SBP

Sustainable Biomass Partnership

SCS Global Services Evaluation of Amite BioEnergy LLC Compliance with the SBP Framework: Public Summary Report

www.sustainablebiomasspartnership.org

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.sustainablebiomasspartnership.org

Document history

Version 1.0: published 26 March 2015

Contents

1 Overview

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Report completion date:	29/Apr/2016
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Certificate Holder:	Drax Biomass Inc., Amite BioEnergy, 1763 Georgia Pacific Road #2, Gloster, MS 39638 Corporate address: Drax Biomass Inc., 5 Concourse Parkway, Suite 3100, Atlanta, GA 30328-7117
Producer contact for SBP:	Richard Peberdy, richard.peberdy@draxbiomass.com
Certified Supply Base:	Louisiana and Mississippi were covered under the SBE
SBP Certificate Code:	SBP-04-01
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Date of certificate expiry:	31/Jul/2021

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**
X	☐	☐	☐	☐

2 Scope of the evaluation and SBP certificate

This certificate covers the production and distribution of wood pellets, for use in energy production, at Amite BioEnergy LLC (“Amite BioEnergy” or “ABE”) and transportation to Baton Rouge Transit LLC (“Baton Rouge Transit” or “BRT”). It also covers a Supply Base Evaluation for the sourcing of feedstock from the states of Louisiana and Mississippi.

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.

4 SBP Standards utilised

4.1 SBP Standards utilised

SBP Framework Standard 1: Feedstock Compliance Standard, Version 1.0, March 2015

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

SBP Framework Standard 3: Certification Systems. Requirements for Certification Bodies, Version1.0, March 2015

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

SBP Framework Standard 5: Collection and Communication of Data, Version 1.0, March 2015

All standards can be accessed on the SBP website:
http://www.sustainablebiomasspartnership.org/documents/standards-documents/standards

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

Drax Biomass Inc. ("DBI" or "Company") is an energy company manufacturing and transporting wood pellets. The Central Office is located in Atlanta, GA. The transportation facility, BRT is located in Baton Rouge, LA. Wood pellets are received from company pellet plants and 3rd party pellet suppliers. DBI owns and operates two pellet plants: Amite BioEnergy LLC ("Amite BioEnergy" or "ABE") in Gloster, MS; and Morehouse BioEnergy LLC ("Morehouse BioEnergy" or "MBE") near Beekman, LA. MBE is covered under the scope of a separate certificate.

All feedstock inputs for ABE are covered under the Supply Base Evaluation that was conducted by the Biomass Producer ("BP"). ABE currently receives roundwood and residual fiber from local suppliers. Deliveries are from stumpage located within 70 to 90 miles of ABE. One supplier, owns the land and timber. Remaining suppliers purchase stumpage from private landowners and deliver the fiber to ABE. Roundwood and residual fiber are received at ABE via truck. Once the pellets are manufactured at ABE, the finished product is transported via truck to BRT for storage, aggregation and seafaring vessel loadout.

5.2 Description of Biomass Producer's Supply Base

ABE's fiber procurement catchment includes southern Louisiana and Mississippi in the United States. ABE draws feedstock within a 70-mile radius, but maintains the ability to procure out to a 90-mile radius in response to market pressures and weather events. All statements based on the 90-mile radius are made for precautionary purposes.

Description of ABE and supply base as noted in the Biomass Producer's Public Summary Report

The ABE facility is designed to consume 800,000 to 1 million green metric tons of biomass material per annum. The sourced material is comprised of mainly southern yellow pine (SYP) with a potential *de minimis* quantity of mixed southern hardwoods. The material arrives in the form of low grade roundwood, thinnings, tops, logging and mill residues. According to the USDA Forest Service Timber Products Output Reports, consumption by other forest industry participants within 150 miles of ABE's fiber catchment in 2009 was estimated to be in excess of 20 million metric tonnes per annum which puts into perspective the ability of the catchment to supply the forest products industry. Pulp and chip mills in the region have an average capacity of around 1 million tons per facility per year, with some consuming well over 2 million tons per year. Sawmills are slightly smaller, consuming on average around 300,000 tons per year.

Forestry is the dominant land use in ABE's catchment. The majority of forests in these areas have been harvested several times during the 19th and 20th Centuries. Over 80% of the forests are privately owned, with most owned by "non institutional private forest owners". The average size of these holdings is less than 100 acres, some owners may have income from sources other than their forest holdings. There is also a significant amount of land owned and managed by large corporations (institutional investors), which typically

practice more intensive silviculture and land management driven by the need to produce shareholder returns than the smaller family owned forest landowners who typically manage to achieve more diverse objectives.

