



# NEPCon OÜ Evaluation of Granules Combustibles Energex inc Compliance with the SBP Framework: Public Summary Report

Main (Initial) 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:	Ondrej Tarabus
Audit team members:	Ondrej Tarabus, Anna LuzAndreanne MeleyCarlos Paixa
Name of the Company:	Granules Combustibles Energex inc
Company legal address:	3891 Président Kennedy, G6B 3B8 Lac-Mégantic (Québec), Canada
Company contact for SBP:	Stewart McIntosh
Company contact email:	smcintosh@lignetics.com
Company website:	N/A
SBP Certificate Code:	SBP-08-39
Date of certificate issue:	25 May 2021
Date of certificate expiry:	24 May 2026
Audit closing meeting date:	07 May 2021
Audit cycle:	Main (Initial) 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>	Secondary	<input type="checkbox"/>
<b>Feedstock origin (countries):</b>	Canada, United States	<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-007742	<input type="checkbox"/>
	Credit	<input type="checkbox"/>

## 2.1 Description of the company

Granules combustibles Energex inc. is a pellet producer located in Lac-Mégantic (Québec), Canada with production capacity of 110 000 t. The organization source secondary feedstock only (in form of wood chips, sawdust and shavings) from one supplier only who further supply this material from many different sub-suppliers located in Eastern Ontario, Quebec, New Brunswick (Canada) and New York, Pennsylvania, Vermont, New Hampshire, Maine, Massachusetts, Connecticut, Rhode Island (United States). The defined supply base contains over 230 million ha of forest. All material is received with FSC claim - FSC Mix Credit or FSC Controlled wood. The organization produce mostly domestic wood pellets. In the dryer, the BP use the same material as in the pellet production and pellets diverted from the production. The material used is at least FSC controlled wood. The final product is transported to Port of Quebec by trucks.

## 2.2 Detailed description of the Chain of Custody system

The BP holds valid FSC CoC certificate covering the pellet production <https://info.fsc.org/details.php?id=a02f30000gIHNxAAO&type=certificate>. The feedstock (wood chips, shavings and sawdust) could be purchased with different claims: FSC Mix Credit or FSC Controlled Wood. Feedstock from non-certified sub-suppliers, controlled under the direct supplier DDS is supplied with FSC CW claim. Non-certified feedstock is not accepted. The BP implements an FSC credit system of claims. All pellets are made from secondary feedstock, the material is weighted at the entrance and the volume is recorded. The credit account is updated against information received from the invoice delivered by the supplier. The conversion factor is calculated using the input - feedstock used in the dryer and output ratio. The credit account is updated monthly and it includes a description of the feedstock (sawdust, wood chips, shavings), the volume of physical input, production results and other relevant information. Purchased feedstock is provided with relevant trade and transport documents.

### 3 Specific objective

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

The scope of the evaluation covered:

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

## 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	OT	8,0
2. On-site (excl. travel time)	OT, EL, CP, AM	10,0
3. Report writing	OT	6,0
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>Stakeholder consultation</i>	Remote	Ondrej Tarabus	30 Mar 2021/10:00
<i>Documentation review</i>	Remote	Ondrej Tarabus	26 Apr 2021/8:00
<i>Opening Meeting</i>	Remote	Ondrej Tarabus	28 Apr 2021/08:30
<i>Controlled suppliers, SB verification, SBR</i>	Remote	Ondrej Tarabus	28 Apr 2021/09:00

<i>Virtual site tour</i>	Remote	Ondrej Tarabus	28 Apr 2021/11:00
<i>GHG Data verification</i>	Remote	Ondrej Tarabus	28 Apr 2021/13:00
<i>SAR, GHG Data, evidence to close major NCRs</i>	Remote	Ondrej Tarabus	07 May 2021/10:00
<i>Closing meeting</i>	Remote	Ondrej Tarabus	07 May 2021/12:00

Auditor qualification		
Auditor name	Role	Qualification
ondrej Tarabus	Lead auditor	Czech citizen, graduated in University of Life Sciences Prague, The Faculty of Forestry. He has participated in several FSC FM, FSC CoC, PEFC CoC, ISCC certification assessments in Czech Republic, Slovakia, Italy, Germany, Vietnam, Egypt, Spain, Romania, Bosnia and Herzegovina, Austria, etc. Ondřej Tarabus has been through lead assessor SBP training course and is experienced with carbon calculation using standards such as ISO 14 064, Carbon Footprint management or ISCC.

