

RSEZ NEW FUELS SIA Supply Base Report

www.sustainablebiomasspartnership.org



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NOTE:

This template, v1.2, is effective as of the date of publication, that is, 23 June 2016. Template v1.1 may still be used for those audits undertaken prior to 23 June 2016 and where the certificate is issued to Certificate Holders before 1 October 2016.

For further information on the SBP Framework and to view the full set of documentation see <u>www.sustainablebiomasspartnership.org</u>

Document history

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Contents

1	Overview	I
2	Description of the Supply Base	2
2.1	General description	2
2.2	Actions taken to promote certification amongst feedstock supplier	5
2.3	Final harvest sampling programme	6
2.4	Flow diagram of feedstock inputs showing feedstock type [optional]	6
2.5	Quantification of the Supply Base	6
3	Requirement for a Supply Base Evaluation	3
4	Supply Base Evaluation	3
4.1	Scope	9
4.2	Justification	9
4.3	Results of Risk Assessment	. 10
4.4	Results of Supplier Verification Programme	. 10
4.5	Conclusion	. 10
5	Supply Base Evaluation Process1	I
6	Stakeholder Consultation	3
6.1	Response to stakeholder comments	13
	•	. 10
7	Overview of Initial Assessment of Risk14	i
7 8	Overview of Initial Assessment of Risk	1 3
7 8 8.1	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 10 Description of the Supplier Verification Programme 10	. 10 1 3
7 8 8.1 8.2	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 10 Description of the Supplier Verification Programme 10 Site visits 14	10 1 1 16 . 16
7 8 8.1 8.2 8.3	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 10 Description of the Supplier Verification Programme 10 Site visits 1 Conclusions from the Supplier Verification Programme 10	. 16 . 16 . 17 . 18
7 8 8.1 8.2 8.3 9	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 16 Description of the Supplier Verification Programme 16 Site visits 16 Conclusions from the Supplier Verification Programme 16 Mitigation Measures 16	. 16 . 16 . 17 . 18
7 8 8.1 8.2 8.3 9 9.1	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 16 Description of the Supplier Verification Programme 16 Site visits 16 Conclusions from the Supplier Verification Programme 16 Mitigation Measures 16 Mitigation measures 16	. 16 . 16 . 17 . 18 . 20
 7 8 8.1 8.2 8.3 9 9.1 9.2 	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 16 Description of the Supplier Verification Programme 16 Site visits 16 Conclusions from the Supplier Verification Programme 16 Mitigation Measures 16 Mitigation measures 16 Monitoring and outcomes 16	. 16 . 16 . 17 . 18 . 20 . 21
 7 8 8.1 8.2 8.3 9 9.1 9.2 10 	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 10 Description of the Supplier Verification Programme 10 Site visits 14 Conclusions from the Supplier Verification Programme 14 Mitigation Measures 14 Mitigation measures 14 Detailed Findings for Indicators 24	16 16 17 17 18 17 18 10 10 10 10 10 10 10 10 10 10
 7 8 8.1 8.2 8.3 9 9.1 9.2 10 11 	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 10 Description of the Supplier Verification Programme 10 Site visits 14 Conclusions from the Supplier Verification Programme 14 Mitigation Measures 14 Mitigation measures 14 Monitoring and outcomes 22 Review of Report 23	. 16 . 16 . 17 . 18 . 20 . 21 2
 7 8 8.2 8.3 9 9.1 9.2 10 11 11.1 	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 16 Description of the Supplier Verification Programme 16 Site visits 16 Conclusions from the Supplier Verification Programme 18 Mitigation Measures 18 Mitigation measures 18 Monitoring and outcomes 22 Peer review 23	. 16 . 16 . 17 . 18 . 20 . 21 2 . 23
 7 8 8.1 8.2 8.3 9 9.1 9.2 10 11 11.1 11.2 	Overview of Initial Assessment of Risk 14 Supplier Verification Programme 16 Description of the Supplier Verification Programme 16 Site visits 16 Conclusions from the Supplier Verification Programme 16 Mitigation Measures 16 Monitoring and outcomes 17 Detailed Findings for Indicators 22 Peer review 23 Public or additional reviews 16	. 16 . 16 . 17 . 18 . 20 . 21 2 . 23 . 23



