



# NEPCon OÜ Evaluation of Svir Pellets LLC Compliance with the SBP Framework: Public Summary Report

NCR-verification audit

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# 1 Overview

Certification Body (CB) Name:	NEPCon OÜ
Primary CB contact for SBP:	Ondrej Tarabus
Primary CB contact email:	otarabus@preferredbynature.org
Audit team leader:	Mikhail Rai
Audit team members:	Mikhail Rai
Name of the Company:	Svir Pellets LLC
Company legal address:	Ulitsa Fizkulturnaya 34, Podporozhye, 187780 Leningradskaya oblast, Russia
Company contact for SBP:	Alexander Gorshkov
Company contact email:	sm@svirpellets.com
Company website:	N/A
SBP Certificate Code:	SBP-01-36
Date of certificate issue:	05 Dec 2017
Date of certificate expiry:	04 Dec 2022
Audit closing meeting date:	04 Mar 2021
Audit cycle:	NCR-verification audit

## 2 Scope of the evaluation and SBP certificate

Scope Item	Check all that apply to the Certificate Scope	Change in scope (N/A for Assessments)
<b>Primary Activity:</b>	Biomass Producer	<input type="checkbox"/>
<b>Approved Standards:</b>	SBP Standard 2: Verification of SBP-compliant Feedstock; SBP Standard 4: Chain of Custody; SBP Standard 5: Collection and Communication of Data Instruction; Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3	<input type="checkbox"/>
<b>Includes Supply Base Evaluation (SBE):</b>	No	<input type="checkbox"/>
<b>Includes communication of Dynamic Batch Sustainability Data (DBSD)</b>	Yes	<input type="checkbox"/>
<b>Includes Group Scheme</b>	No	<input type="checkbox"/>
<b>Products</b>	Pellets	<input type="checkbox"/>

<b>Feedstock types:</b>	Primary, Secondary	<input type="checkbox"/>
<b>Feedstock origin (countries):</b>	Russia	<input type="checkbox"/>
<b>SBP-endorsed Regional Risk Assessments used:</b>	Not applicable	<input type="checkbox"/>
<b>Public link:</b> <a href="https://sbp-cert.org/documents/standards-documents/risk-assessments/">https://sbp-cert.org/documents/standards-documents/risk-assessments/</a>		<input type="checkbox"/>
<b>Chain of custody system implemented:</b>	FSC: NC-COC-023945	<input type="checkbox"/>
	Transfer	<input type="checkbox"/>

## 2.1 Description of the company

Svir Pellets LLC is a primary (sawmilling) and secondary (biomass producer) processor located in the Leningrad region, Russia. The main activity is a pellet production and it has been commissioned in March 2009. The total annual production capacity of the pellet mill is 50000 tones. The BP purchases roundwood, slab, wood chips and sawdust from different suppliers located in Leningrad and Vologda regions. Sawlogs are initially processed at the sawmill and then the residues are used to produce wood pellets. Pulpwood and firewood are chipped and used at the pellet production and for heating. To produce SBP-compliant biomass the BP uses mainly sawdust from certified suppliers and residues from in-house sawmilling of certified sawlogs. Also, roundwood from certified suppliers could be used. Conifer species are mostly used for pellet production. Some part of the conifer species and all deciduous species are used for heating.

## 2.2 Detailed description of the Chain of Custody system

The BP holds a valid FSC CoC certificate <https://info.fsc.org/details.php?id=a023300000WW1YLAA1&type=certificate> covering the primary processing, which includes round wood sawmilling and chipping, and secondary processing (pellet production). During the reporting period to produce SBP-compliant biomass the BP used secondary feedstock received with an FSC Mix Credit claim from only one certified supplier, and residues from in-house sawmill, after processing roundwood received with an FSC 100% claim from the neighbouring FME. Transfer system of claims is used for pellet production. The BP downgrade an FSC output claim. All pellets have an FSC Mix Credit claim. The BP also produces non-certified pellets. Physical and temporal segregation procedures are implemented to prevent the mixing of certified and non-certified materials. The BP has established the conversion factors for the production of pellets from secondary feedstock with relevant orders, based on sampling measurements made in 2017 and 2019. To calculate a conversion factor for the production of pellets from roundwood, the BP used theoretical (engineering) calculation. See also NCR 01/19.