## 4.2 Description of evaluation activities

The assessment took place remotely due to travel restriction caused by COVID-19 pandemic situation. This was in line with the SBP interpretation.

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



Description of the audit evaluation:

All SBP related documentation connected to the SBP as well as FSC CoC system of the Organisation, including SBP Procedure, SAR and GHG data calculations, Supply Base Report and FSC system description was provided by the company at the beginning of the audit and during it, which started with an opening meeting attended by the SBP responsible.

During the opening meeting the audit team leader introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification scope. The audit team leader explained CB's accreditation related issues.

After that auditor went through all applicable requirements of the SBP standards nr. 2, 4, 5 and instruction document 5e covering input clarification, existing chain of custody system, COC Critical Control Points (feedstock entrance, inputs identification and claims, control system, conversion factors and sales) management system, recordkeeping/mass balance requirements, emission and energy data and categorization of input and verification of SBP-compliant biomass. During the process, overall responsible person for SBP system and other staff were interviewed. The audit continued with further evaluation for data reported in SAR. At the end of the audit, findings were summarized, and preliminary audit conclusions based on use of 3 angle evaluation method were provided to the management and SBP responsible person.

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### 4.3 Sampling methodology

When preparing for the assessment and during audit itself a sampling has been implemented, based on the following criteria:

- A review of documentation related to energy and carbon data is implemented for the chosen periods to compare summary data per month, collected for SAR, and correctness of its calculation based on data per each day or per each shift.
- For evaluation of DTS, input and output trade and transport documentation, and the correctness of claims a sampling of different kinds of documents for the reporting period is implemented (e.g. waybills, invoices, bills of landing, etc.).
- Sampling is based on a risk approach, taking into account the following:
  - o Changes in a management system;
  - o Standards requirements update;
  - o Staff changes;
  - o Market development;
  - o Most and less productive periods; etc.
- In case when data is collected once per month (e.g. invoices from external supplier of services), higher sampling of documents is implemented.
- Production facilities inspection, as well as interviews with staff, are mandatorily conducted during every audit. The focus is a key staff responsible for the management of processes at a particular department or site. Nevertheless, interviews with staff intimately conducting a certain activity are conducted, since credibility and relevance of the collected data or physical segregation (if applicable) depends on their knowledge.

### 4.4 CB stakeholder engagement

The stakeholder consultation was conducted on March 30th 2020 by sending email to around 200 different stakeholders. List of informed stakeholders is the same which is used for FSC FM/COC assessments notification in Canada.

### 4.5 Stakeholder feedback

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

## **5 Results**

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

Strengths:

Use of the FSC credit system; only FSC Mix Credit and FSC Controlled Wood secondary feedstock is sourced; non-certified feedstock is not accepted.

Small number of the management staff and clearly designated responsibilities within the staff members.

Weaknesses:

See NCR section

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

N/A

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

The following energy sources are used by the BP:

electricity for pellet production;

diesel for feedstock handling;

diesel for biomass transportation to customer;

biofuel for heating.

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

Overall, BP staff showed understanding of knowledge of all applicable SBP requirements. Generally, very few staff members are involved in SBP certification. Lucie Gilbert (Assistance Controleur) is the main responsible person for the implementation of the system, supported by Linda Breton and Nicolas Blanchette (external consultant).