While forest coverage has stayed steady in these areas during the past 40-50 years, the forests have become increasingly productive in that time. Forest Inventory Analyses data shows that growth per acre per year has doubled in the US South since the 1950's, and it continues to increase as healthy markets provide incentives for owners to invest in forest management. Put simply, landowners' access to markets helps to ensure that their forests remain as working forests.

Recent changes in the US pulp and paper industry have resulted in the closure of several pulp mills in DBI's catchments that collectively previously consumed over 3 million tonnes of feedstock each year. The emergence of a wood pellet market has benefited forest owners and contractors in the area by offsetting a portion of the lost demand from the closed pulp mills

The overall market downturn, subsequent housing market crash of 2008 and the slow recovery in residential construction has resulted in reduced levels of demand for sawtimber. This produced an increase in stocks of larger-diameter trees, with a corresponding reduction in felling and replanting. These market dynamics have long-term consequences for the structure of the forest.

Looking to the future, further increases in pine forest productivity can be achieved through simple measures such as planting with improved seedlings and implementing diligent forest establishment practices. We will seek to engage with and support this process through the sharing of information. In areas with strong markets for forest products, we should expect forests to stay as working forests, whereas other areas may cycle out of forestry into row crops or husbandry, and other agricultural areas may cycle back into forestry. Urban expansion remains the biggest threat to the forest area. Private ownership is expected to remain the main form of forest ownership, but there may be fragmentation as land is split into smaller parcels as it is passed down through generations, thereby creating challenges to implement good forest management practices.

Forestry and Land Management Practices

There is a mature and well-developed forest sector in this geography. Described as a "wood basket to the world", the US South has grown, harvested and sold many hundreds of millions of cubic meters per year for many decades, while seeing both its forest inventories and productivity levels increase. In the US South as a whole, and in our catchments, annual growth exceeds annual drain by a significant margin.

The main reasons for this include a productive land base that benefits from long growing seasons, sufficient precipitation, and healthy soils, as well as the longstanding engagement of experts and professionals from across industry, academia and public agencies in helping to advance sound forest management practices. Species selection is another important factor, as the majority of landowners grow trees that are indigenous to the area, which creates environmental and economic benefits, such as maintenance of habitats for local flora and fauna, as well as establishing a resilient native growing stock with improved pest and disease resistance. Federal and state governments also provide effective oversight to ensure that forest activities comply with relevant laws and regulations and minimise environmental harm. Moreover, each state employs well-established "Best Management Practices", with programs to promote logger training and audits that demonstrate high compliance rates.

Though the region also possesses a vigorous and productive hardwood sector, ABE primarily use SYP, an abundant and highly productive species. Production and sale of sawlogs remains the main economic driver for landowners, with SYP rotation lengths typically ranging from 20-40 years. The shorter rotations are for the most productive trees on the best sites, while the longer rotations typically apply to trees grown on lower quality sites.

Thinning is an important forest management strategy for growing sawlog-quality SYP. Stands are typically thinned at 12 years and again at 18 to promote faster growth of the remaining trees. Thinning also allows more light to reach the forest floor, which increases the vitality of the forest and also offers recreational benefits. Forest thinnings make up a significant proportion of the feedstock for ABE.

Rotation harvest of SYP is typically conducted through clear cutting. SYP is not tolerant of shade, so the next rotation of young trees requires abundant access to light to grow well. ABE accepts material from rotation harvests, although this is typically limited to residuals and roundwood that are not sold into higher paying markets. The vast majority of material from rotation harvests are sold into sawlog markets.

The next rotation may be re-established through natural regeneration, or the planting of seedlings, or a combination of both. Reforestation often involves some ground preparation to control competing vegetation.

There are no Convention on International Trade in Endangered Species of Wild Flora and Fauna ("CITES") species in the catchment that are threatened or otherwise impacted by forest management activities. There is one International Union for Conservation of Nature ("IUCN") Red List species that is worthy of note – Longleaf pine (*pinus palustris*). This species is far less common than it once was, and efforts are underway to promote longleaf pine coverage in the region. The intent of listing species to the Red List is not to promote prohibition of their use but rather to heighten priority setting for conservation of the species (IUCN 2014)[1].

