

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

First Surveillance Audit

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Completed in accordance with the CB Public Summary Report Template Version 1.4

*For further information on the SBP Framework and to view the full set of documentation see
www.sbp-cert.org*

Document history

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1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus otarabus@nepcon.org, +420 606 730 382
Current report completion date:	22/Jun/2020
Report authors: :	Roman Kurakin
Name of the Company:	TechnoArs LLC, 114 Sovetskaya str., Vesyegonsk, 171720, Tver region, Russia
Company contact for SBP:	Nina Fumina, SBP responsible, +7 48264 21132, oolaguna@inbox.ru
Certified Supply Base:	Tver region, Russia
SBP Certificate Code:	SBP-01-83
Date of certificate issue:	12/Apr/2019
Date of certificate expiry:	11/Apr/2024

This report relates to the First Surveillance Audit

2 Scope of the evaluation and SBP certificate

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

3 Specific objective

The specific objective of this evaluation was to confirm that the Biomass Producer's management system is capable of ensuring that all requirements of specified SBP Standards are implemented across the entire scope of certification.

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis.
- Assess compliance against Instruction Document 5E

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

Total annual production capacity of pellet plant is 6000 tones.

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

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

Pellet plant was commissioned in October 2016.

5.2 Description of Company's Supply Base

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For more details please see the Supply Base Report available in Internet: <https://vesyegonskiy-okrug.pob/news/12690/otchet-o-resursnoj-baze-proizvoditelya-biomassy-ooo-tehnoars/> . This is a homepage of district state authorities, and BP asked them to publish SBRs there because BP does not have its own homepage.

5.3 Detailed description of Supply Base

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

5.4 Chain of Custody system

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

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

6 Evaluation process

6.1 Timing of evaluation activities

Onsite audit was conducted on 18-19.03.2020 (13,5 h) . Audit activities included documents review at office, inspection of production facilities and staff interviews. And desk repeated detailed verification of documents (1 h). Total 14,5 h. The next plan was planned.

Activity	Location	Date/time
Opening meeting	Office in Veswegonsk	18/03/2020 09.00-09.15
Documents and procedures review (SBP documented procedure; staff training records; origin of the feedstock, including Supply Base Report; H&S requirements), staff interviews.	Office in Veswegonsk	18/03/2020 09.15-13.00
Lunch		18/03/2020 13.00-14.00
Documents and procedures review (FSC CoC documented procedures, feedstock inputs and biomass sales registration), staff interviews.	Office in Veswegonsk	18/03/2020 14.00-17.00
Chain of custody review (site tour); documents review and staff interview	Pellet production site at Veswegonsk	19/03/2020 09.00-10.00
Documents and procedures review (SAR; energy use data obtaining and registration system); staff interview.	Office in Veswegonsk	19/03/2020 10.00-13.00
Lunch		19/03/2020 13.00-14.00
Documents and procedures review (SAR; energy use data obtaining and registration system, procedure	Office in Veswegonsk	19/03/2020

covering the requirements of ID 5E), staff interviews.		14.00-16.30
Interview of the responsible officer by phone	Phone	24/03/2020 10.00-10.30
Closing meeting*	Phone	24/03/2020 10.30-11.00
End of the evaluation		24/03/2020 11.00

6.2 Description of evaluation activities

The audit visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the existing FSC system and FSC system control points as well as the collection of the energy and emission data.

Description of the audit evaluation:

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

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

Auditor introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. During the opening meeting the auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 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 feedstock/ biomass. During the process overall responsible person for SBP system and as well as other persons having key responsibilities within the system were interviewed.

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

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

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	Role at the audit: lead auditor Qualification: NEPCon SBP lead auditor. She successfully passed SBP auditor training course in December 2016 in Amsterdam and participated in a number of SBP assessments and annual audits in Russia.

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

No stakeholder consultations conducted prior or during this annual audit.

7 Results

7.1 Main strengths and weaknesses

Strengths: use of FSC transfer system. Robust recordkeeping system. Good awareness of certification requirements by involved staff.

Weaknesses: no weaknesses identified.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

During the main assessment the BP has already implemented all the requirements for collection of energy data. See more details In Annex C of the report.

7.4 Competency of involved personnel

The SBP responsible staff has shown good understanding of the requirements in relation to SBP certification and FSC CoC system. See additional details in Annex A p.3.4.

7.5 Stakeholder feedback

No stakeholder comments are received.

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.

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

Evidence Provided by Company to close NC:	Updated version of SBR.
Findings for Evaluation of Evidence:	The organization updated SBR in Russian and English and posted it on the Internet.
NC Status:	Closed

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:	22/Jun/2020
Other comments:	<i>Click or tap here to enter text.</i>