



Via email to rule-comments@sec.gov

June 17, 2021

Dear Ms. Wyatt and other SEC staff,

Thank you for the call for information on climate change disclosures. We are responding by drawing the SEC's attention to a petition for an SEC rulemaking that we submitted in 2019 on behalf of 27 ESG investment groups.¹ In that petition, we laid out the need for the SEC to formulate clear standards for how companies should disclose information concerning greenhouse gas emissions and climate impacts of biomass fuels, biomass energy, and other bio-products.

Burning wood and other biomass, including forms of biomass-derived fuels (e.g. bio-methane, liquid biofuels), constitutes nearly 40% of renewable energy in the US² and 60% in the EU.³ Burning biomass typically emits more CO₂ per unit final energy than burning fossil fuels, and a large body of scientific literature affirms the commonsense observation that the time-lag between burning the fuel and regrowing biomass to "offset" emissions can be significant when biomass is sourced from forests. As a result, burning biomass can increase cumulative carbon emissions in excess of a fossil-fueled counterfactual scenario for decades to centuries,⁴ far past timeframes for achieving emission reduction targets. For instance, cumulative emissions from a typical wood-fueled power plant would still exceed those from a comparably sized fossil fueled plant by 2050, President Biden's target date for a carbon neutral economy that is in line with Paris Agreement goals.⁵

Despite this reality, the biomass and wood pellet industry variously claims bioenergy is "low emissions," "zero emissions," and "carbon neutral." This has arisen in part because of the common assumption that biomass can grow back and sequester atmospheric carbon after harvesting, but also in part because carbon accounting rules set by the Intergovernmental Panel on Climate Change (IPCC), as administered by greenhouse gas reporting under the UN Framework Convention on Climate Change (UNFCCC), "count" CO₂ emissions from harvesting forests in the land sector. Thus, when wood and other biomass is burned for heat and power, these emissions are registered as zero in the energy sector to avoid double-counting.

While there is no question that burning biomass emits as much or more CO₂ as fossil fuels per unit energy, and that net bioenergy emissions can exceed those from fossil fuels for decades to centuries, the accounting convention of treating biomass as "zero" emissions in the energy sector has been seized upon by the biomass industry in order to claim that their products *actually have* zero emissions. This is analogous to keeping certain expenses "off the books" in a company – a practice that would be illegal if it

¹ **Rulemaking petition on biomass and climate disclosures, File 4-741.** See also: [Letter to the SEC](#), [Exhibit A](#), [Exhibit B](#), and [Exhibit C](#); Submitted by: Dusty Horwitt, Partnership for Policy Integrity (full link for petition: <https://www.sec.gov/rules/petitions/2019/petn4-741.pdf>)

² <https://www.eia.gov/todayinenergy/detail.php?id=48396>

³ <https://publications.jrc.ec.europa.eu/repository/handle/JRC109354>

⁴ See <https://apps-scf-cfs.rncan.gc.ca/calc/en/bioenergy-calculator> for a simple online emissions calculator from Natural Resources Canada.

⁵ Article 4.1 of the Paris Agreement states that countries must reach peak emissions as soon as possible "so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century." At https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

occurred in financial accounting and one that grossly misrepresents the climate impacts of burning trees and other biomass to shareholders and consumers alike.

We have been asking the SEC (and the Federal Trade Commission) to pay attention to this issue for a long time – since 2013 in fact, when we submitted our first report on how certain companies were greenwashing their use of biomass and also failing to disclose information material to shareholders and the SEC.⁶ Since that time, an increasing amount of forest wood is being burned for fuel world-wide. Alarmingly, demand for biomass in the EU and Asia has driven rapid development of a wood pellet industry in the EU, US South, Canada, Russia, and other eastern European countries that is literally felling forests to turn trees into wood pellets that are burned as a “zero-carbon” replacement for coal. Hundreds of thousands of acres of forests are felled annually to produce “green” energy while the wood pellet and biomass industry has continued to claim their products have zero emissions. This deception is ongoing and worsening each year, driven by generous renewable energy subsidies - over \$7 billion in the EU annually for biomass combustion alone. Some companies do disclose to shareholders that their entire business model relies on these subsidies, but none in our experience disclose that burning their product actually emits more CO₂ than fossil fuels and that these emissions will not be offset for decades to centuries, if ever (since offsetting would require forests to regrow fully, and even this would not offset all CO₂ emissions from forest disturbance, which can be significant).

