

SMOKESCREEN

SUMITOMO'S "CARBON
NEUTRAL" FAILURES



MIGHTY EARTH

JUNE 2021



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EXECUTIVE SUMMARY

Japanese conglomerate Sumitomo Corporation has long operated businesses involved in the dirtiest and most environmentally destructive forms of energy production. From owning and constructing highly polluting new coal-burning power plants in Southeast Asia, to importing wood to be burned in coal plants, to owning massive coal mines, Sumitomo has been one of the chief facilitators of Japan's addiction to coal. However, in fewer than two years, the world around Sumitomo Corporation has changed dramatically. Under the leadership of Prime Minister Suga, Japan committed to carbon neutrality by 2050, setting off a cascade of processes to update the nation's climate and energy plans.¹ Japan's once long pipeline of overseas coal projects has nearly dried up with just two projects remaining in Indonesia and Bangladesh.²

Following heavy criticism on coal and climate change by Mighty Earth³ and other environmental nongovernmental organizations (NGOs) inside and outside Japan,⁴

1 "Climate Action Tracker." Website. Accessed Jun 2, 2021. <https://climateactiontracker.org/countries/japan/>

2 "NGOs welcome the U.S.-Japan announcement to align Official Financing with the Net-zero Emissions by 2050, but Japan needs to withdraw support from two coal projects." No Coal Japan. Apr. 19, 2021. <https://www.nocoaljapan.org/ngos-welcome-the-us-japan-announcement-to-align-official-financing-with-the-net-zero-emissions-by-2050-but-japan-needs-to-withdraw-support-from-two-coal-projects/>

3 Mighty Earth. *Sumitomo Corporation's Dirty Energy Trade: Biomass, Coal, and Japan's Future*. Dec. 2019. <https://www.mightyearth.org/sumitomo>

4 Mighty Earth. "Sumitomo Releases More Rhetoric on Climate as it Doubles Down on Coal." Press Release. Jun. 19, 2020. <https://www.nocoaljapan.org/sumitomo-releases-more-rhetoric-on-climate-as-it-doubles-down-on-coal/>

Sumitomo Corporation updated its climate policies in 2019, 2020 and 2021. The updated policies included a company commitment to achieve carbon neutrality by 2050 across all of its Japanese and international operations, reduce its share of coal generation from 50% of its portfolio to 20% by 2035, not be involved in new coal-fired power generation (with an exception), and divest from thermal coal mining by 2030.⁵ The company now has a stated goal of “contributing to addressing the many issues related to climate change mitigation and the realization of a carbon-neutral society.”⁶ But how much has really changed in the way the company actually conducts its business? Mighty Earth’s research reveals that there is a huge gap between Sumitomo’s lofty rhetoric and its polluting, emissions-heavy reality. Sumitomo plans to retain its portfolio of fossil fuel-heavy infrastructure for too long to contribute to limiting global warming to 1.5° C. Sumitomo’s climate policy allows the firm to start construction of new coal power plants in Bangladesh, expand its natural gas business, operate thermal coal mines until 2030, and operate coal-fired power plants until the late 2040s.⁷

5 Sumitomo Corporation. “Policies on Climate Change Issues.” Website. Accessed Jun. 2, 2021.

<https://www.sumitomocorp.com/en/jp/sustainability/environmental-management/climate>

6 Sumitomo Corporation. “Policies on Climate Change Issues.”

7 Sumitomo Corporation. “New Medium-Term Management Plan 2021-2023.” Presentation. May 10, 2021. p. 24. https://www.sumitomocorp.com/jp/-/media/Files/hq/ir/report/summary/2020/en/2103_0510Presentaion-ENG_X1nM.pdf

SUMITOMO PLANS TO RETAIN ITS PORTFOLIO OF FOSSIL FUEL-HEAVY INFRASTRUCTURE FOR TOO LONG TO CONTRIBUTE TO LIMITING GLOBAL WARMING.





We need forests to store carbon but Sumitomo burns forests for fuel and lacks forest protection policies with safeguards to protect sensitive forest ecosystems, including those in North America.⁸

The global footprint of Sumitomo's heavily polluting operations is increasingly attracting opposition from civil society worldwide. A coalition of groups in Japan, Bangladesh, Australia and North America have fought the company over its Matarbari coal plant projects.⁹ For North Americans, Sumitomo's impact hits close to home. The company has begun to dramatically increase imports of wood pellets from the U.S. and Canada as "biomass fuel" where wood is burned in power plants to produce electricity. A Sumitomo pellet company recently faced criticism for its plans to log old-growth forests in British Columbia,¹⁰ and its chief supplier in the Southeastern United States uses whole trees from already distressed ecosystems. With wood pellet production in both the U.S. and Canada rapidly increasing, and Japan serving as the world's fastest-growing market for pellets,¹¹ the future of North American forests is increasingly tied to Japan's biomass industry, the largest player of which is Sumitomo.

Not only do these projects have an appallingly-high environmental price, Sumitomo is also paying a financial cost for its refusal to shift its operations to more environmentally friendly production modes. In FY 2020, Sumitomo Corporation lost \$236 million (USD) on coal power in Australia, \$73 million (USD) losses from sales of Marcellus and Eagle Ford oil and natural gas projects in the US, and \$491 million (USD) losses related to costs and delay in constructing power plants. These losses constituted more than half of Sumitomo's overall losses of ~\$1.4 billion (USD).¹² This is a company that needs to cut its losses and not delay its exit from paths that are no longer viable.

- 8 Forest protection policies should start with a commitment to NDPE (No Deforestation, No Peat, No Exploitation) and include monitoring and enforcement mechanisms to prevent the degradation of natural forests and conversion of natural forests to plantations, protect areas of "high conservation value" (including critical habitat or those with endangered or threatened species), maintain the functioning of forest ecosystems, and preserve high carbon stocks. The Accountability Framework is one system to guide implementation of NDPE standards globally. <https://accountability-framework.org/> Even with such standards, burning wood to generate electricity has negative near-term climate implications and runs counter to decarbonization by 2050.
- 9 "Bangladesh: CSOs urge Sumitomo Corporation & Japanese govt. to halt funding of Matarbari coal plant, citing adverse human rights impacts." Business & Human Rights Resource Center. Aug. 4, 2020. <https://www.business-humanrights.org/en/latest-news/bangladesh-csos-urge-sumitomo-corporation-japanese-govt-to-halt-funding-of-matarbari-coal-plant-citing-adverse-human-rights-impacts/>
- 10 Simmons, Matt. "B.C. gives Pacific BioEnergy green light to log rare inland rainforest for wood pellets", *The Narwhal*. Oct. 9, 2020. <https://thenarwhal.ca/bc-pacific-bioenergy-old-growth-logging-wood-pellets/>
- 11 <https://www.canadianbiomassmagazine.ca/webinar-japans-biomass-outlook-in-a-changing-power-market/>
- 12 Sumitomo Corporation. "Annual Results for FY 2020." Presentation. May 7, 2021. p.18, 27. https://www.sumitomocorp.com/-/media/Files/hq/ir/report/summary/2020/en/2103-Presentation-ENG_cAaC7.pdf



On the heels of Japan's first-ever climate shareholder resolution at Mizuho Financial Group, a financial institution, which garnered 35% support in 2020,¹³ Sumitomo will become the first Japanese trading company to face its own climate action shareholder resolution at its June 18, 2021 Annual General Meeting.¹⁴ That resolution demands the firm align its strategies with meeting the 1.5 degree reduction goals of the 2015 Paris Agreement.¹⁵ Sumitomo shareholders who are sponsoring the resolution hope that as in the case of other high-profile corporate climate laggards including Exxon-Mobil,¹⁶ Sumitomo investors can steer the firm toward a business plan that achieves profitability through ventures that further environmental sustainability and contribute to emission reductions.

Now is the time for Sumitomo to turn rhetoric into reality by making a robust climate plan, adopting stringent forest protection policies and implementing a near-term coal phase-out. Sumitomo's expertise in energy and global connections could help usher in a new era powered by clean, renewable energy. The world is changing; when will Sumitomo?

SUMITOMO WILL BECOME THE FIRST JAPANESE TRADING COMPANY TO FACE ITS OWN CLIMATE ACTION SHAREHOLDER RESOLUTION AT ITS JUNE 18, 2021 ANNUAL GENERAL MEETING. THAT RESOLUTION DEMANDS THE FIRM ALIGN ITS STRATEGIES WITH MEETING 1.5 DEGREE REDUCTION GOALS.

