

# Supply Base Report: Pellet 4Energia SIA

Third Surveillance Audit

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## Completed in accordance with the Supply Base Report Template Version 1.3

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### *Document history*

*Version 1.0: published 26 March 2015*

*Version 1.1 published 22 February 2016*

*Version 1.2 published 23 June 2016*

*Version 1.3 published 14 January 2019*

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# 1 Overview

**Producer name:** PELLET 4ENERGIA SIA  
**Producer location:** “Granulas”, Brocēnu parish, Cieceres district  
**Geographic position:** [56.699568, 22.592332](#)  
**Primary contact:** Member of the board Toms Nāburgs, phone: +371 29286295  
 e-mail: [Toms.Naburgs@neljaenergia.ee](mailto:Toms.Naburgs@neljaenergia.ee)  
**Company website:** <https://www.4energia.ee/en/>  
**Date report finalised:** 01/Oc/2019  
**Close of last CB audit:** 31/Oct/2019  
**Name of CB:** NEPCon SIA  
**Translations from English:** NA  
**SBP Standard(s) used:** 1 version 1.0, SBP Standard 2-V1.0 ; SBP Standard 4-V1.0. ; SBP Standard 5-V1.0 (instructions documents 5E;ID5E 1.1.)  
**Weblink to Standard(s) used:** <https://sbp-cert.org/documents/standards-documents/standards>  
**SBP Endorsed Regional Risk Assessment:** <https://sbp-cert.org/wp-content/uploads/2018/12/SBP-endorsed-Regional-Risk-Assessment-for-Latvia.pdf> ]  
**Weblink to SBE on Company website:** <https://www.4energia.ee/en/>

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>X</b>	<input type="checkbox"/>

## 2 Description of the Supply Base

### 2.1 General description

Pellet 4Energia SIA receives the most part of feedstock from Latvia as round wood and wood residues after processing as well as a small part of feedstock from Lithuania indirectly after wood processing.

Approved feedstock: 100% ( 32% certified (~70-80 suppliers)

SBP-compliant primary feedstock: 37 % (~55-65 suppliers)

SBP-compliant secondary feedstock, 63% (from 15- 20 suppliers)

SBP-compliant tertiary feedstock: 0 %

SBP-noncompliant feedstock: 0 %

Species: Picea abies (L.) H. Karst.; Pinus sylvestris (L.); Alnus glutinosa (L.) Gaertn.; Alnus incana (L.) Moench, Populus tremula (L.); Betula pendula (Roth); Betula pubescens (Ehrh.)

#### Latvia

In Latvia, forests cover area of 3,29 million ha. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), woodness amounts to 52 %. Latvia is one of the most forested EU member states.

The Latvian State owns 1,77 million ha of forest (49 % of the total forest area), while the other 1,52 million ha (51. % of the total forest area) belong to other owners. Forests owned by the state are managed by state stock company Latvijas Valsts Meži (Latvian State Forests). Private forest owners in Latvia amount to approximately 144,000.

For most of forest the dominant tree species are coniferous trees - pine and spruce. Latvia forests mainly consists of coniferous trees, but significant part are also occupied by other species.

Forest area by dominant species:

- pine 35%
- spruce 18.1 %
- birch 30.6 %
- gray alder 7.2 %
- black alder 2.9 %
- aspen 5.0 %
- oak 0.3 %
- ash 0.5 %
- other species 0.3 %.

The amount of forestland is constantly expanding, both naturally and thanks to afforestation of infertile land and other land that is not used for agriculture.

In historical terms, the intensive use of Latvia's forests for economic purposes began comparatively later than in many other European countries, and that has allowed to preserve extensive biological diversity. Limitations on economic activity apply to 12% of Latvia's forests at this time, and most of this territory is owned by the state. 683 especially protected environmental territories have been set aside to protect nature. Many of the areas have been included in the European network of protected areas Natura 2000. In order to ensure the

protection of a specially protected species or a biotope outside specially protected nature territories, micro-reserves are created, if any of the functional zones does not provide it. According to the State forest service, the total area of the micro-reserves in October 2016 was 43 217.30 ha.

The forest sector in Latvia is under the supervision of the Ministry of Agriculture. It works with stakeholders to draft forest policies, development strategies for the sector, as well as regulations on forest management, the use of forest resources, environment protection and hunting.

The state forest service, under the ministry of agriculture, is the responsible agency for supervising how the provisions of the laws and regulations are observed in forest management irrespective of the ownership type.

State-owned forests are managed by stock Company “Latvian State Forests”, which was established in 1999. It implements the state’s interests in terms of preserving and increasing the value of the forest and enhancing the contributions of the forest to the national economy.

During the past decade, forest owners and manufacturing companies in Latvia have sought to receive certification of the sustainable use of forest resources. Forest management processes and timber product delivery chains in Latvia are certified on the basis of the two most widely used systems in the world – FSC and PEFC. This proves that the country’s forests are managed according to internationally acknowledged standards of good forestry.

In December 2018 total PEFC Certified Forest Area in Latvia was 1,71 milj hectares and 96 Chain of Custody Certificates. (PEFC Global Statistics: SFM & CoC Certification, December 2018).

In December 2018 total FSC Certified Forest Area in Latvia was 1,13 milj hectares and 317 Chain of Custody Certificates. (FSC Facts & Figures, December, 2018)

CITES came into force in Latvia on 12/05/1997.

Resources:

*[www.zm.gov.lv](http://www.zm.gov.lv) <http://www.vmd.gov.lv/valsts-meza-dienests/statiskas-lapas/-meza-apsaimniekosana>;  
<http://www.liaa.gov.lv/en/trade/industry-profiles/forest-industry>;  
PEFC Global Statistics: SFM & CoC Certification, December 2018;  
FSC Facts & Figures, December 2018.*

### **Lithuania**

Forests cover amounts to 33.3 per cent of the territory of the Republic of Lithuania and forest land constitute an area of 2 177 000 hectares as of 1st January 2014. Expansion of the forest area has been one of the main objectives of Lithuanian forestry policy over the last years. Due to the implementation of sustainable forest management and national afforestation measures, forest coverage in Lithuania has increased by 2 per cent since 2003.

