Pego Power Station  Portugal

Sectors: Biomass Electric Power Generation

Active
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By: Biofuelwatch, Environmental Paper Network, Global Forest Coalition & ZERO
Created on: Dec 7 2021
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Contact:
Oliver Munnion, Global Forest Coalition (GFC), oli@globalforestcoalition.org

Project website

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<th>Sectors</th>
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| Location | Portugal |

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<th>Status</th>
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About Pego Power Station

Pego Power Station was Portugal’s last remaining coal power station. It is owned by TrustEnergy (56.25%) and Endesa (43.75%). With a capacity of 628 MW of electricity generation, it mostly burned coal imported from Colombia, a country where coal mining is associated with severe human rights abuses and with land and water grabbing. The plant finally stopped burning coal on November 20, 2021. However, instead of closing the power station for good, the power station’s majority shareholder, Trust Energy, plans to convert it to burning wood pellets.

TrustEnergy is a 50:50 joint venture between the French multinational energy company Engie and the Japanese business conglomerate Marubeni. Endesa, the power station’s minority shareholder, opposes the biomass conversion plans and instead proposes to replace the power station with a large solar PV plant, coupled to battery storage and green hydrogen production.

In February 2021, nine Portuguese and 58 international NGOs issued an open letter to the Portuguese government and the European Commission objecting to TrustEnergy’s biomass conversion plans.

Why this profile?

TrustEnergy intends to convert Pego Power Station to burning wood pellets instead of decommissioning it and replacing it with genuinely low-carbon renewable energy. Burning woody biomass emits more CO2 per unit of energy generated than coal, and the demand for wood pellets is accelerating the destruction of wildfire-rich forests. In Portugal, wood pellet production for existing customers has led to pine woodlands being cut down at a much faster rate than they can regrow.

What must happen

Banks should avoid financing TrustEnergy’s project - either directly or via financing Marubeni and Engie - to burn wood pellets in
Pego Power Station. Converting the plant to biomass would have a seriously negative climate impact, as well as causing harm to forests. Unless the biomass conversion project is abandoned, financiers and investors should make sure that any further finance given to this company can only be spent on TrustEnergy’s wind energy portfolio.

Impacts

Social and human rights impacts

Due to its location (in a populated area, with several towns and villages within a couple of kilometers), the Pego Power station is likely to pose severe health impacts due to air pollution. Air emissions from wood power and/or heat plants have comparable impacts on human health as coal burning plants. Overall, wood burning for energy is one of the two leading causes of small particulate (PM2.5) emissions in Europe and likely elsewhere, alongside traffic.

Next to that, wood dust exposure of workers and residents is linked to allergic and non-allergic respiratory and nasal problems, allergic dermatitis and two types of cancer. It is a common concern reported around wood pellet plants and woodchip storage sites. In the UK, Drax Plc is facing criminal prosecution for failing to protect workers from harmful wood dust linked to its conversion from coal to wood pellets.

Environmental and climate impacts

At full capacity, the converted Pego Power Station would burn up to 2.6 million tonnes of wood pellets a year, equivalent to up to 5.2 million tonnes of green (i.e. freshly cut) wood. By comparison, existing biomass power and heat plants in Portugal burn an estimated 2.8 million tonnes of green wood, with a further 1.8 million tonnes of wood used for pellet production, most of which is exported.

The two main species grown for commercial wood production in Portugal are eucalyptus and pine. Eucalyptus wood has a high chlorine content and is therefore not suitable for burning in a plant such as Pego Power Station. TrustEnergy claims that they will get around that problem by producing torrefied wood pellets on-site made from eucalyptus, which would be chemically more similar to coal. However, as an investigation by Biofuelwatch shows, no company in the world has been able to produce torrefied wood pellets at a commercial scale.

This means that TrustEnergy would need to burn pellets produced domestically from pine and/or imported wood pellets. In Portugal, pine is already being logged at a much faster rate than it can regrow, with the president of Portugal’s wood and furniture industry association declaring that “Portugal’s forest management is ruinous”. Pellet imports would likely come from North America, with the largest pellet-exporting region being the south-eastern USA. There, wood for pellets is routinely sourced from the clearcutting of highly biodiverse coastal hardwood forests.

In general, large-scale burning of biomass for energy harms the climate, people, forest and hinders the clean energy transition. This is explained in the Biomass Delusion Statement.