Critical to the recovery of the species is continued access to markets for longleaf pine. If landowners do not expect to be able to sell this wood, then they will not plant the tree in the first place. This position is captured in a statement from a USDA researcher and supported by the conservation group the Longleaf Alliance:

"Strong markets for forest products provide incentives for private landowners to keep their lands in forest cover (Wear 2013). This is particularly important across the longleaf range where recent forecasts of human population and income growth point toward increasing pressure in some locations to convert forest land to other uses (Wear 2013)[2]. Strong markets also enable landowners to invest in the management practices required to establish longleaf pine forests and implement practices such as prescribed fire and thinning which are crucial restoration activities[3]."

Include a link to the Supply Base Evaluation on the Biomass Producer's own website.
http://draxbiomass.com/news-and-resources/news-and-views/

[1] IUCN Standards and Petitions Subcommittee. 2014. Guidelines for Using the IUCN Red List Categories and Criteria. Version 11. Prepared by the Standards and Petitions Subcommittee. Downloadable from http://www.iucnredlist.org/documents/RedListGuidelines.pdf.

[2] Wear, D. N. 2013. "Forecasts of Land Uses." Chapter 4 in Southern Forest Futures Project Technical Report. http://www.srs.fs.usda.gov/futures/reports/draft/Frame.htm.

[3] Longleaf Alliance and NCASI. 2014 "Longleaf Pine: Sustainable Forest Management and the Restoration of a Species" brochure.

5.3 Detailed description of Supply Base

State forestry websites feature detailed descriptions of forests and include noteworthy facts about each state's forests. Forest Inventory Analyses data is also publically available, and provide many important parameters, including changes over time, in the states that supply ABE. A thumbnail of ABE's forest coverage summary shown in the tables present in the BP's Public Summary Report. Charts detailing the land ownership, species distribution, and age class of forested areas surrounding ABE are shown in the BP's Public Summary Report. A quantitative description of the Supply Base can also be found in the Biomass Producer's Public Summary Report.

5.4 Chain of Custody system

The Chain of Custody System is managed by Richard Peberdy, VP, Sustainability. He is assisted by David James, Manager, Sustainability. All locations are part of a multi-site system managed by the Central Office. DBI is certified to the FSC®, SFI®, and PEFC™ Chain of Custody Standards.

Processing involves the receiving of roundwood and residual fiber by the pellet plant. The raw material is converted to chips and moisture is driven away for pelletizing. DBI uses the percentage system at its BPs to determine claims for both SBP and FSC® certified pellets. All material received at ABE is covered under the Supply Base Evaluation. Following pelletizing at ABE, pellets are transported by truck to BRT. BRT receives wood pellets from company owned plants and 3rd party plants. Wood pellets are then received, stored, and shipped.

Raw material is sourced as roundwood and residual fiber by ABE. During the start-up phase, most of the volume has been received from a single supplier. As operations continue to ramp-up production to the run level, additional suppliers are being added. Pellets received at BRT are from 3rd party suppliers and from company plants. Upon audit, no 3rd party suppliers were supplying pellets. Future 3rd party pellet suppliers will be SBP certified. At ABE, raw material is received with a Master Contract, Purchase Order, and Delivery Ticket which contains supplier information. The Purchase Order and Delivery Ticket contain the tract name, and state, county, and location of the tract. Volumes are entered electronically into the 3LOG System for receiving, inventory, and shipping. Traceability and segregation are provided by the 3LOG System. Sales and deliveries are internal transfers from the ABE to BRT. BRT ships pellets to the parent company in England.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	*Date*	*Location*	*Persons Involved*	*Time*
Pre-Assessment	*July 27, 2015*	*Conference Call*	**Drax Biomass Inc.** Richard Peberdy David James **SCS** Matthew Trujillo Hannah Yourd Tucker Watts	*4 Hours*
Evaluation Audit	*August 5-8, 2015*	*Amite BioEnergy & Baton Rouge Transit Facility*	**Drax Biomass Inc.** Richard Peberdy David James Rusty Booker Russell Hatcher Jason Spigner Alex Swift Jeremy Ramsey Willie Boygerts Pam Stone Carol Bunch John Bennett Lloyd Wedblad Shane Gaither **Contractors/Outsourcers**[4] **SCS** Matthew Trujillo Hannah Yourd Tucker Watts Sam Brocato **SBP** Simon Armstrong Maris Zudrags	*34 Hours*
Supplier site visits	*August 6, 2015*	*Timber harvest site visits*[5]	**Drax Biomass Inc.** David James Jason Spigner	*3 hours*

[4] Information omitted due to commercial sensitivity.
[5 & 6] Information omitted due to commercial sensitivity.