13 Kiko Network. "Massive global shareholder backing for Mizuho climate shareholder proposal." News Release. Jun. 25, 2020. https://www.kikonet.org/eng/press-release-en/2020-06-25/Mizuho_AGM_20200625

14 Market Forces. "Sumitomo to face shareholder resolution at its AGM over climate inaction." Webpage. Accessed May 29, 2021. <https://www.marketforces.org.au/sumitomo-to-face-shareholder-resolution-at-its-agm-over-climate-inaction/>

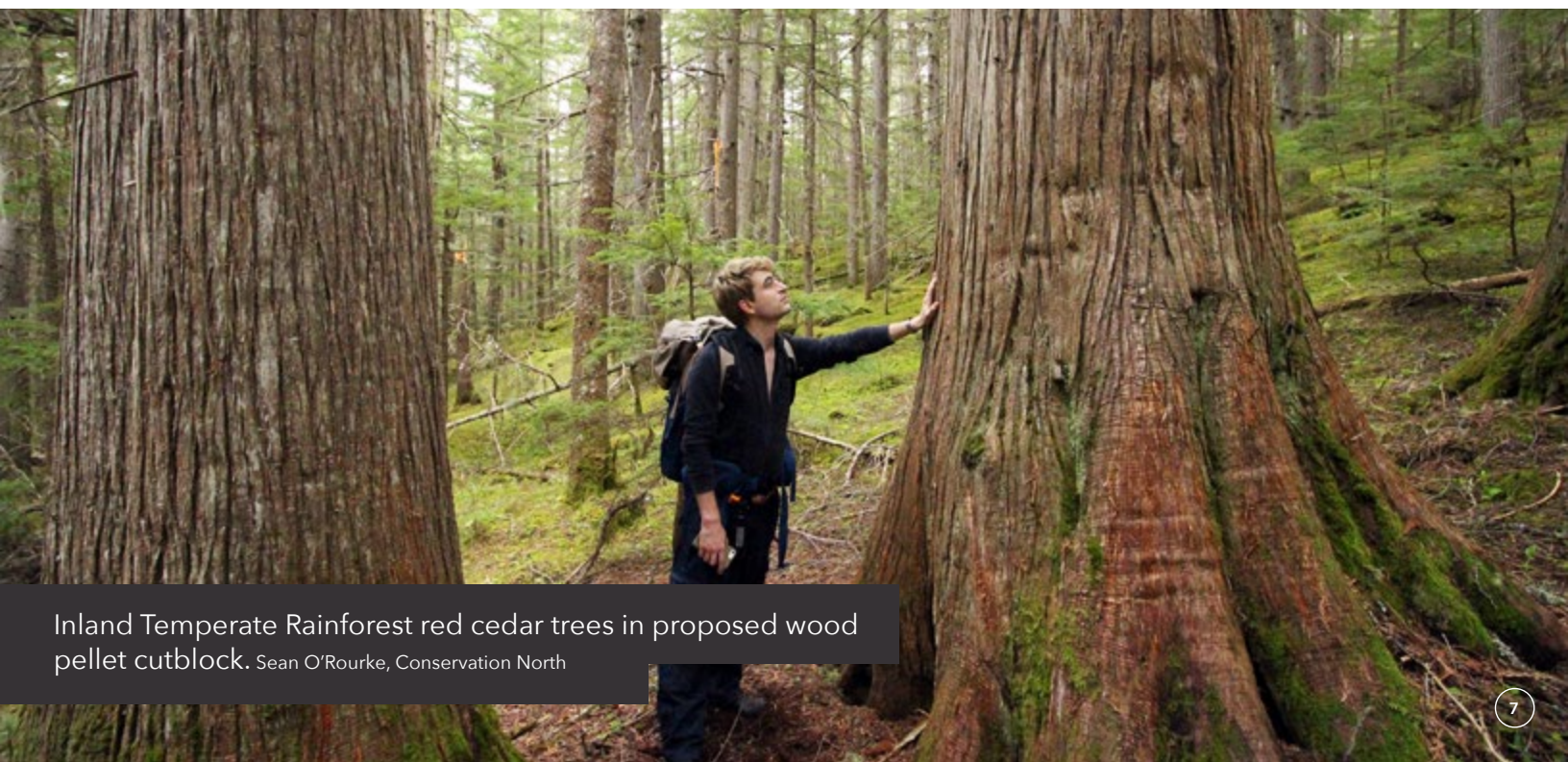
15 <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

16 McWilliams, Gary. "Investors, court deliver 'stark warning for Big Oil' on climate." Reuters. May 27, 2021. <https://www.reuters.com/business/sustainable-business/investors-court-deliver-stark-warning-big-oil-climate-2021-05-26/>


KEY RECOMMENDATIONS

(Full list of recommended policy changes can be found on p. 29)

- 1** Sumitomo's shareholders should vote in support of the climate action shareholder resolution at its June 18, 2021 Annual General Meeting and demand that the company produce a clear plan– with transparent benchmarks – for transitioning its global operations to achieve carbon neutrality by 2050 with a reduction trajectory in line with global 1.5°C targets;
- 2** Sumitomo should adopt a responsible forest products policy based upon NPDE (no deforestation, no peat, no exploitation) principles which applies to all of Sumitomo Corporation's global operations, subsidiaries, joint venture and supply chain partners. Include monitoring and enforcement protocols to prevent the degradation of natural forests, protect lands with high conservation value and ensure the integrity of forest ecosystems;
- 3** Sumitomo should stop developing new coal plants globally, whether as owner or contractor, and exit from all existing coal plants by 2030 in OECD countries and 2040 elsewhere at the latest;
- 4** Sumitomo should exit from conventional biofuels, including forest biomass, for their negative impacts on global forests and high near-term GHG emissions.



Inland Temperate Rainforest red cedar trees in proposed wood pellet cutblock. Sean O'Rourke, Conservation North



SUMITOMO CORPORATION'S DIRTY ENERGY BUSINESS

WHAT IS SUMITOMO CORPORATION?

Tokyo-based Sumitomo Corporation is Japan's fourth largest general trading company with total assets of 8 trillion yen (~\$73 billion USD).¹⁷ Japan's trading companies traditionally facilitated sales of Japanese manufactured products in foreign markets, but have diversified into resource imports and investing in and developing businesses abroad.¹⁸ Sumitomo's operations range from mining to media and rail to real estate spanning more than 900 group companies in 81 countries and regions.¹⁹ Sumitomo Corporation has been active in the Americas since 1951²⁰ and Sumitomo Corporation of Americas, with its head office in New York,²¹ is Sumitomo's largest regional subsidiary by revenue outside of Japan.²²

17 Sumitomo Corporation. "Consolidated Annual Results FY2020 (Year ended March 31, 2021)." May 7, 2021. p. 1.

18 Tanaka, Akira. "The Changing Business Models of Postwar Japan's Sōgō Shōsha." *Japanese Research in Business History* 2013. p. 66, 67, 81.

19 Sumitomo Corporation. *Integrated Report* 2020. p. 20.
<https://www.sumitomocorp.com/en/jp/ir/financial/investors-guide/2020>

20 Sumitomo Corporation of Americas. "SCOA Timeline." Accessed Mar. 27, 2020.
https://www.sumitomocorp.com/-/media/Files/us/about/scoa/scoa_timeline.pdf?la=en

21 Sumitomo Corporation of Americas. "Who We Are." <https://www.sumitomocorp.com/en/us/scoa/whoweare>

22 Sumitomo Corporation. *Fact Book* 2019. p. 41.
<https://www.sumitomocorp.com/en/jp/ir/financial/investors-guide/2019>

SUMITOMO'S DIRTY ENERGY DEALINGS

Sumitomo is a company at the center of global coal and biomass networks that mine, chop, finance, ship and burn the most destructive fuels on earth. It is involved in coal mining, importing coal into Japan and building coal-fired power plants.

Sumitomo climate policies remain demonstrably weaker than other Japanese conglomerates with a disconnect between its long-range goal of carbon neutral by 2050 and its business activities today.²³ Sumitomo remains active in thermal coal mining after Mitsubishi, Marubeni and Mitsui pulled out completely. In October 2020, Mitsui announced it would exit from all coal power generation by 2030. Marubeni withdrew from three overseas coal plant projects. In contrast, Sumitomo remains involved in the development and construction of new coal plants in Bangladesh, Vietnam and Indonesia.²⁴ In May 2021, Sumitomo announced it would withdraw from coal mining by 2030, not build new coal power plants but with an exception for Matarbari 2 in Bangladesh, and only exit coal-fired power generation by the late 2040s.²⁵ For reference, the International Energy Agency's Net Zero roadmap calls for a phase-out of all unabated coal power plants in advanced economies by 2030 and globally by 2040.²⁶

SUMITOMO IS AT THE CENTER OF GLOBAL COAL AND BIOMASS NETWORKS THAT MINE, CHOP, FINANCE, SHIP AND BURN THE MOST DESTRUCTIVE FUELS ON EARTH.

23 Sumitomo Corporation. "Policies on Climate Change Issues." Website. Accessed Jun. 2, 2021.

<https://www.sumitomocorp.com/en/jp/sustainability/environmental-management/climate>

24 Institute for Energy Economics and Financial Analysis (IEEFA). *Overseas Coal Projects Raise Questions for Sumitomo: Trading House Lags Behind Its Japanese Peers on Thermal Coal*. Report. Nov. 2020. p. 2

<https://ieefa.org/ieefa-japan-%c2%a526-billion-loss-on-australian-coal-power-plant-raises-questions-for-sumitomo-and-its-investors/>

25 Sumitomo Corporation. "Revision to "Policies on Climate Change Issues." News Release. May 7, 2021.

<https://www.sumitomocorp.com/en/jp/news/release/2021/group/14700>

26 International Energy Agency. *Net Zero by 2050: A Roadmap for the Global Energy Sector*. May 2021.

<https://www.iea.org/reports/net-zero-by-2050>

TURNING FORESTS INTO FUEL

Trading companies, led by Sumitomo Corporation, are bringing millions of tons of “biomass” (primarily wood chips, wood pellets and palm kernel shells) to Japan each year to burn in power plants as fuel. The company boasted it has a 55% market share for importing wood pellets to Japan, and stated its intention to control 40% of all imported biomass fuel by 2021.²⁷

Scientists insist that meeting the goals of the Paris Agreement and to limit global warming to a 1.5-degree Celsius increase requires an expansion rather than a reduction of carbon-storing forest cover. That means standing forests must be protected, the conversion of older forests to intensively managed short-rotation forests must be stopped, and deforested and degraded areas must be ecologically restored.²⁸

Running counter to this goal, wood pellets and wood chips can be made from a wide variety of trees including trees without commercial value for use as

27 Sumitomo Corporation. “Providing Stable Supplies of Biomass Fuel for a Low-Carbon Society.” Case study Accessed Mar. 21, 2020. <https://www.sumitomocorp.com/en/jp/business/case/group/biomass>

28 Moomaw, William, Susan Masino and Edward Faison. “Intact Forests in the United States: Proforestation Mitigates Climate Change and Serves the Greatest Good.” *Frontiers for Global Change*. Jun. 11, 2019. <https://www.frontiersin.org/articles/10.3389/ffgc.2019.00027/full> and Moomaw, Bill and Janice Smith. *The Great American Stand*. Dogwood Alliance. p. 8.



