

SBP

Sustainable Biomass Program

SCS Global Services Evaluation of Pinnacle Renewable Energy Inc (Burns Lake Division) Compliance with the SBP Framework: Public Summary Report

First Surveillance Audit

www.sbp-cert.org



Completed in accordance with the CB Public Summary Report Template Version 1.2

*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: SCS Global Services, 2000 Powell St Ste 600, Emeryville, CA 94608

Primary contact for SBP: Sarah Harris, sharris@scsglobalservices.com

Current report completion date: 20/May/2018

Report authors: Haris Gilani, PhD

Name of the Company: Pinnacle Renewable Energy Inc. – Burns Lake Division

Company contact for SBP: Joseph Aquino

Certified Supply Base: British Columbia

SBP Certificate Code: SBP-04-26

Date of certificate issue: 18/Dec/2017

Date of certificate expiry: 17/Dec/2022

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

Scope of evaluation:

Surveillance audit to assess the CH's conformance to SBP standards 2, 4, and 5 and respective Instruction Notes and Documents. The evaluation included on-site visits to the pellet mill in Burns Lake BC and the port facilities called Westview in Prince Rupert, BC, and/or Fibreco Export Inc. in Vancouver, BC, Canada.

Scope of certificate:

This certificate covers production and distribution of wood pellets, for use in energy production, at Pinnacle Renewables Burns Lake pellet mill and rail transportation to port facility Westview Terminals and Fiberco for storage, aggregation and seafaring vessel loadout. 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 overall system in Pinnacle procurement, production and sales process include several critical control points. First, the feedstock is received from several different suppliers and is stored in the warehouse. The material is weighed on the truck scaled and a load slip is issued which includes supplier name, address, origin, type of feedstock and quantity. Second, the volumes are recorded on the inventory spreadsheets and for PEFC certification, PEFC credit table has been developed. The Energy data is recorded on GHG spreadsheet. Thirds, the DTS is used for any SPB related transactions and all transactions are recorded in DTS. Auditor reviewed GHG spreadsheet, DTS, PEFC ledger and load slips to ensure material is tracked throughout critical control points.

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

Pinnacle owns and operates seven pellet plants, one deep-water port and leases space at another port all in the British Columbia (“BC”). Collectively the pellet plants produce more than one and a half million tonnes annually. All Pinnacle plants operate 24 hours a day, seven days a week. The pellet plants are located in the BC communities of Houston, Burns Lake, Meadowbank, Williams Lake, Armstrong and Lavington. Another mill in Entwistle AB just started operating this year. In total, more than 250 people are employed by Pinnacle in those communities. In addition to the production facilities, Pinnacle operates a port in Prince Rupert called Westview Wood Pellet Port where pellets from Pinnacle’s northern facilities (Houston & Burns Lake) are transported. Pinnacle also leases space at Fiberco Export Inc., a deep water port in Vancouver, B.C. Pellets produced at the southern plants are transported to Fiberco.

The Burns Lake wood pellet production facility is located outside of Burns Lake, BC. The Burns Lake facility has a production capacity of approximately 325,000 metric tons of pellets per year. Pellets produced at this plant are transported by rail to the Westview Wood Pellet Port in Prince Rupert, BC or to Fibreco Export Inc. in Vancouver, BC (back up only) for export to European utilities.

5.2 Description of Company’s Supply Base

All primary fibre supplied to Pinnacle Renewable Energy Inc. (PREI) originates in the Province of British Columbia (BC), Canada, excluding Vancouver Islands. BC’s land base is 95 million hectares of which 62% or (55 million hectares) is forested, where only 24% is available for harvest. Approximately 83% of BC’s forests are coniferous leading, 6% are mixed forests containing both coniferous and deciduous species and 6% are deciduous leading. Six million hectares (approximately 15%) of BC’s forests are in protected areas and 13% of all forests in protected areas are 141-250 years old. BC is Canada’s most ecologically diverse province containing coastal and inland temperate rainforests, dry pine forests, sub-alpine forests, and other forested ecosystems.

95% of BC's forests are a government/publically owned resource. As such BC is a global leader in terms of forest legislation and certification. Approximately 52 million hectares of forest in BC is covered by third-party certification (e.g. SFI, FSC, CSA) or meets specific criteria required for environmental management systems (e.g. ISO 14001).

