

SBP

Sustainable Biomass Program

NEPCon Evaluation of Statkrafts Markets GmbH Compliance with the SBP Framework: Public Summary Report

Second Surveillance Audit

www.sbp-cert.org



Completed in accordance with the CB Public Summary Report Template Version 1.3

*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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Table of Contents

1	Overview
2	Scope of the evaluation and SBP certificate
3	Specific objective
4	SBP Standards utilised
4.1	SBP Standards utilised
4.2	SBP-endorsed Regional Risk Assessment
5	Description of Company, Supply Base and Forest Management
5.1	Description of Company
5.2	Description of Company's Supply Base
5.3	Detailed description of Supply Base
5.4	Chain of Custody system
6	Evaluation process
6.1	Timing of evaluation activities
6.2	Description of evaluation activities
6.3	Process for consultation with stakeholders
7	Results
7.1	Main strengths and weaknesses
7.2	Rigour of Supply Base Evaluation
7.3	Compilation of data on Greenhouse Gas emissions
7.4	Competency of involved personnel
7.5	Stakeholder feedback
7.6	Preconditions
8	Review of Company's Risk Assessments
9	Review of Company's mitigation measures
10	Non-conformities and observations
11	Certification recommendation

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
Current report completion date:	08/Nov/2018
Report authors: :	Asko Lust
Name of the Company:	Statkraft Markets GmbH
Company contact for SBP:	Elizabeth Warren, Commercial Operations Manager, +44 (0) 7825 642163, elizabeth.warren@statkraft.com
Certified Supply Base:	Norway
SBP Certificate Code:	SBP-01-45
Date of certificate issue:	14/Oct/2016
Date of certificate expiry:	13/Oct/2021

This report relates to the Second Surveillance Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the chip producer with office in London (where only sales of biomass is taking place) and chipping site located in Tofte, Norway (where all the production is taking place).

The Organisation holds valid FSC (TT-COC-004832) covering the sales which are done from UK office and PEFC (NC-PEFC/COC-024239) Chain of Custody covering the production site in Norway. All material is sourced with 100% PEFC certified claim. Company plans to stop their FSC certificate. PEFC CoC requirements are used for SBP.

The input material used by the organisation for chips production is primary feedstock only. All input material is Roundwood.

All inputs materials chipped are 100% PEFC certified sourced from Norway.

The BP is procuring the material at their chipping site in Norway, the material is stored for some period of time and then is chipped and transported to the clients.

The BP is selling the chips at the different ports in Europe.

Supply Base Evaluation is not included into the scope of the evaluation as the biomass producer is sourcing all the material as PEFC certified and therefore can be sourced as SBP compliant.

Scope description:

Production of wood chips, for use in energy production, at Statkraft Tofte and transportation by vessel to Skaerbaek, Randers, Gothenburg, Varburg, Emden, Bremen, Amsterdam, Hull, Thames Estuary, Koge, Vejle and Tofte harbours. The scope of the certificate does not include Supply Base Evaluation.

Scope Item	Check all that apply to the Certificate Scope		Change in Scope (N/A for Assessments)
Approved Standards:	<i>SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0</i> http://www.sustainablebiomasspartnership.org/documents		<input type="checkbox"/>
Primary Activity:	Producer of wood chips		<input type="checkbox"/>
Input Material Categories:	<input checked="" type="checkbox"/> SBP-Compliant Primary Feedstock	<input 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 checked="" 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 (including own handling of material)		<input checked="" type="checkbox"/> Harbour (e.g. FOB incoterms) legal owner is not responsible for handling of material at the harbour		<input type="checkbox"/> Other point of sale (e.g. gate of the BP, boarder, railway station etc.)
Provide name of all points of sales	- - -		- Skaerbaek, - Randers - Gothenburg - Emden - Bremen - Amsterdam - Hull - Thames Estuary (tilbury) - Koge - Vejle -Varburg -Tofte All CIF incoterms		<input checked="" type="checkbox"/>
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 and storage site visits;
- 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

