Chile.<sup>20</sup> The biomass plant is co-located with pulp mill, however, it burns far more wood than required by that pulp mill, making additional profits from selling electricity to the public grid. The

scale of electricity generation by the plant requires not just residues from the pulp mill, but additional pine and eucalyptus wood to be burned. Arauco's Valdivia pulp mill, biomass plant and plantations have had severely negative impacts on the region's indigenous Mapuche communities, and on their environment. Those include water pollution which has destroyed ecotourism and bird watching activities that had been benefitting local communities and businesses, harm to human health, a loss of livelihoods for small farmers as their land is taken over by tree plantations, causing rural depopulation, land-grabbing and fraudulent land purchases.

Arauco is now in the process of completing an expansion of one of their pulp facilities that will include a brand new biomass plant, exponentially increasing demand for feedstock for not only pulp but for biomass electricity generation.<sup>21</sup>



(Aftermath of devastating wildfires in Chile in 2017, to which monoculture tree plantations are prone, Photo: Techo/Flickr)

## **Conclusion:**

The four short case studies into wood biomass investments by BlackRock illustrate the harm which such investment are causing to forest ecosystems, to communities and to the

climate. BlackRock needs to divest from all biomass energy projects involving wood from forests and tree plantations, and from companies investing in such project.

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Biofuelwatch provides information, advocacy and campaigning in relation to the climate, environmental, human rights and public health impacts of large-scale industrial bioenergy.

<sup>1</sup> [businessinsider.com/what-to-know-about-blackrock-larry-fink-biden-cabinet-facts-2020-12?r=US&IR=T](https://www.businessinsider.com/what-to-know-about-blackrock-larry-fink-biden-cabinet-facts-2020-12?r=US&IR=T)

<sup>2</sup> [blackrocksbigproblem.com/](https://blackrocksbigproblem.com/)

<sup>3</sup> [drax.com/wp-content/uploads/2022/03/Drax\\_AR2021\\_2022-03-07.final\\_.pdf](https://drax.com/wp-content/uploads/2022/03/Drax_AR2021_2022-03-07.final_.pdf)

<sup>4</sup> [fintel.io/news/blackrock-inc-discloses-stake-in-apollo-global-management-inc-0.9748247718281121](https://fintel.io/news/blackrock-inc-discloses-stake-in-apollo-global-management-inc-0.9748247718281121)

<sup>5</sup> [albioma.com/wp-content/uploads/2022/03/Annual-results-2021\\_-\\_V19.pdf](https://albioma.com/wp-content/uploads/2022/03/Annual-results-2021_-_V19.pdf)

<sup>6</sup> [fintel.io/so/us/kkr/blackrock](https://fintel.io/so/us/kkr/blackrock)

<sup>7</sup> [blackrock.com/uk/literature/interim-report/ishares-vi-plc-en-2021-interim-report.pdf](https://blackrock.com/uk/literature/interim-report/ishares-vi-plc-en-2021-interim-report.pdf)

<sup>8</sup> [sec.gov/Archives/edgar/data/893818/000119312512094457/d267368dncsr.htm](https://sec.gov/Archives/edgar/data/893818/000119312512094457/d267368dncsr.htm)

<sup>9</sup> [environmentalpaper.org/the-biomass-delusion/](https://environmentalpaper.org/the-biomass-delusion/)

<sup>10</sup> See [biofuelwatch.org.uk/wp-content/uploads/Drax-briefing-2022-2.pdf](https://biofuelwatch.org.uk/wp-content/uploads/Drax-briefing-2022-2.pdf) for a fully-referenced report about Drax Plc.

<sup>11</sup> [stand.earth/publication/forest-conservation/forests-and-wood-pellets/risk-map-primary-forest-and-threatened](https://stand.earth/publication/forest-conservation/forests-and-wood-pellets/risk-map-primary-forest-and-threatened)

<sup>12</sup> [drax.com/wp-content/uploads/2022/03/Drax\\_AR2021\\_2022-03-07.final\\_.pdf](https://drax.com/wp-content/uploads/2022/03/Drax_AR2021_2022-03-07.final_.pdf)

<sup>13</sup> See [environmentalpaper.org/2022/02/french-companys-greenwashing-unveiled-converted-energy-plants-depend-on-imported-forest-wood-not-sugarcane/](https://environmentalpaper.org/2022/02/french-companys-greenwashing-unveiled-converted-energy-plants-depend-on-imported-forest-wood-not-sugarcane/) for a fully referenced detailed article

<sup>14</sup> [bloomberg.com/news/articles/2022-04-27/kkr-said-to-near-deal-for-french-renewable-energy-firm-albioma](https://bloomberg.com/news/articles/2022-04-27/kkr-said-to-near-deal-for-french-renewable-energy-firm-albioma)

<sup>15</sup> Set out in the Multi-Year Energy Plans, i.e. the Programmes pluriannuelles de l'énergie (PPE)

<sup>16</sup> [pulpapernews.com/2021/11/12/13038/apollo-funds-acquired-majority-stake-graanul-invest](https://pulpapernews.com/2021/11/12/13038/apollo-funds-acquired-majority-stake-graanul-invest)

<sup>17</sup> [graanulinvest.com/about/](https://graanulinvest.com/about/)

<sup>18</sup> [somo.nl/wp-content/uploads/2021/07/Wood-pellet-damage.pdf](https://somo.nl/wp-content/uploads/2021/07/Wood-pellet-damage.pdf)

<sup>19</sup> [banktrack.org/company/arauco/pdf](https://banktrack.org/company/arauco/pdf)

<sup>20</sup> [globalforestcoalition.org/valdivia/](https://globalforestcoalition.org/valdivia/)

<sup>21</sup> [bioenergyinternational.com/arauco-approves-us2-35-billion-construction-of-map/](https://bioenergyinternational.com/arauco-approves-us2-35-billion-construction-of-map/)