### **3 Specific objective**

The specific objective of this CVA was to analyse whether the BP has fully considered and responded to the root cause of Major NCRs issued during the third surveillance audit, and to evaluate evidence to close the NCRs.

## 4 Evaluation process

### 4.1 Timing of evaluation activities

<i>Audit Level of Effort (LoE)</i>		
<b>Activity</b>	<b>Auditors</b>	<b>Auditor hours</b>
1. Preparation	Mikhail Rai	1,0
2. On-site (excl. travel time)	Mikhail Rai	6,5
3. Report writing	Mikhail Rai	8,0
4. Other	N/A	N/A

<b>Audit Schedule</b>			
<b>Activity</b>	<b>Location</b>	<b>Auditor name</b>	<b>Date/time</b>
<i>Opening meeting</i>	Remotely via phone	Mikhail Rai	01 Mar 2021/09:00
<i>Initial documentation review</i>	Preferred by Nature office	Mikhail Rai	01 Mar 2021/09:30
<i>Documentation and other evidence evaluation</i>	Preferred by Nature office	Mikhail Rai	02 Mar 2021/17:00
<i>Documentation and other evidence</i>	Preferred by Nature office	Mikhail Rai	03 Mar 2021/17:00

<i>evaluation</i>			
<i>Documentation and other evidence evaluation</i>	Remotely via phone	Mikhail Rai	04 Mar 2021/15:00
<i>Closing meeting</i>	Remotely via phone	Mikhail Rai	04 Mar 2021/16:30

Auditor qualification		
Auditor name	Role	Qualification
Mikhail Rai	Audit team leader	Preferred by Nature SBP lead auditor. He has successfully passed SBP auditor training in Berlin in September 2019; previous experience with several SBP assessments and annual audits in Russia and Belarus.

## 4.2 Description of evaluation activities

The evaluation was focused on Major NCRs issued during the third surveillance audit.

Description of the audit evaluation:

The audit has been conducted using ICT tools. During the opening meeting via phone the audit team leader introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and the scope of evaluation. The audit team leader explained CB's accreditation related issues.

During the process, overall responsible person for SBP system and was interviewed, relevant documented evidence was evaluated.

At the end of the audit, findings were summarised, and preliminary audit conclusions based on use of 3 angle evaluation method were provided to the BP's management.



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### **4.3 Sampling methodology**

Sampling was used to evaluate figures provided in the updated documents and SAR.

### **4.4 CB stakeholder engagement**

Not applicable.

### **4.5 Stakeholder feedback**

Not applicable.

## **5 Results**

### **5.1 Main strengths and weaknesses**

Not applicable.

### **5.2 Rigour of Supply Base Evaluation**

Not applicable.

### **5.3 Collection and communication of data**

Not applicable.

### **5.4 Competency of involved personnel**

Not applicable.

## 6 Review of company's risk assessments

### 6.1 Overview of company's risk assessments and mitigation measures

Not applicable.

### 6.2 Specified risk indicators and mitigation measures

Country/Area	Indicator	Specified risk description	Mitigation measure
N/A	N/A	N/A	N/A