Approximately a half of forest land in Lithuania is owned by the State and managed by 42 State Forest Enterprises and the Directorate General of State Forests. Respectively, around 40 per cent of forest land is privately owned and the rest 10 per cent is still reserved for restitution.

Occupying 1 152 400 ha, coniferous stands prevail in Lithuania, covering 56.1 per cent of the forest area. They are followed by softwood deciduous forests (827 500 ha, 40.3 per cent) and hardwood deciduous forest (75 800 ha, 3.7 per cent). The dominant tree species are pine (occupying 720 300 ha) and spruce (429 600 ha). Birch stands are prevalent among deciduous trees, covering an area of 459 700 ha.

Sustainable forest management is the overriding objective for forest policy and practise in Lithuania. Therefore, forest resources are used responsibly and annual timber harvest rate does not exceed the annual increment. Lithuania's forests produce around 18 million m<sup>3</sup> of stem wood (over bark). Annual fellings do not exceed 60 per cent of gross total annual increment.

Forests are divided into groups upon the objectives of the economic activities, their regime and the major functional purpose.

Group I – strict reserves forests. These are the strict reserves and small strict reserves forests on the territories of state strict nature reserves, state parks and biosphere monitoring territories. Objective of economic activities – to preserve the forests for a natural growth.

Group II – forests of special purpose, split into the following: A – ecosystem protection forests. Landscape, botanical, forest genetic, zoological, botanical-zoological reserves and reserves of these types in state parks

and biosphere monitoring territories. Objective of economic activities – to preserve or restore forest ecosystems or separate ecosystem components. B – recreational forests. Recreational forests cover forest parks, urban (city) forests, forests of recreation zones of the state parks, recreational forest areas and other forests defined for recreation. Objective of economic activities – to form and preserve the recreational forest environment.

Group III – protective forests. These are the forests in the territories of geological, geomorfological, hidrographical, and cultural reserves, forests of protection zones. Objective of economic activities – to form productive forest stands capable of performing the functions of protection of soil, air, water and human living surroundings.

Group IV – commercial forests, split into the following: A – commercial forests of normal cutting age. Objective of economic activities – to form productive forest stands and supply wood continuously following the requirements of environmental protection; B - forest plantations. Objective of economic activities – to grow as much wood as possible in the shortest period of time.

FSC and PEFC certificates are used in Lithuania.

In December 2018 total FSC Certified Forest Area in Lithuania was 1,18 milj hectares and 380 Chain of Custody Certificates. (FSC Facts & Figures, December 2018)

In December 2018 there were 14 PEFC Chain of Custody Certificates. (PEFC Global Statistics: SFM & CoC Certification, December 2018).

CITES came into force in Lithuania on 09/03/2002.

### *Resources:*

<http://www.am.lt/VI/en/VI/index.php#a/759>

*PEFC Global Statistics: SFM & CoC Certification, December 2018 FSC Facts & Figures, December 2018)*



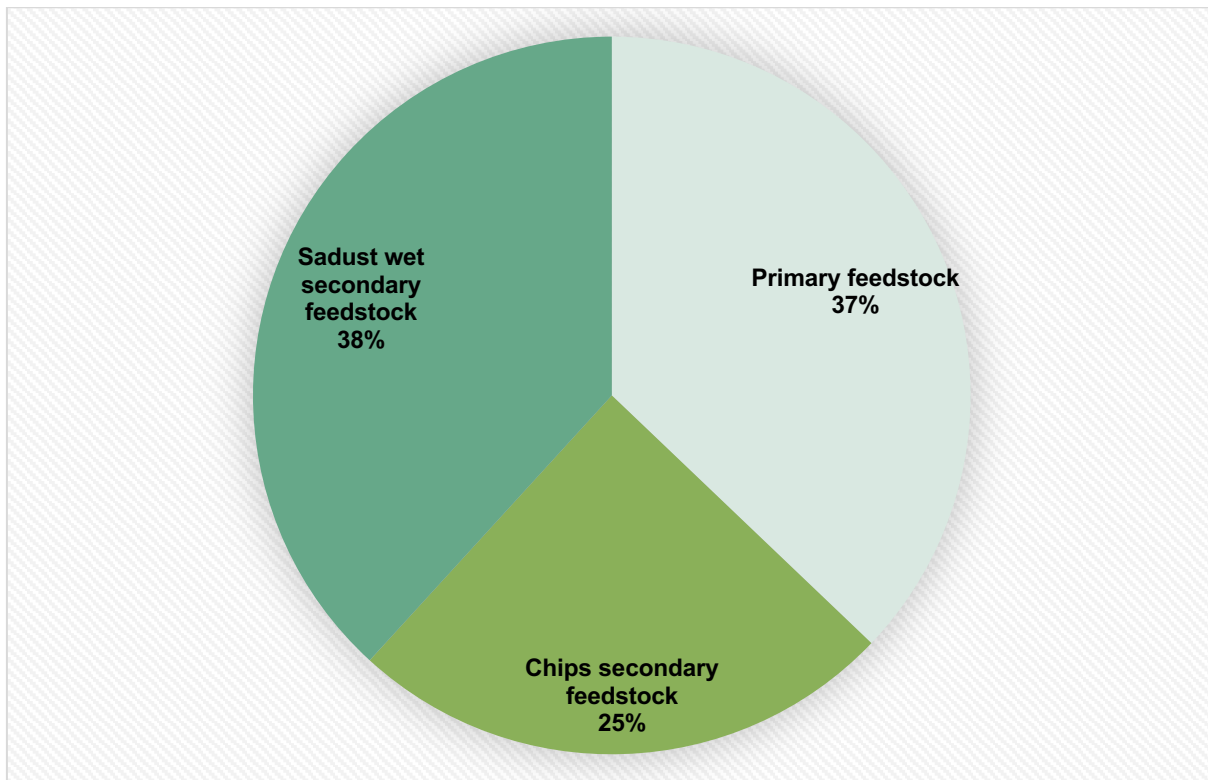
## 2.2 Actions taken to promote certification amongst feedstock supplier