Primary forest in a planned pellet cutblock area, British Columbia. Conservation North



lumber. Biomass provides a high-volume market for such wood, which can drive the logging of forests that would otherwise be non-economical to cut. The transformation of forest carbon, stored in trees, into biomass fuel that is burned and quickly releases carbon dioxide into the atmosphere, means that wood biomass has negative climate implications now.²⁹

In February 2021, a group of 500 scientists and academics wrote to President Biden, Prime Minister Suga and other world leaders to warn them against shifting from burning fossil fuels to burning trees as, “[t]rees are more valuable alive than dead both for climate and for biodiversity. To meet future net zero emission goals, your governments should work to preserve and restore forests and not to burn them.”³⁰

Of course, forests are more than just products or fuel, they are essential ecosystems. They provide critical habitat for a range of species, play an important role in limiting erosion and protecting soil from rainfall, are essential to freshwater management, and support a range of livelihoods for people living in or near forested areas.³¹

Japan has emerged as a major destination for imported biomass, with the amount of imported wood pellets growing ten-fold between 2014 and 2018 and continuing to increase.³² Japanese trading companies’ experience in global markets is what makes this growth possible. Industry-leading Sumitomo Corporation primarily imports wood biomass from Canada, Vietnam, and increasingly, the Southeastern United States.

SOUTHEASTERN U.S. FORESTS AT RISK

Intensive forest management since the 1950s has made the Southeastern United States the largest wood-producing region in the globe. A US Forest Service report stated, “In 1952, there were only 1.8 million acres of pine plantations in the South[.] At the turn of the 21st century, there are 32 million acres of pine

29 Serman, John, Lori Siegel and Juliette Rooney-Varga. “Does replacing coal with wood lower CO₂ emissions? Dynamic lifecycle analysis of wood bioenergy.” *Environmental Research Letters*. Jan. 18, 2018. p. 1.

<https://iopscience.iop.org/article/10.1088/1748-9326/aaa512/pdf>

30 Raven, Peter, et. al. “Letter Regarding the Use of Forests for Bioenergy.” Feb. 11, 2021. <https://assets.documentcloud.org/documents/20482842/scientist-letter-to-biden-van-der-leyden-michel-suga-moon-february-11-2021.pdf>

31 https://www.panda.org/discover/our_focus/forests_practice/importance_forests/

32 Biomass Industrial Society Network. *Biomass White Paper 2019*. Aug. 2019. (Japanese) https://www.npobin.net/hakusho/2019/topix_02.html#column02

plantations[.]”³³ By 2017 pine plantations occupied more than 41 million acres.³⁴ While some pines were planted on former agricultural lands, government and landowners recognized benefits of conversion of hardwood and natural pine forests to plantations due to “the superior growth and yield of pine plantations relative to naturally regenerated stands.” The report proudly noted that “[p]ine plantation silviculture in the Southern United States is one of the major success stories for forestry in the world.”³⁵

Managing forests with the goal of maximizing wood production comes with environmental costs: pine monocultures do not provide rich habitat, these types of forests also contribute less to water management and flood control, and young forests are able to store less carbon than mature ones.³⁶ Regional forest advocates deride them as “fake forests” unworthy of the name, and note that there would be 25 million more acres of Southeastern forests today if growth trends from 1964 had not been disrupted by intensive logging.³⁷

The US Forest Service and other agencies now have forest restoration programs, noting “The extensive loss of longleaf pine has caused a noticeable change in the

33 Fox, Thomas R.; Jokela, Eric J.; Allen, H. Lee. *The evolution of pine plantation silviculture in the Southern United States*. U.S. Department of Agriculture, Forest Service, Southern Research Station. Chapter 8. 2004. p. 63.

34 Oswalt SN, Smith WB, et. al. *Forest resources of the United States, 2017*. Washington Office, Forest Service, US Department of Agriculture. 2019. Table 5-1, p. 42.

35 *The evolution of pine plantation silviculture in the Southern United States*. p. 63.

36 Moomaw, Bill and Janice Smith. *The Great American Stand*. Dogwood Alliance. p. 26-28

37 Dogwood Alliance. “Are Wood Products Companies Really Helping Forests?” Sept. 2020. p. 2, 3. <https://www.dogwoodalliance.org/wp-content/uploads/2020/09/Are-Markets-Really-Helping-Forests-S4F-Report.pdf>



Clearcut North Carolina wetland forest tied to Enviva’s facilities. Dogwood Alliance

Southeast, demonstrated by the fact that more than 30 species associated with longleaf pine forests, such as the red-cockaded woodpecker, gopher tortoise and black pine snake are listed by the U.S. Fish and Wildlife Service (USFWS) as threatened or endangered.”³⁸

European demand for wood pellets to use as energy has led to the creation of “biomass” pellet facilities in the Southeast capable of producing 10.6 million tons in 2019, and is projected to increase to 15 million tons (requiring 10.5 million acres of forest) by 2030.³⁹ These facilities have been opposed by local residents and environmental organizations concerned about local air pollution and forest health.⁴⁰ As the UK and certain European nations have begun to effectively limit biomass imports through greenhouse gas restrictions and power plant efficiency standards, Japan is emerging as a key driver of future demand.⁴¹

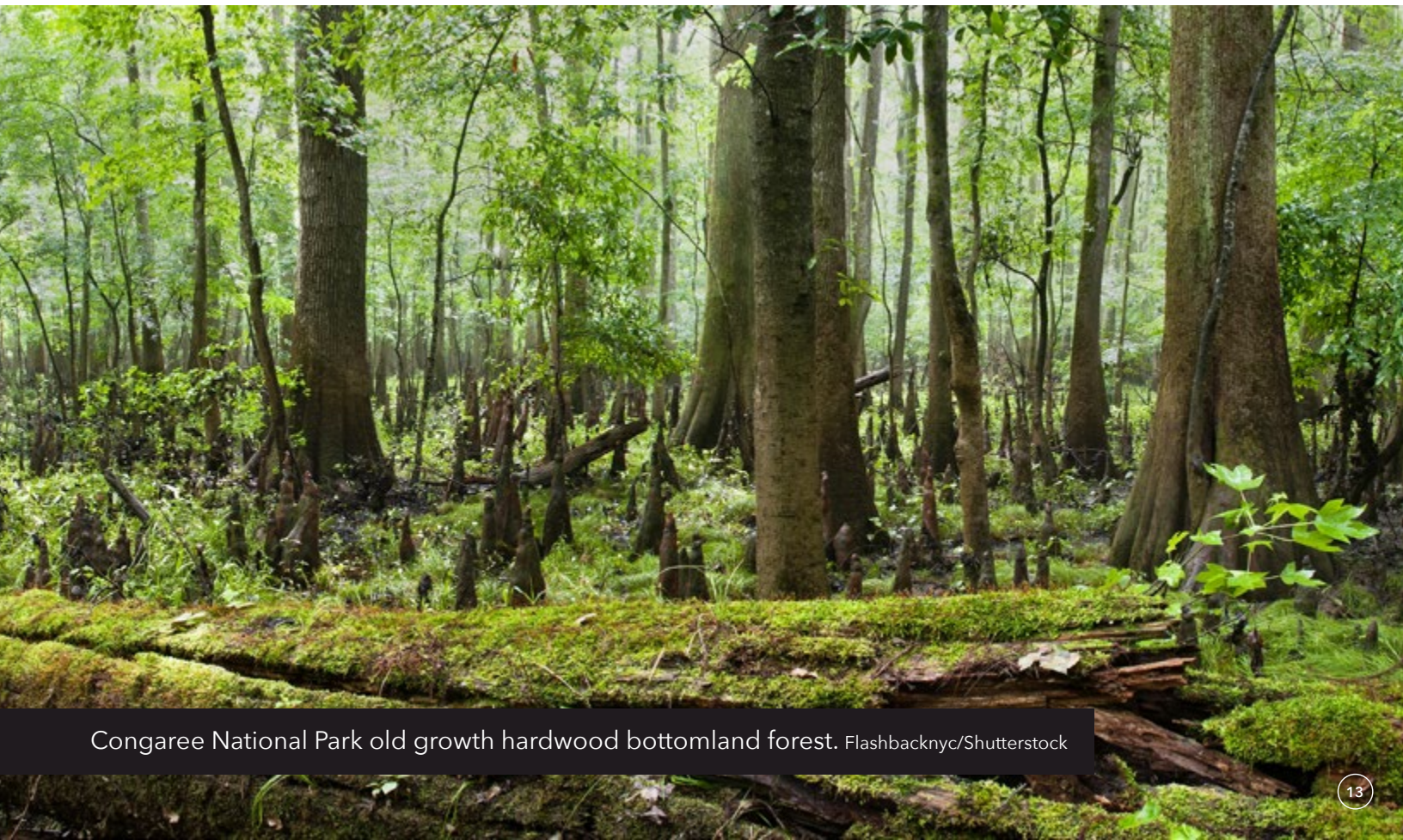
38 Natural Resources Conservation Service. “Longleaf Pine Restoration. FY17-18 Implementation Strategy” p.3.

https://www.nrcs.usda.gov/wps/PA_NRCSConsumption/download?cid=nrcseprd1334413&ext=pdf

39 Dogwood Alliance. “Destroying Southern Forests for International Export.” 2017. <https://www.dogwoodalliance.org/wp-content/uploads/2017/08/Acres-of-Pellets-Fact-Sheet.pdf>