Burns Lake procures all of their feedstock from both primary and secondary sources. Pinnacle's internal fiber procurement group is responsible for implementing and maintaining conformance to the Programme for the Endorsement of Forest Certification (PEFC) CoC Standard, which operates as the platform to the Sustainable Biomass Partnership Standards. Primary and Secondary feedstock is sourced through their PEFC Due Diligence system from primary suppliers and secondary sawmill suppliers. Primary and Secondary feedstock is sourced through their PEFC Due Diligence system from primary suppliers and secondary sawmill suppliers. Sawmills source high-quality logs from the forest and mill them into products like two-by-fours. Burns Lake procures the sawdust and shavings generated by these sawmills. Burns Lake does not source tertiary fibre.

5.3 Detailed description of Supply Base

The area of BC is 55 million hectares of forestland. 83% of BC's forests are coniferous leading, 6% are mixed forests containing both coniferous and deciduous species, and 6% are deciduous leading. The total annual volume of primary feedstock is 29% of the total fibre consumed by Burns Lake. Pinnacle does not own or manage and forest tenures and only purchases fibre on the open market. The total annual volume of secondary feedstock procured by Burns Lake is approximately 89% of the total. Approximately 73% of the secondary feedstock is certified to a SBP-approved CoC Scheme. Approximately 84% of the fibre procured by PREI is forest management certified where approximately 75% is accompanied by chain of custody claim certificates. The 75% fibre supply accompanied with a PEFC CoC claim certificate represents the tonnage of SBP compliant material produced PREI. The remaining 25% is considered SBP controlled as determined by the PEFC DDS regional risk assessment.. A quantitative description of the Supply Base can be found in Burns Lake's Supply Base Report

5.4 Chain of Custody system

Joseph Aquino, Head of Sustainability, is the person responsible for implementing the PEFC Chain of Custody system and also manages the organizations SBP management system. The organization operates the percentage based method for controlling PEFC claims based on volume credits. Pinnacle also verifies PEFC Controlled Sources through a DDS including a risk assessment covering British Columbia.

All wood fibre is tracked through the process from the District of Origin through the mill to the final bill of sale. Pinnacle uses a database to gather and control information related to the feedstock such as supplier name, scale tickets, fibre type, certification, and district of origin. Pinnacle has appropriate control mechanisms to calculate output volumes, claims and trademark/logo approval. Additionally, Pinnacle conducts an annual Management Review of the commitments, programs and procedures to evaluate the overall effectiveness of the SBP management system.

The organizations PEFC management system and procedures were previously evaluated by another certification body and no open nonconformities exist. The organization has detailed and comprehensive

procedures and databases to cover the necessary requirements regarding the SBP-approved Chain of Custody system.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Date	Location	Persons Involved	Time
Desk review	April 17, 2018	Auditor Office	SCS Haris Gilani	8 Hours
Main evaluation Audit	May 28, 2018	Pinnacle mill - Burns Lake Division	Pinnacle: Joseph Aquino, Plant Manager, Plant Operator, Plant Accountant. SCS Haris Gllani	3.5 Hours
Main Evaluation Audit, site walkthrough	May 28, 2018	Pinnacle mill - Burns Lake Division	Pinnacle: Joseph Aquino, Plant Manager, Plant Operator, Plant Accountant. SCS Haris Gilani	1.5 Hours
Main Evaluation Audit	May 29, 2018	Pinnacle Head office in Prince George, BC	Pinnacle: Joseph Aquino, Accountant, Sales staff. SCS Haris Gllani	12 Hours
Site visit Port of Westview	April 26, 2017	Port of Westview	Pinnacle: Joseph Aquino, Port Manager, Port Accountant SCS: Haris Gilani	5 hours

Site visit Port of Fiberco	April 24, 2017	Port of Fiberco	Pinnacle: Joseph Aquino, Port Manager, Port Accountant SCS: Haris Gilani	5 hours
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6.2 Description of evaluation activities

Desk review:

The desk review consisted of a review of the Supply Base Report (SBR), Audit Report on Energy and GHG Data (SAR), Static Biomass Profiling Data sheet, PEFC and SBP procedures, Health and Safety procedures, suppliers list, product groups PEFC certificate validity check and review of last PEFC audit report.