As a priority, materials for the production of SBP pellets are purchased from suppliers certified by FSC or PEFC or compliant with the FSC Controlled Wood requirements. The company policy is directed at cooperation with certified suppliers. Feedstock (saw dust, woodchips) is comprised of wood by-products from the suppliers' production of their primary product. For this reason, uncertified and new suppliers are encouraged to have their primary product certified and put the leftovers to good use. Since March 2018, the amount of FSC certified and FSC Controlled Wood tends to decrease, which is related to the national risk assessment and the performance of risk mitigation measures. This is why the decision of the company management is to assess overall supply risks and decrease these in accordance with SBP risk assessment in Latvia, both for FSC Controlled and uncertified primary and secondary feedstock, so that the entire amount meets at least the SBP Compliant biomass or SBP Controlled Biomass status.

## 2.3 Final harvest sampling programme

Share of biomass as the primary feedstock after final harvest is approximately 95 % compared to other types of feedstock. Primary feedstock is extracted from the supply base area and is made up of round wood. Feedstock is extracted in a well-developed, free and open market where other consumers compete. Various types of feedstock are extracted by performing work in the forest. All companies in the forestry sector have publicly available price lists of the offered assortment. They clearly indicate that the timber (including finishing timber) is the most valuable product, but the round wood (firewood) (for example, pellets) is significantly less valuable product. This information is obtained from documents and data provided by suppliers and persons involved in forest development.

## 2.4 Flow diagram of feedstock inputs showing feedstock type [optional]



## 2.5 Quantification of the Supply Base

### Supply Base

a. Total Supply Base area (ha): Latvia 3.29miljha Lithuania 2,2 milj ha

Tenure by type (ha): Latvia 1,52 mln/ha state forests; 1,77 mln/ha private forests. Lithuania 1,4 mln ha forests reseserved for restitution, 0,80 mln ha private forests

b. Forest by type (ha): boreal; (hemi boreal)

c. Forest by management type (ha): Managed, partly natural forests 5,47 million ha

d. Certified forest by scheme (ha): Latvia FSC ~1,13 mil/ ha are certified according to FSC and/or ~1,71 milj ha PEFC certification systems, Lithuania ~1,18 mln ha hectares are certified under FSC

### Feedstock

e. Total volume of Feedstock: 600,000 – 800,000 m<sup>3</sup>

f. Volume of primary feedstock: 200,000 – 400,000 m<sup>3</sup>

g. List percentage of primary feedstock (g), by the following categories. –

Subdivide by SBP-approved Forest Management Schemes:

- Certified to an SBP-approved Forest Management Scheme 32%
- Not certified to an SBP-approved Forest Management Scheme 0%

h. List all species in primary feedstock, including scientific name:

Picea abies (L.) H. Karst.; Pinus sylvestris (L.); Alnus glutinosa (L.) Gaertn.; Alnus incana (L.) Moench, Populus tremula (L.); Betula pendula (Roth); Betula pubescens (Ehrh.)

- i. Volume of primary feedstock from primary forest 0%
- j. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
  - Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme 0%
  - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme 0%
- k. Volume of secondary feedstock: Wood chips from 20%-39% from total feedstock; wet sawdust 20%-39% from total feedstock. From Latvia ~99,8% Lithuania~0,2%.\*
- l. Volume of tertiary feedstock: specify origin and composition – 0m<sup>3</sup> or 0%

\* Compelling justification would be specific evidence that, for example, disclosure of the exact figure would reveal commercially sensitive information that could be used by competitors to gain competitive advantage. State the reasons why the information is commercially sensitive, for example, what competitors would be able to do or determine with knowledge of the information.

Bands for (f) and (g) are:

- 1. 0 – 200,000 tonnes or m<sup>3</sup>
- 2. 200,000 – 400,000 tonnes or m<sup>3</sup>
- 3. 400,000 – 600,000 tonnes or m<sup>3</sup>
- 4. 600,000 – 800,000 tonnes or m<sup>3</sup>
- 5. 800,000 – 1,000,000 tonnes or m<sup>3</sup>
- 6. >1,000, 000 tonnes or m<sup>3</sup>

Bands for (h), (l) and (m) are:

- 1. 0%-19%
- 2. 20%-39%
- 3. 40%-59%
- 4. 60%-79%
- 5. 80%-100%

NB: Percentage values to be calculated as rounded-up integers.

### 3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
x	<input type="checkbox"/>

SBP biomass supply evaluation includes:

- primary wood (round wood)
- secondary wood (chips, sawdust after processing)  
To Pellet 4Energia which confirms the supplied primary feedstock for the production of pellets as SBP -compliant. The evaluation process use the SBP endorsed risk assessment for Latvija.  
Risk assesment

The risk assessment is divided into: "Low risk" and "Defined risk".

## 4 Supply Base Evaluation

### 4.1 Scope

Applies to pre-logging, logging or post-logging time.

Applies to the secondary feedstock after round wood processing as wood residues: sawdust and chips.

### 4.2 Justification

The risk assessment has been developed in accordance with SBP standard No. 1; No. 2 version 1.0, March 2015, evaluating the risk categories for each SBP indicator. In describing and evaluating the risks, the company acquired an in-depth understanding of the risks of wood supply that could affect the acceptance of inappropriate SBP material for biomass production.

By implementation of effective risk mitigation measures, the company has the ability to purchase a SBP-approved and appropriate assortment to produce the required volume of SBP-compliant biomass products

The classification of developed risk indicators has been graded from the potential risk to the lower risk.