13	Updates	26
13.1	Significant changes in the Supply Base	26
13.2	Effectiveness of previous mitigation measures	26
13.3	New risk ratings and mitigation measures	26
13.4	Actual figures for feedstock over the previous 12 months	26
13.5	Projected figures for feedstock over the next 12 months	26



1 Overview

On the first page include the following information: **RSEZ NEW FUELS SIA** Producer name: Atbrīvošanas Alley 169a, Rezekne LV-4604, Latvia Producer location: 56.537214, 27.344867] Geographic position: Primary contact: Mihails Bickovskis; +371 26411975; e-mail: e-pasts: info@newfuels.eu http://www.newfuels.eu Company website: Date report finalised: 18.01.2017 Close of last CB audit: Name of CB: NPCon SIA Translations from English: Yes SBP Standard(s) used: SBP Standard 1 version 1.0, SBP Standard 2-V1.0; SBP Standard 4-V1.0.; SBP Standard 5-V1.0 (instructions documents 5A;B;C V1.1.) Weblink to Standard(s) used: http://www.sustainablebiomasspartnership.org/documents

SBP Endorsed Regional Risk Assessment:

)Weblink to SBE on Company website: <u>http://www.newfuels.eu</u>

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations					
Main (Initial) Evaluation	First Surveillance	Second Surveillance	Third Surveillance	Fourth Surveillance	
	X				



2 Description of the Supply Base

2.1 General description

RSEZ NEW FUELS SIA most of the raw materials as feedstock primary and secondary from feedstock originating from Latvian, as well as a small part of the raw material Secondary), which is indirectly supply after wood processing as secondary feedstock from Lithuania.

Data from deliveries period 1January- 31. December 2016:

Controlled Feedstock 57,92 % 10 Secondary Feedstock supplier 68

SBP-compliant Primary Feedstock, 41,95%-14 supplier

SBP-compliant Secondary Feedstock, 0,13%-18 Secondary Feedstock supplier

SBP-compliant Tertiary Feedstock, 0%

SBP non-compliant 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; silver; Betula pubescens (Ehrh.)

LATVIA forest resources

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest Law), forest Land amounts to 51.8 % (ratio of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), while the other 1 560 961 ha (51.68 % of the total forest area) belong to other owners. Private forest owners in Latvia amount to approximately 144 thousand.

The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.

Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic metres (State Forest Services: vmd.gov.lv, 2015).

Forest land consists of:

- forests 3 056 578 ha (91.3%);
- marshes 175 111.8 ha (5.3%);
- glades (forest meadows) 35 446.7 ha (1.1%);
- flooded areas 18 453.2 ha (0,5%);
- objects of infrastructure 61 813.4 ha (1.8%).

State Forest Services: vmd.gov.lv, 2015.

Distribution of forests by the dominant species:

- pine 34.3 %;
- spruce 18.0 %;
- birch 30.8 %;
- black alder 3.0 %;



- grey alder 7.4 %:
- aspen 5.4 %;
- oak 0.3 %;
- ash 0.5 %:
- other species 0.3 %.

State Forest Services: vmd.gov.lv, 2015.

Share of species used in reforestation, by planting area (2014):

- pine 20 %;
- spruce 17 %;
- birch 28 %;
- grey alder 12 %;
- aspen 20 %;
- other species 3 %.

State Forest Services: vmd.gov.lv, 2015.

Timber production by types of cuts, by volume produced (2014):

- final cuts 81.00 %;
- thinning 12.57 %;
- sanitary clear-cuts 3.63 %;
- sanitary selective cuts 1.43 %;
- deforestation cuts 0.76 %;
- other types of cuts 0.06 %.

State Forest Services: vmd.gov.lv, 2015.