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from <https://sbp-cert.org/documents/standards-documents/standards>

- SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock (Version 1.0, 26 March 2015)
- SBP Framework Standard 4: Chain of Custody (Version 1.0, 26 March 2015)
- SBP Framework Standard 5: Collection and Communication of Data (Version 1.0, 26 March 2015)

4.2 SBP-endorsed Regional Risk Assessment

Not applicable. Supply Base Evaluation is not covered by the Scope of the Evaluation.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Statkraft GmbH is a wood chips producer chipping material at Tofte, Norway, with administration office in London.

BP is sourcing primary feedstock for its chips production – low quality Roundwood from some few Norwegian suppliers.

All feedstock chipped is 100% PEFC certified. There might be also situation that non-certified material could be sourced (which is not foreseen) in that case physical separation would be applied and such material would not be sold as SBP-compliant. The biomass producer does not plan to source SBP-controlled material.

The BP is implementing PEFC transfer system. The physical separation would apply only in case the suppliers would delivered non-certified material but the supplier contracts clearly states that only PEFC certified material will be accepted.

After the production, chips are loaded from the chipping site to the vessel and transported to the client by a sea. The material will be sold at different harbours in Europe with CIF incoterms conditions.

5.2 Description of Company's Supply Base

The supply base is the whole Norway, primarily consists of small closed-forest family-owned holdings in south-east Norway. A limited proportion (approximately 15% +/- 5%) of forest owners/family members are actively engaged in their forest through felling and/or transport operations and some family holdings carry out their own reforestation and silvicultural work too. The remaining 85% are managed by co-operatives or other external professional companies. The tenure rights of ownership is 80% private and 20% public in Norway.

Harvesting rates are low in Norway and Scandinavia are low compared to other EU countries as rated by the Food and Agricultural Organization of the United Nations (FAO) with harvesting being less than 1 t/ha in instances. Forest resources within the supply base are within < 150km to enable sourcing to be economically viable by truck and approximately < 200km via barge.

Historically, the Sodra mill at Tofte provided a market for pulpwood and non-saw or non-joinery-grade wood. This mill has now been closed. The wood now is received at Statkraft's biomass production site in Tofte. The site at Tofte add values to the supply chain as the biomass supplied to Tofte is co-harvested with higher-grade wood and the low-grade wood has a market outlet opposed to being a waste.

Saw or joinery-grade wood is not sourced as a feedstock, and timber from local sawmill markets is not diverted to biomass. Sawlogs or joinery-grade wood harvested under comparatively long rotation does enter the sawmill

industry. There are more than 200 industrial-size sawmills in the country making this side of the wood industry far more significant to the economy than biomass.

The sawmill industry accounts for 40% of commercial wood removals and commercial biomass approximately 8% (2013) Therefore sourcing and processing of fuel-grade or pulpwood is not deemed to have a negative effect and replaces a market for local suppliers whom formerly supplied such pulpwood or low-economic-value wood to Sodra at Tofte.

Forest Cover, Land Use, Economics and Wood-Based Policy

Approximately 37% of the surface area in Norway is covered by forest. Twenty-five percent of Norwegian land area is productive forest. Latest available figures (2011) state that the growing stock of timber was 878 million cubic metres. The annual increment was almost 25 million cubic metres. In 2011, the forest owners cut 8.5 million cubic metres industrial roundwood for sale, 2.5 million cubic metres for household logs. The total forested area amounts to 12 million hectares, including 7.4 million hectares of productive forest. An estimated 15% of the productive forest area has been designated as non-economic due to difficult terrain and long distance transport, which means that economical forestry may be operated in only 50% of the forested area. The most important species are Norway spruce (47%), Scots pine (33%) and birch (18%). Standing volume of forest is nearly 900 million cubic metres, compared with 300 million when the first national forest survey was carried out in 1919. The tremendous increase is a result of a forest policy with the main objective of restoring the forest resources. Each year the standing forest volume increases by approximately 20 million cubic metres through tree growth. The total annual harvest is less than 50% of this growth, which again means that the forest volume increases every year. The variety of small-scale forestry creates good conditions for environmental biodiversity. Felling areas are 1.4 hectares on average, with long rotation between harvesting. Nationally in Norway forest resource policies are based on principles of maintaining the long-term stability and resilience of the resource base. The goal of Norwegian forest management policies is to meet social, economic, ecological and cultural needs for present and future generations. Norway has ratified the Rio convention on biological diversity and the climate and signed resolutions on sustainable management of Europe's forests. The principles expressed in these documents are also incorporated into Norwegian forest policy.

