

COMPONENT 4

FOREST POLICY



Context

For centuries, wood from forests and residues from forestry operations have been used as a source of energy. But for several decades, and due to overexploitation of forest products and the needs of agriculture, the world's forest cover has been steadily decreasing.

Essential for stabilising the climate by naturally absorbing carbon dioxide (about one third of the CO₂ emitted by burning fossil fuels is absorbed by forests each year), they also provide many ecosystem services (food, water, fuel, medicines, traditional crops, livelihoods, etc.), regulate ecosystems and protect biodiversity.

It is therefore essential to support a balanced development of the multiple functions of forests and the efficient use of resources, including woody biomass for energy, which can come not only from forests (mainly in the form of forest residues) but also from other wooded land and trees outside the forest, wood processing co-products, post-consumer wood and wood-based processed fuels.

Regarding the biomass part, this policy focuses only on woody biomass used for energy production.

Forest - definition (FAO, Food and Agriculture Organisation of the United Nations)

Forest : land larger than 0.5 hectares with trees higher than 5 meters and a tree cover of more than 10%, or trees capable of reaching these thresholds in situ. Different categories of «forest» can be defined more precisely:

- **Plantation**² : have been established and are managed (intensively) for the commercial production of wood and non-wood forest products, or to provide a specific environmental service (e.g. erosion control, landslide stabilisation, windbreaks, etc.).
- **Natural forests** : « Forests » that have regenerated naturally without human intervention.
- **Semi-natural forests** are neither strictly natural forests with minimal management nor planted forests with intensive management, but they provide essential supplies of wood and non-wood forest products and valuable social, cultural, environmental and economic values.

“Forests” exclude trees planted or seeded with human intervention where the main use of the land is for parks, gardens and agricultural production, for instance, fruits, vegetables or other non-forest land uses³. These trees are called «trees outside the forest».

Forestry and project development

ENGIE develops projects worldwide, such as renewable energies or linear infrastructures. For any project, the priority is to avoid any negative impact on biodiversity, i.e. species and habitats.

The application and respect of the mitigation hierarchy is part of our CSR roadmap and is set as an objective in ENGIE's act4nature commitments.

In 2019, ENGIE committed to avoiding the development of new projects with negative impacts on UNESCO World Heritage sites (natural or mixed). If nevertheless, for technical, economic or political reasons, a project is located near or on a UNESCO site (natural or mixed), the Group is committed⁴ to assessing the potential impact on the outstanding universal value of the site and to implementing specific measures to preserve it.

Where species or habitat issues remain, biodiversity offsets are managed in accordance with the IUCN policy⁵ developed in 2016, and with the participation of relevant stakeholders. The offset's mechanisms for cut trees are defined with the relevant stakeholders, with the aim of preserving the ecosystem, habitats and species.

Forestry and wood biomass in the Group

ENGIE is one of the players in the wood value chain and, as such, can potentially have an indirect impact on forests, mainly through certain activities such as the burning and trading of woody biomass, and in some circumstances, a direct impact during construction work. Committed to climate and anti-deforestation objectives, ENGIE sources woody biomass exclusively from sawmill residues and forestry by-products and residues, or from waste materials.

The Group uses woody biomass on the one hand to produce electricity and heat (thermal power plant and boiler for industrial customers or district heating networks), and on the other hand buys and trades biomass for its own consumption and for third parties. The two main types of solid biomass marketed or used in the Group are wood chips and wood pellets.

2 - A plantation is a forest consisting of trees of similar age, of one or a few species, usually non-indigenous, established in a regular pattern by planting or seeding for the purpose of producing wood.

3 - Similar to short rotation coppices : trees from plantations of agricultural land with short crop rotations of less than 8 years, including agroforestry (where trees are grown in short rotation around or among crops or pastures to optimise land use).

4 - including consultation with national and international environmental bodies, such as the UNESCO World Heritage Centre and IUCN.

5 - IUCN Policy on Biodiversity Offsets 2016 RES 059

As one of the co-founders of the Sustainable Biomass Programme (SBP), ENGIE adheres to the principles of legality of biomass sources and its sustainability. An increasing proportion of the biomass marketed or used by ENGIE is SBP, FSC or PEFC certified, while fully respecting local communities and their way of life.

In addition, ENGIE complies with the relevant regulatory frameworks for greenhouse gas emissions along each supply chain and limits other environmental impacts, including impacts on air, water and biodiversity.

Objectives and commitments

By contributing to the achievement of the Sustainable Development Goals (such as SDG13 and SDG15) and by participating in the preservation of biodiversity through the act4nature commitments, ENGIE participates in the fight against deforestation and is committed to avoiding and minimising the impact of the Group's activities on the forest. And when this is impossible, for socio-economic or political reasons, to compensate for its impact. In accordance with SBP standards, ENGIE aims to use woody biomass from sustainably managed forests.

ENGIE also applies forest sustainability criteria to its carbon offset projects.

In addition, every biomass project developed by ENGIE is carried out in close consultation and dialogue with local stakeholders. Indeed, ENGIE considers it important to respect the rights of indigenous peoples and local communities.

In order to contribute to the fight against deforestation, ENGIE therefore aims to :

- Avoid and reduce its impact on forests in its own operations and value chain as a priority, and offset as a last resort.
- Prevent any negative impact on species or habitats.
- Use and market sustainable biomass that complies with internationally recognized biomass-specific standards, regulations or a voluntary scheme that is at least compatible with the requirements of the EU RED II Directive.
- Favour local channels for its supply, which facilitates the integration of small forest owners in the supply chain, so as to limit the impact on GHGs. Annual GHG savings must be greater than 70% compared to the relevant fossil fuel baseline until 2025 and 80% after 2025.
- Avoid sourcing biomass from sensitive areas such as wetlands and peatlands, with biodiversity value or protected areas, or with a high carbon stock, and do not use high quality wood such as sawmill wood.
- Respect the rights and livelihoods of local communities in accordance with the UN Declarations.
- Raise awareness among stakeholders including subcontractors and suppliers.
- Contribute directly or through our suppliers to environmental or reforestation initiatives.
- Ensure that their activities and goods do not start or sustain forest fires/
- Report publicly on its actions and work on forests..

ENGIE's operational standards for woody biomass of forest origin:

ENGIE uses and markets biomass which must meet all of the following requirements.

As a matter of principle, and in accordance with ENGIE's objectives and commitments (§8.5), local biomass supply channels must be favoured. A minimum of annual GHG savings compared to the fossil reference must be demonstrated (70% until 2025, 80% after 2025).

CIBLE

1. Traceability et compliance

Biomass is traceable and complies with the rules of the European Wood Regulation (or equivalent) in all cases, so that it complies with the European taxonomy.

100 % by 2023

2. Durability

Option a.

Biomass is certified against PEFC non-controversial sources, FSC controlled wood, SBP or an equivalent voluntary scheme recognized by the European Commission under the EU RED II Directive.

Option b.

Where such certifications are not available, a sourcing policy (indicating sustainable forest management with respect to ecosystems) is defined and communicated to raw material suppliers and its application is verified by due diligence on a recurrent basis (at least every 5 years). The sourcing policy specifies that biomass should not be sourced from high quality sawlogs or stem wood.

100 % by 2024

For the specific case of plantations, biomass can only be derived from the products of a plantation if the plantation is certified as indicated in option a. If this is not the case, the biomass can be derived from the residues of a plantation according to option b.