The field of forestry

In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting (<u>www.zm.gov.lv</u>). Implementation of requirements of the national law and regulations notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (State Forest Services: <u>www.vmd.gov.lv</u>). Management of the state-owned forests is performed by the *Joint Stock Company "Latvia's State Forests*", established in 1999. The enterprise ensures implementation of the best interests of the state by preserving value of the forest and increasing the share of forest in the national economy (<u>www.lvm.lv</u>). Export yielded 1.978 billion euro (approx. 20 % of the total amount in 2014)..

Biological diversity

Historically, extensive use of forests as a source of profit began later than in many other European countries, therefore a greater biological diversity has been preserved in Latvia.

For the sake of conservation of natural values, a total number of 674 protected areas have been established. Part of the areas have been included in the European network of protected areas *Natura 2000*. Most of the protected areas are state-owned.

In order to protect highly endangered species and biotopes located without the designated protected areas, if a functional zone does not provide that, micro-reserves are established. According to data of the State Forest Service (2015), the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling



selected old and large trees, dead wood, underwood trees and shrubs, land cover around wet micro-lowlands (terrain depressions) are to be preserved, thus providing habitat for many organisms.

Latvia has been a signatory of the CITES Convention since 1997. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Latvia.

Forest and community

Areas where recreation is one of the main forest management objectives add up to 8 % of the total forest area or 293 000 ha (2012y). Observation towers, educational trails, natural objects of culture history value, picnic venues: they are just a few of recreational infrastructure objects available to everyone free of charge. Special attention is devoted to creation of such areas in state-owned forests. Recreational forest areas include national parks (excluding strictly protected areas), nature parks, protected landscape areas, protected dendrological objects, protected geological and geomorphologic objects, nature parks of local significance, the Baltic Sea dune protection zone, protective zones around cities and towns, forests within administrative territory of cities and towns. Management and governance of specially protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry for Environmental Protection and Regional Development.

Certification

All forest area of Latvijas Valsts Meži as well as some part of forests in private and other ownership are FSC and PEFC certified. From all totally forest area 3 347 409ha is approximately 1,737 milj. ha of Latvian forest are certified according to FSC and PEFC certification scheme. Both the FSC and PEFC systems have found their way into Latvia.

LITHUANIA forest resources

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2,18 million ha, while land classified as forest corresponds to about 30 percent of the total land area. The south-eastern part of the country is most heavily forested, and here forests cover about 45 percent of the land. The total land area under the state Forest Enterprises is divided into forest and non-forest land. Forest land is divided into forested and non-forested land. The total value added in the forest sector (including manufacture of furniture) reached LTL 4.9 billion in 2013 and was 10% higher than in 2012.



FOREST LAND BY OWNERSHIP 01.01.2014



Forest land is divided into four protection classes: reserves (2 %); ecological (5.8 %): protected (14.9 %); and commercial (77.3 %). In reserves all types of cuttings are prohibited. In national parks, clear cuttings are prohibited while thinnings and sanitary cuttings are allowed. Clear cutting is permitted, however, with certain restrictions, in protected forests; and thinnings as well. In commercial forests, there are almost no restrictions as to harvesting methods.

Lithuania has been a signatory of the CITES Convention since 2001. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Lithuania.

Lithuania is situated within the so-called mixed forest belt with a high percentage of broadleaves and mixed conifer-broadleaved stands. Most of the forests - especially spruce and birch - often grow in mixed stands. Pine forest is the most common forest type, covering about 38 percent of the forest area. Spruce and birch account for about 24 and 20 percent respectively. Alder forests make up about 12 percent of the forest area, which is fairly high, and indicates the moisture quantity of the sites. Oak and ash can each be found on about 2 percent of the forest area. The area occupied by aspen stands is close to 3 percent.

The growing stock given as standing volume per hectare is on the average of I80 m³ in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m³ per hectare. Total annual growth comes to 11 900 000 m³ and the mean timber increment has reached 6.3 m³ per year and per hectare.