At the risk assessment stage, the risk assessment for Latvia, which was available during the consultation process on the SBP website, was taken into account.

Pellet 4Energia SIA initially developed a risk assessment based on the SBP standard No. 1 version 1.0, 2015 Risk assessment and the public risk assessment developed by NEPCon.

Indicators of the specified risk category "defined risk" and those indicators, the risk level of which was changed during the risk assessment process (for example, 1.1.2, 1.4.1, 2.2.5, see the draft version of the Regional Risk Assessment for Latvia), were reviewed, assessed in accordance with requirements of the State laws and regulatory enactments, State policies (in the area of forest sector, nature protection, biodiversity, etc.), an annual report and publications for the responsible State institutions and bodies). In addition, the risk assessment has been carried out through communication and consultation with stakeholders and leading experts in the nature protection and forestry sectors.

During the public consultation with the stakeholders as well as contacting biomass suppliers, additional information related to the current "defined risk" and "low risk" indicators has been obtained as well as indices, information given in risk indicators were not changed during risk assessment. Thus, the risk assessment report for Pellet 4Energia SIA is no different from the Regional risk assessment project for Latvia.

In consultation with stakeholders, communicating with biomass suppliers, information and approval were obtained which of the risk indicators are of immediate interest in the Latvian forest sector.

Pellet 4Energia SIA has developed risk mitigation and control mechanism for the evaluation and confirmation of its biomass supplies and suppliers, delivered products of which comply with the SBP-compliant biomass status, by attracting independent biotope experts, professional logging companies' experts and nature protection specialists.

### 4.3 Results of Risk Assessment

The risk assessment analysis included requirements regulated by the regulatory enactments of the Republic of Latvia.

Taking into account the specifics of Latvia as well as the recommendations and advice of experts, "Defined risk" was used for biotope protection (HCV category 3), occupational safety, conservation of bird habitats (HCV category 1) and cultural heritage objects (HCV category 6).

*Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia*

## 4.4 Results of Supplier Verification Programme

Audits of the SBP-approved suppliers and results described below and related to the defined risks are available to third parties and stakeholders as documentary evidence of audits performed.

In the course of the risk assessment, information was obtained based on both regulatory enactments and physical check of information on site for all SBE risk categories; it was confirmed that a certain risk may be assigned to four categories – biotope protection (HCV category 3), occupational safety, conservation of bird habitats (HCV category 1) and cultural heritage objects (HCV category 6), while risk for the other categories is low.

Risk assessment and risk mitigation mechanism compliance audits for primary wood confirmed the relevance of the defined risks in forestry.

Secondary wood supply verification, direct supply from saw mills, for which risk mitigation measures are taken at the forest plot supply level..

*Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia*

## 4.5 Conclusion

From 1 January 2017, when requirements of the SBE standards were initiated and implemented, compliance with the defined risks of wood suppliers was reviewed. Only a small percentage of suppliers having direct logging and competence to assess potential risks that are approved as SBP suppliers for wood are not certified according to FSC or PEFC standard requirements.

The volume of FSC- or PEFC-certified forests and access to certified wood is not enough to ensure that at least 100 % of the biomass is a SBP-compliant biomass.

As a result of the implementation of risk mitigation measures, Pellet 4Energia SIA has confirmed that 2 suppliers (loggers that extract wood from their own or other owners' forests) can provide risk mitigation measures and meet the SBE low risk category at supply level.

In the reporting year period, the company is taking risk mitigation measures for the supplies of all suppliers at the forest plot level to confirm the correspondence of all feedstock to SBP compliant material.

*Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia*

## 5 Supply Base Evaluation Process

Pellet 4Energia SIA assessment of the SBP-compliant biomass is related to supplies from Latvia only, as well as to the extraction of the biomass from:

- the SBP-approved forestry scheme;
- the SBP – low-risk feedstock source that was approved within the SBE system;
- the SBP-approved supply chain in compliance (CoC) with system requirements;
- the SBP-approved supply after processing as wood residues.

The results of the risk assessment were obtained through audits of logging companies, which confirmed the necessary actions to be taken in order to reduce risks. Additional consultations with other forestry, logging companies were carried out, and the results and experience gained were discussed publicly with non-governmental organizations.

When confirming the fulfilment of the SBP requirements and assessing the competence of suppliers, loggers and processors, the experts were involved, both for occupational safety and for the identification of biotopes and bird nests as well as for identification of potential cultural heritage objects.

The company has developed and applies a risk mitigation procedure that describes the identified risk mitigation measures and tools.

The company has prepared and applied verification questionnaires for each risk indicator in order to objectively evaluate and obtain general information for each wood extraction site that has been approved or not approved as the SBP-compliant biomass.

The frequency and plan of the audits has been developed in such a way that the wood from the cutting sites (forest management units), which came from approved suppliers (using the testing tools Latbio and Ozols) has been audited during the six-month period. Audits are carried out before and during logging. The audit procedure is available in the company only on request, subject to confidentiality, and is presented and discussed with stakeholders in order to effectively improve it.

SBE system development for supply assessment and risk mitigation measures are performed by Pellet 4Energia SIA company Procurement manager with education in Forest Management, lengthy experience in organizing logging work, assessing forest property; has participated in biotope mapping and attended work safety courses in logging and various seminars.

## 6 Stakeholder Consultation

On 19 April 2017, Pellet 4Energia SIA published a SBP risk assessment on the website. A letter of information on the developed risk assessment in accordance with the SBP standard was sent electronically to stakeholders. A list of stakeholders has been developed in such a way that to include the maximum number of recipients representing the economic, social and environmental interests of the society as well as local governments. The total number of recipients is 86.

During the public consultation, the meetings with stakeholders face-to-face and both correspondence and telephone interviews are planned.

SBP risk assessment is available on the company's website:

<http://pellet4energija.lv/en/>

### 6.1 Response to stakeholder comments

Responses to stakeholder comments.