More details are in the SBR: <http://www.statkraftbiomasstrading.com/news.php>

5.3 Detailed description of Supply Base

Total Supply Base area (ha): 12 million ha

Tenure by type (ha): public 9,6 million ha private, 2,4 million ha public

Forest by type (ha): 12 million ha boreal

Forest by management type (ha): 12 million ha managed natural

Certified forest by scheme (ha): 9,142,702 ha is PEFC certified
417,900 ha is FSC certified

5.4 Chain of Custody system

The Organisation holds valid FSC (TT-COC-004832) and PEFC (NC-PEFC/COC-024239) Chain of Custody covering FSC/PEFC certified material. All material is sourced with PEFC certified claim. As the dominant CoC system used in the organization is PEFC, it was also decided to use PEFC CoC as the basis for SBP evaluation.

The Organisation is implementing PEFC physical separation method and this system is used for making SBP claims. The BP has signed contracts with suppliers ensuring that only PEFC certified material will be sourced. In case any non-certified material would be delivered and accepted it would be physically separated – stored at separated storage area, marked and the total amount of chips would be sold as non-certified.

Supplier list is maintained.

After the reception, incoming feedstock is unloaded in specially designated places according to individual deliveries and is registered into the recordkeeping system.

The purchasing documents are stored at Tofte site and are checked by receptionist and double checked by PEFC responsible person together with purchasing invoice. The invoices are recorded also in the system which means that can be reached in London office as well.

The sales invoices are issued from London office with close cooperation with operators in Tofte.

6 Evaluation process

6.1 Timing of evaluation activities

The audit was carried out on 19th September 2018. One and a half day was planned for the onsite audit. SBP audit was conducted together with PEFC audit.

Activity	Location	Date/time
Opening meeting*	Main Office	19th September 2018 9.00
Open non-conformity from last audit, interviews with the certification responsible person; review of SBP and PEFC procedures, SBR, determination of material origin	Main office	09:30
Evaluation of purchasing activities, evaluation of incoming material, review of purchase documentation	Purchasing department	11:00
Break		12:30
Chain of custody review (site tour); interview with roundwood acceptance department	Production and storage facilities	13:00
GHG calculation review, SAR, energy records	Main office, accounting, energy department	14:00
Evaluation of sales process, evaluation of outgoing material, communication of GHG and profiling data	Sales department	16:00
Additional evaluation of documentation, mass balance, open issues	Main office	20 th September 2018 09:00
Auditor prepares for closing meeting	Main office	12:00
Closing meeting*	Main office	12:30
Estimated end of the evaluation		13:00

6.2 Description of evaluation activities

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 audit evaluation:

All SBP related documentation connected to the SBP as well as PEFC CoC system of the organisation, including SBP Procedures, GHG data calculations/ data sheet, Supply Base Reports, Biomass profiling data, Batch specific data, and PEFC system description were provided by the company in advance.

