

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

Main (Initial) Audit

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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

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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:	25/Mar/2019
Report authors: :	Nikolai Tochilov
Name of the Company:	TechnoArs LLC, 114 Sovetskaya str., Vesjegonsk, 171720, Tver region, Russia
Company contact for SBP:	Nina Fumina, SBP responsible, +7 48264 21132, oolaguna@inbox.ru
Certified Supply Base:	Tver region, Russia
SBP Certificate Code:	SBP-01-83
Date of certificate issue:	12/Apr/2019
Date of certificate expiry:	11/Apr/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope: Production of wood pellets, for use in energy production, at TechnoArs LLC in Vesyegonsk, Tver region, Russia and its transportation. Post production end points are: plant gate (ExWorks, Incoterms); Noviy Port St. Petersburg and Ust-Luga harbors (FCA, Incoterms). The scope of the certificate does not include Supply Base Evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

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
- Assess compliance against Instruction Document 5D: Dynamic Batch Sustainability Data v1.1

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

N/A

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a secondary manufacturer situated in the northern part of Tver region, Russia. The feedstock (sawdust and wood chips) is a waste of lumber production, delivered from the primary processor located at the same production site. Sawdust is solely used in pelletizing, whereas wood chips used partly in dryer and partly in pelletizing. The feedstock is FSC 100% certified. Origin of the feedstock is Tver region of Russia.

Total annual production capacity of pellet plant is 6000 tones.

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

The pellets are transported by truck to Noviy Port St Petersburg harbor and Ust-Luga harbor where the biomass is taken into possession by new owner (FCA, Incoterms).

Pellet plant was commissioned in October 2016.

5.2 Description of Company's Supply Base

The supply base consists of 3 lease areas with a total area of 91290 ha in the Krasnokholmsky forest district of the Tver region of the Russian Federation. The tenant of these lease areas and the only supplier of feedstock for pellet production is Laguna LLC. The feedstock for the production of pellets are the sawmill residues of Laguna LLC – sawdust and wood chips.

The Tver region is one of the twenty most forested regions of Russia. 55% of the region's territory is covered with forests. The area of forest fund lands in the Tver region is 4874.5 thousand hectares. The total timber stock is 738.8 million cubic meters.

Forest area in different parts is not the same. The north-western and northern regions are the most afforested areas. A strongly deforested area occupies the eastern part of the region, where only about 10% of the area is covered with forests. Even more deforested area is the southern one.

The distribution of different forest types across the region is very uneven, which is due to various natural conditions and economic activities. Most of the region's territory lies in the zone of mixed forests. Supply base is in the north of Tver region and belong to the South-taiga forests zone, the region of the South-taiga forests of the European part of Russian Federation.

In accordance with the economic, ecological and social significance, the forests of the Tver region are classified as protective (40%) and exploitation forests (60%). Area distribution by species is: 43% of the area - coniferous species, 57% - deciduous species.

Over the past few years, the Tver region is actively developing forest lease relations. Forest sites are transferred by the state to lease loggers for up to 49 years. 60% of forests are leased out, the rest remain in state ownership. There are more than 450 forest lease contracts in the region. 99% of the leased areas are handed over for logging.

The main use types of forests are: logging; construction, reconstruction, operation of linear objects; implementation of recreational activities; performance of works on geological study of subsoil, development of mineral deposits.

The annual timber harvest in the region is about 4.5 million cubic meters. At the same time, logging volumes make up only 50% of the annual allowable cut, which ensures the sustainable use of forests.

Logging in Laguna LLC in the reporting period (from January 1, 2018 to December 31, 2018) was performed at 301,7 hectares, of which 92,1% are clear cuts, 5,5% - are sanitary clear cuts and 2,4% - are thinnings. The maximum cutting area is 20 hectares. The average size of clear-cut area during the reporting period was 8,4 hectares.

On forest areas leased for logging, reforestation and maintenance is carried out by tenants of these forest areas.

The main element of forest reproduction is artificial reforestation, which is carried out by planting seedlings on clear cuts and other non-forested areas. In the Tver region, 60% of the total reforestation is carried out by the establishment of planted forest, 40% - by the promotion of natural regeneration. In particular, in 2018 the artificial reforestation in supply base was carried out at 51,6% of the area for reforestation. The contribution to natural regeneration was 48,4% in area.