Summary of comments received from stakeholders. A description of the corrective and preventive actions that we taken when implementing the SBE certification process.

An e-mail has been received from Gita Strode, director of the Nature protection department of the Nature protection board, on consideration of the SBE risk and supply base report. The following comments are given:  
Comment 1.

The supply base report section on biodiversity in Latvian forests does not provide any specific data on this topic. There is only general information about its protection in Latvia. The Board indicates that currently there are totally 683 specially protected nature territories in Latvia (not 674 as written in the report), which are owned by both the State and private and legal persons (up-to-date information is available on the website of the Board: <http://www.daba.gov.lv/public/lat/iadt/> and [http://www.daba.gov.lv/public/lat/iadt/natura\\_200011/](http://www.daba.gov.lv/public/lat/iadt/natura_200011/)).

As to micro-reserves, the Board indicates that micro-reserves are created in order to ensure protection of a specially protected species or biotope outside specially protected nature territories or in the specially protected nature territories if any of the functional zones does not provide the required protection status. We indicate that according to the calculations made by the Board, as of 10 October 2016, the total area of the micro-reserves in the country is 43,217.30 ha.

Response 1. Corrections and additions have been made to the SBE text.

Comment 2.

Both the supply base report (page iv) and the risk assessment report (for indicator 1.5.1) refer to the CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, with an erroneous indication that "Species mentioned in the CITES lists do not appear in Latvia". It should be noted in the text that in Latvian, as well as in Lithuanian forests, the species of trees mentioned in the CITES lists do not grow. Consequently, in our opinion, there are unnecessary broad descriptions in the risk assessment report on compliance with the CITES Convention requirements in the mentioned countries, including a reference to the inspections carried out by the Board (also in the text with incorrect its English translation Nature Protection Board).

Response 2. Corrections and additions have been made both to the supply base report and to the risk assessment.

Comment 3.

- The Board also believes that the initial risk assessment category "defined" should also be applied to the indicator 2.2.3 (the same as in the case of indicator 2.1.2). As already mentioned in the Risk assessment, the inventory of protected biotopes throughout Latvia has yet to be done. The inventory



of the European Union's protected biotopes is expected to be completed in 2019. Until this is done, the Board believes that there are risks both in private lands and in parts of the State lands, where so far no biotope inventory has been carried out.

The initial risk assessment category "defined" should also be applied to the indicator 2.2.4, since, in accordance with Latvian legislation, the protection of the protected species and biotopes is the responsibility of the land owner rather than a mandatory requirement (Section 9 of the Law on the Protection of Species and Biotopes).

- In the risk assessment and in the supply base report section "Forestry sector", it is necessary to clarify the text "Management of the State-owned forests is ensured by JSC Latvijas valsts meži established in 1999". The Board indicates that JSC Latvijas valsts meži does not manage all the State-owned forests, but only the forest areas transferred to the management of JSC Latvijas valsts meži. Similar adjustments are also needed in the Risk assessment text.
- The text of the supply base report section "Forest and Society": "Forest areas provided for recreation include national parks (except for special protected territories), nature parks, protected landscape areas, protected dendrological plantations and protected geological and geomorphologic objects..." - needs to be specified. National parks established in Latvia are specially protected nature territories throughout their whole area. Nature reserve areas of the national parks as well as essentially similar areas in other specially protected nature territories are not considered as areas provided for recreation. The Board implements the administration of the specially protected nature territories, their management is carried out by land owners. In addition, land owners can and also establish recreation sites in forests also outside specially protected nature territories (see for example, <http://www.lvm.lv/par-mums/sociala-atbildiba/atputas-vietas>).

Response 3.

Additions and corrections have been made in both documents.

An e-mail has been received from Valdis Pilāts, senior expert of the Nature protection board, on consideration of the SBE risk and supply base report. Referring to that indicated in the Supply base report Paragraph 9.1.6.1.3 Evaluation of the effectiveness of risk mitigation measures and the results of audits are available upon request from stakeholders, meeting face-to-face and explaining the general mechanism of risk mitigation measures, benefits as well as encouraging further collaboration in the risk identification and mitigation process. the Senior inspector wishes to be familiarized with the results of the audit of a particular cutting site, receiving information electronically. As a response, Pellet 4Energia SIA sent the requested information, appendices and additional documentation on the audits carried out in the properties.

## 7 Overview of Initial Assessment of Risk

A summary of the Risk assessment results is provided in the table below.

The risk assessment level for each indicator revised by Pellet 4Energia SIA has been developed with the SBP Regional risk assessment in Latvia, developed by NEPCo on the basis of the SBP standard No. 1 version 1.0 of March 2015.

Indicators of the defined risk specification "special risk" and those indicators, the risk level of which was changed during the risk assessment process, were reviewed, assessed in accordance with requirements of the laws, State policies (in the area of forest sector, nature protection, biodiversity, etc.), an annual report and publications for the responsible State institutions and bodies). In addition, the risk specification has been carried out through consultation with stakeholders and leading experts in the nature protection and forestry sectors.

Prior to and after the publication of the risk assessment, Pellet 4Energia SIA has started the risk mitigation process for the specified risk categories. The results are shown in Table 7 and Table 8 below.

The results of the risk assessment are summarized in the table below.

After publication of the risk assessment, Pellet 4Energia SIA began verification of two selected defined risks on site. The results are presented in Paragraph 7 and Paragraph 8.