## 7 Non-conformities and observations

NC number NC-000061	NC Grading: Major
<b>Standard:</b>	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3
<b>Requirement:</b>	3.3.2 The characteristics of biomass shall be able to be traced back to the characteristics and quantities of incoming feedstock, taking into account the applicable conversion factors
<b>Description of Non-conformance and Related Evidence:</b>	
<p>2019 The organization provided a detailed calculation of the conversion factor for wood chips and sawdust. However, the Organization did not pedagogically calculate the conversion factor for the production of pellets from round timber (from waste from its own sawmilling). The organization intends to use this in the next period, so the discrepancy is Minor. 2020 The BP cannot provide sufficient information to trace the characteristic of biomass back to the characteristics and quantities of incoming feedstock. The BP provided the following methodology for calculating the conversion factor for the production of pellets from roundwood: <math>M_{wp} = W_{fw} \cdot CF \cdot Mo</math>, where <math>M_{wp}</math> – mass of wood pellets; <math>W_{fw}</math> – mass of fresh roundwood; <math>CF</math> – the conversion factor (established as 1,8); <math>Mo</math> – loses of moisture when drying (established as 0,75). According to the explanations, provided by the BP, <math>Mo</math> may vary between 0,67-0,75. It depends on the wood characteristics. The established conversion factor <math>CF</math> is based on the mass balance formula <math>(100 - Mo_{biomass}) / (100 - Mo_{initial})</math> taking into account the average moisture of the feedstock established as 49% and moisture of the wood pellets established as 8-10%. As per the BP, it uses the inverse theoretical calculation to estimate a mass of the feedstock using the formula provided above. According to the provided SAR, the BP used 22743,35 tons of feedstock to produce 15904,826 tons of wood pellets. A mass balance with this data is 1,43. Thus, the difference in the theoretical calculation, used by the BP and the data, provided in the SAR is about 21%. The BP has not provided more explanation about the difference in the provided data and methodology used. Taking into account the findings above major NCR has been raised.</p>	
<b>Timeline for Conformance:</b>	3 months from the report finalisation
<b>Evidence Provided by Company to close NC:</b>	Comments from the BP's representative; Excel sheet with calculations (in Russian); Photo evidence of a shovel volume measurement; Moisture and other pellets characteristics log; Moisture Analyzer Operating Instructions; Updated SAR.
<b>Findings for Evaluation of Evidence:</b>	The BP has analyzed the root cause of the NCR. As per BP, a major reason was inconsistency between departments (accounting, production, management) and different approach in inputs registration. Prior to and during the CVA the BP carried out the following activities: - comparison of engineering calculation and actual volume measurements made by the head of the pellet mill; - verification that the moisture analyzer measures relative moisture by default and confirmation that relative moisture had been used to calculate average moisture value; - measurement of the shovel. During the reporting period, established in the SAR the BP used both an engineering calculation and actual measurements in number of shovels. An

	<p>established volume of the shovel was 3,5 bulk cubic meters. In 2021 the BP measured the shovel and the volume was established as 4 bulk cubic meters. Relevant pictures and calculations have been provided by the BP. Also the BP has provided evidence, that the moisture analyzer measures relative moisture. Based on the new established volume of the shovel, established converting factors from bulk to solid cubic meters, species composition and other relevant information actual feedstock consumption and theoretically calculated feedstock consumption for one of the day was compared. The difference is about 1,5 %. Thus, an updated methodology is considered as sufficient to trace characteristics and quantities of incoming feedstock. The BP also updated the figures in the SAR based on data, provided by the head of the pellet mill. Now the most available data is provided. According to the SAR the BP used 25 574,34 tons of feedstock to produce 15 904,83 tons of pellets. Based on that figures the real production exceeds the theoretical one on 12,2 %. The figures can not be updated more due to the limits in the accountancy database. Thus, the following aspects have been considered by the CB: - the BP included all possible feedstock (certified and non-certified) in the SAR; - the BP has demonstrated response to the root cause of the issue; - the BP has carried out additional measurements and verifications to establish most recent values for the next reporting periods; - the BP started to implement the new approach since March 2021. Despite the data in the SAR is not accurate, the BP has collected as much information as possible to provide the most realistic figures. It is also considered that according to the current data, the feedstock may have been underestimated by about 12% (during the reporting period the shovel capacity used was 3,5 m3 bulk, but regarding actual measurements, real capacity is 4 m3), this shovel estimation justify the 12% difference between theoretical and real production. Taking into account the findings above, it is considered that the BP has undertaken sufficient measures to close the NCR.</p>
<b>NC Status:</b>	Closed

<b>NC number NC-000062</b>	<b>NC Grading: Major</b>
<b>Standard:</b>	SBP Standard 2: Verification of SBP-compliant Feedstock
<b>Requirement:</b>	5 Supply Base
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The defined supply base does not include all possible regions of harvesting. Verification at the public Russian State Database of Roundwood Deals <a href="https://lesegais.ru/open-area/">https://lesegais.ru/open-area/</a> showed that Saw woodworking plant №2 LLC has such suppliers as Karjala Pulp LLC and Avstrofor LLC. According to the</p>	