Current harvest has reached some 3.0 million m³ u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m³. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result.

The potential future annual cut is calculated at 5.2 million m³, of which 2.4 million m³ is made up of sawn timber and the remaining 2.8 million m³ of small dimension wood for pulp or board production, or for fuel. The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.

Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.

(Resources: http://www.fao.org/docrep/w3722e/w3722e22.htm)

2.2 Actions taken to promote certification amongst feedstock supplier

For the production of SBP pellets are mostly use FSC certified supplier material 98,9 % (primary and secondary. The company policy is to give a preference to certified suppliers. Raw material (sawdust, consists of wood waste from main production of suppliers. Therefore, uncertified and new suppliers are invited to certify their base production and get benefit from residues. During preparation for SBP certification, the company has increased the share of FSC-certified raw materials from 20 %- 95%, and the management of the company has decided to increase procurement of *FSC certified or SBE compliant* materials by more than 100 % till 2018



2.3 Final harvest sampling programme

The proportion of biomass quantity as primary raw material after final fellings is about 95% compared to quantity of other raw material assortment. The primary raw material has been procured from the Supply Base area and it consists of round wood/firewood. The raw materials are procured in well developed, free and open market with competition of other customers. Different assortments of raw materials are obtained from the logging. All companies of forest industry have public price lists for the assortments. The price lists reflect the solvency of the industry for different assortments. The price lists clearly indicate that logs and veneer logs are the most valuable assortments while firewood (e.g. for pellet production) is less valuable assortment. This information is derived from the documents and data submitted by suppliers and forest developers.

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



2.5 Quantification of the Supply Base

Provide metrics for the Supply Base including the following. Where estimates are provided these shall be justified.

Supply Base

- a. Total Supply Base area (ha): 5 236 578 ha cumulative area of all forest types within SB
- b. Tenure by type (ha): privately owned/2 418 961 ha / Government 2 576 616 ha / Other 2 380 00 ha
- c. Forest by type (ha): Temparate 41% / Hemi boreal 59%
- d. Forest by management type (ha): natural forest management -5 236 578 milj. ha



- e. Certified forest by scheme (ha): 3 907 000 ha of FSC and 1 690 000 ha PEFC-certified forest Feedstock
- f. Total volume of Feedstock: 9626972,54 tonnes
- g. Volume of primary feedstock: 8375466,10 tonns -
- h. 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- 42%
 - Not certified to an SBP-approved Forest Management Scheme 0%
- 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.);
- j. Volume of primary feedstock from primary forest-0%
- k. 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%
- Volume of secondary feedstock: specify origin and type SAWDUST and WOOD chips (Sawmill residues) feedstock as production waste from producers comes from Latvia, Lithuania 4001657,8 tonnes *.
- m. Volume of tertiary feedstock: specify origin and composition There is no use of tertiary feedstock



3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
X	

SBP Biomass supply evaluation includes:

- Primary feedstock (firewood)
- Secondary feedstock (chips, sawdust after processing)

RSEZ New Fuels SIA defines the biomass received form approved biomass resources as SBP compliant biomass.

The draft version of Regional Risk assessment for Latvia has been used as a base for RSEZ New Fuels SIA risk assessment. Risk designation and justification for both "specified risk" indicators and those indicators whose risk level has been changed during the Regional Risk assessment process, have been reviewed taking into consideration operational profile of RSEZ New Fuels SIA. Reviewed risk assessment has been sent out for public consultations.

Risk assessment (RA) was sent for public consultation on 19th September, 2016.

Risk assessment is divided into "Low risk", "Specified risk", or "Unspecified risk".



4 Supply Base Evaluation

4.1 Scope

4.1.1. It refers to primary raw material supplies from the Latvian forest properties prior to logging, during logging process or after logging.

4.1.2. It refers to secondary raw material after processing the roundwood such as wood residues (sawdust, chips).

4.2 Justification

The risk assessment has been developed in accordance with the SBP standards No1; No.2 version 1.0 of March 2015, assessing the risk category for each SBP indicator. Describing and assessing the risks, the company has acquired an in-depth understanding of the timber supply risks that could affect the acceptance of SBP non-compliant material for biomass production.

