

## **Joint Response to EBRD consultation on a new Energy Sector Strategy**

Dear Sir/Madam,

We thank you for this opportunity to provide feedback on the EBRD's Energy Sector Strategy.

We believe that the EBRD needs to improve its Energy Sector Strategy in view of the current climate and biodiversity crises. In order to do this, the EBRD needs to end finance for fossil fuels, including coal district heating and investments in fossil gas, as well as in wood bioenergy.

With this submission, we would like to draw your attention to the risks of directing EBRD's energy investment funds in the wrong direction such as a harmful transition fuel like gas,<sup>1</sup> or wood biomass. Our submission focuses on the latter.

Wood biomass is commonly presented as a renewable source of energy that helps bring down greenhouse gas emissions, in the same category as solar and wind. However, burning wood for energy on a large scale is neither carbon neutral nor ecologically sustainable. It exacerbates forest destruction and climate change. It also causes harm to communities due to air and in some cases noise pollution from pellet production and biomass plants, and by degrading and destroying forests that are vital for communities.

**Our strong advice to the EBRD is to halt any investment in and financing of wood biomass, and avoid any investment in coal transitions that rely on biomass or prolong the life-span of coal-based infrastructure. We urge EBRD to focus all energy finance on clean renewable energy, including energy storage, and on energy conservation such as building insulation.**

### Air quality impacts

Burning wood causes comparable levels of air pollution as burning coal, however, it emits more fine particulates (PM<sub>2.5</sub>) per unit of energy.<sup>2</sup> The current EBRD Energy Sector Strategy rightly identifies air pollution, including from energy generation, as an important social concern and states: "*a shift to cleaner energy sources and electrification is needed to improve air quality and decarbonisation across all sectors of the economy*". Investing in biomass energy is not compatible with this. According to the European Environment Agency, in 2020, despite lower pollution levels due to Covid lockdowns, 96% of the EU's urban population was exposed to fine particulate matter (PM<sub>2.5</sub>) above the 2021 WHO guideline of 5 µg/m<sup>3</sup>.<sup>3</sup> Across Europe, particulate (PM<sub>10</sub>, which includes PM<sub>2.5</sub>) levels were highest in the Balkan region and Turkey. Given those very high levels of air pollution, even investments in biomass district heating as an alternative to more polluting domestic stoves are not compatible with the need to protect public health; genuinely clean alternatives such as solar energy are needed.

### Climate impacts

Biomass power is not a low-carbon source of electricity or heat. Burning wood emits more carbon into the atmosphere than coal per unit of energy, as it is less efficient.<sup>4</sup> It is however often reported as low-carbon, because biomass companies have on paper zero emissions. This is false: it is based on a misinterpretation of carbon accounting and deep flaws in the accounting rules themselves.<sup>5</sup> Emissions from woody biomass are officially accounted for in the land sector (LULUCF), instead of the energy sector (like fossil fuels). This means they are counted in the place a tree is cut down, not at the smokestack (but even the current flawed official counting is often not happening). This means they are counted in the place a tree is cut down, not at the smokestack (but this is often not happening). A company burning woody biomass can therefore report/state that they have zero carbon emissions, but this clearly doesn't reflect the reality. We therefore strongly recommend the EBRD to not classify wood biomass as low-carbon in its new Energy Sector Strategy.

Furthermore, wood biomass is increasingly recognised by the scientific community as a high-carbon source of energy, linked to forest and biodiversity destruction and threats to public health. In January 2018, an open Letter signed by 800 scientists was submitted to the European Parliament, stating: *"Even if forests are allowed to regrow, using wood deliberately harvested for burning will increase carbon in the atmosphere and warming for decades to centuries ... even when wood replaces coal, oil or natural gas. The reasons are fundamental and occur regardless of whether forest management is 'sustainable'".*<sup>6</sup> A subsequent peer-reviewed study found that bioenergy sourced from burning forest residues results in such a high carbon debt that it cannot contribute to the goal of the Paris Agreement to limit warming to 1.5 or even 2 degrees.<sup>7</sup> In February 2021, another open letter by 500+ scientists was sent to world leaders urging them to stop treating the burning of biomass as carbon neutral.<sup>8</sup>

#### Adverse impacts on forest ecosystems and biodiversity

The EBRD's E&S criteria for bioenergy projects class bioenergy projects "*directly associated with large-scale deforestation*" as Category A projects. However, under FAO definitions, logging and even clearcutting forests is not classified as deforestation unless the land is subsequently converted to another purpose such as agriculture. Across the EU, more than 60% of all harvested wood was burned for energy in 2017 according to the EU's Joint Research Centre,<sup>9</sup> a figure that has likely risen since. The scale of demand for wood bioenergy is a significant factor in the intensification of forestry in Europe and, in turn, correlates with progressive forest degradation (not officially classified as 'deforestation'). A peer-reviewed study published in 2020 showed that, based on analysis of satellite data, biomass loss increased by 69% and the harvested forest area by 49% between 2011-15 on the one hand and 2016-18 on the other hand.<sup>10</sup> EBRD's current E&S standards would allow for this to continue.

