ESTONIAN FUND FOR NATURE

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To Graanul Invest and NEPCon OÜ,

Thank you for asking our opinion on Graanul Invest compliance with Verification Protocol for Sustainable Solid Biomass SDE.

As an overall comment, we condemn the approach where biomass sustainability is justified on the basis of Sustainable Forest Management criteria alone. Those do not reflect or mitigate the adverse climate impacts of wood-based energy as highlighted by many scientists (as in an Open Letter by 800 scientists http://www.pfpi.net/wp-content/uploads/2018/04/UPDATE-800-signatures_Scientist-Letter-on-EU-Forest-Biomass.pdf). The biomass harvest and exports from a country that is losing its carbon sink and is on the course of decline in forest carbon stock is not sustainable in climate perspective, even if criteria is met on forest unit level. Nor is it sustainable from the perspective of protecting biodiversity of forests: Estonian forest bird numbers are in decline and most forest habitat types are in unfavorable state despite the huge area covered by different existing certification schemes. These observations apply to certification based on Chain of Custody risk assessment and that based on a series of detailed management practices descriptions on a forest unit level alike. Both turn a blind eye on wider problems this new industry brings to forest management in general.

Biomass demand brings unnecessary economic stimulus for intensification in forestry and creates pressure on forest ecosystems that national legislation, PEFC, SPB and FSC are unable to address. PEFC and SPB measures are unsatisfactory in all ecological sustainability aspects, while FSC and has been shown to not safeguard important carbon aspects of forest management and has performed poorly in some biodiversity issues. The observations below thus focus not just on site-specific forest management but also take a broader perspective.

In case of Graanul Invest, what also worries us, is their approach to certificates, that allows to invest the funds earned from sales of certified biomass into rapid expansion (owning more than 50 000 ha of forest in 2019) of unsustainable forestry operations. None of Graanul Invest subsidiary forest management companies have committed to FSC forest management standards, publicly available meaningful environmental policy, or any other ecological commitments. No commitment to preserve natural values has been witnessed in their actual forest management practices: controversial clearings of valuable forest habitats happen regularly and illegal logging in Natura2000 area has taken place. Opportunities for "certificate optimization" within a company of this sort discredit sustainability certificates.

Our comments to the document are as follows:

3.2.1. The economic operator shall demonstrate that the biomass is not sourced from land that was converted from wetland to an alternative (dryer) ecosystem after 1 January 2008.

According to the Agricultural Board's data for 2018, 26,000 hectares of drainage was reconstructed in Estonian State Forests. Estonian regulations permit drainage to be expanded by 10% during replacement work.(https://www.riigiteataja.ee/akt/108052019001). This means that as many as 2,600

hectares of wetlands may have been newly drained. The State Forest Management Centre has plans to reconstruct drainage in 100,000 hectares, creating the possibility of an additional 10,000 hectares of wetland drainage. There is no complete data about the reconstructed or newly drained area on private lands, but there is a measure under the Common Agricultural Policy which endorses drainage restorations. The replacement of old drainage systems often happens in places where the old system was smaller and old ditches were lower, i.e. where drainage was less effective. There are no public environmental impact assessments for drainage activities in which environmental experts could participate. The intensive drainage reconstruction definitely degrades wetlands in Estonia.

We have raised the issues of drainage and its negative environmental impacts through the FSC process but with no results. We therefore conclude that FSC certificate does not guarantee that timber does not come from a former wetland. We have not raised the issue in PEFC system, but as it is much lenient forest standard there is no reason to conclude that it guarantees that unwanted timber is sourced in that system.

4.1.1. The economic operator shall provide clear and sufficient evidence that harvesting rates and methods ensure that carbon stocks, in terms of tree stands or other carbon proxies, are maintained or increased in the medium or long term.

Forecasts show that Estonian carbon stocks will decrease in the long and short term if current logging volumes are maintained, and that forest carbon sink will decrease in the coming decades. Those forecasts have been published by calculations have been made by the Estonian Environmental Agency, and the conclusions can be found here:
https://www.envir.ee/sites/default/files/enn_part_16.05.2019.pdf On slide 7 of this presentation, an estimate of the maximum logging volume for maintaining forest carbon stock is presented. It is 6.8 million cubic meter in final cuttings per year, plus an additional 2 million cubic metres of selective logging and thinnings. In 2017, Estonia's logging volume was 12.5 million cubic meters per year; at this rate the carbon stock of Estonian forests will decrease in the long and short term. A similar outcome is presented also in Estonia´s Report pursuant to Articles 13 and 14 of Regulation (EU) 525/2013:
https://www.envir.ee/sites/default/files/content-editors/Kliima/kasvuhoonegaaside_poliitikaid_meetmeid_ja_prognoose_kasitlev_aruanne_15.03.2019.pdf (page 49-50)

7.2.1. Threatened and endangered species and their habitats (e.g. nesting and feeding areas) that are present or are likely to be present within the FMU are identified based on 'best available information' known to and observed by the economic operator, and on what could be learnt from neighbours and other local stakeholders.

There are many threatened and endangered species that have not been systematically surveyed and are frequently harmed by forest management activities. Many threatened and endangered species have a weak national protection status that does not adequately reflect their rarity. For example, there is a fungi called *Tricholoma colossus* that is critically endangered according to IUCN red list categories. Despite its rareness, it is only listed in the III category of protection which means that it is very difficult to set restrictions to forest management in its habitat. There is a list of rare forest bird species whose numbers have been declined due to forest management. For example, *Tetrao urogallus* (IUCN category: vulnerable (VU)), *Tetrao tetrix* (IUCN category: near-threatened (NT)), *Accipiter gentilis* (IUCN category: near-threatened (NT)) numbers are declining.