Table 1. Risk assessment results report for all indicators (before the supplier verification programme (SVP))

Indicator	Initial risk rating		
	Defined	Low	Undefined
1.1.1	X		
1.1.2	X		
1.1.3	X		
1.2.1	X		
1.3.1	X		
1.4.1	X		
1.5.1	X		
1.6.1	X		
1.1.2		X	
2.1.2		X	
2.3.1	X		
1.2.2	X		
2.2.2	X		
2.3.2	X		
2.2.4	X		
2.2.5	X		
2.2.6	X		
2.3.1	X		
2.3.2	X		
2.3.3	X		
2.4.1	X		
2.4.2	X		
2.3.4	X		
1.5.2	X		
2.5.2	X		
1.6.2	X		
2.7.1	X		
2.7.2	X		
2.3.7	X		
2.7.4	X		
2.7.5	X		
2.8.1		X	
2.9.1	X		
2.9.2	X		

2.2.7	X		
2.2.8	X		
2.2.9	X		

2.10.1	X		
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## 8 Supplier Verification Programme

### 8.1 Description of the Supplier Verification Programme (applicable until September 28, 2017)

Risk mitigation measures are related to the following feedstock categories:

- supplies of primary feedstock from Latvian forest properties before logging and after logging as well as during logging;
- secondary feedstock suppliers;
- the primary biomass cannot be qualified and does not apply to tree species such as oak, ash, maple, wych elm, elm, if their diameter on the stump is more than 70 cm
- For primary feedstock supplies, the company registers and checks all the information on the origin of incoming wood at the forest plot level to exclude the possibility that logging certificates are submitted by suppliers for other properties, not related to the wood supply.
- Cadastre plots of the wood supplied are checked in Latbio to find the indication "Protected forest biotope may be present or environmental protection limitations established".
- Additional information, survey data are obtained from databases or forest proprietors, loggers.
  
- For all property plots that have the indication "Protected forest biotope may be present or environmental protection limitations established" an assessment in available databases is performed and/or the plots are physically visited in real life.
- For properties with the indication "Protected forest biotope may be present or environmental protection limitations established", during the audit, biotope expert confirmed audit forms are checked and filled in (check page, control page). For the plots audited after or before logging and where signs of possible biotopes are found, a biotope expert is invited. If a possible biotope is confirmed, the company assesses future cooperation with the supplier, does not accept the wood from the corresponding cadastre plot, in case of delivery cancels the amount of the corresponding assortment. In the risk mitigation process, when assessing plots before logging, adjacent plots are also examined to check for the presence of possible bird nests or historical and cultural objects.

Information on the involvement of subcontractors in logging is obtained from all suppliers. Work safety risk mitigation audits are planned or performed spontaneously for all suppliers which outsource or do the logging themselves with manual teams. Taking into account the deficit of human resources in logging, companies use forest machinery more and more. In the report for the audit year it was found that approximately 98% of all supplies are made with forest machinery.

### 8.2 Site visits

Risk mitigation measures are related to the following feedstock categories:

- supplies of primary feedstock from Latvian forest properties after logging
- the primary biomass cannot be qualified and does not apply to tree species such as oak, ash, maple, wych elm, elm, if their diameter on the stump is more than 70 cm
- For primary feedstock supplies, the company registers and checks all the information on the origin of incoming wood at the forest plot level to exclude the possibility that logging certificates are submitted by suppliers for other properties, not related to the wood supply.

- Cadastre plots of the wood supplied are checked in Latbio to find the indication “Protected forest biotope may be present or environmental protection limitations established”.
- Additional information, survey data are obtained from databases or forest proprietors, loggers.
- For all property plots that have the indication “Protected forest biotope may be present or environmental protection limitations established” an assessment in available databases is performed and/or the plots are physically visited in real life.
- For properties with the indication “Protected forest biotope may be present or environmental protection limitations established”, during the audit, biotope expert confirmed audit forms are checked and filled in (check page, control page). For the plots audited after or before logging and where signs of possible biotopes are found, a biotope expert is invited. If a possible biotope is confirmed, the company assesses future cooperation with the supplier, does not accept the wood from the corresponding cadastre plot, in case of delivery cancels the amount of the corresponding assortment. In the risk mitigation process, when assessing plots before logging, adjacent plots are also examined to check for the presence of possible bird nests or historical and cultural objects.

Information on the involvement of subcontractors in logging is obtained from all suppliers. Work safety risk mitigation audits are planned or performed spontaneously for all suppliers which outsource or do the logging themselves with manual teams. Taking into account the deficit of human resources in logging, companies use forest machinery more and more. In the report for the audit year it was found that approximately 80-95% of all supplies are made with forest machinery.

## 8.3 Conclusions from the Supplier Verification Programme

Labour protection and occupational safety supervision risk programme

Labour protection audits were launched in March 2017. The audits were previously planned and carried out for all suppliers; totally 3 audits of logging companies were carried out during logging work, previously requesting information from suppliers on logging sites and service providers. The selection of territories and suppliers to be audited was carried out in such a way that to cover both the supply regions and the different logging companies and their contractors. The regions included in the audit programme are: Vidzeme, Kurzeme and Zemgale. Records and observations have been made for each supplier's audit performed.

After the performed audits it can be concluded that labour protection and occupational safety risks associated with logging work on both forest lands and non-forest lands are divided into two categories:

- 1) Logging with mechanized logging machines (so called harvesters) performing many operations decreases the risks associated with labour protection and occupational safety as much as possible. The performed audits revealed insignificant shortcomings.
- 2) Occupational safety and labour protection violations; no discrepancies were found where logging was done with hand-operated chainsaws.

Biotopes, bird habitats and cultural heritage objects identification and supervision risk programme.

The audits of the biotopes supervision risk programme began in March 2017. Within the framework of the programme, before the beginning of the logging work and during logging, those cutting sites and areas adjacent to the cutting site were audited, where, according to Latbio, Nature protection board the potential of natural forest biotopes has been identified.

The selection of territories and suppliers to be audited was carried out in such a way that to cover both the different supply regions and the different logging companies and contractors. The audit programme includes Vidzeme, Kurzeme and Zemgale regions. Records and observations have been made for each audit.

The following conclusions were made from the performed audits:

- 1) Suppliers have an understanding of the biotope evaluation mechanism, suppliers are aware of the need for a biotope evaluation audit before the beginning of the logging work. Potential cutting sites in

managed forests or on agricultural lands, where there was a small possibility for the existence of a forest biotope, have been inspected in audits on site.