There are 5 permanent forest nurseries in the Tver region for growing a standard softwood seedlings.

In the Tver region, a multi-level system for protecting forests from fires has been formed. It includes the implementation of fire safety measures in forests and extinguishing fires in forests.

Timber industry complex of the Tver region is well diversified and is represented almost in all directions - from logging to production of deep wood processing products. There are 153 boiler houses operating on wood fuel out of 805 in the region.

There are more than 10 wood pellets producers in the region. TekhnoArs LLC takes 6th place in the region with a capacity of 6 thousand tons per year.

The forest sector of the Tver region is a significant part of the region's economy. Compared with other economy sectors, the forest sector is profitable and does not require state subsidies.

The socio-economic function of logging companies in the Tver region is regulated by legislation, in particular, 2% of the filling volume of coniferous species and 4% of hardwood shall be allocated for construction and heating needs of local people. When hiring, preference is mainly given to the local population.

CITES and IUCN tree species are not found within the supply base.

Table 1. Distribution of feedstock by types of SBP product groups for the first reporting period.

SBP product group	% in the total supply	Number of suppliers	Tree species composition
Controlled feedstock	0%	0	-
SBP - compliant primary feedstock	0%	0	-
SBP - compliant secondary feedstock	100 %	1	9 Spruce 1 Pine
SBP - compliant tertiary feedstock	0%	0	-
SBP non-compliant feedstock	0%	0	-

For more details please see the Supply Base Report available in Internet: <http://www.vesegonsk.ru/about/info/news/10232/>. This is a homepage of district state authorities, and BP asked them to publish SBRs there because BP does not have its own homepage.

5.3 Detailed description of Supply Base

- Total Supply Base area (ha): 91290 ha
- Tenure by type (ha): 91290 ha state ownership
- Forest by type (ha): 91290 ha boreal forests
- Forest by management type (ha): 91290 ha managed natural
- Certified forest by scheme (ha): 91290 ha FSC certified forests

5.4 Chain of Custody system

BP holds valid FSC CoC certificate (NC-COC-027784). Incoming secondary feedstock originates from the sawmill located at the same production site, and has FSC 100% claim. BP uses transfer system of FSC claims for certified pellet production and sales.

Some roundwood for primary processing may be obtained by sawmill without FSC claim as non-certified, therefore some secondary feedstock is delivered to BP as non-certified. Such feedstock is not used in certified biomass production, including dryer. BP ensures physical segregation of certified and non-certified wood material at all stages.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Location	Date/time
Opening meeting	Office in Veswegonsk	11/03/2019 09.00-09.15
Documents and procedures review (SBP documented procedure; staff training records; origin of the feedstock, including Supply Base Report; H&S requirements), staff interviews.	Office in Veswegonsk	11/03/2019 09.15-13.00
Lunch		11/03/2019 13.00-14.00
Documents and procedures review (FSC CoC documented procedures, feedstock inputs and biomass sales registration), staff interviews.	Office in Veswegonsk	11/03/2019 14.00-17.00
Chain of custody review (site tour); documents review and staff interview	Pellet production site at Veswegonsk	12/03/2019 09.00-10.00
Documents and procedures review (SAR; energy use data obtaining and registration system); staff interview.	Office in Veswegonsk	12/03/2019 10.00-13.00
Lunch		12/03/2019 13.00-14.00
Documents and procedures review (SAR; energy use data obtaining and registration system, procedure covering the requirements of ID 5D), staff interviews.	Office in Veswegonsk	12/03/2019 14.00-16.30

Closing meeting*	Office in Veswegonsk	12/03/2019 16.30-17.00
End of the evaluation		12/03/2019 17.00

6.2 Description of evaluation activities

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 the collection of the energy and emission data.

Description of the audit evaluation:

All SBP related documentation connected to the SBP as well as FSC system of the organisation, including SBP Procedures, GHG related data, Supply Base Reports, were evaluated during the assessment.

Auditor was welcomed in the company. Audit started with an opening meeting.