By introducing the efficient risk mitigation measures, the company has the option to purchase SBP approved and compliant assortment to produce the required amount of SBP compliant biomass products.

The classification of developed risk indicators is ranked from the potential risks to lower risks.

When developing risks, the risk assessment for Latvia was taken into account which was available during the consultation process on SBP website.

SIA NewFuels RSEZ reviewed risk level for each indicator of the draft version of SBP Regional Risk assessment for Latvia, developed by NEPCon and based on SBP standard No. 1 version 1.0 of March 2015.

The designated risk specifications for "specified risk" indicators and those indicators whose risk level has been changed during the risk assessment process (for example, 1.1.2, 1.4.1, 2.2.5, see draft version of Regional Risk Assessment for Latvia) were reviewed, evaluated in line with requirements of national legislation, national policies (forest sector, nature protection, biodiversity etc), annual reports and publications of national responsible institutions and authorities). In addition to this, the risk specification has been consulted with stakeholders and leading experts in nature protection and forestry sectors.

During consultation with interested parties and through communication with biomass suppliers, additional information related to current "specified risk" and " low risk" indicators has been obtained, however, no changes in risk designation for given indicators were made. Thus, the risk assessment reviewed by the RSEZ New Fuels SIA does not differ from the draft Regional Risk Assessment for Latvia.

Reviewed Risk assessment has been checked via public consultation with the interested parties, stakeholders according to requirements of SBP Standard 1 v1.0;

In the consultation with stakeholders through communication with suppliers of biomass the information and confirmation was obtained which of the risk indicators are topical in Latvian forest sector.



By attracting independent experts of habitat, professional logging company experts and conservation specialists, NewFuels has developed risk mitigation and control mechanisms to assess and validate the biomass supply and suppliers whose products correspond to SBP compliant biomass status

4.3 Results of Risk Assessment

The requirements of Latvian normative acts were included in the risk assessment analysis.

Taking into account the specifics of Latvia as well as advice and recommendations of the expert, term "specified risks" was applied to habitat protection (HCV category 3), work safety, bird habitats (HCV category 1), and cultural and historical sites (HCV category 6).

4.4 Results of Supplier Verification Programme

SBP approved supplier audits and results, which are described below and are associated with the risks identified, are available to third parties and stakeholders by documentary evidence of the audits performed.

The information obtained during risk assessment from both the legislative and the physical information verification on site on all SBE risk categories confirmed, that in four categories - conservation of the habitat (HCV category 3), work safety, bird habitats (HCV category 1), and cultural and historical sites (HCV category 6) the specified risk is applied to, for the other categories risk is low.

Risk assessment and risk mitigation mechanism in the compliance audits of the primary timber defined topicality of risks within the forestry.

The secondary timber approval is possible only to processors who have no more than 3 roundwood suppliers and who have agreed to co-operation in order to assess and decrease risks prior to logging (biological, cultural and historical values) or during harvesting operations (work safety) on the spot.

4.5 Conclusion

Since August 1, 2016 when the requirements of SBE standards were launched and introduced, the compliance with the identified risks for the suppliers of feedstock was revised. Only a small part of suppliers, who have direct logging and competence to assess the potential risks and who are not certified according to FSC or PEFC standards, are approved as suppliers of SBP.

FSC or PEFC certified forests' volume and access to certified wood is not sufficient to ensure that at least 70% of the biomass is SBP compliant biomass.

In the result of risk mitigation measures NewFuels has confirmed that four suppliers can provide risk mitigation measures and meet SBE low-risk category at supply level.



5 Supply Base Evaluation Process

NewFuels SBP biomass compliant evaluation refers to the supplies from Latvia only, as well as biomass from:

- SBP-approved forestry certification scheme;
- SBP low risk feedstock sourced within SBE system
- SBP approved supply chain (CoC) system requirements;

• SBP approved supply after the processing as the wood waste;

The risk assessment results were obtained in carrying out audits at logging companies, which confirmed to take the necessary steps to mitigate the risks. Additional consultations with other forestry and logging companies were carried out, as well as the results and lessons learned were discussed publicly with non-governmental organizations.

