SBP

Sustainable Biomass Program

NEPCon Evaluation of Region-les 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

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Current report completion date: 14/Dec/2019

Report authors: : Nikolai Tochilov

Name of the Company: Region-les LLC. Legal address: 163015, Russia, Arkhangelsk, Leningradskiy ave, 163, office 20. Production site address: 165195, Russia, Arkhangelsk region, Shenkursk district, village Chaschinskaya, 27A, bld 2

Company contact for SBP: Anton Studentsov, +79212946946, studencov_a@regionlesm.ru

Certified Supply Base: Russia, Arkhangelsk region

SBP Certificate Code: SBP-07-40

Date of certificate issue: 16/Dec/2019

Date of certificate expiry: 15/Dec/2019

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

Scope description: Production of wood pellets in Chashchinskaya, Shenkursk district of Arkhangelsk region, Russia, for use in energy production, and its transportation by different means of transport to different end points all over the world. 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 and assessment of compliance with ID 5E ver. 1.1

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

Not applicable.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a wood processing company located in Arkhangelsk region, Russia. Total annual production capacity of pellet plant is 12 000 tones.
Only secondary feedstock (sawdust and wood chips) with FSC 100% claim is used for FSC/SBP certified pellet production. Mostly wood chips are used in the biomass dryer, however barks may also be used sometimes. Company runs both pellet and lumber production, which supplies secondary feedstock with FSC 100% claim to the pellet plant.
FSC transfer system of claims is implemented for pellet production (all pellets have FSC 100% claim).
The final product may be transported by different means of transport to different end points all over the world, on different Incoterms delivery conditions.

5.2 Description of Company's Supply Base

Region-Les LLC produces SBP-compliant biomass from SBP-compliant secondary feedstock that is a residue from own sawmill (sawdust, wood chips). Roundwood for sawing comes from 4 primary wood suppliers. The species composition of the feedstock is Norway spruce (Picea abies) - 68%, Scots pine (Pinus sylvestris) - 32%.

The supply base, which is the place of origin of wood that is sawed and it's residues used for pellets production, is limited to the leased forest areas of 4 logging companies which are FSC FM/COC certified. Leased forest plots of logging companies - wood suppliers, are located exclusively in the Arkhangelsk region (Russia).

The total volume of harvest in the Arkhangelsk region (for 2017, the Forest Plan of the Arkhangelsk region) amounted to 12,3 million m^3 per year. The total procurement volume of the organization's suppliers amounted to 560 thousand m^3 during the same period, which is only 4,5% of the total wood procurement in the Arkhangelsk region. Annual allowable cut is fulfilled for 95%.

In accordance with the legislation of the Russian Federation forest areas are in federal ownership. Suppliers manage forest land on the basis of long-term lease agreements (up to 49 years). 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.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

Forest areas are represented by both coniferous and deciduous stands. The main forest-forming species: Norway spruce (Picea abies), Scots pine (Pinus sylvestris), Silver birch (Betula pendula), downy birch (Betula pubescens), aspen (Populus tremula). The share of mature and overmature forest stands is about 3/4 of the timber stock.

The adjacent lands of the supply base are mainly represented by forest areas of other tenants and agricultural land. Mostly logging activities and agriculture are carried out in these territories, respectively. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied.

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 (about 10-15%) or the promotion of natural regeneration (85-90%).

When harvesting wood, according to the forest legislation, species listed in the Red Book, as well as their habitats, are subject to conservation. Harvesting of valuable, endangered and specially protected species of trees is prohibited. Region-Les LLC processes only Norway spruce (Picea abies) and Scots pine (Pinus sylvestris). The tree species listed in CITES and IUCN are not met within the supply base.

Logging companies, being FSC certified forest users, provide social support to the local population through various social programs (for example, the supply of fuel wood to the local population, preferential employment rights for local residents, participation in the organization of local events as sponsors, assistance in the construction and repair of local infrastructure facilities, etc.).

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	730202,3 ha
Tenure by type (ha):	public 730202,3 ha
Forest by type (ha):	boreal 730202,3 ha
Forest by management type (ha):	managed natural 730202,3 ha
Certified forest by scheme (ha):	730202,3 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://rl-group.net/lesopilenie-en#!/tab/143837472-3 (English version) and https://www.rl-group.net/lesopilenie#!/tab/143837396-3 (Russian version).

5.4 Chain of Custody system

BP holds valid FSC CoC certificate

https://info.fsc.org/details.php?id=a023300000YLYgnAAH&type=certificate covering both sawmill and pellet production. Only secondary feedstock (sawdust and wood chips) with FSC 100% claim from Organisation's sawmill located at the same production site is used for pellet production and FSC transfer system of claims is implemented (all pellets have FSC 100% claim).

Non-certified feedstock is not processed, neither used in dryer.