40 Associated Press. “Environmentalists want NC governor to halt pellet plants.” May 27, 2021. <https://apnews.com/article/nc-state-wire-environment-government-and-politics-business-b87fba722b4fdfe59bfa06f63973973>

41 Pinnacle Renewable Energy. “Investor Presentation.” Mar. 2020. p. 5



Congaree National Park old growth hardwood bottomland forest. Flashbacknyc/Shutterstock

Enter Japan and its biggest biomass importer, Sumitomo Corporation. Sumitomo lacks a corporate “no deforestation” policy covering the entire supply chain. Forest protection policies should start with a commitment to NDPE (No Deforestation, No Peat, No Exploitation), which has become standard for reputable commodity importers and retailer end-users working in tropical regions.⁴² Corporate forest policies need to include monitoring and enforcement mechanisms to prevent the degradation of natural forests, prevent conversion of natural forests to plantations, protect areas of “high conservation value” (including critical habitat or those with endangered or threatened species), maintain the functioning of forest ecosystems, and preserve high carbon stocks. The Accountability Framework, created by NGOs, is one such system to guide implementation of NDPE standards globally.⁴³

In response to criticism by Mighty Earth regarding biomass in our 2019 report,⁴⁴ Sumitomo stated it has “organized internal working groups on this issue across departments” and noted it possessed certificates for biomass fuel using various forest certification systems.⁴⁵ Certification does not itself guarantee sustainability as the stringency of standards vary widely and do not fully address the climate impacts of forest biomass. The most rigorous of the systems cited, the Forest Stewardship Council (FSC), is not widely used in the US Southeast.⁴⁶ The one that is, the “Sustainable Biomass Program,” was set up in 2013 for European users of wood pellets and chips (i.e. utilities) to be able to demonstrate compliance with sustainability regulations.⁴⁷ Analysis by the Natural Resources Defense Council criticized this program for lacking performance-based criteria, allowing conversion of forests to plantations, relying upon self-assessments, and for a lack of rigor for carbon accounting.⁴⁸

Sumitomo contracts for large quantities of wood biomass from third-party suppliers, including the largest global wood pellet producer, Enviva Partners, LP. Enviva facilities are located nearby Southeastern Mixed Forests and Middle Atlantic Coastal Forests, both designated by the World Wildlife Fund as Critical/Endangered, because of their biodiversity and numerous threats including

42 Chain Reaction Research. “NDPE Policies Cover 83% of Palm Oil Refineries; Implementation at 78%.” Apr. 28, 2020. <https://chainreactionresearch.com/report/ndpe-policies-cover-83-of-palm-oil-refineries-implementation-at-75/>

43 Accountability Framework. <https://accountability-framework.org/> Webpage. Accessed Jun 1. 2021.

44 Mighty Earth. *Sumitomo Corporation’s Dirty Energy Trade: Biomass, Coal, and Japan’s Future*. Dec. 2019. <https://www.mightyearth.org/sumitomo>

45 Business & Human Rights Resource Centre. “Company response.” (English translation and link to Japanese original.) Aug. 3, 2020. <https://www.business-humanrights.org/en/latest-news/sumitomo-corporation-responded/>

46 The State of America’s Forests. “How much U.S. forest area is certified?” Interactive Map. Accessed Jun 1. 2021. <https://usforests.maps.arcgis.com/apps/MapJournal/index.html?appid=dfe7da49c651424eb39a14c61c4d5f7f>

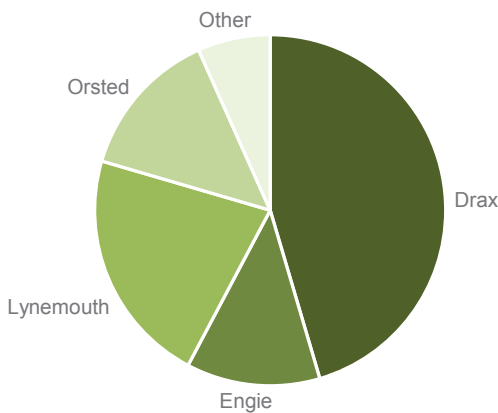
47 <https://sbp-cert.org/about-us/faqs/>

48 Hammel, Debbie. “The Sustainable Biomass Program: A Smokescreen for Forest Destruction and Corporate Non-accountability.” Issue Paper. Jun. 29, 2017. <https://www.nrdc.org/resources/sustainable-biomass-program-smokescreen-forest-destruction-and-corporate-non>

fragmentation and conversion.⁴⁹ The Critical Ecosystem Partnership Fund, which protects global biodiversity and of which the Government of Japan is a donor partner, labeled the North America Coastal Plain a biodiversity hotspot because of the variety of plant and animal life and its significant habitat loss from causes including deforestation.⁵⁰

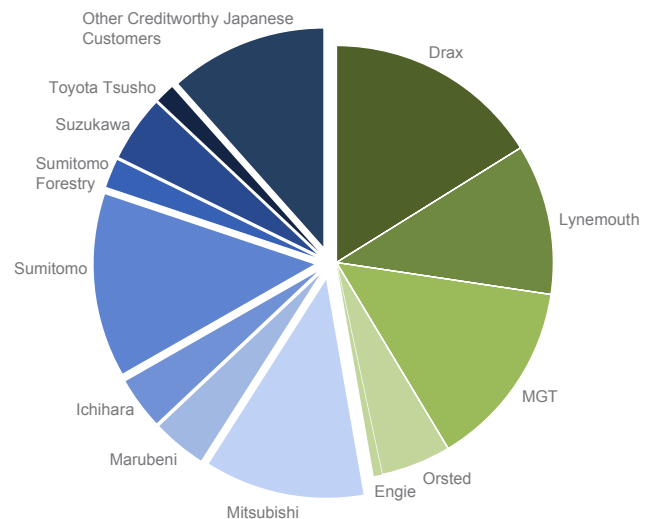
On-the-ground investigations of pellet production have followed logging trucks to their sources, including wetland hardwood forests which are both critical for biodiversity and difficult to restore.⁵¹ Enviva's materials for investors show that the company has secured contracts with Japanese importers that will increase from negligible levels today to make up more than half their business by 2025. Sumitomo's pellet imports give it the largest share of the Japanese importers at 15% (or more than 1 million tons per year). Buoyed by Japanese demand, Enviva expects to produce 7.1 million tons of wood pellets in 2025, up from just 3.6 million tons in 2019.⁵² Such a staggering increase in production provides an economic signal to landowners to increase logging of the remaining natural forests and replant them with fast-growing pines, and will challenge the company's systems for supplier oversight.

Enviva Contracts for Biomass Sales 2019



~3.6 million MTPY

Enviva Contracts for Biomass Sales 2025



~7.1 million MTPY

- 49 Dogwood Alliance, NRDC, "Enviva's Wood Pellet Mill in Ahoskie, North Carolina Threatens Endangered Ecosystems and Wildlife." Sept. 2014. <https://www.dogwoodalliance.org/wp-content/uploads/2013/05/Enviva-Mill-in-Ahoskie-Dogwood-Report.pdf>
- 50 Critical Ecosystem Partnership Fund. "North American Coastal Plain." Accessed Sep. 15, 2019. <https://www.cepf.net/our-work/biodiversity-hotspots/north-american-coastal-plain>
- 51 "Europe's Green-Fuel Search Turns to America's Forests." The Wall Street Journal. May 27, 2013. <https://www.wsj.com/articles/SB10001424127887324082604578485491298208114>
- 52 Enviva Partners, LP. "Business Overview." Nov. 10, 2020. https://www.envivabiomass.com/wp-content/uploads/EVA-Investor-Presentation_Nov-2020.pdf p. 13 and Enviva Partners, LP. "Business Overview." May 10, 2021. <https://www.envivabiomass.com/wp-content/uploads/EVA-Investor-Presentation-May-10-2021-Final.pdf>

BIOMASS IMPACTS IN CANADA

While the United States is only now emerging as a major supplier of wood biomass for Japan, Canadian forests have been under stress for years. Overall, Canada is losing its tree cover with a decrease of 9.2% since 2000, releasing 1.5 billion tons of CO₂ into the atmosphere.⁵³ Its forests are under pressure from pulp production, and now biomass is adding to this problem by creating additional demand to log forests.

Canadian wood pellet exports are increasingly rapidly. They more than doubled between 2012 and 2014, and are expected to double again by 2023.⁵⁴ Pellet exports are concentrated in British Columbia, estimated at 80% of Canada's pellet exports.⁵⁵ Japan and the United Kingdom are the top two importing countries,⁵⁶ with Sumitomo Corporation emerging as a major player in the British

- 53 Stand.earth. "Stand.earth joins worldwide movement calling biomass energy a 'dangerous delusion.'" Oct. 24, 2018. <https://www.stand.earth/latest/forest-conservation/primary-forests/standearth-joins-worldwide-movement-calling-biomass>
- 54 Walker, Seth and William Strauss. "2019 global wood pellet markets outlook" *Canadian Biomass Online*. Jan 7, 2019. www.canadianbiomassmagazine.ca/pellets/2019-wood-pellet-markets-outlook-7190
- 55 Murray, Gordon, Wood Pellets Association of Canada. "WPAC calls for action to end railway blockade impacting wood pellet industry." *Canadian Biomass Magazine*. Feb. 10, 2020. <https://www.canadianbiomassmagazine.ca/wpac-calls-for-action-to-end-railway-blockade-impacting-wood-pellet-industry/>
- 56 Stand.earth. *Investigation: Canada's Growing Wood Pellet Export Industry Threatens Forests, Wildlife and our Climate*. April 2020. p. 6 <https://www.stand.earth/publication/canadas-growing-wood-pellet-export-industry-threatens-forests-wildlife-and-our-climate>



Columbia pellet export business.