Confirming SBP requirement implementation and assessing the competence of suppliers, loggers and processors, the experts were attracted for the identification of the work safety, both habitat and bird nests as well as cultural and historical sites.

The company has developed and implemented risk mitigation procedures, which describe the identified risk mitigation measures and tools.

The company has prepared and has used a questionnaire to test each risk indicator to assess objectively and to obtain the total information about each timber production site, which has been approved or not approved as SBP compliant biomass.

Audit frequency and plan has been designed in such a way that timber from felling (forest management units), which originates from approved suppliers, has been audited in 6-month period. The audits are carried out prior to and during logging. The audit procedure is made available only on request, taking into account confidentiality, as well as is presented and discussed together with the stakeholders in order to improve it effectively.

To develop an SBE system, supply assessment and risk mitigation measures have been performed at by NewFuels SIA by attracting the existing staff, procurement manager, who is trained as a wood working t management engineer with a 15 years' experience on the wood procurement market in the Baltic States. The manager has a long-standing experience in maintaining an FSC system and wood origin assessment in forest management, 14 years of experience and knowledge in forest management and wood supplies, procurement and legislation matters.

SIA Lodret consultant — wood processing technologist with more than 20 years' experience in the timber industry, 10 years' experience as the leading auditor of FSC; PEFC forestry and supply certification.

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6 Stakeholder Consultation

On 19 September 2016 the company published SBP risk assessment at the website. Electronically an informative letter was sent to stakeholders for the risk assessments under the SBP standard. List of stakeholders was set up to include the maximum number of recipients who represent society's economic, social and environmental interests as well as local authorities. Total number of beneficiaries is 86 correspondents.

SBP risk assessment is available on the company website: <u>http://www.newfuels.eu/wp-content/uploads/2016/09/SBP_Supply-Base-Report.pdf</u>

6.1 Response to stakeholder comments

A letter from the stakeholder - Ornithological Society has been received during the stakeholder consultation period. Risk mitigation measures in relation to bird habitat conservation confirmed in the letter. Recommendation "to propose roundwood suppliers to respect a break in wood harvesting from 1st April to 30th June or period that is close as possible to this period, but not less than two months." The biomass producer made communication with the stakeholder to discuss the recommendations in person. The recommendation cannot be implemented fully since the biomass producer receives 50% feedstock (roundwood) from the AS LVM. The share of FSC-certified feedstock from AS LVM and private suppliers of roundwood consists of 65-70%. A relatively small share of feedstock in volume of 30% are provided by private forests owners and small suppliers, which is included in the SBE process. Bird nesting issues are evaluated in the SBE process and risks by forestry activities related to the bird nesting sites are mitigated.



7 Overview of Initial Assessment of Risk

RSEZ NEW FUELS SIA reviewed risk level for each indicator of the draft version of SBP Regional Risk assessment for Latvia, developed by NEPCon and based on SBP standard No. 1 version 1.0 of March 2015.

The designated risk specifications for "specified risk" indicators and those indicators whose risk level has been changed during the risk assessment process were reviewed, evaluated in line with requirements of national legislation, national policies (forest sector, nature protection, biodiversity etc), annual reports and publications of national responsible institutions and authorities). In addition to this, the risk specification has been consulted with stakeholders and leading experts in nature protection and forestry sectors.

After the publication of the risk assessment RSEZ NEW FUELS SIA had started risk mitigation process for 3 specified risk categories. Results are indicated in point7 and 8 below.

Risk assessment results are summarised in the table below.

