

NEPCon Evaluation of Luzales LLC Compliance with the SBP Framework: Public Summary Report

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Completed in accordance with the CB Public Summary Report Template Version 1.0

For further information on the SBP Framework and to view the full set of documentation see www.sbp-cert.org

Document history

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1 Overview

CB Name and contact: NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia

Primary contact for SBP: Ondrej Tarabus ot@nepcon.org, +420 606 730 382

Report completion date: 24/May/2018

Report authors: Natalia Zaladinova

Certificate Holder: Luzales LLC, 8, 1-ya Promyshlennaya 8 str., Syktyvkar, Komi Republic, 167981.

Producer contact for SBP: Andrey Piyr, deputy director general. Tel: +79128634922, apiyr@luzales.ru

Certified Supply Base: Sourcing from Russia, Republic of Komi and Arkhangelsk region

SBP Certificate Code: SBP-01-98

Date of certificate issue: 05/Jun/2018

Date of certificate expiry: 04/Jun/2023

Indicate where the current audit fits within the certification cycle				
Main (Initial) Audit	First Surveillance Audit	Second Surveillance Audit	Third Surveillance Audit	Fourth Surveillance Audit
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office in Syktyvkar and pellet production in Kyddyavidz settlement, Republic of Komi, Russia.

Scope description: Production of wood pellets in Kyddyavidz, Republic of Komi, Russia, for use in energy production, and its transportation to Saint Petersburg and Ust-Luga harbours (truck FCA, Incoterms). The scope of the certificate does not include Supply Base Evaluation.

Scope of the evaluation is indicated in the table below:

Scope Item	Check all that apply to the Certificate Scope			Change in Scope (N/A for Assessments)	
Approved Standards:	SBP Standard #2 V1.0; SBP Standard #4 V1.0; SBP Standard #5 V1.0 https://sbp-cert.org/documents			<input type="checkbox"/>	
Primary Activity:	Pellet producer			<input type="checkbox"/>	
Input Material Categories:	<input type="checkbox"/> SBP-Compliant Primary Feedstock	<input checked="" type="checkbox"/> SBP-Compliant Secondary Feedstock		<input type="checkbox"/>	
	<input type="checkbox"/> Controlled Feedstock	<input type="checkbox"/> SBP non-Compliant Feedstock			
	<input type="checkbox"/> SBP-Compliant Tertiary biomass	<input type="checkbox"/> Post-consumer Tertiary Feedstock			
	<input type="checkbox"/> SBP-approved Recycled Claim	<input type="checkbox"/> Post-consumer Tertiary Feedstock			
Chain of custody system implemented:	<input checked="" type="checkbox"/> FSC	<input type="checkbox"/> PEFC	<input type="checkbox"/> SFI	<input type="checkbox"/> GGL	<input type="checkbox"/>
	<input checked="" type="checkbox"/> Transfer	<input type="checkbox"/> Percentage	<input type="checkbox"/> Credit		<input type="checkbox"/>
Points of sales	<input type="checkbox"/> Harbour – Permanent storage (Storage site)	<input type="checkbox"/> Harbour – Temporally storage (Logistic site)	<input checked="" type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)		<input type="checkbox"/>

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Provide name of all points of sales	-	-	S.Peterburg and Ust-Luga harbours (truck FCA, Incoterms)	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	<input type="checkbox"/>
SBE Verification Program:	<input type="checkbox"/> Low risk sources only		<input type="checkbox"/> Sources with unspecified/ specified risk	<input type="checkbox"/>
	New districts approved for SBP-Compliant inputs:			
Sub-scopes				<input type="checkbox"/>
Specify SBP Product Groups added or removed:				
Comments:				

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis.

4 SBP Standards utilised

4.1 SBP Standards utilised

Verification of SBP-compliant Feedstock, SBP Standard 2, Version 1.0, March 2015

Chain of Custody, SBP Standard 4, Version 1.0, March 2015

Collection and Communication of Data, SBP Standard 5, Version 1.0, March 2015, accompanied by Instructions 5A, 5B, 5C, Version 1.1 October 2016.

Standards and instructions are available at SBP homepage: <https://sbp-cert.org/documents>

4.2 SBP-endorsed Regional Risk Assessment

Not applicable

5 Description of Biomass Producer, Supply Base and Forest Management

5.1 Description of Biomass Producer

BP is a pellet producer situated in Kyddyavidz, Republic of Komi, Russia. Only secondary feedstock with FSC 100% claim is used for FSC/SBP certified pellet production. Company runs both pellet and lumber production, which supplies secondary feedstock with FSC 100% claim to the pellet plant. FSC transfer system of claims is implemented for pellet production (all pellets have FSC 100% claim). The final product is transported by truck to S.Petersburg and Ust-Luga sea ports on FCA delivery conditions of Incoterms.