Annual Surveillance audit:

The on-site audit included an audit of the SBR, documented management system, work instructions, training plan and training records, health and safety procedures and commitment, and procedures on collection and communication of greenhouse gas data. The appropriate personnel were interviewed to cover all aspects of the audit and certificate scope and the SBP requirements.

Also included was a half-day visit to each storage facility at the Ports of Westview and Fiberco and a tour of the site including a tour of the pellet plant in Burns Lake from receiving, storage, hammer mills, dryers, pelletization, cooling, storage to loading. Furthermore the scale was inspected and records reviewed at the scale house.

The audit methods consisted of review of documentation, records, websites, emails, databases and staff interviews. The site tour and visits were evaluated by review of documentation, monitoring results, observations, and interviews.

6.3 Process for consultation with stakeholders

SCS launched their stakeholder consultation for the annual audit of Pinnacle facility prior to the on site audit. Stakeholders had the opportunity to present their points of view to the auditor(s) in confidence.

Geographical area(s): The geographical area for the stakeholder consultation is the same as the supply areas identified in the company's Supply Base. This area is, at minimum, at the level of the province of British Columbia.

List of Stakeholders invited: SCS relies on its Master Stakeholder List, which contains stakeholders that are identified by type, e.g. ENGO, Government/regulatory, Educational/Academic, Industry, Indigenous/Aboriginal/Tribal, etc... This list is categorized by country and state/province at the very least, and for this consultation was filtered to omit any stakeholders that were not geographically relevant to the

certificate-holder/applicant's supply area(s). Relevant FSC Network Partners were also included in the invitation process. Below is the notification sent out to stakeholders:

This email is being sent to you because SCS Global Services (SCS) has identified you as a potential stakeholder able to provide relevant comments regarding Pinnacle Renewable Energy's fiber sourcing program for their mill under that mill's certification as a Biomass Producer (BP) within the Sustainable Biomass Program (SBP) framework.

Background – About SBP

SBP was formed in 2013 by European utilities that are using biomass, mostly in the form of wood pellets or chips, in large thermal generating plants. Biomass-fired power and heat generation is seen as an important technology for achieving the EU's 2020 renewable energy targets and EU member states are adopting their own national approaches to ensuring that the biomass used is legally and sustainably sourced.

SBP's objective is to develop the tools necessary to demonstrate that, as a minimum, solid biomass used for energy production meets these national requirements. The SBP Framework is designed as a clear statement of principles, standards and processes necessary to demonstrate such compliance. Wherever possible, the Framework takes into account and builds on existing regulatory mechanisms and on voluntary certification standards already applied to other forest product streams or to other biomass sources.

The SBP Framework provides a means to collect data describing the nature of the feedstock as well as data to be employed in the regulatory calculations of greenhouse gas (GHG) savings from its use. It also provides a means to demonstrate that risks to forest carbon stocks are managed and that forests' carbon sequestration capability is maintained.

Collectively, the six SBP Standards represent a certification framework, or scheme, against which organizations can be assessed for compliance by independent third-party Certification Bodies (CBs) such as SCS. An organization that satisfactorily demonstrates compliance receives a certificate and is entitled to make SBP claims in relation to its biomass.

For more information, and/or to obtain copies of the six SBP standards, please visit: <http://www.sustainablebiomasspartnership.org/>

Consultation

With this email, SCS encourages interested stakeholders to submit relevant information and/or comments regarding the BP's forest management and fiber sourcing/procurement operations, in order to evaluate the BP's compliance with SBP requirements. SCS will:

- review and record all submissions

- evaluate relevant submissions

- document actions taken in relation to relevant submissions, and

- document its conclusions regarding compliance of the BP with the Standards.

If you have any questions/concerns regarding this notification, please email us back and we will follow up with you accordingly.

If you are not interested in participating or providing any comments for this organization, then you do not need to do anything at all in response to this email.

If you would like to be permanently removed from our stakeholder list (and thus not receive any future notifications in regards to this, or any other company), please reply with 'remove'.

Best regards,

Stakeholder comments that have been received by SCS have been evaluated during the audit. Please see section 7.5 for details.