7.2.2. In the presence of threatened and endangered species within the FMU, appropriate forest management practices to protect or maintain the presence of threatened or endangered species and their habitats within the FMU have been defined and implemented. Appropriate forest management practices include, but are not limited to:
• Conservation zones (or protected areas). Size and location of the conservation zones conform to national and local legislation and are sufficient to guarantee the continuing presence of the identified species. Conservation zones have been identified and marked on maps and, where necessary, on the ground in a way that is visible when entering the zone; and
• Reduced harvesting methods to protect nesting and breeding sites.

The official protected area system in Estonia does not guarantee the continuing presence of threatened and endangered species. For example, the flying squirrel *Pteromys volans* (IUCN

category: vulnerable (VU)) needs forest landscape coherence. Large scale clear-cuts lead the species to isolation - because flying squirrel hops from tree to tree, it cannot pass big clear-cuts. Much larger scale landscape planning is needed to ensure that the flying squirrel does not become extinct in Estonia. More detailed description on its conservation can be read here:
https://www.envir.ee/sites/default/files/lendorava_ktk_eelnou_kodukale.pdf
Another example is the black stork *Ciconia Nigra* (IUCN category: endangered (EN)) whose nests are strictly protected but who needs natural watercourses as its main feeding habitats. Because of forest drainage there are very few of these left in Estonia. Therefore, the continuing presence is not guaranteed by protected areas and zones.

8.1.1 Specific measures have been taken to maintain and if necessary, improve the soil within the FMU in terms of structure, fertility and biological activity. As a minimum, site preparation and harvesting methods within the FMU have been designed to minimise soil compaction and maximise the retention of nutrients on-site.

There are no legal requirements to protect forest soil in Estonia. There is a clause in the Forest Act that prohibits soil damage on more than 25% of the logging area. Soil damage is very common in Estonia, because there are many forests growing on wet land. Winters are getting warmer and the soil will not freeze in the winter.

8.1.2 All forestry operations within the FMU with a potential negative environmental impact, with an emphasis on watershed protection (e.g. coasts, riverbanks), areas susceptible to erosion and slopes, are accompanied by appropriate control systems and procedures. Control systems are based on national or regional best practices with regard to erosion and sediment control, minimisation of forest damage during harvesting, road construction and other mechanic disturbances under specific weather conditions (all-weather harvesting vs. dry weather harvesting).

No such system exists in Estonian forest or nature conservation legislation. Logging along the Baltic Sea coast and around and Lakes Võrtsjärv and Peipsi are more restricted than elsewhere, with clearcutting banned. In other parts of Estonia, clearcuts of up to 2 hectares are permitted next to a waterbody. This applies to all waterbodies (other than coast of Baltic Sea, Võrtsjärv and Peipsi) and no impact assessments or alleviation methods are carried out. As mentioned above, soil damage during logging operation, especially in wetland forests.

8.2.2 All forestry operations within the FMU with a potential negative environmental impact are accompanied by appropriate control systems and procedures with regard to protection of water resources both within and downstream from the FMU, based on national and regional best practices.

There is no such system in place. There are no legal mechanisms in place to monitor negative impact on water bodies. Another serious negative impact derives from forest drainage and its restoration projects. This is not mitigated and environmental impact assessments are not publicly being carried out.

8.3.1 Site preparation and harvesting methods have been designed to minimise soil compaction and maximise the retention of nutrients on-site.

Soil damage is extremely common in Estonian forestry practice. Forestry legislation allows 25% of the forest soil to be damaged during logging. No special methods are used by operators to mitigate the negative impact of harvesting on the soils.

8.3.2 There is evidence that specific measures have been taken to ensure that sensitive areas are sufficiently protected from erosion or fire.

There are no measures in place to protect forest soils from erosion or mitigate negative effects of erosion to water bodies.

9.1.1 There is a clear methodology to determine the Annual Allowable Cut (AAC) or harvest per forest type.

The annual allowable cut is only calculated for the State Forest. The AAC calculated today exceeds the limit that can be sustained in the long term (see above). We have addressed the issue during State Forests annual FSC audits but without any effect. This means that FSC certification does not ensure compliance with this indicator. More can be read from State Audit Office report on the sustainability of State Forest Management Centre's forest management: https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/ItemId/567/View/Docs/amid/557/language/et-EE/Default.aspx

9.1.2 The allowable harvest level is based on conservative, well-documented and the most current estimates of growth and yield in order to not jeopardise the forest's productive potential in the medium to long term.

The State Audit Office analysed the sustainability of the State Forest Management Centre's (RMK) forest management activities in 2010 and concluded the following: "*The National Audit Office believes that the RMK does not manage state forests in a sustainable manner and thereby threatens the opportunities of next generations to use state forests. The RMK has performed clear cutting in state forests on larger areas in the last ten years than in previous decades. In some forest types, such as fertile spruce forests, the RMK has had to reduce its prescribed yield considerably, as the area of forests ready for cutting has decreased as a result of management. Continuing to cut forests in current quantities would reduce the area of old forests in better forest types considerably, which would mean that the ecological conditions of forests would deteriorate and the yield obtained from the state forest in the future would fall.*" RMK has increased its annual loggings in the current decade.

The audits and other material can be found from the State Audit Office website: https://www.riigikontroll.ee/Suhtedavalikkusega/Pressiteated/tabid/168/ItemId/567/View/Docs/amid/557/language/et-EE/Default.aspx

Kind regards,

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Estonian Fund for Nature
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