			SCS Tucker Watts Sam Brocato **SBP** Maris Zudrags **Supplier Representatives**[6]	

6.2 Description of evaluation activities

Pre-Assessment:

The Pre-Assessment consisted of a desk review of the draft Supply Base Evaluation, Risk assessment, and Documented Control System. Method of review consisted of a discussion of documentation, procedures, and interviews. Most time was spent on the Supply Base Evaluation. Critical control points consisted of the development of Supply Base Evaluation and collection of documentation. Prior to the pre-assessment, DBI submitted a completed SCS SBP Scoping Questionnaire and provided a copy of their stakeholder consultation list.

Evaluation Audit:

The on-site Evaluation Audit included an audit of the Supply Base Evaluation, Documented Management System, Collection and Communication of Greenhouse Gas data, and Chain of Custody. Also included were a site tour and visits to procurement sites to evaluate DBI's management and monitoring system. Procurement and production processes at ABE and MBE are similar, so some information reviewed during the audit of ABE was also applicable to MBE which was audited in Oct.-Nov. 2015. Audit methods consisted of review of documentation, studies, assessments, surveys, websites, and staff interviews. The site tour and visits were evaluated by review of documentation, monitoring results, observations, and interviews. Most of the time was spent on the Supply Base Evaluation. Equal time was spent on the Documented Management System, Greenhouse Gases, and Chain of Custody. Critical control points were witnessed in all areas.

6.3 Process for consultation with stakeholders

SCS conducted an initial 30-day stakeholder consultation in July-August 2015 prior to the on-site audit of the BP. SCS used the stakeholder list that DBI used in its consultation in June-July 2015, and stakeholders were informed of the consultation via e-mail and postal mail. Stakeholders were invited to comment on the BP's Supply Base Evaluation process. Relevant stakeholders for both the ABE and MBE were included in the SCS and BP consultation as the SBE was completed concurrently for both mills.

In response to a CAR issued during the audit, the BP conducted a supplementary stakeholder consultation in Nov.-Dec. 2015 to seek comments on the LAV development process. SCS then conducted an additional

consultation in Jan.-Feb. 2016 to evaluate whether stakeholder responses were adequately addressed by the BP.

7 Results

7.1 Main strengths and weaknesses

Strengths with respect to the BP's overall conformity include the diversity of sources used for the development of the SBE and the experience of the persons conducting the SBE. Members of the organization have been and continue to be involved with the development of the SBP Standards and their evolution. Within the development/management team there are many years of experience in the area of operation. The main weakness was that DBI did not consult stakeholders to inform the LAV development process. However, an initial stakeholder consultation was conducted, and some stakeholder feedback was received during this consultation.

7.2 Rigour of Supply Base Evaluation

Rigor of the Supply Base Evaluation was sufficient to document the findings of low risk. Use of documented reports and assessments, in combination with local experts, personal knowledge, and stakeholder comments provided a multi-faceted approach for evaluation of each Indicator. The scope statement adequately describes the characteristics of the Supply Base and management systems.

7.3 Compilation of data on Greenhouse Gas emissions

The BP is fully committed to collecting and reporting all greenhouse gas emissions data deemed necessary by its customer. The company uses proprietary software to collect and communicate the data. At the audit, there were nonconformances identified with feedstock classification, reporting units and some fuel reporting requirements. These issues will have to be addressed in the coming year.

7.4 Competency of involved personnel

The Supply Base Evaluation was a joint effort of internal and external expertise. Persons involved are very competent for the development and on-going monitoring of the Supply Base Evaluation. Internal team consists of professionals that have a long history and expertise of working in the Supply Base individually, as well as in groups and associations. Internal team members have been actively involved in the development of the SBP requirements. The consultant used for the SBE has performed many resource based assessments of similar criteria for forest management systems.