A report by BirdLife International, published in September 2022, highlights the serious impacts of this intensification of logging on woodland birds, including in Estonia and Latvia.<sup>11</sup> For example in Latvia, where tree cover has been declining,<sup>12</sup>

numbers of Hazel grouse decreased by 93% between 2005 and 2018, and other species like the Common buzzard, the Lesser Spotted woodpecker and the Willow tit are also declining.

A particular concern in the Balkan region and also in Turkey is illegal logging. A 2021 report by the EU Environment Partnership for Association warned: *"the forest ecosystems in the Western Balkans and Turkey are under pressure. Substantial forest areas are lost due to fires and clear cutting...In some countries the poverty-driven illegal logging is dominant. However, market driven illegal logging is also an important factor due to its profitability and low risk for the perpetrators"*.<sup>13</sup> The authors found *"incoherent, fragmented and unenforceable policy and legal framework, limited enforcement capacity, lack of information about forest resources and illegal harvesting, corruption in the timber supply chain"*.

Illegal logging is a serious concern in Bulgaria and Croatia, too, despite both being EU member states. A 2020 report about logging in Croatia, published by the Association of Veterans and Social Action, highlighted the lack of an approved Forest Management Plan since 2018, leading to severe illegal clearcuts in protected areas, a severe lack of timber tracing, misuse of EU funds to buy heavy logging machinery, and a general lack of enforcement of nature protection regulations.<sup>14</sup> And in Bulgaria, the Global Initiative Against Transnational Organised Crime found that: *"illegal logging ranks among the most serious criminal markets in Bulgaria... Between a third and a quarter of all felled trees in the country are part of the black market, and in 2019 alone, the proceeds generated by those involved in illegal logging were estimated to be between US\$42 million and US\$90 million"*.<sup>15</sup>

The EBRD's E&S criteria for bioenergy projects refer to *"internationally recognised"* certification schemes. However, an analysis published by Biofuelwatch and the Global Forest Coalition found no evidence that EU bioenergy sustainability criteria have had any impact on wood sourcing for energy, or that they have helped avoid or mitigate any adverse impacts on forests and wildlife.<sup>16</sup>

Those sustainability criteria are largely met through compliance with accredited voluntary certification schemes. An analysis of existing sustainability criteria for wood biomass in the EU Renewable Energy Directive by European NGOs shows that: *"they fail to ensure that bioenergy is produced without harming forests, or in a way that helps tackle the climate crisis"*.<sup>17</sup>

Clearly, in a region where illegal logging is so rampant and there is no institutional capacity or willingness to prevent it, the idea that demand of wood for bioenergy can be 'sustainably' scaled up is not credible. Instead, higher demand will translate into higher wood prices, threatening to make illegal and other destructive logging more lucrative still. Following this, we would also like to point out that the price curve of biomass energy is either steady or upwards, while that of wind and solar comes down. Biomass therefore seems like a less reasonable energy source than wind and solar in terms of affordable prices.

***We therefore strongly advise the EBRD to adapt its Energy Sector Strategy***

**so that the bank will no longer finance wood biomass companies or projects, will not fund 'co-firing' of biomass or any form of industrial scale biomass, as well as no longer funding fossil fuel investments.** This will help EBRD move into the right direction, a just and sustainable future for all. We believe all energy finance should support clean renewable energy, including energy storage, and on energy conservation such as building insulation.

We thank you for your consideration.

Kind regards,

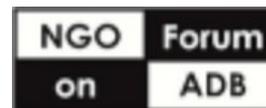
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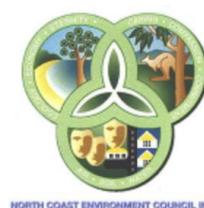
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Lukasz Adamkiewicz European Clean Air Centre Poland



Andrzej Kassenberg Institute for Sustainable Development Foundation Poland



Nuno Forner ZERO - Associação Sistema Terrestre Sustentável Portugal



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Mary S. Booth      Partnership for Policy Integrity      USA



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Tom Brennan      Southern Forests Conservation Coalition