- 2) There were no sites of cultural heritage value found in the forest plots selected during the logging process. The audits found that suppliers are aware that the protection of cultural heritage values is regulated by the legislation of the Republic of Latvia. A survey of logging companies concluded that if a cultural heritage object was detected on the cutting site during the logging work, the State forest service and the relevant local government are informed about it in writing. The logging work is terminated until the relevant decision is received from the responsible authorities.
- 3) No large bird nests (over 50 cm) were found on the cutting sites visited during the audit. Suppliers have an understanding of what to do if they spot large bird nests (over 50 cm). Logging companies understand the need to leave dead wood and ecological trees on the cuttings sites as well as to comply with other requirements for nature conservation in forest management. Audits have found that various logging restrictions imposed by the administrative territory are being observed.

During the audit, it was found that logging companies are ready to present to the auditor of Pellet 4Energia SIA the forest properties that are left as biologically valuable forests (forest biotopes of EU importance, natural forest biotopes), where logging will not be carried out or about which the management of the Pellet 4Energia SIA company will be informed. Wood from these forest units/properties (enterprises) will not be purchased or delivered. *Since 28.09.2017 the BP uses the SBP- endorsed Regional Risk Assessment for Latvia.*

## 9 Mitigation Measures

### 9.1 Mitigation measures

9.1.1. Risk mitigation measures are related to the following biomass supply risk categories:

- Identification of signs of forest biotopes of European importance, natural forest biotopes,
- Identification of cultural heritage monuments, sites of cultural heritage value in the logging process,
- Identification of bird nesting sites,
- Reduction of labour protection and occupational safety risks.

9.1.2. Audit process:

9.1.2.1. Monitoring audits are performed for all plots of the wood supplied by the suppliers for all plots with the indication "Protected forest biotope may be present or environmental protection limitations established"

9.1.2.2. For suppliers that are approved as SBP-compliant feedstock suppliers, audits and evaluation for all categories are performed only before or during logging.

9.1.2.3. Following the results of surveillance audits and supplier evaluation, the management of the company takes a decision on further cooperation with the supplier, wood supply conditions and the volume of supply. Suppliers that refuse to inform Pellet 4Energia SIA on planned logging volumes as well as refuse to cooperate with Pellet 4Energia SIA during audits may be excluded from the list of suppliers.

9.1.2.4. Pellet 4Energia SIA by attracting relevant biotope experts, specialists as well as forestry occupational safety specialists carries out additional informative seminars for suppliers in order to familiarize as much as possible the suppliers with SBP-compliant feedstock supply conditions and potential risks, thus reducing delivery risks of feedstock that is not compliant with SBP standards.

#### 9.1.3. General description of the risk mitigation system:

##### 9.1.3.1. General measures for risk mitigation:

9.1.3.1.1. Purchase of the FSC-certified wood as a priority for the purchase of the SBP-compliant biomass.

9.1.3.1.1. Concluding supply contracts and including provisions of SBP standards for biomass supply, timely identification and mitigation of SBP-noncompliant feedstock supply risks.

9.1.3.1.2. Carrying out a biotope risk assessment procedure before logging, during logging or after logging, which includes the following set of measures:

- a) check of cadastral numbers before the beginning of logging on cutting sites, during logging or after logging, using the "Biotope tool" available in the Latbio database  
[http://latbio.lv/MBI/search\\_db](http://latbio.lv/MBI/search_db);
- b) Check of the existence of the forest biotope of European importance, the potential forest biotope (FB) in each territory of the potential cutting site, using the Natural data management system "OZOLS"  
[http://www.daba.gov.lv/public/lat/dati1/dabas\\_datu\\_parvaldibas\\_sistema\\_ozols/](http://www.daba.gov.lv/public/lat/dati1/dabas_datu_parvaldibas_sistema_ozols/)  
[http://www.daba.gov.lv/public/lat/publikacijas/parskati\\_zinojumi/](http://www.daba.gov.lv/public/lat/publikacijas/parskati_zinojumi/)
- c) An evaluation form (questionnaire) before logging has been developed, which includes all three risk categories. The form has been developed together with forest biotope experts to identify and minimize impact on potential biotopes, recognize and protect cultural heritage objects and bird nesting sites.

9.1.3.1.3. The process of assessment of labour protection and occupational safety risks takes place during the logging work, within which the logging master performs checks based on a developed form that includes the minimum requirements for occupational safety in the forest

9.1.3.1.4. The company's logging masters and biomass suppliers are undergoing training and seminars. The purpose of the training is to enable loggers, suppliers to identify signs of potentially available biotopes, bird nesting sites, cultural heritage objects as well as to fully ensure the occupational safety requirements at their and service provider companies.

9.1.3.1.5. Evaluation of the effectiveness of risk mitigation measures and the results of audits are available upon request from stakeholders, meeting face-to-face and explaining the general mechanism of risk mitigation measures, benefits as well as encouraging further collaboration in the risk identification and mitigation process..

## 9.2 Monitoring and outcomes

Accepting the wood of all suppliers with CA that meets the origin criteria, the company during the annual review has found that suppliers are not forced to select and specify the CA number and submit a CA copy to the company, which does not correspond to the actual wood origin.

The company has also refused to accept wood from suppliers for which a field evaluation was performed before logging or recommended to preserve the possible natural values.

Supply regions - Zemgale, Vidzeme, Kurzeme.

After the SBP risk mitigation audits, training is recommended for suppliers – forest proprietors, logging companies. An understanding of SBE requirements has formed regarding risk categories, their identification and risk mitigation mechanism.

As a result of the risk assessment, during the past 5 months the number of indications with the reference “Protected forest biotope may be present or environmental protection limitations established” has decreased.

Detailed information on each indicator is provided in the risk assessment.



## 10 Detailed Findings for Indicators

Detailed information on each indicator is provided in the risk assessment.

The risk assessment is available on the website of Pellet 4Energia SIA at: <http://pellet4energia.lv/en/>.