7.5 Stakeholder feedback

No comments or concerns about the BP were raised by stakeholders during the initial SCS consultation in July –Aug. 2015. During the supplemental consultation in Jan.-Feb. 2016, two relevant comments were received. The comments and follow-up actions have been summarized below:

Summary of comment	SCS follow-up action
Stakeholder requested more information about what sources of information the BP would use to evaluate clause 2.1.2 in Standard 1. Stakeholder also inquired about what measures the BP will use to ensure their operations will not introduce or spread invasive species.	SCS confirmed receipt of the comment and forwarded to the BP (as it was evident that the stakeholder's intention was to provide feedback to the BP directly however the BP comment period had since closed) so that the BP could provide responses.
Stakeholder commented that risks from harvesting forest products are minimal to non-existent within the BP's procurement basin with any potential is risk manageable under the BP's fiber procurement policies.	SCS confirmed receipt of the comment and determined that no further follow-up correspondence was necessary.
Stakeholder expressed concern that the BP was not buying residual feedstock from local suppliers.	SCS confirmed receipt of the comment and determined that no further follow-up correspondence was necessary.

7.6 Preconditions

Two pre-conditional CARs were issued during this evaluation (CARs 2 and 5) noted below. After the report was finalized, both CARs were resolved as indicated in the table in Section 10.

8 Review of Biomass Producer's Risk Assessments

SCS assessed risk for the Indicators by evaluating comments received during the stakeholder consultation conducted by both SCS and DBI, reviewing the means of verification DBI developed, interviews with relevant staff, and conducting on-site field audits of forest suppliers.

Table 1. Final risk ratings of Indicators as determined after the SVP and any mitigation measures.

Indicator	Risk rating (Low or Specified)	
	Producer	CB
1.1.1	L	L
1.1.2	L	L
1.1.3	L	L
1.2.1	L	L
1.3.1	L	L
1.4.1	L	L
1.5.1	L	L
1.6.1	L	L
2.1.1	L	L
2.1.2	L	L
2.1.3	L	L
2.2.1	L	L
2.2.2	L	L
2.2.3	L	L
2.2.4	L	L
2.2.5	L	L
2.2.6	L	L
2.2.7	L	L
2.2.8	L	L
2.2.9	L	L
2.3.1	L	L
2.3.2	L	L

Indicator	Risk rating (Low or Specified)	
	Producer	CB
2.3.3	L	L
2.4.1	L	L
2.4.2	L	L
2.4.3	L	L
2.5.1	L	L
2.5.2	L	L
2.6.1	L	L
2.7.1	L	L
2.7.2	L	L
2.7.3	L	L
2.7.4	L	L
2.7.5	L	L
2.8.1	L	L
2.9.1	L	L
2.9.2	L	L
2.10.1	L	L

9 Review of Biomass Producer's mitigation measures

No specified risks were identified and thus, mitigation measures have not been developed. DBI is certified to the FSC-STD-40-004 v2-1, FSC-STD-40-005 v2-1, FSC-STD-40-003 v2-1, SFI 2015-2019 Fiber Sourcing Standard, SFI 2015-2019 Chain of Custody Standard, and PEFC ST 2002:2013. The management system that DBI has developed to meet the requirements of these standards includes the monitoring of forest operations, and as part of this Evaluation, SCS has audited this aspect of DBI's operation.

10 Non-conformities and observations

Requirement	*Type & Grade of Finding*	*Deadline*	*Impact statement*
SPB Standard 1, 2.3.3	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SBP Standard 1, IN-1A, 3.1	*Minor NC*	*Pre-condition to certification*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Standard 1, IN-1A, 6.1	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Standard 2, 15.5	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Standard 1, IN-1A, Section 4	*Major NC*	*Pre-condition to certification*	It is unknown whether this non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 3.1.1	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 3.2.2	*Observation*	*n/a*	This observation is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 3.7.1	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 4.9.1	*Observation*	*n/a*	This observation is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 4.9.2, sentence 2	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

SPB Instruction Note 5A, 4.11.2	*Observation*	*n/a*	This observation is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 6	*Observation*	*n/a*	This observation is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.
SPB Instruction Note 5A, 8.2	*Minor NC*	*Oct 21, 2016 or next audit*	This non-conformity is not likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.

11 Certification decision

Drax Biomass Inc., Amite BioEnergy is in conformance with SBP Standard 1 with the exception of 1 Major CAR and 3 Minor CARs, SBP Standard 2 with the exception of 1 Minor CAR which was closed by the auditor, SBP Standard 4 with no CARs, and SBP Standard 5 with the exception of 4 Minor CARs. Four observations were issued. Initial certification was approved as Major CAR 5 and Minor CAR 2 have been resolved.

12 Surveillance updates

Not applicable.