7 Results

7.1 Main strengths and weaknesses

Pinnacle's staff, which include registered professional foresters who have a strong knowledge of the B.C. forestry industry, practices as well as a good working relationship with their suppliers. The organization has a very comprehensive and detailed management and procedural system in place which covers all aspects of the SBP audit scope and the underlying PEFC chain of custody certification. The databases to keep track of qualitative and quantitative information are well managed, readily accessible and featured all information as requested by the auditor. Procedures, commercial documentation, records on paper were also easily accessible throughout the audit.

Weaknesses have been recorded as nonconformities and observations and are discussed in section 10.

7.2 Rigour of Supply Base Evaluation

Not applicable

7.3 Collection and Communication of Data

The auditor confirmed the Greenhouse Gas (GHG) sources for feedstock input from the forest, production at the facility, transportation to the port and storage and handling at the port and reviewed how the input data was measured. Findings were substantiated by on-site staff interviews with operations personnel on the overview of the operations at the facility, historical operations, changes to operations, procedures and processes used to maintain the facility, and procedures and processes used to ensure data quality. Burns Lake division demonstrated full competency to analyse and report the required data on Greenhouse Gas emissions.

7.4 Competency of involved personnel

Pinnacle's fibre procurement team are registered professional foresters in the Province of British Columbia with local forestry experience and knowledge of ecological and social values associated with the supply base, applicable laws and regulations, business management practices, operation of suppliers, and the local forest resource. Pinnacle assigned management with appropriate skills and competency to implement and execute the management and control systems relating to SBP compliance. Management interviewed during the assessment were found to be knowledgeable of the SBP requirements.

7.5 Stakeholder feedback

SCS received two comments who have concerns about tracking and selling certified pellets. SCS confirmed receipt of the comments and determined that comments were not indicative of a nonconformance with the SBP standards valid given a strong tracking system in place. This was verified by reviewing the DTS account and associated invoices. Furthermore inspection of material volume records and the port facility confirmed

SCS conclusion. Pinnacle Renewables sells SBP-certified pellets with SBP claims through a legal entity with a valid SBP certificate. SCS evaluated this during the audit and did not identify a nonconformance with regards to the issues raised.

7.6 Preconditions

None

8 Review of Company’s Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB’s final risk ratings in Table 1, together with the Company’s final risk ratings. Default for each indicator is ‘Low’, click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Not applicable

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

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

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

Table 2. 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	Low	Low
1.1.2	Low	Low
1.1.3	Low	Low
1.2.1	Low	Low
1.3.1	Low	Low
1.4.1	Low	Low
1.5.1	Low	Low
1.6.1	Low	Low
2.1.1	Low	Low
2.1.2	Low	Low
2.1.3	Low	Low
2.2.1	Low	Low
2.2.2	Low	Low
2.2.3	Low	Low
2.2.4	Low	Low
2.2.5	Low	Low
2.2.6	Low	Low
2.2.7	Low	Low
2.2.8	Low	Low
2.2.9	Low	Low
2.3.1	Low	Low
2.3.2	Low	Low

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

9 Review of Company's mitigation measures

Not applicable

10 Non-conformities and observations

Identify all non-conformities and observations raised during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. Click on the  symbol on the right bottom corner of the table to repeat the table. 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	NC Grading: Minor
Standard & Requirement:	SBP ST2 V1.0 section 15.7
Description of Non-conformance and Related Evidence:	
The organization has a comprehensive management system in place for tracking and handling of fibre. The staff interviewed demonstrated adequate knowledge of the procedures and requirements of SBP standards. However, the organization did not conduct any formal training and hence failed to produce a training record.	
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:	
NC Status:	Open

NC number 02	NC Grading: Minor
Standard & Requirement:	SBP ST4; 5.3.3
Description of Non-conformance and Related Evidence:	
The organization uses one credit ledger for all sites and then allocate the amount to different sites based on credits sold. This indicates that the calculations, including data of inputs and outputs, are	

not site specific and are being combined between different sites. PEFC credits to be used for the production of SBP-compliant biomass cannot be exchanged between different SBP certificates.	
Timeline for Conformance:	6 months from the report finalisation
Evidence Provided by Company to close NC:	<i>Click or tap here to enter description provided by Company to close the NC.</i>
Findings for Evaluation of Evidence:	
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):	Sebastian Häfele
Date of decision:	30/08/2018
Other comments:	<i>Click or tap here to enter text.</i>