

NEPCon Evaluation of Ustyanskiy Timber Industry Complex 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: 14/Jun/2018

Report authors: Roman Kurakin, Natalia Zaladinova

Certificate Holder: Kostylevo, 165210, Ustyanskiy area, Arkhangelsk region, Russian Federation - East Europe

Producer contact for SBP: Ivan Petrov, Deputy General Director for Sales and Shipping, +79210887264
 Email: ulkpog@mail.ru

Certified Supply Base: Sourcing from Russia, Arkhangelsk, Vologda regions

SBP Certificate Code: SBP-01-99

Date of certificate issue: 18/Jun/2018

Date of certificate expiry: 17/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 production site and office in Kostylevo, Arkhangelsk region.

Scope description: Production of wood pellets, for use in energy production, at Ustyanskiy Timber Industry Complex LLC (Kostylevo, Arkhangelsk region, Russia) and transportation to Saint Petersburg harbour and Ust-Luga harbour (Russia). 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"/>

Provide name of all points of sales			Saint-Petersburg and Ust-Luga harbours, FCA train	
Use of SBP claim:	<input checked="" type="checkbox"/> Yes		<input type="checkbox"/> No	
SBE Verification Program:	<input type="checkbox"/> Low risk sources only		<input type="checkbox"/> Sources with unspecified/ specified risk	
	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

Instruction document 5A Collection and Communication of Data version 1.1. October 16

Instruction Document 5B: Energy and GHG Data version 1.1. October 16

Instruction Document 5C: Static Biomass Profiling Data version 1.1. October 16

<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 wood processing company located in Arkhangelsk region, Russia. Total annual production capacity of pellet plant is 150 000 tones (the project).

Company runs both pellet and lumber production, which supplies secondary feedstock with FSC 100% claim to the pellet plant.

The round wood used at lumber production line (logs for primary production) originates from the Arkhangelsk and Vologda region and has FSC 100% claim.

The BP has implemented FSC transfer system and all amount of produced biomass shall be sold with FSC 100% (SBP-compliant biomass) claim.

The pellets shall be transported by railway to S.Peterburg and Ust-Luga harbours where the biomass shall be taken into possession by new owner.

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.

The supply base of Ustyanskiy Timber Industry Complex LLC is the total area of the own forest management units (the Group of companies, owing Ustyanskiy Timber Industry Complex LLC has FSC certificate NC-FM/COC-014108), as well as the area of the forest management units of other two FSC-certified external suppliers. All forest management units are located in Arkhangelsk and Vologda regions, Russia.

Company use wood species in pellet production (pine and spruce) which are not listed to CITES and IUCN.

Forest management is based on achievement of sustainable use of forest resources according to the requirements of forest laws and forest certification principles, if applicable. Rotation period is 60-120 years. One or two thinning and clear-cuts of mature forest with forest regeneration are made during rotation period. Seedlings planting or natural forest regeneration used for forest regeneration. Inexhaustible use of forest resources is also implemented. Inexhaustible use of forest resources is based on 15 – 20-year cycle of harvesting with selective harvesting and viable young growth retaining.

Intact forests and wetlands of international importance are located at the territory of Russia. Small- numbered indigenous nations live here. So in order to minimize the risk of wood supply of unknown origin, company processes only wood from FSC certified forests.

The ULK Group of Companies is one of the largest logging and processing companies in the Arkhangelsk Region. The annual volume of incoming raw material (sawlogs) to the plant Ustyanskiy LPK LLC is 1400 thousand m3.

The group of companies "ULK" has a huge socio-economic importance in the Ustyanskiy district and the Arkhangelsk region. The enterprise renders financial and material support to socio-cultural facilities and organizations, sports and health facilities, is engaged in repair and construction of the district roads.

<i>SBP product Group</i>	<i>Percentage of content in total supplies for the reporting period</i>	<i>Quantity of suppliers</i>	<i>Species composition</i>
<i>Controlled Feedstock</i>	<i>0%</i>	<i>0</i>	<i>-</i>
<i>SBP-compliant Primary Feedstock</i>	<i>0%</i>	<i>0</i>	<i>-</i>

<i>SBP-compliant Secondary Feedstock</i>	100%	1	<i>Pinus sylvestris, Picea abies</i>
<i>SBP-compliant Tertiary Feedstock</i>	0%	0	-
<i>SBP non-compliant Feedstock</i>	0%	0	-

All primary feedstock is transported to the plant for the production of sawn wood. Pellets from primary feedstock are not produced. They are produced from residues of wood processing (secondary feedstock).

The ratio of raw materials: FSC certified raw material is 100%.

For the pellets production, there is enough secondary feedstock - residue of own sawmilling, so the company does not purchase feedstock from third-party suppliers and does not take actions to certification of other loggers.