Three-quarters of Canada's forests are high-latitude "boreal" forests.⁵⁷ They are sensitive to environmental disturbances and are extremely slow to regrow. An estimated 38% of the wood pellet industry is located in the boreal forest. The notion that biomass has climate benefits is based on the fact that trees and plants regrow, but if boreal forests are cut and burned for energy, the result is an increase in atmospheric CO₂ levels for between 122 and 481 years, according to a recent study.⁵⁸

Another critical ecosystem is the Inland Temperate Rainforest, known for its rich biodiversity. One-third of the pellet industry in British Columbia operates in this area.⁵⁹

The boreal forest and Inland Temperate Rainforest in British Columbia are home to diverse species of wildlife, including woodland caribou. These caribou have been designated by the Canadian government since 2004 as "threatened,"

57 *Investigation: Canada's Growing Wood Pellet Export Industry Threatens Forests, Wildlife and our Climate.* p. 12, 14

58 Jay R Malcolm, Bjart Holtsmark and Paul W Piascik. "Forest harvesting and the carbon debt in boreal east-central Canada." *Climatic Change*. Apr. 11, 2020. p.14 <https://doi.org/10.1007/s10584-020-02711-8>

59 *Investigation: Canada's Growing Wood Pellet Export Industry Threatens Forests, Wildlife and our Climate.* p. 5, 8





with an 81% decline in population primarily due to habitat loss and predation.⁶⁰ Woodland caribou depend on arboreal lichen as a food source, which grows on mature coniferous trees. The survival of this species depends on maintaining the health of primary forests.⁶¹ Unfortunately, their situation continues to worsen and in 2018, Canada's federal government declared that the woodland caribou in the Inland Temperate Rainforest were at risk of extinction. This declaration could pave the way for federal intervention to protect the caribou, including rejecting logging permits.⁶²

In 2020, British Columbia Premier John Horgan promised an overhaul of forestry to protect old growth forests and biodiversity, "recognizing that old forests are unique, irreplaceable, and complicated ecosystems, that they have their own intrinsic value, and that we should prioritize their overall ecosystem health, rather than just the value of standing timber."⁶³ However, in the intervening year few new concrete policies,⁶⁴ and continued logging, have led to protests with hundreds of activists blocking logging operations, leading to mass arrests.⁶⁵

Sumitomo Corporation sources wood pellets from British Columbia indirectly through suppliers as well as directly. Sumitomo purchases pellets from Pinnacle Renewable Energy, Inc.,⁶⁶ the world's second largest pellet producer which was recently acquired by UK energy company Drax Group.⁶⁷ Pinnacle operates seven

**IF BOREAL FORESTS ARE CUT AND BURNED FOR ENERGY,
THE RESULTING INCREASE IN ATMOSPHERIC CO₂ LEVELS WILL
LAST BETWEEN 122 AND 481 YEARS.**

60 Government of Canada. "Caribou Boreal population" Modified Nov. 29, 2011.

https://wildlife-species.canada.ca/species-risk-registry/species/speciesDetails_e.cfm?sid=636

61 Stand.earth "Is Charmin toilet paper endangering the caribou?" Blog article. May 6, 2019.

<https://www.stand.earth/blog/forest-conservation/charmin-toilet-paper/charmin-toilet-paper-endangering-caribou>

62 Cox, Sarah. "Canada's reindeer 'at risk of extinction'" *The Narwhal* Dec. 22, 2019.

<https://thenarwhal.ca/canadas-reindeer-at-risk-of-extinction/>

63 Premier John Horgan. "A new approach to old forests." Oct. 19, 2020.

<https://www.bcnep.ca/latest/new-approach-old-forests>

64 Pawson, Chad. "What you need to know about old growth trees in B.C. – and the threats facing them." CBC News. May 30, 2021. <https://www.cbc.ca/news/canada/british-columbia/old-growth-trees-british-columbia-1.6045289>

65 DeRosa, Katie. "Fairy Creek blockades a political 'embarrassment' for Horgan government: critics." Vancouver Sun. May 28, 2021.

<https://vancouversun.com/news/fairy-creek-blockades-a-political-embarrassment-for-horgan-government>

66 Pinnacle Renewable Energy. "Investor Presentation." Nov. 2020. p. 7.

<https://www.pinnaclepellet.com/wp-content/uploads/2020/11/Pinnacle-November-2020.pdf>

67 Pinnacle Renewable Energy. "Pinnacle Completes Arrangement with Drax Group." News Release. Apr. 13, 2021.

<https://www.pinnaclepellet.com/cision/?nrid=122563>

wood pellet mills in British Columbia.⁶⁸ Contracts with Japanese buyers went from just 10% in 2017 to 48% by the end of 2020.⁶⁹ A new risk map analysis from Stand.earth demonstrates overlap between the supply area for their mills and unprotected primary forest and caribou habitat.⁷⁰

In 2017, Sumitomo entered the wood pellet production business directly by purchasing a 48% stake in Canadian wood pellet producer Pacific BioEnergy. This biomass giant operates plants with a combined production capacity of 550,000 tons of pellets per year.⁷¹

Sixty kilometers east of Pacific BioEnergy's Prince George plant, ancient cedars and hemlock trees tower over the mossy forest floor of the island rainforest. In 2020, investigators with Conservation North, a Canadian environmental conservation NGO, revealed how old growth trees in this area were tagged by Pacific BioEnergy for cutting. They called on the provincial government to prohibit logging of uncut primary forests due to its rarity, biodiversity and

68 Pinnacle Renewable Energy. "Our Locations." Accessed Sep. 9, 2019. <https://pinnaclepellet.com/about-us/>

69 Pinnacle Renewable Energy. "Investor Presentation." Nov. 2020. p. 18
<https://www.pinnaclepellet.com/wp-content/uploads/2020/11/Pinnacle-November-2020.pdf>

70 Stand.earth. "Risk Map: Primary forest and threatened caribou habitat overlap with preliminary estimated wood pellet haul zones for Pinnacle/Drax in British Columbia." Mar. 23, 2021. <https://www.stand.earth/publication/forest-conservation/forests-and-wood-pellets/risk-map-primary-forest-and-threatened>

71 Sumitomo Corporation. "Sumitomo Corporation Acquires Stake in Canadian Wood Pellet Manufacturer." News Release. Jul. 21, 2017. https://www.sumitomocorp.com/en/jp/news/release/2017/group/20170721_1



Cutblock adjacent to a planned pellet cutblock, British Columbia. Conservation North



the stores of carbon in the soil.⁷² In February 2021, the organization released detailed maps showing the extensive disturbance of primary forests by logging and other industrial activity throughout British Columbia's interior.⁷³ They noted that the expansion of the wood pellet industry has broadened the types of forests at risk from logging.⁷⁴

The harvest areas for Pinnacle's Meadowbank mill and Pacific BioEnergy's mills at Prince George and Chetwynd overlap with critical caribou habitat in the Inland Temperate Rainforest. There are also business risks as their sourcing area may encroach upon proposed Indigenous Protected and Conserved Areas.⁷⁵ The First Nations are asserting their rights and in 2014, a lawsuit by the Tsilhqot'in First Nation set a successful precedent at the Supreme Court of Canada by affirming the tribes' control over some of their land claim, meaning Indigenous consent will be increasingly required for logging operations.⁷⁶

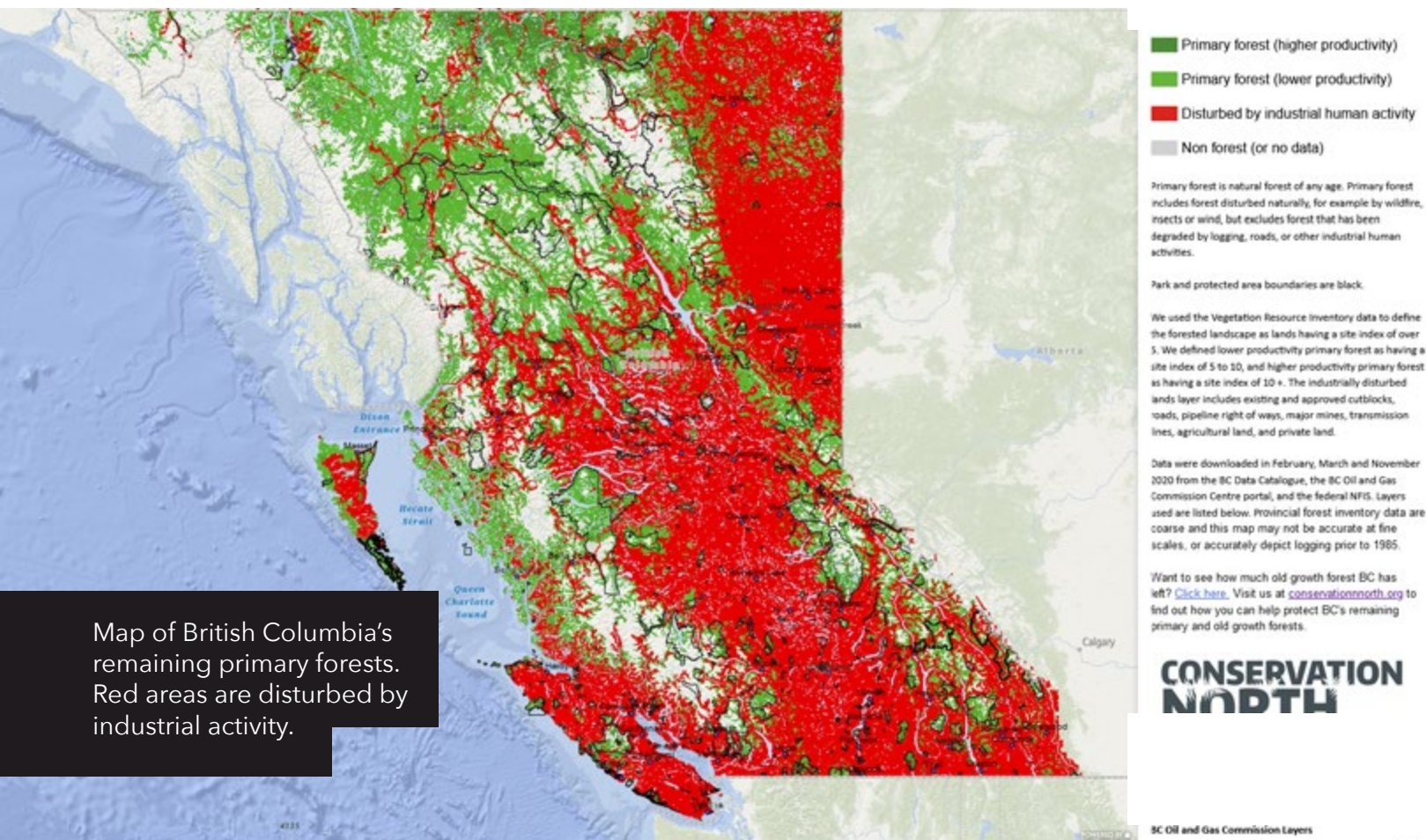
72 Simmons, Matt. "B.C. gives Pacific BioEnergy green light to log rare inland rainforest for wood pellets", *The Narwhal*. Oct. 9, 2020. <https://thenarwhal.ca/bc-pacific-bioenergy-old-growth-logging-wood-pellets/>