## 6 Review of company's risk assessments

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

N/A

### 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-000334	NC Grading: Minor
<b>Standard:</b>	SBP Standard 2: Verification of SBP-compliant Feedstock
<b>Requirement:</b>	6.2 The BP shall record the place of harvesting and the identity of the primary wood processor responsible for the supply of inputs classified as SBP-compliant secondary feedstock.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The BP has defined relatively large supply base as they can potentially source material from quite far away. The size of the defined SB is almost 204 million hectares. The identification of the origin is based on supplier declarations from the suppliers where the origin is provided by each sub-supplier. These declarations are provided by the direct suppliers and who should have a contract with the sup-suppliers requesting to be informed whenever the origin region would change. During the audit, sample of sub-supplier declarations were checked, and it was revealed that one declaration was missing and that the contract with the direct supplier is missing the statement that supplier is obliged to inform the BP whenever the origin would change. Considering the fact that the SB defined by the BP is very large and therefore there is relatively small risk that the material would be coming from outside the defined SB, this is classified as minor NCR.</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	N/A
<b>Findings for Evaluation of Evidence:</b>	N/A
<b>NC Status:</b>	Open

NC number NC-000335	NC Grading: Minor
<b>Standard:</b>	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4
<b>Requirement:</b>	6.7.1 The BP shall record the total quantity of biomass leaving the processing plant during the Reporting Period.

<b>Description of Non-conformance and Related Evidence:</b>	
<p>The organization has reported that the total production was 101 869t during the reporting period. The auditor did the calculation based on the reported input material 208,803 t with weighted moisture 48,74% and considering that 29 320 t of material reported under feedstock was used in the dryer. This calculation provided results of 97 296 t of theoretical production which is 4.7% less than what was actually reported as produced (if feedstock with high humidity would be used, the difference would be 3.25% on the other hand, if the material used in the dryer would be the driest, the difference could be as big as 10.4%). The organization was not able to provide sufficient evidence why there was such a difference between the theoretical and real production. The production records as well as the records of material used in the dryer were checked and found consistent and well documented. Considering the fact that the difference in the volumes is less than 5% this non-conformity is classified as minor.</p>	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	N/A
<b>Findings for Evaluation of Evidence:</b>	N/A
<b>NC Status:</b>	Open

<b>NC number NC-000331</b>	<b>NC Grading: Major</b>
<b>Standard:</b>	SBP Standard 4: Chain of Custody
<b>Requirement:</b>	5.1.2 The legal owner shall implement all aspects of the SBP-approved CoC system requirements for the SBP feedstock and biomass. Where there is a conflict between the requirements in the SBP-approved CoC system requirements and those specified in the SBP standards, the SBP standards shall have precedence. Note: SBP feedstock or biomass will not necessarily enter into the scope of the SBP-approved CoC system certification, but the SBP-approved CoC system CoC processes and requirements shall extend to SBP feedstock and biomass.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>All aspects of FSC CoC system are implemented. During this assessment, critical control points in FSC CoC system were evaluated by auditor, and no non-conformities identified. The BP has defined the conversion factor as 0.9 but during the audit it was revealed that the calculation was not done properly. In fact, the final conversion factor for the reporting period should be 0.84.</p>	
<b>Timeline for Conformance:</b>	Prior to (re)certification
<b>Evidence Provided by Company to close NC:</b>	The BP has updated the calculation just after the audit and provided updated credit table with updated CF.

<b>Findings for Evaluation of Evidence:</b>	The auditor reviewed the updated credit table, it was revealed that the available credit was not in negative figures in any time. The figure used in the credit account are correct and in line with auditor calculation.
<b>NC Status:</b>	Closed

<b>NC number NC-000330</b>	<b>NC Grading: Minor</b>
<b>Standard:</b>	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4
<b>Requirement:</b>	3.2.1 The BP shall determine the Scope End-points for biomass supplied with an SBP Claim. A Scope End-point occurs after production where biomass is transferred outside the scope of the BP's certificate to another Legal Owner. An example is a port where the transfer of ownership takes place for delivery to an End-user or Trader. There can be more than one Scope End-point for a single biomass production facility.
<b>Description of Non-conformance and Related Evidence:</b>	
The organization has not defined the first SDI at factory gate as required.	
<b>Timeline for Conformance:</b>	By the next surveillance audit, but no later than 12 months from report finalisation date
<b>Evidence Provided by Company to close NC:</b>	The BP has updated the SAR just after the audit and included the SDI factory gate there.
<b>Findings for Evaluation of Evidence:</b>	The updated SAR was reviewed and it was revealed that SDI was defined are required by the standard.
<b>NC Status:</b>	Closed