Governance

Bank policies

The following bank investment policies apply to this project:

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<th>Bank</th>
<th>Policy</th>
<th>Date</th>
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<td>Norges Bank</td>
<td>Climate change - expectations of companies</td>
<td>Apr 16 2020</td>
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<td>Crédit Agricole</td>
<td>CSR Sector Policy - Forestry &amp; Palm Oil</td>
<td>Dec 2 2015</td>
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<td>Bank</td>
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<td>Crédit Agricole CIB</td>
<td>CSR Sector Policy - Coal-fired power plants</td>
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<td>BNP Paribas</td>
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<td>Sumitomo Mitsui Trust Holdings</td>
<td>Environmental Policy</td>
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<td>Mizuho Financial Group</td>
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<td>JPMorgan Chase</td>
<td>Environmental and social risk assessment policy</td>
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<td>ANZ</td>
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<td>Climate change commitment</td>
<td>Nov 23 2021</td>
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<td>Forestry and forests policy</td>
<td>Oct 31 2020</td>
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<tr>
<td>Sumitomo Mitsui Banking Corporation (SMBC)</td>
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<td>Jan 14 2021</td>
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<td>HSBC</td>
<td>Forestry policy</td>
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<td>Deutsche Bank</td>
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A list of investors and financiers of Marubeni can be found on Urgewald’s Global Coal Exit List. Below we list the top investors and financiers of Marubeni and the top shareholders of Engie. Information on the financiers of each company can also be found on the Marubeni and Engie company profiles.

### Banks

#### ANZ Australia [profile](#)

- **Debt – corporate loan** USD 119.00 million
- Provided USD 119,00 million in loans to Marubeni.
- *source: Urgewald link*
- *November 2021*

#### BNP Paribas France [profile](#)

- **Debt – corporate loan** USD 87.00 million
- Provided USD 87,00 million in loans to Marubeni.
- *source: Urgewald link*
- *November 2021*

- **Equity – share owner/manager**
  - Top shareholder in Engie
  - *source: Bloomberg Finance L.P*
  - *October 2021*

#### Bank of America United States [profile](#)

- **Debt – corporate loan** USD 420.00 million
- Provided USD 333,00 in underwriting and USD 87,00 in loans to Marubeni.
- *source: Urgewald link*
- *November 2021*

#### Citi United States [profile](#)

- **Debt – corporate loan**
- *November 2021*
<table>
<thead>
<tr>
<th>Debt – corporate loan</th>
<th>USD 243.00 million</th>
<th>November 2021</th>
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<tbody>
<tr>
<td>Provided USD 243,00 million in loans to Marubeni.</td>
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<td><em>source:</em> Urgewald</td>
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| Crédit Agricole  France  [profile](#) |
|--------------------------------------|-------------------|---------------|
| Debt – corporate loan | USD 87.00 million | November 2021 |
| Provided USD 87,00 million in loans to Marubeni. |
| *source:* Urgewald |
| [link](#) |

<table>
<thead>
<tr>
<th>Equity – share owner/manager</th>
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<tr>
<td>Top shareholder of Engie</td>
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<td><em>source:</em> Bloomberg Finance L.P</td>
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<td>October 2021</td>
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</tbody>
</table>

| Deutsche Bank  Germany  [profile](#) |
|--------------------------------------|-------------------|---------------|
| Debt – corporate loan | USD 87.00 million | November 2021 |
| Provided USD 87,00 million in loans to Marubeni. |
| *source:* Urgewald |
| [link](#) |

| HSBC  United Kingdom  [profile](#) |
|-------------------------------------|-------------------|---------------|
| Debt – corporate loan | USD 109.00 million | November 2021 |
| Provided USD 109,00 million in loans to Marubeni. |
| *source:* Urgewald |
| [link](#) |

| ING  Netherlands  [profile](#) |
|---------------------------------|-------------------|---------------|
| Debt – corporate loan | USD 87.00 million | November 2021 |
| Provided USD 87,00 million in loans to Marubeni. |
| *source:* Urgewald |
| [link](#) |

| JPMorgan Chase  United States  [profile](#) |
|--------------------------------------------|-------------------|---------------|
| Debt – corporate loan | USD 420.00 million | November 2021 |
| Provided USD 333,00 in underwriting and USD 87,00 in loans to Marubeni. |
| *source:* Urgewald |
| [link](#) |

| Mitsubishi UFJ Financial Group (MUFG)  Japan  [profile](#) |
|------------------------------------------------------------|-------------------|---------------|
| Bond owner/manager  | USD 0.10 million | November 2021 |
| Top shareholder of Marubeni |
| *source:* Urgewald |
| [link](#) |