Total annual production capacity of pellet plant is 32 000 tones. Pellet production has been commissioned in January 2018.

5.2 Description of Biomass Producer's Supply Base

The total area of forest lands on the territory of the Russian Federation is 764 million ha. which is approximately 21% of the world's standing stock. Coniferous species account for 68.4%. Hardwood - 2.4%, -softwood - 19.3%. Other tree species are less than 1% of forests.

In accordance with the legislation of the Russian Federation all lands of the forest fund are in state ownership. Legal entities receive forest plots for use on lease and short-term use. Lease relations are the dominant legal form of forest use. The lease term may continue from 10 to 49 years.

Entering into the lease agreement of forest lands or sale contracts of forest plantations is carried out at the auction for selling the right to enter into such agreements. Forest areas for a lease must pass a state cadastral registration. According to the Forestry Code of the Russian Federation every forest user taking a lease forest land is obliged:

- to implement measures on forest conservation, protection and regeneration;
- to provide annual forest declaration;
- to issue a forest exploitation project;
- to provide a report on the forests use, their conservation, protection and regeneration.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for the use of forests. All reforestation activities in leased forest out are planned and carried out by forest users on their own expense in accordance with forest management projects.

The forest complex of the Russian Federation, including forestry as well as wood harvesting and wood processing industries, plays an important role in Russian economy.

The forest industry in Russia is one of the leaders in terms of the number of employed people, as well as the level of tax deductions to all levels of the budget.

Forest certification is an effective tool for combating illegal wood harvesting and wood trade. The system of FSC (Forest Stewardship Council) certification is widely used in Russia. Certified forests area in Russia is over 48 mln. ha. or 33% of the total number of forest under lease. The dynamics of forest certification in Russia shows the ever-increasing activity of wood companies, which indicates to the responsibility to ensure the legality of wood harvested and compliance with environmental and social requirements.

Luzales LLC is located in the south of the Komi Republic, in the middle taiga zone, in the vicinity of settlement Kyddyavidz'.

The Supply base of Luzales LLC includes the forest fund area of its own leasing area in the Komi Republic, and additionally leasing area of the suppliers Mondi SLPK JSC in the Komi Republic and JSC Ilim Group in the town of Koryazhma in the Arkhangelsk Region. The volume of the forest fund in its own lease of Luzales LLC is 303,560 hectares, the forest fund of suppliers - 2582836,92 hectares. The enterprise and its suppliers have FSC forest management certificates (FC-FM / COC-643604 - Luzales LLC, FC-FM / COC-643210 - Mondi SLPK JSC and NC-FM / COC-023018 - JSC Ilim Group in Koryazhma) and are responsible forest users

More details about BP’s supply base can be found in Supply Base Report at BP’s homepage:

<http://luzales.ru/include/sbp-biomas/SBR-en-Luzales.pdf>

<http://luzales.ru/include/sbp-biomas/SBR-ru-Luzales.pdf>

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	2886396,92 ha
Tenure by type (ha):	2886396,92 ha, State owned
Forest by type (ha):	2886396,92 ha, Boreal
Forest by management type (ha):	2886396,92 ha, Natural
Certified forest by scheme (ha):	2886396,92 ha FSC-certified forest and PEFC-certified forests

Quantitative description of the Supply Base can be found in the Biomass Producer’s Supply Base Report (see weblinks in previous section).

5.4 Chain of Custody system

BP is a pellet producer situated in Kyddyavidz, Republic of Komi, Russia. BP holds valid FSC CoC certificate <https://info.fsc.org/details.php?id=a0240000005sTseAAE&type=certificate> covering both sawmill and pellet production. Only secondary feedstock (sawdust) with FSC 100% claim from Organisation’s sawmill located at the same production site is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim). Non-certified feedstock is not accepted.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on April 26-27, 2018 (17 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office, Kyddzyavidz	26/04/2018 10.00-10.15
Documents and procedures review. Inputs review, energy use calculations review	Office, Kyddzyavidz	26/04/2018 10:15-13.00
Lunch		26/04/2018 13:00-14:00
Chain of custody review (site tour); staff interview	Pellet production site, Kyddzyavidz	26/04/2018 14:00-16.00
Documents and procedures review. staff interview	Office, Syktyvkar	27/04/2018 10.00-13.00
Lunch		27/04/2018 13:00-14:00
Documents and procedures review, staff interview	Office, Syktyvkar	27/04/2018 14:00-15.40
Closing meeting*	Office, Syktyvkar	27/04/2018 16.30-17.00
End of the evaluation		27/04/2018 17.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov	Witness auditor. NEPCon SBP lead auditor. He has successfully passed SBP auditor training in Tallinn in January 2015; previous experience with more than 30 SBP assessments and annual audits in Russia and Europe.
Natalia Zaladinova	Lead auditor in training NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia.