73 Conservation North. "Seeing Red: BC's last primary forests." <https://consnorth.maps.arcgis.com/apps/webappviewer/index.html?id=d1620f43f9084a99a4921e5e8b9b98dd>

74 Cox, Sarah. "B.C.'s old-growth forest nearly eliminated, new provincewide mapping reveals." *The Narwhal*. Feb. 9, 2021. <https://thenarwhal.ca/bc-forests-old-growth-impacts-map/>

75 *Investigation: Canada's Growing Wood Pellet Export Industry Threatens Forests, Wildlife and our Climate*. p. 10, 11

76 *Investigation: Canada's Growing Wood Pellet Export Industry Threatens Forests, Wildlife and our Climate*. p. 11.



COAL POWER PLANTS

Despite the fact that global warming has emerged as a full-fledged crisis, Sumitomo continues to build coal power plants. In 2018, the Intergovernmental Panel on Climate Change (IPCC) stated that keeping global temperature rise below 1.5 degrees Celsius requires emission cuts to 45% below 2010 levels by 2030.⁷⁷ With just nine years remaining to make such reductions, this is not the time to build new coal plants. Instead, it is critical to expedite the retirement of existing facilities.

While Sumitomo recently announced it intends to operate its existing coal plants until the late 2040s,⁷⁸ coal has become a risky business. Last fall Sumitomo announced a \$251 million (25 billion yen) impairment loss from its Bluewaters Power plant in Australia⁷⁹ when it was unable to refinance loans after banks tightened their lending policies on coal.⁸⁰ Sumitomo's Matarbari 1 project has been mired in cost-overruns and delays even before the pandemic hit,⁸¹ and now

77 IPCC. *Special Report: Global Warming of 1.5°C. Summary for Policymakers*. <https://www.ipcc.ch/sr15/>

78 Sumitomo Corporation. "New Medium-Term Management Plan 2021-2023." Presentation. May 10, 2021. p. 24. https://www.sumitomocorp.com/jp/-/media/Files/hq/ir/report/summary/2020/en/2103_0510Presentaion-ENG_X1nM.pdf

79 Sumitomo Corporation. "Quarterly Results for FY 2020 (Six-month period ended September 30, 2020)." Nov. 6, 2020. p. 17. https://www.sumitomocorp.com/-/media/Files/hq/ir/report/summary/2020/en/2009-Presentation-ENG_7L7Fe.pdf?la=en

80 IEEFA. "¥26 billion loss on Australian coal power plant raises questions for Sumitomo and its investors: Sumitomo's coal policies are lagging its trading house peers and the Japanese government." Press Release. Nov. 24, 2020. <https://ieefa.org/ieefa-japan-%c2%a526-billion-loss-on-australian-coal-power-plant-raises-questions-for-sumitomo-and-its-investors/>

81 "Matarbari Power doesn't bother to disclose Tk10,000cr cost hike." The Business Standard. Dec. 21, 2019. <https://tbsnews.net/bangladesh/energy/matarbari-power-doesnt-bother-disclose-tk10000cr-cost-hike>.

Tanjung Jati B Coal Plant 1-4, Indonesia, built by Sumitomo. Friends of the Earth, Japan



reportedly stands 3 years behind schedule and nearly 50% over budget.⁸² These risks are showing up in Sumitomo's balance sheets with investors questioning large losses from power plant construction delays.⁸³

Sumitomo Corporation is still involved in the construction of new coal power plants in southeast Asia, the Van Phong 1 plant in Vietnam, the Tanjung Jati B Units 5 & 6 Expansion Project in Indonesia, and Matarbari 1 in Bangladesh, and is in the planning stages for Matarbari 2.⁸⁴

BURDENING BANGLADESH

Low-lying Bangladesh is one of the countries most affected by climate change, especially vulnerable to tropical cyclones and sea level rise, and currently chairs the Climate Vulnerable Forum for nations at highest risk from climate impacts.⁸⁵

82 Fhm Humayan Kabir. "Matarbari fast-track power project in need of more fund and time." The Financial Express. May 31, 2021. <https://thefinancialexpress.com.bd/trade/matarbari-fast-track-power-project-in-need-of-more-fund-and-time-1619061317>

83 Sumitomo Corporation. "Question & Answer at IR Meeting on Financial Results for FY 2020 Q4." p.2, 3. <https://www.sumitomocorp.com/-/media/Files/hq/ir/report/summary/2020/en/2103-QA-ENG-0507.pdf>

84 <https://www.nocoaljapan.org/sumitomo-corporations-new-coal-policy-still-includes-major-loop-holes/>

85 Climate Vulnerable Forum. <https://thecvf.org/about/>



Online rally to end Japanese coal finance in Bangladesh. Sept. 23, 2020.

In September 2020, Prime Minister Hassad wrote “[o]ne-third of my country was underwater last month. The heaviest rains in almost a decade began and have still not abated. More than 1.5 million Bangladeshis are displaced; tens of thousands of hectares of paddy fields have been washed away.”⁸⁶ The dire environmental consequences of climate change wracking Bangladesh have even prompted the Chinese government to in March 2021 disavow any future funding for infrastructure projects in Bangladesh “with high pollution and high energy consumption, such as coal mining [and] coal-fired power stations.”⁸⁷

Despite this, Sumitomo Corporation is leading the construction of a large 1,200 MW coal plant⁸⁸ on Matarbari Island and expected to lead the development of a second 1,200 MW plant currently being planned for this site. Matarbari is adjacent to Cox’s Bazar, Bangladesh’s longest stretch of sandy beaches, beloved by tourists and abutting wildlife sanctuaries, a marine reserve and national parks.⁸⁹ Densely populated, an estimated 90,000 people lived on Matarbari and relied upon shrimp farming and salt cultivation for their livelihoods.⁹⁰

Their lives were upended in 2013 when communities were forced into a land acquisition process for 5,000 acres on Matarbari to make way for new coal plants and related coal infrastructure.⁹¹ A survey of residents found many were unable to take part in compensation programs, not provided with alternative employment, and left without their place of work or homes.⁹²

A 40-year-old inhabitant of Matarbari told investigators: “The government has been spreading propaganda about not evicting the inhabitants. The truth is that

SUMITOMO CORPORATION BUILDS COAL PLANTS IN DEVELOPING COUNTRIES USING UNNECESSARILY POLLUTING TECHNOLOGY THAT WOULD NEVER BE ALLOWED IN JAPAN.

86 Prime Minister Sheikh Hasina. “A third of my country was just underwater. The world must act on climate.” Opinion. *The Guardian*. Sept. 22, 2020. <https://www.theguardian.com/us-news/commentisfree/2020/sep/22/climate-change-action-bangladesh-paris-agreement>

87 “China turns its back on Bangladesh BRI coal projects.” *Financial Times*. Mar. 11, 2021. <https://www.ft.com/content/30840645-58d2-4da5-be05-f476623677d2>