<table>
<thead>
<tr>
<th>Debt – corporate loan</th>
<th>USD 2.838 00 million</th>
<th>November 2021</th>
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<tbody>
<tr>
<td>Provided USD 14,00 million in underwriting and USD 2.824,00 in loans to Marubeni.</td>
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<td><em>source:</em> Urgewald</td>
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<tr>
<td>Equity – share owner/manager</td>
<td>USD 590.63 million</td>
<td>November 2021</td>
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<tr>
<td>Top shareholder of Marubeni</td>
<td>source: Urgewald</td>
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**Mizuho**  
[Japan profile](#)  
Debt – corporate loan  
USD 2.832 million  
November 2021  
Provided USD 84,00 million in underwriting and USD 2.748 million in loans to Marubeni.  
source: Urgewald  
[link](#)  

**Nomura**  
Bond owner/manager  
USD 3.58 million  
November 2021  
Top shareholder of Marubeni  
source: Urgewald  
[link](#)  
Debt – corporate loan  
USD 333.00 million  
November 2021  
Provided USD 333,00 million in underwriting to Marubeni.  
source: Urgewald  
[link](#)  

**Norges Bank**  
[Norway profile](#)  
Equity – share owner/manager  
USD 544.40 million  
November 2021  
Top shareholder of Marubeni  
source: Urgewald  
[link](#)  

**Société Générale**  
[France profile](#)  
Debt – corporate loan  
USD 87.00 million  
November 2021  
Provided USD 87,00 million in loans to Marubeni.  
source: Urgewald  
[link](#)  

**Standard Chartered**  
[United Kingdom profile](#)  
Debt – corporate loan  
USD 87.00 million  
November 2021  
Provided USD 87,00 million in loans to Marubeni.  
source: Urgewald  
[link](#)  

**Sumitomo Mitsui Banking Corporation (SMBC)**  
[Japan profile](#)  
Debt – corporate loan  
USD 116.00 million  
November 2021  
Provided USD 84,00 million in underwriting and USD 32,00 million in loans to Marubeni.  
source: Urgewald  
[link](#)  

**Sumitomo Mitsui Trust Holdings**  
[Japan profile](#)
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<td><strong>French Republic</strong></td>
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<td>Equity – share owner/manager</td>
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<td>Top shareholder in Engie</td>
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<td>Equity – share owner/manager</td>
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<td>Top shareholder of Marubeni</td>
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<td><strong>Blackrock Advisors</strong></td>
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<td>Bond owner/manager</td>
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<td>Top shareholder of Marubeni</td>
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<td>Equity – share owner/manager</td>
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<td>Equity – share owner/manager</td>
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<td>Top shareholder in Engie</td>
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<td><strong>Capital Group</strong></td>
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<td>Equity – share owner/manager</td>
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<td>Top shareholder in Engie</td>
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<td><strong>T Rowe Price</strong></td>
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<tr>
<td>Equity – share owner/manager</td>
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<tr>
<td>Top shareholder in Engie</td>
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<td><strong>Vanguard</strong></td>
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<tr>
<td>Equity – share owner/manager</td>
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<tr>
<td>Top shareholder in Engie</td>
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<tr>
<td>Bond owner/manager</td>
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<tr>
<td>Top shareholder of Marubeni</td>
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<table>
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<th>Equity – share owner/manager</th>
<th>USD 256.30 million</th>
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<td>Top shareholder in Marubeni</td>
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<table>
<thead>
<tr>
<th>Equity – share owner/manager</th>
<th>USD 936.34 million</th>
<th>November 2021</th>
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<tbody>
<tr>
<td>Top shareholder of Marubeni</td>
<td>source: Urgewald</td>
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**Related companies**

The Pego power station is owned by TrustEnergy (56.25%) and Endesa (43.75%). TrustEnergy is a 50:50 joint venture between the French multinational energy company Engie and the Japanese business conglomerate Marubeni.