Sustainable Biomass Program

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

Main (Initial) Audit

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report Template Version 1.4

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

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

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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
Current report completion date:	17/Jan/2019
Report authors: :	Nikolai Tochilov
Name of the Company:	Harovsklesprom LLC. Address: 25, Krasnoye Znamya street, Harovsk, Vologda region 162251 Russia
Company contact for SBP:	Mrs. Natalia Khoroshun, SBP responsible. Email: n.khoroshun@volwood.ru; Phone: +7 8172 597720
Certified Supply Base:	Russia, Arkhangelsk, Vologda, Yaroslavl, Kirov, Kostroma regions and Komi Republic
SBP Certificate Code:	SBP-07-12
Date of certificate issue:	29/Jan/2019
Date of certificate expiry:	28/Jan/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the office and production site in Harovsk, Vologda region, Russia.

Scope description: Production of wood pellets in Harovsk, Vologda region, Russia, for use in energy production. Post production end point is plant gate (FCA, Incoterms). The scope of the certificate does not include Supply Base Evaluation.

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

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.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a pellet producer located in Vologda region with annual production capacity of 36 000 tonnes of wood pellets. The pellet plant will be commissioned in January 2018. Incoming feedstock is sawdust (for pellet production) and mixture of wood chips and barks (for dryer). All secondary feedstock is supplied exclusively from company's own sawmilling located at the same production site. Wood pellets will be delivered to customer at FCA (plant, Harovsk) conditions of Incoterms. BP is responsible for loading the big bag and/or containers with biomass to railway wagons at their production site.

5.2 Description of Company's Supply Base

The supply base of Harosklesprom LLC is the forest fund area of the Vologda region, the Komi Republic, the Arkhangelsk region, the Kirov region, the Yaroslavl region and the Kostroma region. In practice, round wood for processing into lumber and production of SBP-certified pellets from sawing residues originates from 6 certified suppliers belonging to the same group of companies as Harovsklesprom LLC, Company Group Vologodskiye Lesopromishlenniki JSC, and 5 certified third-party suppliers, as well as 30 suppliers supplying controlled wood.

FSC certified suppliers supply wood from 48 FSC-certified forest fond leased areas (lease agreements with the regional forest authorities), including 58 FSC-certified forest management units.

30 suppliers supply controlled wood from 35 forest fond leased areas, which include 35 controlled forest management units. Since supply contracts change over time, the supply base is defined as the entire forest fund of the specified regions.

About 70% of the wood processed by the company is FSC-certified. For the production of SBP pellets, SBP-compliant secondary feedstock and SBP-controlled secondary feedstock (sawdust) is used, as well as FSC-certified and FSC-controlled bark and dry chips as wood processing residue, are used for heat production.

Harovsklesprom LLC is located in the city of Harovsk, in the Vologda region, in the north-west of the Russian Federation. The main activities are lumbering and lumber production. The company processes about 400 thousand m3 of roundwood per year. For the production of pellets Harovsklesprom LLC uses only sawdust (residue of its own production of lumber). The sale of pellets is carried out only through the agent of Company Group Vologodskiye Lesopromishlenniki JSC, located in Vologda.

Harovsklesprom LLC is one of the largest wood processing enterprises in the Vologda region. The company employs over 330 people. However, in comparison with large pulp and paper mills located within the area, Harovsklesprom LLC is a much smaller woodworking enterprise.

The supply base is partially located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. The rest of the supply Base is located in the central region of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of wood on stem. The distribution of the main tree species in Russian forests has remained stable over the past decades.

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 for a period of 10 to 49 years on loan (with the possibility of their prolongation). Long-term rental relations are the dominant legal form for obtaining the right to harvest timber on stem. The conclusion of lease agreements for forest plots or purchase and sale agreements for forest stands is carried out at auctions for the sale of the right to conclude such agreements. Land leased, must pass a state cadastral registration.

The Forest Code of the Russian Federation obliges each tenant to develop a forest development project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

The Vologda Oblast, the Komi Republic, the Arkhangelsk Oblast, the Kirov Oblast, the Yaroslavl Oblast and the Kostroma Oblast are among the leading forest regions of Russia. The total forest area of the supply Base is 92.4 million hectares. In protective forests located along lakes, marshes and other environmentally sensitive objects, a more strict control regime is applied. The share of mature and overmature forest stands is about 3/4 of the wood stock. Conifers make up more than 80%. Within the supply Base, the annual allowable cut is not fully harvested. Underdeveloped infrastructure does not allow full use of available timber reserves.

Within the supply base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and Harovsklesprom LLC, comply with moratorium on logging in these forest areas.

Within the supply base, forest management practices are based on the achievement of renewable sustainable forest management in accordance with the requirements of forest legislation and the principles of forest certification. The rotation period is 60-120 years. Only clear cuts are used as a method of wood harvesting. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings or the promotion of natural regeneration.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for the use of forests. For this purpose, the Forest Management plan is being developed, the activities in which are aimed at improving the silvicultural characteristics of the forest area, the implementation of continuous and sustainable forest management.

According to forest legislation, Red listed species as well as their habitats, must be preserved when timber is harvested. It is prohibited to cut protected tree species. Prohibited cutting of valuable, endangered and specially protected species of trees. The cedar (Siberian) pine (Pinus sibirica), two species of willow (Salix arbuscula and Salix recurvigemmis), Siberian fir (Abies sibirica), Siberian larch (Larix Sibirica), black oak (Quercus robur), the mountain elm (Ulmus glabra) are listed in the Red Book of the Supply Base regions. These tree species are not allowed to be harvested, nor have companies downstream the right to purchase them.

Harovsklesprom LLC uses only the following tree species for the production of pellets:

- Norway spruce (Picea abies) - about 72%,

- Scotch pine (Pinus sylvestris) - about 28%.