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on November 22, 2019 (7.5 h). Audit activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting	Office	22/11/2019 09.00-09.15
Documents and procedures review (feedstock inputs, SBR, CoC control system and critical points, compliance with legal requirements, H&S), staff interview.	Office	22/11/2019 09.15-12.00
Documents and procedures review (SAR and energy use primary data); staff interview	Office	22/11/2019 12.00-18.00
Chain of custody review (site tour); staff interview	Production facilities	22/11/2019 18.00-18.45
Closing meeting	Office	22/11/2019 18.45-19.00

**Note – additionally app. 4 hours was spent for review of SBP-related documentation provided to audit team leader prior to onsite audit.*

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 40 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 prior to the audit, therefore audit team leader had enough time to review it and get well prepared for onsite visit. Audit started with an opening meeting attended by the representatives from Organisation's management and staff.

During the opening meeting, audit team leader 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 document 5E 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.

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 March 5, 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 the FSC transfer system; only FSC 100% secondary feedstock is sourced; non-certified feedstock is not accepted. Effective recordkeeping system. Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses: potential weaknesses are described in Observations 01/19 and 02/19.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

The following energy sources are used by BP: electricity for pellet production; diesel for feedstock handling and biomass transportation to customer; biofuel (secondary feedstock) for dryer.

Diesel consumption of a forklift loader is determined based on the data of actual fuel consumption for the entire reporting period. For front-end loaders (which work both for sawmill and pellet plant), diesel consumption was determined during the 15-day reference period, using the total actual value of consumed diesel and number of working hours spent for the pellet plant. This is due to the fact that earlier, the BP did not document the accounting of the used diesel of the front loaders separately for work at the pellet plant. Electricity consumption by pellet plant is based on readings obtained from installed electric meter. The calculation of the amount of biofuel used for drying of feedstock is made based on the data obtained for the 15-day reference period in October 2019 and extrapolated for the entire reporting period. This is due to the fact that earlier, the organization did not document the accounting of the amount of used biofuel. Please also see Observations 01/19 and 02/19 in relation to electricity and biofuel use.

7.4 Competency of involved personnel

Overall, BP staff showed good understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved into SBP certification: SBP/FSC responsible person (SBP procedures and systems updates, SAR, SBR, DTS), chief of pellet production (registration of the inputs and outputs volume, moisture measurements), mechanic (diesel consumption), power engineer (electricity consumption), H&S engineer, export manager (registration of shipped volumes, invoices performance). Prior to SBP assessment, BP was supported by external consultant, who also have provided relevant training to BP staff.

7.5 Stakeholder feedback

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

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

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.*

No NCRs raised during this assessment.

Observations:

OBS / Наблюдение: 01/19	**Standard & Requirement:**	STD 5. ID 5E: 6.8.3.
	Report Section	Appendix C
Description of findings leading to observation:	BP has information on electricity consumption for the whole reporting period – it is based on the readings obtained from the electric meter which is installed at the pellet plant. Electricity consumption value reported in SAR is 243,69 kWh/tone biomass – relevant calculations have also been checked by NEPCon auditor. This is extremely high consumption value, but BP could not explain the reasons for that. Организация имеет информацию о потреблении электроэнергии за весь отчетный период – она основывается на показаниях электросчетчика, установленного на пеллетном производстве. Расход электроэнергии, указанный в SAR, составляет 243,69 кВтч/тонну пеллет – соответствующие расчеты были проверены аудитором NEPCon. Такой расход является чрезвычайно высоким, однако Организация не смогла объяснить причины этого.	
Observation:	BP is recommended to identify the reasons of the extremely high electricity consumption by the pellet plant. Организации рекомендуется выяснить причины чрезмерно высокого потребления электроэнергии при производстве пеллет.	

OBS / Наблюдение: 02/19	**Standard & Requirement:**	STD 5. ID 5E: 6.9.6
	Report Section	Appendix C
Description of findings leading to observation:	The reference period when the actual measurements of the biofuel inputs for dryer have been conducted and registered is quite short – 15 days in October 2019. At the same time, the biofuel consumption reported in SAR (0,83 tone biofuel / tone biomass) is significantly	

	higher than it normally should be. NEPCon auditor accepted the calculations provided by BP, but raised Observation. Отчетный период, во время которого проводились измерения и регистрировались данные по объему сжигаемого в теплогенераторе древесного сырья, достаточно короткий, и составляет 15 дней в октябре 2019 г. В то же время, расход биотоплива для теплогенерации, указанный в документе SAR (0,83 тонны биотоплива/тонну биомассы) существенно превышает значения, которые должны быть в обычных условиях. Аудитор NEPCon принял расчеты, предоставленные Организацией, но выставил Наблюдение.
Observation:	BP is recommended to identify the reasons of the significantly high biofuel consumption in dryer during pellets production. Организации рекомендуется выяснить причины достаточно высокого потребления биотоплива в теплогенераторе при производстве пеллет.

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:	13/Dec/2019
Other comments:	*Click or tap here to enter text.*