

Date: 16 February 2021
Reference: --
E-mail:

Subject *Investment policy for biomass combustion*

Dear Mr Vollenbroek, Mr Visschers, and Ms Swart,

First of all, I would like to thank you for your letter of 4 January on the subject of biomass and coal-fired power stations that burn wood pellets to generate power. Triodos Bank believes it is important to pay attention to the negative consequences of this form of power generation for the climate and biodiversity. We agree with you that the financial sector should be extremely cautious about financing this.

Triodos Bank was founded in 1980 with the mission to put our customers' money to work for positive social, environmental and cultural change. We fund initiatives that have a positive impact on the world around us. These include renewable energy projects, cultural initiatives, organic farming and care for vulnerable children and the elderly. Triodos Bank has banking operations in five countries: The Netherlands, Belgium, Germany, Spain, and the United Kingdom. We operate globally through Triodos Investment Management's investment funds.

In assessing whether to fund a project, we first ask whether such project will have a positive impact. Then we also look at risks and profitability. Two key references we use in that respect are our minimum standards (which state which sectors we exclude because they cause too much harm) and our business principles. Both can be found on our website (www.triodos.com).

Our standards are not static, but are improved on the basis of social, scientific and technological developments. A good example is the use of biomass to generate power.

Over the years, our view thereon has changed. A few years ago, we believed that some forms of biomass could be a good solution, for example, if residual wood (tree trimmings)

were used and if it led to a reduction in the use of fossil fuels. But in the meantime, better alternatives have become available, such as thermal energy storage systems and surface water heat pump systems. In new financing deals, therefore, we no longer focus on biomass.

This can also be found in our minimum requirements. That list explicitly states that we always exclude biomass if it competes with food production or originates from intensive agriculture. We also address biomass in [our vision paper](#) on energy and climate, published in 2019. This vision shows how we want to contribute to combatting global warming and the loss of biodiversity. For example, we have written this about biomass: *In a sustainable, circular economy that respects planetary boundaries, heavy use of biomass is hard and seems impossible without limiting food production and jeopardizing biodiversity. Focus should be on local-for-local sourcing of the biomass input. Burning of biomass for power production or application in mobility should be avoided.*

Biomass combustion for heat generation is more nuanced than power generation. In some specific cases, the use of biomass for heat generation may be the most sustainable option. Especially in the more rural areas of Spain, Germany, and the UK, it can be the 'lesser of two evils' and therefore acceptable for us to finance. This is certainly the case if raw materials are used that contribute to other goals. In Mediterranean countries, for example, this may be wood from trees that are specifically felled to prevent forest fires.

Triodos Bank does not have any projects in its portfolio where biomass is exclusively burned to generate power. However, we do have a number of projects on the books that focus on heat recovery. In the Netherlands, this is Stadsverwarming Purmerend (Purmerend District Heating). We decided to finance it in 2012, based on our understanding at the time. This is not, therefore, a project whose sole purpose is to generate power.

Triodos Groenfonds, managed by Triodos Investment Management, finances two parties that are active in the field of biomass, but they do not fall within the scope you mentioned. One concerns algae combustion and the other waste heat from waste incineration. As a policy, the funds that invest in listed companies do not invest in biomass. Sometimes we invest in companies that have limited biomass-related activities. It is therefore not part of their core business.

Specifically, these are Renova and East Japan Railway, both in Japan. Renova, a developer of renewable energy projects, has a 35% stake in a biomass power plant, which, with the right certification, burns only residual wood from forest management in the surrounding areas. East Japan Railway invested in a small biomass power plant, but then decided to continue developing solar, wind, hydro and geothermal power projects only.

The biomass plant generates 0.0002% of the total energy consumption of East Japan Railway.

Triodos Bank is transparent about how it uses the money of its savers and investors. They can see which initiatives we finance on the [Know where your money goes](#) website.

I trust that this reply covers all your questions. Should you have any further questions, please do not hesitate to contact us.

Kind regards,
Peter Blom

CEO & Chairman of the Executive Board
Triodos Bank NV