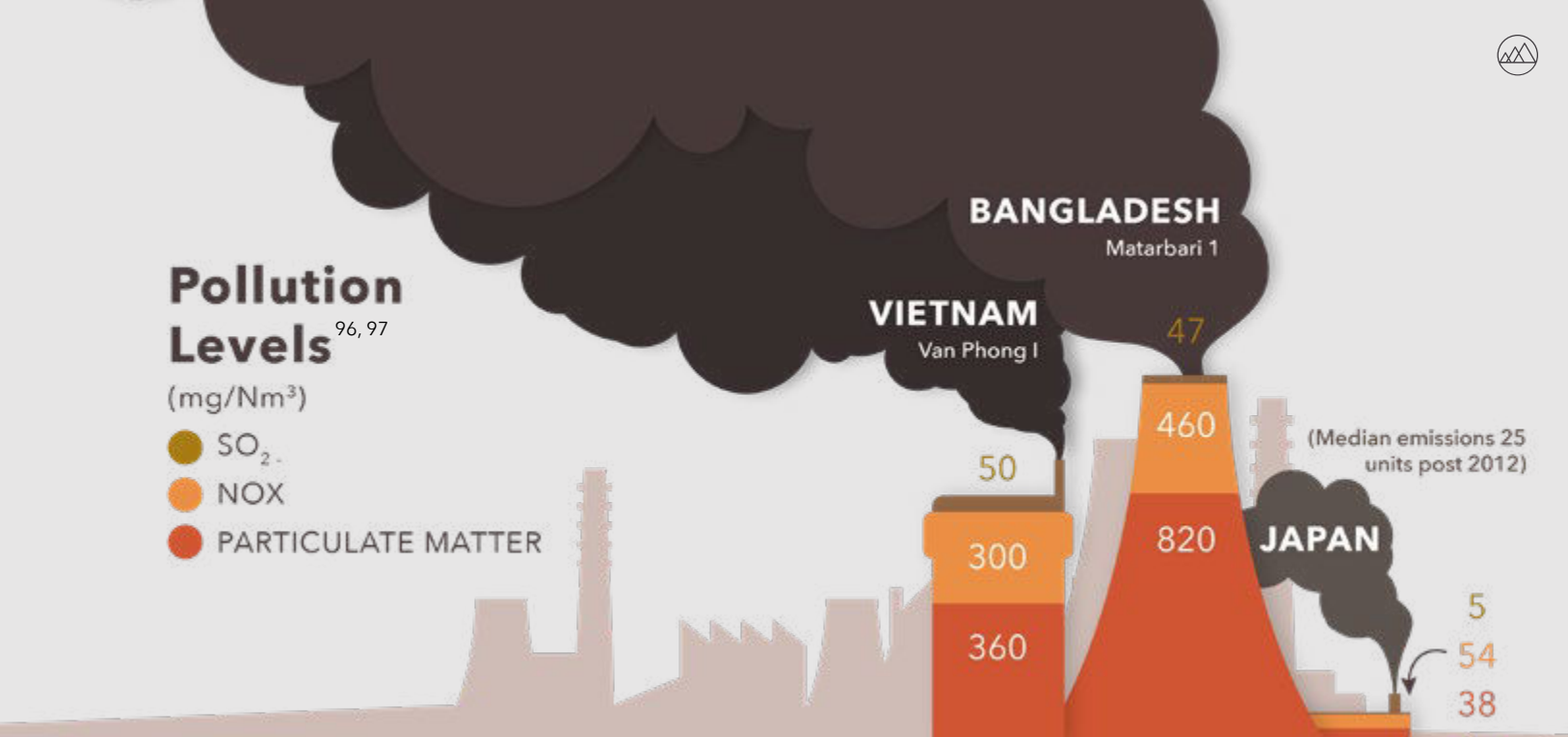
88 NS Energy. “Matarbari Coal-fired Power Plant.” Accessed May 13, 2020. <https://www.nsenerybusiness.com/projects/matarbari-coal-fired-power-plant/>

89 Bangladesh Poribesh Andolon (BAPA), Waterkeepers Bangladesh. *The tourist capital of Bangladesh is endangered by plans to build the largest coal power hub in the world*. Nov. 2019. p. 2, 13.

90 *The tourist capital of Bangladesh*, p. 23

91 *The tourist capital of Bangladesh*, p. 25

92 *The tourist capital of Bangladesh*, p. 26



they (project officials) seized land on which we used to cultivate crops and dry salt and fish for commercial purposes. If we cannot earn from our traditional profession than what's the use merely having to stay in homes which is also uncertain... We are a society highly dependent on the sea (salt and fish) but the power plants instead of coming as a boon turns out to be a bane.”⁹³

Local NGOs reported impacts to the Kohelia River and that after construction began, local water gates were closed and the community experienced unprecedented flooding. Houses, fields, schools and other areas were submerged, threatening food and drinking water and tragically resulting in the drowning death of a child.⁹⁴ Since that time, the dumping of dredged soil into the river has impacted local fishermen and advocates noted this impact was not included in the project EIA and does not meet the JICA Guidelines for Environmental and Social Considerations.⁹⁵

Air pollution is also a threat to the health of people around Matarbari. Sumitomo Corporation builds coal plants in developing countries using unnecessarily polluting technology that would never be allowed in Japan. Matarbari 1 will

⁹³ *The tourist capital of Bangladesh*, p. 26.

⁹⁴ Japan Center for a Sustainable Environment and Society. “Factsheet: Matarbari Ultra Super Critical Coal-Fired Power Project (Bangladesh).” Aug. 2019. https://sekitan.jp/jbic/wp-content/uploads/2019/08/Matarbari-Factsheet-20190801_EG.pdf

⁹⁵ NGO Joint Statement. “Sumitomo Corporation’s new coal policy still includes major loopholes – NGOs urge Sumitomo Corporation not to participate in the EPC bidding for Matarbari Units 3 and 4.” No Coal Japan. May 10, 2021. <https://www.nocoaljapan.org/sumitomo-corporations-new-coal-policy-still-includes-major-loopholes/>

pollute up to 21 times the amount of SO₂ and 10 times the amount of deadly particles⁹⁶ than an average new coal plant built in Japan.⁹⁷

This air pollution impacts human health. A recent study assessed the cumulative impacts from the Matarbari coal plants, showing that air pollution from Matarbari 1 and 2 coal plants would exacerbate the region's poor air quality, resulting in increased illness and the premature deaths of 6,700 people.⁹⁸ No pollution controls for mercury would potentially result in widespread contamination of local farmland and waters by the toxic element, endangering the livelihoods of shrimp and salt farmers.⁹⁹

This plant would lock Bangladeshis into a high debt, high carbon and high pollution future. Instead of doubling down on a failed and dirty technology, Sumitomo should help Bangladesh take advantage of its abundant solar resource and build solar power, which is estimated to produce electricity at almost half the cost of the Matarbari coal plants.¹⁰⁰

96 Tokyo Electric Power Services Co. Ltd, JICA Study Team. *Report on Environmental Impact Assessment of Construction of Matarbari 600x2 MW Coal Fired Power Plant and Associated Facilities* EIA Table 3.7.1. Jun. 2013. p. 77.

97 Greenpeace Southeast Asia and Greenpeace Japan. *A Deadly Double Standard – How Japan's Financing of Highly Polluting Overseas Coal Plants Endangers Public Health*. Aug. 20, 2019. p. 19. <https://www.greenpeace.org/southeastasia/publication/2887/double-standard-how-japans-financing-of-highly-polluting-overseas-coal-plants-endangers-public-health/>

98 Myllyvirta, Lauri. Center for Research on Energy and Clean Air. *Air Quality, Health and Toxics Impacts of the Proposed Coal Power Cluster in Chattogram, Bangladesh*. Sept. 2020. p.11, 15-22. <https://energyandcleanair.org/wp/wp-content/uploads/2020/09/Chattogram-coal-power-cluster.pdf>

99 *Air Quality, Health and Toxics Impacts of the Proposed Coal Power Cluster in Chattogram, Bangladesh*. p. 15-22.

100 Shirashi, Kenji, Daniel Kammen, et. al. "Identifying High Priority Clean Energy Investment Opportunities for Bangladesh." International Centre for Climate Change and Development. Feb. 18, 2018. http://www.iccad.net/wp-content/uploads/2014/05/Identifying_investment_opportunities-for-clean-energy-options-in-Bangladesh.pdf

Sept. 2020 global day of action against Matarbari coal plant at Sumitomo office in Washington D.C.





ENVIRONMENTAL DESTRUCTION IS BAD FOR BUSINESS

Shipping forests to Japan to be burned, constructing polluting coal plants in vulnerable developing countries, and failing to meaningfully address climate change in its business operations are increasingly at odds with acceptable global business practices.

Sumitomo's adherence to dirty, outdated energy production comes against a backdrop of positive change elsewhere. Coal electricity production in the United States is in freefall, having dropped 63% between 2001 and 2020.¹⁰¹ Coal plants with a capacity of 78,000 MW have been retired since 2011, with the rate of retirements increasing in recent years.¹⁰²

Public support for clean, renewable energy is extremely strong. A recent Pew Research Center poll found 77% prioritized developing alternative energy over

¹⁰¹ US Energy Information Administration. *Electricity Data Browser*. Accessed May 27, 2021. <https://bit.ly/3yls6p1>

¹⁰² US Energy Information Administration. *Electricity Monthly Update*. Jan. 27, 2020. Accessed Mar. 2, 2020. <https://www.eia.gov/electricity/monthly/update/archive/january2020/>

expanding fossil fuels, with strong majorities across political party lines,¹⁰³ and the most recent Gallup poll showed similar results with a 73% to 21% split in favor of clean renewable energy.¹⁰⁴ Business Insider polled Americans on their preferences for different energy sources, and solar and wind topped the list for both Republicans and Democrats, with coal ranked dead last. Biomass ranked lower than other renewable energy sources and lower than natural gas for favorability.¹⁰⁵

In December 2019, Mighty Earth released an exposé of Sumitomo's destructive energy business: *Sumitomo Corporation's Dirty Energy Trade: Biomass, Coal, and Japan's Future*. Distributed widely, it increased international scrutiny of Sumitomo's polluting businesses and earned coverage in Japanese business press.

Following the report, approximately 5,000 people signed a petition demanding Sumitomo Corporation end its support for coal and destructive biomass. Volunteers concerned about climate change joined Mighty Earth in delivering them to Sumitomo Corporation's headquarters in Tokyo.¹⁰⁶

Sumitomo is already seeing financial losses from its intransigence on coal. In November 2020, Sumitomo announced its worst full-year performance ever, including a quarter-billion-dollar loss on the Bluewaters Power Station in Australia after banks refused refinancing for coal. The sole coal mine supplying the Bluewaters power plant is also reportedly losing money and unable to deliver coal, potentially forcing Sumitomo to take over this failing business.¹⁰⁷

Sumitomo Corporation needs to respond to growing urgency from the public and governments to address the growing impacts of climate change. Consumer preference, investor decisions, and global and national policy increasingly exclude fossil fuels and forest destruction as acceptable corporate practices.