These species used for pellets production are not subject to the CITES Convention and are not included in the lists of the International Union for Conservation of Nature (IUCN).

The forest industry is one of the leading sectors of the economy in the regions of the supply base. The development of the social sphere (health care, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of a whole village or city.

The socio-economic importance of the forest industry in the Northwest is also high. Industry provides employment in rural areas and is important for its well-being.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	92,4 mln. ha
Tenure by type (ha):	public 92,4 mln. ha
Forest by type (ha):	boreal 92,4 mln. ha
Forest by management type (ha):	managed natural 92,4 mln. ha
Certified forest by scheme (ha):	17,1 mln. ha FSC-certified forest

Detailed information about BP's supply base may be found in their Supply Base Report available at company's homepage http://www.volwood.ru/index.php/o-gruppe-kompanij/sertifikatsiya, specifically:

http://www.volwood.ru/images/o-gruppe/otchet_resurs_2019_eng.pdf - in English and

http://www.volwood.ru/images/o-gruppe/otchet_resurs_2019_rus.pdf - in Russian.

5.4 Chain of Custody system

BP holds valid FSC CoC certificate https://info.fsc.org/details.php?id=a0240000005tYy8AAE&type=certificate

Incoming feedstock is sawdust (for pellet production) and mixture of wood chips and barks (for dryer). All secondary feedstock is supplied exclusively from company's own sawmilling located at the same production site. BP implements credit system of FSC claims. Although the pellet plant has not been commissioned yet, BP had already started accumulating the volumes at FSC credit account for pellets. The share of the feedstock with FSC 100% claim is about 72% of the total incoming volume, and the rest 28% of supplies are non-certified and included into BP's own program of field verification of controlled material sources under FSC certification. There are no non-controlled inputs of the feedstock.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite annual audit was conducted on 09-10.01.2019 (11 h). Evaluation activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	09/01/2019 11.00-11.15
Documents and procedures review, staff interview.	Office	09/01/2019 11.15-13.00
Break		09/01/2019 13.00-13.30
Chain of custody review (site tour); staff interview	Production facilities	09/01/2019 13.30-17.00
Documents and procedures review; staff interview.	Office	
Documents and procedures review; staff interview.	Office	10/01/2019 10.00-13.00
Break		10/01/2019 13.00-13.30
Documents and procedures review; staff interview.	Office	10/01/2019 13.30-16.30
Closing meeting*	Office	10/01/2019 16.30-17.00

End of the evaluation	Office	10/01/2019 17.00

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Nikolai Tochilov, audit team leader	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.

The evaluation 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 at the beginning of the audit. Audit started with an opening meeting attended by the representatives from Organisation's management and staff.

Auditor introduced himself, 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-5d 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.

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6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on December 2, 2018 by sending direct email to different stakeholder categories. No comments from the stakeholders have been received. List of informed stakeholders is the same which is used for FSC FM/COC assessments notification in Russia. This list was compiled by FSC Russia; this list is available at FSC Russia homepage https://ru.fsc.org/ru-ru and includes such groups of stakeholders as FSC National Initiative, environmental and social NGOs, FSC-certified companies in the region, scientific and educational entities, indigenous peoples' communities (where applicable), state forestry authorities, trade unions etc.

7 Results

7.1 Main strengths and weaknesses

Strengths: Use of the FSC transfer system. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: No weaknesses identified by auditor. Since the pellet plant has not been commissioned at the moment of this evaluation, auditor recommends conducting the first annual audit earlier than within 12 months after initial assessment – in few months after the pellet plant is commissioned

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

Since the pellet plant will be commissioned in January 2019, most of energy use data is based on specifications from pellet plant producer, and engineering calculations (for example, for diesel use during pellet production).

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. BP was supported by external consultant, who also have provided relevant training to BP staff.

7.5 Stakeholder feedback

No feedback from stakeholders have been received prior to during this evaluation.

7.6 Preconditions

None.

8 Review of Company's Risk Assessments

Not applicable.

9 Review of Company's mitigation measures

Not applicable.

10 Non-conformities and observations

No non-conformities identified during this evaluation.

Observations:

OBS / Наблюдение: 01/19	**Standard & Requirement:**	SBP Instruction Document 5B, requirement 5.2.1: Allocation of fossil fuel for production should be based on appropriate metering. The fuel allocation system is especially important where the storage is not dedicated to biomass production and some vehicles or machinery unrelated to the biomass production are also able to use the fossil fuel from the same storage. In some cases, a practical alternative may be to measure and record the specific (hourly) fossil fuel consumption of all the machinery/vehicles used, and the number of operating hours. Note: The BP is not responsible for maintaining such metering systems for third parties supplying feedstock
	Report Section	Appendix C
Description of findings leading to observation:	BP made engineering calculations to estimate diesel consumption by truck Kamaz, which will be transporting the containers with biomass to railway. When converting the result to litre diesel / 100 km, it occurs that the diesel consumption is 236 l / 100 km, which seems to be extremely high. Организация сделала расчеты расхода дизельного топлива автомобилем КАМАЗ, который будет использоваться для подвоза контейнеров с биомассой к железнодорожным путям. При перерасчете получившейся величины в литры на 100 км получается расход в размере 236 л / 100 км, что кажется черезмерным.	

Observation:	BP is recommended to ensure appropriate metering of diesel consumption by truck KAMAZ, which shall be used for containers delivery to the railway. Организации рекомендуется обеспечить надлежащий замер расхода дизельного топлива автомобилем КАМАЗ, который будет использоваться на подвозе контейнеров к железной дороге.

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):	Ondřej Tarabus
Date of decision:	17/Jan/2019
Other comments:	First surveillance audit shoudl take place within 6 months from the inicialization of the production.