Table 1. Overview of results from the risk assessment of all Indicators (prior to SVP)

	Initial Risk Rating				Initial Risk Rating			
Indicator	Specified	Low	Unspecified	Indicator	Specified	Low	Unspecified	
1.1.1	Х				2.3.1	Х		
1.1.2	Х				2.3.2	Х		
1.1.3	Х				2.3.3	Х		
1.2.1	Х				2.4.1	Х		
1.3.1	Х				2.4.2	Х		
1.4.1	Х				2.4.3	Х		
1.5.1	Х				2.5.1	Х		
1.6.1	X				2.5.2	Х		
2.1.1		Х			2.6.1	Х		
2.1.2		Х			2.7.1	Х		
2.1.3	X				2.7.2	Х		
2.2.1	X				2.7.3	Х		
2.2.2	Х				2.7.4	Х		
2.2.3	X				2.7.5	Х		
2.2.4	X				2.8.1		х	
2.2.5	X				2.9.1	X		



2.2.6	X	
2.2.7	X	
2.2.8	Х	
2.2.9	Х	

2.9.2	Х	
2.10.1	Х	



8 Supplier Verification Programme

8.1 Description of the Supplier Verification Programme

Risk mitigation measures refer to the following raw material categories:

- Primary raw material supplies from the Latvian forest properties prior to logging and after as well as during logging;
- > They apply to secondary raw materials supplier;
- Primary biomass is not qualified and is not applied to tree species such as oak, ash, maple and elm, if the diameter on the stem exceeds 70cm.

NewFuels groups SBP suppliers in two categories:

- Category. SBP compliant supplier these are the suppliers who have signed an agreement on the supplies of SBP compliant raw material, have undergone training on the identification of the risk categories, carry out inspections of the raw material supplies from all sources of timber units, the supplier is audited and it has received written confirmation from NewFuels. If the supplier has not assessed the logging unit and has ignored any of the risk categories or not identified or concealed, the supplier shall be excluded from SBP compliant supplier list.
- 2. Category. SBP non-compliant supplier it includes all those suppliers who have not carried out any risk assessment to the entire timber volume supplied and who have not signed the agreement on SBP compliant raw material supplies. The supplier has been trained on risk identification, but the supplier does not carry out the risk mitigation measures using NewFuels risk mitigation tools. The supplier may be audited, but has not received a written confirmation from NewFuels.

An independent, international auditing company performs the assessment and verification of the suppliers approved by NewFuels. If the audit finds out that any of the suppliers has ignored categories of risk during the audit, the evaluation program is reviewed as well as the supplier is excluded from the SBP compliant raw material supplier list.

During the development process of the SBP certification the company has made the assessment of suppliers in the forest logging and processors who have agreed to and signed an agreement on implementation of SBE requirements, making assessment prior to logging, and identifying all risk categories.

Audits are carried out both for approved suppliers by carrying out checks at each SBE approved supplier during at 3 months in order to ensure compliance with the requirements of SBP. After approving process audit for SBE suppliers use formula $0.8 \sqrt{FMU} = x FMU$ for all SBE supply.

Those who are not approved suppliers, but who are competent to assess the risk categories and have expressed interest in supplying SBP biomass, are included in the additional monitoring program, which includes testing prior to commencement of logging and during logging (work safety checks). The minimum criteria for approving SBP compliant supplier are described in the company's procedures.

The number of places to be visited and the choice is planned in advance, one month before the logging, receiving information on planned logging sites, cadastral numbers, felling coordinates from both approved and unapproved suppliers.



In addition to obtaining information, the following sources of information are used: Latbio potential habitat database (<u>www.latbio.lv/MBI</u>), Natural Data Management System "Ozols" of the Nature Protection Board (<u>http://www.daba.gov.lv/public/lat/EFAMA1/ dabas_datu_parvaldibas_sistema_ozols/</u>), the available information at the Nature Protection Board, the recommendations of forestry and nature conservation experts. During the audit within the interviews with suppliers the proof is obtained that the supplier has the understanding of the risks associated with the sustainable biomass sourcing, the supplier correctly identifies categories of risk and takes the necessary steps to mitigate the risks.