Detailed information about the supply base (general description of the forest resources and forest management practices within the Supply Base) is publically available at the BP’s homepage: <http://ulkust.ru/info/public/>

5.3 Detailed description of Supply Base

- Total Supply Base area (ha): 3984755,32 ha
- Tenure by type (ha): 3984755,32 ha, state ownership
- Forest by type (ha): 3984755,32 ha, boreal
- Forest by management type (ha): 3984755,32 ha, managed natural
- Certified forest by scheme (ha): 3984755,32 ha, FSC certified

5.4 Chain of Custody system

The BP is holding valid FSC Chain of certificate

<https://info.fsc.org/details.php?id=a0240000008nKWsAAM&type=certificate>

BP is implementing FSC transfer system and all wood material is received as FSC certified (FSC 100%).

After the reception, incoming volume of the primary feedstock (saw logs) is registered in Organisation’s database and processed at sawmilling facilities. Conversion factors are established and regularly revised based on actual production data. Pellets are produced of the FSC 100% secondary feedstock (sawdust) only, originating from own sawmill. Non-certified wood material is not accepted by Organisation.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite annual audit was conducted on 23-24.04.2018 (10 h). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	23/04/2018 10.00-10.15
Documents and procedures review, staff interview.	Office	23/04/2018 10.15-14.00
Break		23/04/2018 14.00-14.30
Chain of custody review (site tour); interview with the chief of pellet production	Production facilities	23/04/2018 14.30-17:00
Documents and procedures review; staff interview.	Office	
Continuation of evaluation	Office	24/04/2018 9.00-11.30
Closing meeting*	Office	24/04/2018 11.30-12.00
End of the evaluation	Office	24/04/2018 12.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	He passed SBP lead auditor training course in December 2016 in Amsterdam and participated in several SBP assessments and annual audits in Russia. Role at the audit: lead auditor
Nikolai Tochilov	He passed SBP auditor training in Tallinn in January 2015; previous experience with more than 30 SBP assessments and annual audits in Russia and Europe. Role at the audit: witness auditor
Natalia Zaladinova	She took part in SBP lead auditor training course in December 2016 in Amsterdam and participated in several SBP assessments and annual audits in Russia. Role at the audit: auditor in training

The assessment 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 audit evaluation:

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

Auditor introduced the audit team, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. During the opening meeting the 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-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 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.

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

On 22/03/2018 the information letter (e-mail) was sent to stakeholders. More than 100 stakeholders in Russia were informed about the assessment. No feedback has been received from them.

7 Results

7.1 Main strengths and weaknesses

Strength: Use of the FSC transfer system, and all secondary feedstock is FSC certified (FSC 100%). Effective recordkeeping system. Clearly designated responsibilities within the staff members.

Weaknesses: Since pellet production was not commissioned at the moment of assessment, most of the energy use data is based on engineering calculations.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Compilation of data on Greenhouse Gas emissions

Since pellet production was not commissioned at the moment of assessment, most of the energy use data is based on engineering calculations.

7.4 Competency of involved personnel

The SBP responsible staff has shown good understanding of the requirements in relation to SBP certification and FSC CoC system.

7.5 Stakeholder feedback

No stakeholder comments 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

No non-conformities and observations raised during this assessment.

11 Certification decision

Based on Organisation's conformance with SBP requirements, the auditor makes the following recommendation:	
<input checked="" type="checkbox"/>	Certification approved: No NCR(s) issued
<input type="checkbox"/>	Certification not approved:
Based on auditor's recommendation and NEPCon quality review following certification decision is taken:	
NEPCon certification decision:	
Certification approved and the certificate can be issued	
Certification decision by: Ondrej Tarabus	
Date of decision: 14.06.2018	
Next surveillance audit should take place:	<input checked="" type="checkbox"/> within 12 months <input type="checkbox"/> more frequently (please specify)

12 Surveillance updates

12.1 Evaluation details

Not applicable for assessment

12.2 Significant changes

Not applicable for assessment

12.3 Follow-up on outstanding non-conformities

Not applicable for assessment

12.4 New non-conformities

Not applicable for assessment

12.5 Stakeholder feedback

Not applicable for assessment

12.6 Conditions for continuing certification

Not applicable for assessment

12.7 Certification recommendation

Not applicable for assessment

13 Evaluation details

Primary Responsible Person: (Responsible for control system at site(s))	Ivan Petrov, Deputy General Director for Sales and Shipping
Auditor(s):	Nikolai Tochilov, Roman Kurakin, Natalia Zaladinova
People Interviewed, Titles:	Ivan Petrov, Deputy General Director for Sales and Shipping; Ekaterina Shestakova, laboratory assistant of the pellet plant; Sergey Emelyanov, Head of the pellet plant; Evgeny Tolstoy, Deputy General Director for Construction; Tatiana Savelyeva, consultant (Biomass Consult), phone interviews; Julia Mustya, Head of Personnel Department; Svetlana Grigorieva, declarant; Larisa Khokhlova declarant; Natalya Motovilova, chief of legal department; Andrey Vasiliev, H&S specialist
Brief Overview of Audit Process for this Location:	See section 6.2
Comments:	No comments