The audit visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as GHG data availability.

Description of the assessment evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC system of the organisation, including SBP Procedure, SAR, SBP Profiling data and Supply Base Report and FSC system description was provided by the company at the beginning of the audit. Audit started with an opening meeting attended by the SBP responsible person and the management of the organization.

Audit team was introduced, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting, the lead auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a, 5b, 5c covering input clarification, existing chain of custody system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant and controlled biomass. During the process, overall responsible person for SBP system and other staff were interviewed.

After a roundtrip around BP's pellet production was undertaken. During the site tour, applicable records were reviewed, staff was interviewed and FSC system critical control points were analysed. Additionally, documents review and staff interview have been conducted next day at BP's head office in Sytkyvkar.

At the end of the audit findings were summarised and audit conclusions based on use of 3 angle evaluation method were provided to the management and SBP responsible person.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: <http://www.nepcon.org/impartiality-policy>

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on March 26, 2018 by sending direct email to different stakeholder categories. Furthermore, during onsite evaluation, stakeholder interview has been carried out by phone with the representative of the local communities.

No comments from the stakeholders were received.

7 Results

7.1 Main strengths and weaknesses

Strength: use of the FSC transfer system and production of biomass with FSC 100% claim. Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: no weaknesses have been identified, please also see comments in section 7.3 below.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Compilation of data on Greenhouse Gas emissions

Organisation has involved external consultant who helped with development and implementation of the system for collection of the emission and energy data. GHG calculations are based on engineering calculations and actual production results. GHG calculations based on engineering calculations: heat energy used for biomass drying, diesel consumption by front-end loader. GHG calculation based on actual production results: electricity, diesel consumption by forklift loader.

7.4 Competency of involved personnel

All staff involved into SBP certification and interviewed during assessment showed good understanding of the requirements in relation to SBP certification and of the FSC CoC system.

7.5 Stakeholder feedback

No feedback from stakeholders have been received.

7.6 Preconditions

None

8 Review of Biomass Producer's Risk Assessments

Not applicable.

9 Review of Biomass Producer's mitigation measures

Not applicable.

10 Non-conformities and observations

OBS: 01/18	Standard & Requirement:	SBP Standard # 2 requirement 19.3
	Report Section	
Description of findings leading to observation:	SBR was not sent to independent and competent peer reviewer. Отчет о ресурсной базе на независимое и компетентное рецензирование не передавался.	
Observation:	BP is recommended to submit SBR to independent and competent peer reviewer. Организации рекомендуется передавать отчет о ресурсной базе на независимое рецензирование компетентному эксперту.	

Please list of the non-conformities which are likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks?

NONE

11 Certification decision

Based on Organisation's conformance with SBP requirements, the auditor makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification approved: No NCRs raised during this assessment
<input type="checkbox"/>	Certification not approved:
Based on auditor's recommendation and NEPCon quality review following certification decision is taken:	
NEPCon certification decision: Certification is approved and the certificate can be issued.	
Certification decision by: Ondřej Tarabus	
Date of decision: 24.05.2018	
Next surveillance audit should take place:	<input checked="" type="checkbox"/> within 12 months <input type="checkbox"/> more frequently (please specify)

12 Surveillance updates

Not applicable

12.1 Evaluation details

Not applicable

12.2 Significant changes

Not applicable

12.3 Follow-up on outstanding non-conformities

Not applicable

12.4 New non-conformities

Not applicable

12.5 Stakeholder feedback

Not applicable.

12.6 Conditions for continuing certification

Not applicable.

12.7 Certification recommendation

Not applicable.

13 Evaluation details

Primary Responsible Person: (Responsible for control system at site(s))	Vitalyi Krasnikov, certification responsible
Auditor(s):	Natalia Zaladinova
People Interviewed, Titles:	Vitalyi Krasnikov, certification responsible; Svetlana Timeschuk, chief of pellet production; Alexander Mokiev, mechanic; Victoria Goretskaya, operator; Yuriy Alipov, electrician; Alexander Boev, engineer of H&S; Natalia Khimchenko, head of planning and economic department; Nadezda Isaeva, lawyer; Ekaterina Mikhailova, accountant; Andrey Piyr, deputy director general; Tatiana Savelyeva, external consultant (Biomass Consult); Evgeny Desyatnikov, head of the settlement “Kyddzyavidz” (stakeholder, phone interview)
Brief Overview of Audit Process for this Location:	Please see section 6.2 of the report above
Comments:	-