public summary reports, available on the FSC website <a href="https://info.fsc.org/">https://info.fsc.org/</a> , these companies have included in their supply base regions different from declared 3 in the SBR. Thus, the information, provided in the SBR is not accurate. Also, the supplier provided a Declaration of Origin, where regions and place of harvesting is not indicated. The BP does not collect any information except the Declaration, to record the place of harvesting. Thus, the place of harvesting is not known to the BP.	
<b>Timeline for Conformance:</b>	3 months from the report finalisation
<b>Evidence Provided by Company to close NC:</b>	Comments from the BP's representative; Declaration of the supplier; Forest lease contracts; Forest declarations; Standing timber purchase contracts.
<b>Findings for Evaluation of Evidence:</b>	The BP has analyzed the reasons for non-conformance. As per BP, a major reason is not correct and complete understanding of the standard requirement. The BP has applied to the supplier with request to provide additional information on the possible supply base. The supplier has provided an expanded and the most recent declaration with a detailed description of possible regions and places of harvesting. Additionally the BP collected additional information, i.e. forest lease contracts, forest declarations, standing timber purchase contracts to confirm the place of harvesting is within the defined supply base. The updated information shows, that initially the defined SB was correct. Actions undertaken by the BP is sufficient to close the non-conformity.
<b>NC Status:</b>	Closed

<b>NC number NC-000063</b>	<b>NC Grading: Major</b>
<b>Standard:</b>	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.3
<b>Requirement:</b>	3.1.4 Each Legal Owner shall operate a Management System to ensure that data recorded are compliant with the requirements specified in this Instruction Document (5E).
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The BP used actual measurements in a number of shovels to calculate the amount of feedstock used in the burner as biofuels. As explained by the Head of the pellet mill, the relevant staff calculates a number of shovels and multiplies it by 3,5 bulk m3. Based on the daily logs, the summary volume of the feedstock per most of the days is not divided by 3,5 without remainder. According to the accountancy data, a volume of feedstock used for the burner was two times lower, than the volume, provided by the Head of the pellet mill. The BP explained that this fact could be connected with incorrectness of the established rates of the biofuels consumption (0,5-0,8 bulk m3 to produce 1 ton of pellets, depending on the year period). During the audit the BP has issued an order to write off the balances to even out actual volume and the volume accepted in accountancy. Furthermore, the updated data has been provided in the SAR. The total volume of the feedstock used at the burner is valid, based on the data, provided by the Head of the pellet mill (actual measurements), but a share of each type of feedstock used for heating (roundwood, slab, wood chips and sawdust) was not justified. Due to the findings above a major NCR has been raised.</p>	

<b>Timeline for Conformance:</b>	3 months from the report finalisation
<b>Evidence Provided by Company to close NC:</b>	Comments from the BP's representative; Excel sheet with calculations (in Russian); Accountancy data; Updated SAR.
<b>Findings for Evaluation of Evidence:</b>	<p>The BP has analyzed the root cause of the NCR. As per BP, a major reason was inconsistency between departments (accounting, production, management) and different approach in inputs registration. As mentioned in the NCR description above, during the audit the BP has issued an order to write off the balances to even out actual volume and the volume accepted in accountancy. The BP has analyzed possible types of feedstock used in the dryer and states the following. Basic types of feedstock used as a biofuel are chipped roundwood and wood chips of deciduous species. Also, when there is lack of the feedstock of deciduous species sawdust could be used as a biofuel. A share principle is the following: 1. the BP burns all wood chips of deciduous species; 2. the BP burns 3,9% of sawdust in comparison to the total mass of biofuel (based on the sampling data of biofuel consumption for December 2019 and May 2020); 3. the BP writes off chipped roundwood from the supplier with low volume of supplies, since all of the feedstock has been burned; 4. the BP writes off deciduous roundwood (chipped) by the residual principle. The BP intends to use a new approach based on actual measurements in the next reporting periods. See also NCR 01/19. Despite the data in the SAR is not accurate, the BP has collected as much information as possible to provide the most realistic figures. Taking into account the findings above, it is considered that the BP has undertaken sufficient measures to close the NCR.</p>
<b>NC Status:</b>	Closed

## 8 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
<b>Certification decision:</b>	Certification approved
<b>Certification decision by (name of the person):</b>	Pilar Gorria Serrano
<b>Date of decision:</b>	16 Mar 2021
<b>Other comments:</b>	N/A