## 11 Review of Report

### 11.1 Peer review

The final version of the report was sent to the specialists in the wood industry, forestry and forest environment processes.

The report was sent for review to:

Jānis Rozītis – the World Wildlife Fund (WWF associate partner in Latvia) – experience in sustainable forestry practice, assessment.

J. Rozītis, director of the foundation of the World Wildlife Fund and head of the Forest programme:

The information provided in the section "Information about Latvian forest resources" of the supply base report of the biomass producer Pellet 4Energia SIA is in line with the mentioned sources.

The company's past activity, increasing the amount of feedstock originating from responsibly managed forests, is appreciated. In the section "Measures taken to promote certification among feedstock suppliers" Pellet 4Energia SIA indicates the planned 100% FSC-certified or SBP-compliant feedstock provision until 2018, thus promoting responsible forestry development in Latvia.

In the Pellet 4Energia SIA's risk assessment for feedstock supplies, four defined risk areas are reasonably proposed in the Latvian situation: protection of biotopes, protection of bird habitats, preservation of cultural heritage objects and observance of occupational safety measures. The above-mentioned risk areas are important problems currently in the forest management practice in Latvia, which require urgent solutions. Risk mitigation measures mentioned in the supply base report and the SBP-compliant material approval, verification, risk mitigation process documentation are expected to ensure the elimination or minimization of risks – for the protection of biological and socially valuable forests and the successful implementation of occupational safety measures in forest management. At present, the suppliers' audit results mentioned in the supply base report already show the functionality of the system, eliminating feedstock suppliers that do not meet the requirements.

Pellet 4Energia SIA has developed and applies a risk mitigation procedure. At the same time the company needs to obtain information in the public space or in direct communication with experts in biotopes, species and social fields, non-governmental organizations, local governments regarding the solutions of the problems of the defined risk areas, current events in Latvia, reviewing and implementing, if necessary, the more stringent surveillance audit system requirements. Understanding the recent history and the lack of experience of the application of such certification requirements in Latvia, Pellet 4Energia SIA is recommended to perform supervision of suppliers as stringent as possible before logging and during logging, paying special attention to the provision of protection of biologically valuable forests (biotopes and habitats).

Pellet 4Energia SIA needs to arrange information events, advance training of responsible company's employees, performers of logging work, feedstock suppliers. Educational activities should include information on the preservation of nature diversity, including in routine work on cutting sites (preservation of ecological trees and dead wood, conservation of underwood, advance growth, ecosystem transition zones and other natural structures with special management conditions), conservation of cultural heritage and occupational safety requirements.

Sigitas Girdziušas – Lithuanian University of Agriculture, Master's degree in forestry, forestry specialist.

No additional objections or comments were received.

## 11.2 Public or additional reviews

The public version of the supply base report in the Latvian and English languages is publicly available at <http://pellet4energia.lv/en/> for interested parties. After familiarization with the report, comments and clarifications can be sent to [Toms.Naburgs@neljaenergia.ee](mailto:Toms.Naburgs@neljaenergia.ee)

## 12 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	Vineta Juškevica	<i>Office administrator</i>	01.10.2019
	<b>Name</b>	<b>Title</b>	<b>Date</b>
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	Toms Nāburgs	<i>Member of the Board</i>	01.10.2019
	<b>Name</b>	<b>Title</b>	<b>Date</b>
Report approved by:	Mairis Reiziņš	<i>Pellet plant manager</i>	01.10.2019
	<b>Name</b>	<b>Title</b>	<b>Date</b>

## 13 Updates

Reference period 1 October 2018 - 30 September 2019

### 13.1 Significant changes in the Supply Base

In the reporting year period, there were changes in the proportions of the amounts of primary supply. Wood after processing is purchased more than wood by-products. As a result, direct supply after logging has decreased.

No changes were made to the SBP risk assessment

### 13.2 Effectiveness of previous mitigation measures

Accepting the wood of all suppliers with CA, which meets the origin criteria, the company in the annual reporting period has found that suppliers are not forced to select and specify the CA number and submit a CA copy to the company, which does not correspond to the actual wood origin.

The company has also refused to accept wood from suppliers for which a field evaluation was performed before logging or recommended to preserve the possible natural values.

Supply regions - Zemgale, Vidzeme, Kurzeme.

After the SBP risk mitigation audits, training is recommended for suppliers – forest proprietors, logging companies. An understanding of SBE requirements has formed regarding risk categories, their identification and risk mitigation mechanism.

As a result of the risk assessment, during the past 5 months the number of indications with the reference “Protected forest biotope may be present or environmental protection limitations established” has decreased.

### 13.3 New risk ratings and mitigation measures

In the reporting period, no additional risks were found to those already stated in the existing, confirmed risk assessment. Effective and everyday risk assessment programme allows predicting and identifying wood supply from risk territories.

### 13.4 Actual figures for feedstock over the previous 12 months

1st October 2018 - 30th September 2019

**Total volume:** 600,000 – 800,000 <sup>3</sup>

Volume of primary feedstock: 200 00- 400 000 m<sup>3</sup>

Wood chips: 0 – 200,000 m<sup>3</sup>

Wet sawdust: 200 000- 400 00 m<sup>3</sup>

As SBR is publicly available document not only for the purchasers of the product but also for others interested the management has decided to display the data as limit indicators in order not to display the exact data of raw materials and production output.\*

## 13.5 Projected figures for feedstock over the next 12 months

1st October 2019 - 30th September 2020

**Total volume: 600 000- 800 000 m<sup>3</sup>**

Volume of primary feedstock: 200 00- 400 000 m<sup>3</sup>

Wood chips: 100 000- 200 000 m<sup>3</sup>

Wet sawdust: 200 000- 400 00 m<sup>3</sup>

As SBR is publicly available document not only for the purchasers of the product but also for others interested the management has decided to display the data as limit indicators in order not to display the exact data of raw materials and production output.