PROJET

8. Annexe 5. Forest Policy

8.1. Background

Over centuries, wood from forest and residue from forestry operations have been used as an energy source. But for several decades, and due to an overexploitation of forest products and to agricultural needs, the world's forest coverage has been in constant decline.

Essential to stabilize the climate by naturally absorbing carbon dioxide (about one-third of the CO_2 released from burning fossil fuels is absorbed by forests every year), they also provide many ecosystems services (food, water, fuel, medicines, traditional crops, livelihoods, etc.), regulate ecosystems and protect biodiversity.

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

Regarding the biomass part, this policy is only focusing on woody biomass used to produce energy.

8.2. Forest and development of projects :

ENGIE is developing projects worldwide, such as renewable energies or linear infrastructures. For any project, the priority is avoiding any detrimental impact on biodiversity, meaning species and habitats.

The application and respect of the mitigation hierarchy is part of our CSR roadmap and sets as a target in ENGIE's act4nature commitments.

In 2019, ENGIE took a commitment to avoid the development of new projects with negative impacts on UNESCO sites (natural or mixed). If nevertheless, for any technical, economic or political reason, a project is located near or on a UNESCO site (natural or mixed), the Group commits to assess[1] the potential impact regarding the outstanding universal value of the site and to implement specific measures that preserve it.

When issues regarding species or habitats are remaining, the biodiversity offsets are managed in accordance with the IUCN policy[2] developed in 2016, and with the participation of relevant stakeholders. The way of offsetting the cut trees is defined with the relevant stakeholders in the best way to preserve the ecosystem, habitats and species.

8.3. Forest and woody biomass within the Group :

ENGIE is one of the players in the wood value chain and as such it may potentially have an indirect impact on forests, mainly through some activities like woody biomass combustion and trading, and in certain circumstances some direct impact during construction works.

Committed to climate objectives and the fight against deforestation, ENGIE exclusively procures its supplies of woody biomass from sawmill residues and forest byproducts and residues, or refuse material.

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, purchases and trades biomass for its own consumption and for third parties. The two main types of solid biomass traded or used in the Group are: wood chips and wood pellets.

One of the co-founders of the Sustainable Biomass Program (SBP), ENGIE embraces the principles of legality of biomass sources and its sustainable character. An increasing share of biomass traded or used by ENGIE is SBP, FSC or PEFC certified while fully respecting local communities and their lifestyles.

[1] including a consultation with national and international environmental bodies, such as UNESCO World Heritage Centre and IUCN.
[2] IUCN Policy on Biodiversity Offsets 2016 RES 059

Moreover, ENGIE complies with the relevant regulatory frameworks in relation to Greenhouse Gas emissions alongside each supply chain and limits other environmental impacts, including impacts on air, water and biodiversity.

8.4. Goals 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 act4nature commitments, ENGIE helps to fight deforestation and is committed to avoiding and minimizing the impact of the Group's activities on forest. And when this is impossible, for socio-economic and political reasons, to offset its impact. In line with the SBP standards, ENGIE aims to use woody biomass from sustainably managed forests.

When pursuing carbon offsetting projects, ENGIE applies also forest sustainability criteria.

Moreover, any biomass project developed by ENGIE is done in concertation and in close dialogue with local stakeholders. Indeed, ENGIE considers important to respect the rights of indigenous peoples and local communities.

In order to contribute to fighting deforestation, ENGIE aims therefore to :

- **Avoid and reduce its impact on forest for its own activities and in its value chain in priority, and offset as a last resort**
- **Prevent any negative impact on species or habitats**
- **Use and trade sustainable biomass** that complies with biomass specific standards recognized internationally, regulation or a voluntary scheme that is compatible with at minimum the requirements of the EU RED II directive
- **Favor local channels for its supply** within a 200km perimeter which makes the integration of small forest owners in the supply chain easier, so as to limit the GHG impact. Only if sufficient quantities of biomass are not available locally or if the annual GHG savings can be demonstrated higher than 70% against the relevant fossil reference, biomass can be sourced from farther on
- **Do not source biomass in sensitive areas** like wetlands and peatlands, with a biodiversity value or protected areas, or with a high carbon stock and do not use high quality wood like sawtimber
- **Implement the best available technologies to reduce at a maximum its impacts on air quality**
- **Respect the rights and livelihoods of local communities** in accordance with the United Nations Declaration
- **Raise awareness among stakeholders** including subcontractors and suppliers
- **Contribute directly or through its supplier to environmental or reforestation initiatives**
- Commit to preventing its activities and assets from initiating or fueling wildfires
- Report publicly on its actions and forest-related work

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

ENGIE uses and trades biomass that must fulfil all following requirements.	Targets
1. **Traceability and legality** The biomass is traceable and legal against EU Timber Regulation rules (or equivalent) in all cases, such that it is compliant with the European taxonomy.	100% in 2022
2. **Sustainability** The annual GHG savings at a project level are at least 70% against the relevant fossil reference Option a. The biomass is certified against PEFC forest management, FSC forest management, SBP (that contains FSC or PEFC-based chain of custody), or an equivalent voluntary scheme that is recognised by the European Commission for the sake of EU RED II directive. Option b.	100% by 2023

Where such certifications are not available, a supply policy (indicating a sustainable management of the forest respecting the ecosystems) is defined and communicated to feedstock suppliers and its enforcement is checked by due diligence on a recurrent basis (at least every 3 years). The supply policy specifies that the biomass originates exclusively from any of the following sources:
- Residues from wood processing industries (e.g. from sawmilling)
- Forest residues, such as bark, branches, precommercial thinnings, leaves, needles and tree tops, or
- Refuse materials such as end of life trees, wood from parks and landscape management, salvage trees or short rotation coppices,
- Post-consumer wood waste streams

For the specific case of plantations, biomass may only be sourced from products of a plantation provided that the plantation is certified as specified in option a. If this is not the case, biomass may be sourced from the residues of a plantation in compliance with the option b.

Definitions*:*

1. **Plantation:** a forest consisting of similarly aged trees of one or a few species, usually non indigenous ones, established in an even layout by planting or sowing for the purpose of wood production.
2. **End of life trees**: trees that are removed from a plantation because they have reached the end of their productive lifetime (e.g. rubber trees) or trees that must be removed for the permitted construction of infrastructures (e.g. roads, dams)
3. **Other trees from parks or landscape**: trees from urban or domestic tree work, windbreaks, non-forest landscape care or clearance work alongside power lines, roads or railways.
4. **Salvage trees**: trees that are felled because they are ill or damaged (e.g. pest, insects, fungus, wind, **storms**, fires, etc.).
5. **Short rotation coppices**: trees originating from plantations agricultural land with short harvest rotations **less than eight (8) years**, including agroforestry (where trees are grown in short rotation around or among crops or pastureland to optimize use of the land).
6. **Pre-commercial thinning** is a thinning method performed prior to trees reaching merchantable size, typically around 11cm (diameter at breast height measured at 1m40 above the ground).