<b>NC number NC-000336</b>	<b>NC Grading: Major</b>
<b>Standard:</b>	Instruction Document 5E: Collection and Communication of Energy and Carbon Data 1.4
<b>Requirement:</b>	6.2.1 The SAR Reporting Period shall meet the following criteria: - the period should be 12 consecutive months; and - the start date shall not exceed 18 months before the audit onsite closing meeting date as indicated in the SAR. The BP may select a convenient Reporting Period, for example, fiscal year, civil/calendar year or any other 12-

	<p>month period if it fits those requirements. Examples: 1) The audit onsite closing meeting is conducted on 1 April year Y. The BP may use data from the calendar year Y-1 as the start date of the reporting period is 15 months before the date of the audit onsite closing meeting. 2) The audit onsite closing meeting is conducted on 1 November year Y. The BP may not use the whole calendar year Y-1 as the reporting period as Y-1 exceeds 18 months from the date of the audit onsite closing meeting. The BP could select the period 1 May year Y-1 to the end of April year Y, as the Reporting Period start date then corresponds to 18 months before the date of the audit onsite closing meeting</p>
<b>Description of Non-conformance and Related Evidence:</b>	
The BP has reported the data for electricity for 11 months from the reporting period and 1 month outside the reporting period.	
<b>Timeline for Conformance:</b>	Prior to (re)certification
<b>Evidence Provided by Company to close NC:</b>	The BP has provided updated SAR.
<b>Findings for Evaluation of Evidence:</b>	The auditor has reviewed the updated SAR and the figures from the received invoices for electricity. The review has revealed that the data for the electricity consumption are correct and cover the reporting period.
<b>NC Status:</b>	Closed

<b>NC number NC-000333</b>	<b>NC Grading: Observation</b>
<b>Standard:</b>	SBP Standard 2: Verification of SBP-compliant Feedstock
<b>Requirement:</b>	IN2C; 4.1 The report shall be concise, covering the most important features, and shall be completed using the latest version of the SBR template for Biomass Producers downloaded from the SBP website.
<b>Description of Non-conformance and Related Evidence:</b>	
<p>The SBR is well covering most of the features required and the latest template is followed (SBP Portal is used). There are some minor deficiencies identified in the SBR which the BP should pay attention to: 1. Socio economic conditions are not covered in the SBR. 2. Information about species used by the BP is missing for the US regions (but covered for Canada which are similar). 3. Information about CITES or IUCN species is covered very superficially for US regions (but covered for Canada which are similar). Considering the good general quality and level of detail provided in the SBR the auditor decided to raise an observation for the missing information in the SBR</p>	

<b>Timeline for Conformance:</b>	N/A
<b>Evidence Provided by Company to close NC:</b>	N/A
<b>Findings for Evaluation of Evidence:</b>	N/A
<b>NC Status:</b>	N/A

<b>NC number NC-000332</b>	<b>NC Grading: Observation</b>
<b>Standard:</b>	SBP Standard 4: Chain of Custody
<b>Requirement:</b>	6.3.2 The legal owner shall determine and implement effective arrangements against corruption, proportionate to the nature and the scale of organisation
<b>Description of Non-conformance and Related Evidence:</b>	
The organization has some clause in the contract with the supplier about providing of the information and that if any corruption would be identified they might terminate the contract. All the payments are done via bank transfers. The organization has not presented any code of conduct which would cover anti-corruption measures.	
<b>Timeline for Conformance:</b>	N/A
<b>Evidence Provided by Company to close NC:</b>	N/A
<b>Findings for Evaluation of Evidence:</b>	N/A
<b>NC Status:</b>	N/A



## 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
<b>Date of decision:</b>	10 May 2021
<b>Other comments:</b>	N/A