The audit took place in Tofte office Norway, part of the responsible staff travelled from London and part is located in Tofte. All the documents were available in the Tofte office via shared drive (including invoices). Audit started with opening meeting where the auditor was welcomed in Statkraft office in Tofte. Auditor provided information about audit plan, methodology, auditor qualification, confidentiality issues, and audit methodology and clarified verification scope.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5A, 5B and 5C, covering input clarification, existing chain of custody and controlled wood system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant and SBP Controlled feedstock/ biomass. During the process overall responsible person for SBP system and over responsible staff having key responsibilities within the system were interviewed. The second part of the audit was focused on onsite tour through the production facility, reception of the material, measurements of energy values and shipping of material.

At the end of the audit finding were summarised and audit conclusion based on use of 3 angle evaluation method were provided to the Organisation. Composition of audit team:

Auditor(s), roles	Qualification
Asko Lust	BSc in Forest Industry, MSc in Forest Management. Asko is working as forest management and chain of custody auditor in NEPCon. He has passed SmartWood lead assessor training course in Forest Management and Chain of Custody certification. Earlier work experience from Board of Environment.

6.3 Process for consultation with stakeholders

No consultation was conducted for this surveillance audit and no comments were received from any stakeholder during the period between audits.

7 Results

7.1 Main strengths and weaknesses

Strength: SBP system elements are implemented at the time of this audit. Sourcing only certified material from small number of suppliers. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: Quite complex record keeping system – transition from one system to another.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

Prior the assessment the organization has not recorded data on greenhouse gas emissions and has only started for purposes of the SBP certification. Also, the system was updated for the new ID 5A, B and C. The BP has implemented the collection of the energy and emission data into their internal record keeping system and at the time of this surveillance audit all data were in place.

7.4 Competency of involved personnel

The supply base evaluation was not included into this evaluation.

During the audit it was identified that number of staff members are involved into the SBP system management and implementation, including chip production responsible person, commercial operation officer and one external consultant who helped with implementation of the system and will continue supporting the maintenance of the system in the future. Interviewed staff demonstrated awareness of their responsibilities within SBP system.

7.5 Stakeholder feedback

No comments were received.

7.6 Preconditions

No open preconditions to this certification exist.

8 Review of Company's Risk Assessments

N/A

9 Review of Company's mitigation measures

N/A

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- applicable requirement(s)
- grading of the non-conformity (major or minor) or observation with supporting rationale
- timeframe for resolution of the non-conformity
- a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

NCR number: 23095 NCR 01/18	NC grading:	Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	Instruction Document 5A - Collection and Communication of Data - 2.2.4		
Description of Non-conformance:			
It turned out that company had not updated their SDI numbers for the audit period. Auditor decided to raise minor NCR 01/18.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
NCR conformance deadline:	By next audit, but not later than 12 months after report finalisation date		
Client evidence:	Updated SAR, interview with responsible personnel.		
Evaluation of Evidence:	SAR was updated with new SDI numbers. Overall responsible was also aware of the requirement to update the SDIs for each reporting period.		
NCR Status:	CLOSED		
Comments (optional):	Closed before finalizing the report.		

NCR number: 17422 NCR 04/17	NC grading:	Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	Instruction Document 5A - Collection and Communication of Data - 2.1.3		
Description of Non-conformance:			
The BP has documented procedures that GHG and energy data must be recorded as specified in the SBP standard No. 5. However, the specific requirements in the Instruction Document 5A, 5B and 5C for collection and reporting of energy data are not covered in the management system of the organization.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
NCR conformance deadline:	By next audit, but not later than 12 months after report finalisation date		
Client evidence:	Training plan, updated procedures, interviews with responsible staff.		
Evaluation of Evidence:	Required information added to training plan and procedures, responsible staff was aware of the requirements.		
NCR Status:	CLOSED		
Comments (optional):			

11 Certification decision

Based on the auditor’s recommendation and the Certification Body’s quality review, the following certification decision is taken:

Certification decision:	Certification approved
Certification decision by (name of the person):	Olesja Puiso
Date of decision:	08/Nov/2018
Other comments:	<i>Click or tap here to enter text.</i>