- 1 [350.org/fossil-gas-a-bridge-to-nowhere/](https://www.350.org/fossil-gas-a-bridge-to-nowhere/) and [bankwatch.org/press\\_release/activists-call-on-eu-to-stop-promoting-fossil-gas-dependence-in-the-western-balkans](https://www.bankwatch.org/press_release/activists-call-on-eu-to-stop-promoting-fossil-gas-dependence-in-the-western-balkans)
- 2 Looking at emissions data published by the UK's National Atmospheric Emissions Inventory, 86% of PM<sub>10</sub> emissions of a biomass plant (Steven's Croft) are within the PM<sub>2.5</sub> range, compared to 50% for a coal plant (Ratcliffe): [naei.beis.gov.uk/data/map-large-source](https://naei.beis.gov.uk/data/map-large-source) (2020 data). Authors of a peer-reviewed study looking at domestic fuel use ([sciencedirect.com/science/article/abs/pii/S0013935122006880](https://www.sciencedirect.com/science/article/abs/pii/S0013935122006880)) also found that the share of PM<sub>2.5</sub> within PM<sub>10</sub> emissions from wood combustion is much higher than that from coal combustion.
- 3 [eea.europa.eu/publications/status-of-air-quality-in-Europe-2022/europes-air-quality-status-2022](https://eea.europa.eu/publications/status-of-air-quality-in-Europe-2022/europes-air-quality-status-2022)
- 4 [ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_2\\_Ch2\\_Stationary\\_Combustion.pdf](https://ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf), Table 2.2
- 5 Tinus Pulles, Michael Gillenwater & Klaus Radunsky (2022) CO<sub>2</sub> emissions from biomass combustion Accounting of CO<sub>2</sub> emissions from biomass under the UNFCCC, Carbon Management, 13:1, 181-189, DOI: 10.1080/17583004.2022.2067456 AND letter by more than 600 scientists calling for an end to industrial-scale forest biomass: <https://www.cutcarbonnotforests.org/scientist-letter-read/>
- 6 [dropbox.com/s/l8sx5bl0h02x395/Scientist%20Letter%20on%20EU%20Forest%20Biomass\\_ENGLISH.pdf?dl=0](https://www.dropbox.com/s/l8sx5bl0h02x395/Scientist%20Letter%20on%20EU%20Forest%20Biomass_ENGLISH.pdf?dl=0)
- 7 Mary S Booth 2018 Environ. Res. Lett. 13, Not carbon neutral: Assessing the net emissions impact of residues burned for bioenergy. See: [iopscience.iop.org/article/10.1088/1748-9326/aaac88](https://iopscience.iop.org/article/10.1088/1748-9326/aaac88)
- 8 [woodwellclimate.org/letter-regarding-use-of-forests-for-bioenergy/](https://www.woodwellclimate.org/letter-regarding-use-of-forests-for-bioenergy/)
- 9 [publications.jrc.ec.europa.eu/repository/handle/JRC127989](https://publications.jrc.ec.europa.eu/repository/handle/JRC127989)
- 10 Note that tree cover is not identical to forest cover. The latter is defined according to land use, which means that a clearcut area with no trees still qualifies as a forest.
- 11 [birdlife.org/news/2022/09/05/of-clearcuts-birds-1-how-bioenergy-increases-the-pressure-on-forests/](https://www.birdlife.org/news/2022/09/05/of-clearcuts-birds-1-how-bioenergy-increases-the-pressure-on-forests/)
- 12 Note that tree cover is not identical to forest cover. The latter is defined according to land use, which means that a clearcut area with no trees still qualifies as a forest.
- 13 [eppanetwork.eu/wp-content/uploads/2021/08/EPPA\\_brochure\\_illegal\\_logging\\_v05.pdf](https://eppanetwork.eu/wp-content/uploads/2021/08/EPPA_brochure_illegal_logging_v05.pdf)
- 14 [thomaswaitz.eu/wp-content/uploads/2021/03/Report-DIE-GRUeNEN-EFA.pdf](https://www.thomaswaitz.eu/wp-content/uploads/2021/03/Report-DIE-GRUeNEN-EFA.pdf)
- 15 [globalinitiative.net/analysis/bulgarias-logging-sector-ocindex/](https://www.globalinitiative.net/analysis/bulgarias-logging-sector-ocindex/)
- 16 [biofuelwatch.org.uk/wp-content/uploads/Biomass-Sustainability-Standards-Briefing.pdf](https://www.biofuelwatch.org.uk/wp-content/uploads/Biomass-Sustainability-Standards-Briefing.pdf)
- 17 [fern.org/publications-insight/unsustainable-and-ineffective-why-eu-forest-biomass-standards-wont-stop-destruction-2348/](https://www.fern.org/publications-insight/unsustainable-and-ineffective-why-eu-forest-biomass-standards-wont-stop-destruction-2348/)