103 Pew Research Center. "U.S. Public Views on Climate and Energy." Nov 25, 2019

<https://www.pewresearch.org/science/2019/11/25/u-s-public-views-on-climate-and-energy/>

104 Gallup. "In Depth: Topics A to Z: Energy." Webpage. <https://news.gallup.com/poll/2167/energy.aspx>

105 Joseph Zeballos-Roig and Angela Wang. "Americans really want the US to adopt renewable energy like wind and solar power, while rejecting fossil fuels like coal." *Business Insider*. Oct. 2, 2019.

<https://www.businessinsider.com/americans-really-want-the-us-adopt-renewable-energy-sources-2019-10>

106 Mighty Earth. Facebook Post. Jan. 7, 2020. <https://www.facebook.com/StandMighty/posts/1813375935462340>

107 Institute for Energy Economics and Financial Analysis (IEEFA). *Overseas Coal Projects Raise Questions for Sumitomo: Trading House Lags Behind Its Japanese Peers on Thermal Coal*. Report. Nov. 2020. pp 1, 9.

<https://ieefa.org/ieefa-japan-%c2%a526-billion-loss-on-australian-coal-power-plant-raises-questions-for-sumitomo-and-its-investors/>

WIN BACK TRUST WITH POLICY CHANGES

Sumitomo Corporation is a massive trading company with 5.3 trillion yen (~\$50.5 billion USD) in revenue across a broad range of business ventures.¹⁰⁸ This diversity affords it the flexibility to drop dirty energy practices that are a relatively small portion of its total portfolio.

Sumitomo is clearly aware of the need to address environmental problems, stating to investors, “The impact of climate change is a serious problem that threatens the stability of society and the environment globally for generations to come.”¹⁰⁹ Leading up to its Annual General Meeting in June 2020, the company made a new commitment to achieve “carbon neutrality” by 2050.¹¹⁰ However, it lacks a clear implementation strategy and this goal remains disconnected from Sumitomo’s continuing involvement in forest destruction and coal power plants.¹¹¹ In March 2021, Sumitomo announced an “Energy Innovation Initiative,”¹¹² which in part appears to be a delay tactic to preserve existing infrastructure and business models. Existing biomass import and power generation businesses are rebranded as innovation without any steps to address impacts on forest health and climate change. The plunging cost of renewables globally could turn fossil fuel-based infrastructure with expensive and inefficient carbon capture (including fossil-derived hydrogen and ammonia) into stranded assets.¹¹³

In an official post-COVID-19 recovery strategy document released in May 2020, Sumitomo committed to “execute drastic structural reform including reviewing

108 Sumitomo Corporation. “Revenue for the fiscal year ending March 31, 2019.” *Fact Book 2019*. p. 6.

109 *Integrated Report 2019*. p. 39.

110 Sumitomo Corporation. “Policies on Climate Change Issues’ Reviewed.” News release. Jun. 18, 2020. <https://www.sumitomocorp.com/en/jp/news/release/2020/group/13510>

111 Mighty Earth. “Sumitomo Doubles Down on Coal, Releases More Rhetoric on Sustainability.” Jun. 19, 2020. <https://www.mightyearth.org/sumitomo-corp-doubles-down-on-coal>

112 Sumitomo Corporation. “Establishment of the Energy Innovation Initiative.” News release. Mar. 16, 2021. <https://www.sumitomocorp.com/en/jp/news/release/2021/group/14510>

113 Bloomberg NEF. “Hydrogen Economy Outlook 2020.” Figure 3, p. 3. Mar. 30, 2020. <https://data.bloomberglp.com/professional/sites/24/BNEF-Hydrogen-Economy-Outlook-Key-Messages-30-Mar-2020.pdf>

our strategies on portfolio management and upgrading our sustainability management.”¹¹⁴ Now is the time for Sumitomo to turn rhetoric into reality by making a robust climate plan with specific and transparent benchmarks, adopting stringent forest protection policies, and implementing a near-term coal phase-out. Investors can help move Sumitomo Corporation towards sustainability. The firm’s annual general meeting on June 18th, 2021 is an opportunity for its shareholders to support one of the first-ever climate shareholder resolutions in Japan. It calls on the company to adopt and disclose a plan to align with the Paris Agreement’s goal of limiting global temperature increase to 1.5 degrees Celsius.¹¹⁵ Beyond the resolution, we urge Sumitomo’s shareholders to demand that the firm take the following steps.

RECOMMENDATIONS

Sumitomo Corporation should adopt the following:

- Develop a robust carbon neutrality implementation plan with precise and transparent benchmarks to achieve Sumitomo’s aim to be carbon neutral by 2050 with a reduction trajectory in line with 1.5°C targets
- Ensure greenhouse gas reduction targets cover Sumitomo’s business activities, its supply chain and downstream users (Scope 1, 2 and 3) with annual reduction benchmarks and public reporting on progress
- End involvement in importing wood pellets and chips to Japan for biomass power
- Adopt a responsible forest products policy based upon NPDE (no deforestation, no peat, no exploitation) principles that applies to all of Sumitomo Corporation’s global operations, subsidiaries, and joint venture and supply chain partners

114 Sumitomo Corporation. *Consolidated Annual Results FY2019*. May 8, 2020. p. 6.

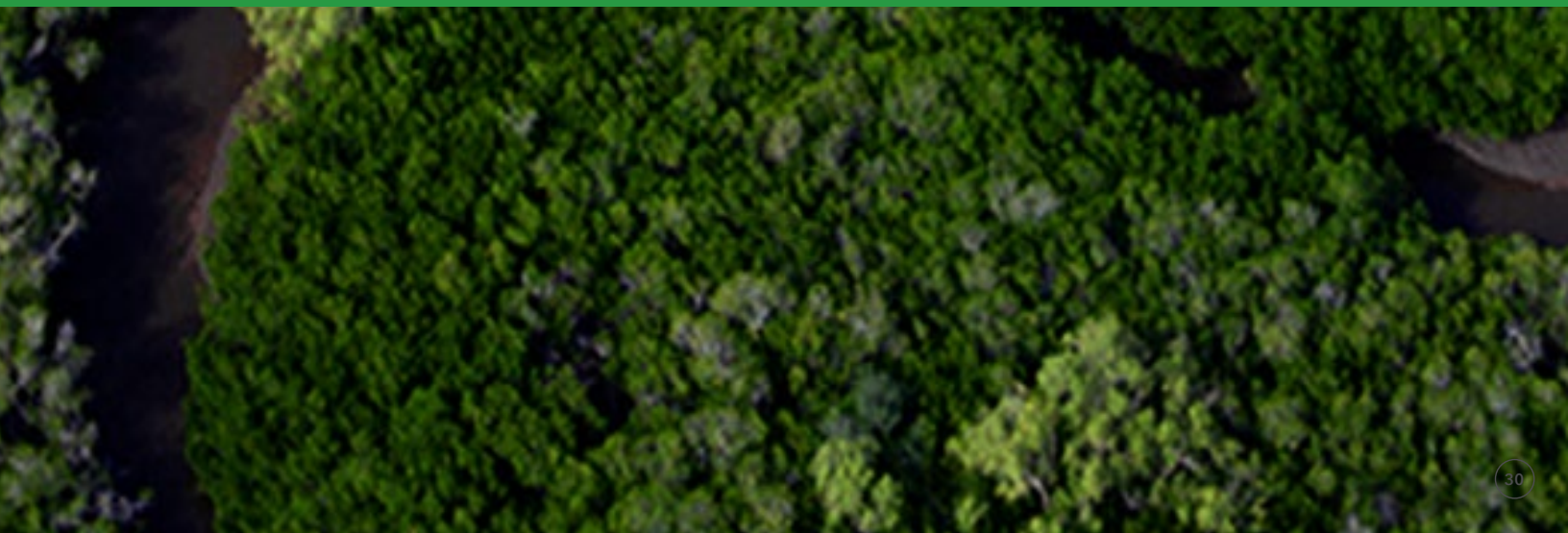
<https://www.sumitomocorp.com/en/jp/ir/report>

115 Market Forces. “Sumitomo to face shareholder resolution at its AGM over climate inaction.” Webpage. Accessed May 26, 2021. <https://www.marketforces.org.au/sumitomo-to-face-shareholder-resolution-at-its-agm-over-climate-inaction/>

- Adopt rigorous forest supply chain protocols, with monitoring and enforcement, to prevent the degradation of natural forests, protect lands with high conservation value and ensure the integrity of forest ecosystems
- Stop developing new coal plants globally, whether as owner or contractor
- Exit from all existing coal plants by 2030 in OECD countries and by 2040 elsewhere at the latest
- Exit coal mining immediately
- Increase its share of non-biomass renewable energy to 50% by 2030
- Strengthen human rights due diligence procedures to end worker and human rights violations in line with the United Nations' Guiding Principles on Business and Human Rights throughout Sumitomo's supply chain and implement effective workers' grievance resolution mechanisms

In its 2019 annual report, Sumitomo stated “We have become who we are today by evolving with the times in unison with people and society.”¹¹⁶ Now it is time to evolve with the changing times once more. Having worked with major companies across the globe to adopt strong climate change and no deforestation policies, Mighty Earth is ready to assist Sumitomo in charting a new course.

116 Sumitomo Corporation. *Integrated Report 2019*. p. 2.
<https://www.sumitomocorp.com/jp/-/media/Files/hq/ir/report/investors-guide/2019/integrated-2019-en.pdf?la=en>





MIGHTY EARTH

ABOUT **MIGHTY EARTH**

Mighty Earth is a global campaign organization that works to protect lands, oceans, and the climate. We aspire to be the most effective environmental organization in the world. We have played a leading role in persuading the world's largest food and agriculture companies to adopt policies to eliminate deforestation and human rights abuse from their supply chains, and driven adoption of multi-billion dollar shifts to clean energy. Whether we're rallying for change internationally or locally, Mighty Earth is building a movement to protect our environment.

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