Given that bioenergy provides the lion’s share of renewable energy produced internationally, and given massive and growing interest in renewable energy investing, we believe SEC scrutiny of the bioenergy sector is much needed. Accordingly, we are respectfully re-submitting our petition from 2019 (by reference to it already being on the SEC website⁷), and also the report we submitted on the wood pellet company Enviva (EVA). We can’t locate the Enviva report on the SEC website, so ask that you refer to it from our website.⁸ Enviva continues to misrepresent their product and activities just as we described in 2016 (after submitting this report to the SEC, Secretary Fields encouraged us to document a pattern of behavior among additional companies making and using biomass-derived products, which was why we submitted the full petition in 2019). Another company deserving scrutiny is UK-based Drax Group plc (DRX.L), the largest wood-burning power plant in the world which also owns and operates wood pellet plants in the US and Canada. Enviva and Drax both incontrovertibly are harvesting forests for fuel and are both claiming that burning their wood pellets benefits the climate. The SEC might also be interested to learn more about the Estonian company Graanul Invest,⁹ the EU’s largest pellet company, which purchased Texas-based Woodville Pellets and an accompanying port site in 2019. Making wood pellets is

⁶ 2013 report to SEC on bioenergy claims by Dominion, Southern Company, and Covanta: at <http://www.pfpi.net/investors-to-sec-please-scrutinize-bioenergy-claims>. 2014 report to FTC on greenwashing by 17 biomass energy companies and the need for regulation: <http://www.pfpi.net/federal-trade-commission-urged-to-investigate-biomass-power-industry>. 2016 report on false claims and failure to disclose material information by US-based Enviva, the largest pellet company in the world: <http://www.pfpi.net/new-report-seeks-securities-and-exchange-commission-investigation-of-misleading-climate-claims-by-biomass-industry-giant>. 2019 petition to the SEC asking for a rulemaking on bio-product climate claims: <http://www.pfpi.net/bio-beware-pfpi-investors-petition-sec-to-crack-down-on-biomass-climate-claims>.

⁷ **Rulemaking petition on biomass and climate disclosures, File 4-741**. See also: [Letter to the SEC](#), [Exhibit A](#), [Exhibit B](#), and [Exhibit C](#); Submitted by: Dusty Horwitt, Partnership for Policy Integrity (full link for petition: <https://www.sec.gov/rules/petitions/2019/petn4-741.pdf>)

⁸ Booth, M. S. (2016). Carbon Emissions and Climate Change Disclosure by the Wood Pellet Industry – A Report to the SEC on Enviva Partners LP. Pelham, MA, Partnership for Policy Integrity. At <http://www.pfpi.net/wp-content/uploads/2016/03/Report-to-SEC-on-Enviva-March-14-2016.pdf>

⁹ <https://www.graanulinvest.com/est/avaleht>

an extremely polluting process, and a number of US wood pellet companies have been found to be in violation of the Federal Clean Air Act.¹⁰ Graanul has been operating the Texas plant in violation of the CAA with particular impunity, resulting in a lawsuit brought in federal court.¹¹

It's not just pellet companies and companies burning biomass that are making extraordinary claims about the climate benefits of bio-based products. For instance, it is now common to see claims that using wood for construction to replace carbon-intensive carbon and steel conveys a climate benefit. In fact, careful scrutiny of such claims finds them to be vastly overblown.¹² An SEC rulemaking on climate claims by such companies is needed because there is an increasing array of bio-based products, nearly all of which are making claims that their products "reduce" emissions, have zero emissions, are carbon neutral, etc., yet no common standard of disclosure exists.

We are on the verge not only of climate catastrophe, but are also losing habitats and species at a rate unprecedented since humans first arose on earth. Protecting and restoring forests is one measure that scientists agree is needed to address both the climate and biodiversity crises.¹³ Yet at the same time, in a cruelly ironic twist, forests are being increasingly exploited for renewable energy and other supposedly climate-friendly products. It's a wild west of claims and terminology that is not only confusing to investors, but that is actually intensifying destruction of forest ecosystems.

SEC intervention is urgently needed to provide clarity on definitions and methodologies for evaluating climate impacts of bio-based products. We greatly appreciate the SEC's call for input on the vital issues of greenwashing and climate, and hope that the materials we provide are helpful. We will also follow up with your office to request an in-person meeting to discuss these matters.

Sincerely,
Mary S. Booth, PhD
Director, Partnership for Policy Integrity

¹⁰ <https://www.environmentalintegrity.org/wp-content/uploads/2017/02/Biomass-Report.pdf>

¹¹ <https://www.mitchellwilliamslaw.com/webfiles/Woodville%20Pellets.pdf>

¹² See, e.g., this briefing from the European Commission's Joint Research Centre, which finds that increasing harvesting of forests for fuel by 20% in the EU would increase carbon stored in wood products by 8%, but would decrease carbon storage in the much larger forest sector by 37%.
<https://publications.jrc.ec.europa.eu/repository/handle/JRC124374>

¹³ See, e.g., the just-released IPBES-IPCC report on "Tackling Biodiversity and Climate Crises Together," at <https://www.ipbes.net/sites/default/files/2021-06/20210606%20Media%20Release%20EMBARGO%203pm%20CEST%2010%20June.pdf>.