Auditor introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification 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, 5b, 5c, 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 feedstock/ biomass. During the process overall responsible person for SBP system and as well as other persons having key responsibilities within the system were interviewed.

After that roundtrip around BP's pellet production was undertaken. During the site tour reception process were observed, applicable records were reviewed, pellet factory staff was interviewed and FSC system critical control points were analysed.

At the end of the assessment findings were summarised and assessment conclusion based on use of 3 angle evaluation method were provided to the representatives of the company.

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.

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 February 2, 2019 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 FSC transfer system. Robust recordkeeping system. Good awareness of certification requirements by involved staff.

Weaknesses: no weaknesses identified.

7.2 Rigour of Supply Base Evaluation

N/A

7.3 Collection and Communication of Data

BP has robust system of measuring and recordkeeping of energy use data related to biomass production, handling and transport.

7.4 Competency of involved personnel

Responsible staff showed good awareness of requirements of applicable SBP standards and Instruction Documents. The key staff involved to SBP certification includes H&S engineer (SBP responsible), pellet production chief and chief accountant. Director ensures overall compliance with SBP requirements, delegating relevant responsibilities to staff and controlling its fulfilment. It should be noted, that 3 years ago BP has already successfully passed SBP assessment conducted by NEPCon, but one year later it was decided to terminate the certificate. The key staff involved to SBP certification stayed the same, so it was not a problem for them to update the procedures and systems against actual SBP requirements.

7.5 Stakeholder feedback

No feedback received from stakeholders prior, during or after this assessment.

7.6 Preconditions

None.

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.

NC number 01/19	NC Grading: Minor
Standard & Requirement:	SBP Framework Standard 2: Verification of SBP-compliant Feedstock (V 1-0, March 2015); Instruction Note 2C, requirement 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest versions of the SBR Template for Biomass Producers downloaded from the SBP website.
Description of Non-conformance and Related Evidence:	
<p>In the Supply Base Report, it is specified that in the reporting period BP used 9813 tonne of feedstock and according to SAR they produced 5192,36 metric tonnes of pellets during the same time. That is 1.9 t feedstock / t biomass. At the same time, during the assessment BP claimed that conversion factor for pellet production is established as 2,56 t feedstock/tonne pellet (including 2,2 tonnes used in pelletizing and 0,36 tonnes used in dryer). During report review and approval this inconsistency was communicated to BP, and the mistake was found in SBR and corrected by BP. Updated versions of SBR have been provided to auditor as Word files. BP, however, has not updated the Supply Base Reports in Internet. Furthermore, in English version of updated SBR (Section 2.1 General Description) it is incorrectly mentioned that in the reporting period there were 0 suppliers of SBP-compliant secondary feedstock and 1 supplier of SBP non-compliant feedstock.</p> <p>В отчете о ресурсной базе указано, что в отчетном периоде Организация использовала 9813 тонн сырья, и согласно документу SAR произвела за это же время 5192,36 тонн пеллет. Что означает 1,9 тонн сырья / 1 тонну пеллет. В то же время, в ходе оценки Организация заявила, что норма расхода сырья составляет 2,56 тонны на тонну готовой продукции (в т.ч. 2,2 тонны расходуется для производства пеллет, и 0,36 тонны – для теплогенерации). В ходе рассмотрения и утверждения настоящего отчета Организация была проинформирована о расхождениях в данных; Организация нашла ошибку в отчете о ресурсной базе, исправила ее и выслала аудитору обновленные версии отчета о ресурсной базе в формате Word. Организация, однако, не обновила отчеты о ресурсной базе в Интернете. Кроме того, в английской версии отчета о ресурсной базе в разделе 2.1 (General Description) некорректно указано, что в отчетном периоде у Организации было 0 поставщиков SBP-соответствующего вторичного сырья и 1 поставщик SBP несоответствующего сырья.</p>	
Timeline for Conformance:	By the next surveillance audit, but no later than 12 months from report finalisation date

Evidence Provided by Company to close NC:	Pending
Findings for Evaluation of Evidence:	Pending
NC Status:	Open

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):	Ondrej Tarabus
Date of decision:	25/Mar/2019
Other comments:	N/A