NewFuels' task within the SBP certification is to verify all raw material suppliers by performing audits and evaluating their compliance with SBP standards, competence and skills to identify risks associated with four above mentioned risk categories for Latvia.

All suppliers, regardless of whether it is approved or unapproved supplier, are subjected to assessment of the work safety system of the logging company, a set of measures for the conservation of habitats carried out by the company including the identification of possible signs of habitats prior to the start of harvesting, preservation of cultural and historical values and bird nest protection.

During the suppliers audit it is verified how the company carries out the risk mitigation measures by an examination of the completed audit forms- reports (checklist, control list) approved by the habitat expert, where it can be concluded whether a company is ready to supply SBE compliant material or a supplier has to take corrective actions and the audit is to be repeated.

During risk mitigation process all the possible fellings are inspected and audited at the website of potential habitat features <u>http://latbio.lv/MBI/</u>

8.2 Site visits

The audits are carried out at random choice prior to logging or during logging.

As a priority, the visits are done to the properties where there is evidence of possible biologically valuable stands – the forest habitat of European significance, natural forest habitat.

For planning the number of audits NewFuels uses the following formula for each supplier:

0,8√FMU= x FMU

FMU – planned number of fellings per year

X FMU – the number of fellings to be visited prior or during logging

The choice for auditable areas and suppliers is made so that both supply regions and a variety of timber harvesting companies and their sub-contractors and service providers are maximally covered. The timber producing regions that are included in the audit program are: , Vidzeme, and Latgale.

Fforest estates (farms) were visited within the framework of the identification of the potential habitat, birds' nests, cultural and historical sites and work safety risks and risk mitigation program.

28 forest property units were visited before logging was started;



8 forest estates - during logging;

3 producers, that supply chips after processing;

7 work safety audits at the loggers and their sub-contractors as well as service providers were done.

8.3 Conclusions from the Supplier Verification Programme

Work protection and work safety risk monitoring program

Work protection and work safety audits were launched on 19 September. The audits were pre-planned and carried out for all suppliers, totally 7 audits (it is 87% of all suppliers, including suppliers, logging companies and their contractors, wood processors, etc.) during logging, previously requesting information from suppliers about the sites and service operators. The choice of audited areas and suppliers was carried out so that both supply regions and various timber harvesting companies and contractors were maximally covered. The audit program included the following regions: Vidzeme, Latgale. Notes and observations were written down regarding each audited supplier.

In accordance with the audits carried out, it can be concluded that work protection and work safety risks related to logging can be divided into two categories for both forest lands and non-forest lands:

- 1) Logging with a multi-mechanized harvesting machines (so-called harvesters) maximally minimizes work protection and work safety-related risks. Minor deficiencies were found during the audits.
- 2) A high level of work safety and work protection risk was found in 10% of the audited forest fellings where logging was done by hand-saws. Audits found significant discrepancies in the work safety and the management of those companies was invited to increase the focus on issues of the work protection.

Identification of habitats, bird habitats and heritage sites, and monitoring risk program

The audits of habitat monitoring risk program were launched from 19 September. Within the framework of the program those fellings and adjoining areas were audited prior to starting the logging and during logging, where the potential natural forest habitat probability was identified in accordance with Latbio, Natural Data Management System.

The choice of audited areas and suppliers was carried out so that both supply regions and various timber harvesting companies and contractors were maximally covered. The audit program included the following regions: Vidzeme and Latgale. Notes and observations were written down regarding each audited supplier.

The following conclusions were drawn up from the audits:

1) The suppliers have an understanding of habitat evaluation mechanism, the suppliers are aware of the need for habitat assessment audit prior to starting the logging. The potential fellings in economic forests or agricultural lands with a little likelihood of the existence of forest habitat were surveyed on site. In cases of doubt, the consultations with forest and grassland habitats experts have been carried out.



- 2) During the logging selection process the objects with cultural and historical value were not identified in the forests. The audits found that suppliers are aware that the protection of cultural property is governed by Latvian legislation. It has been concluded from the survey of the logging companies that if during logging the cultural object is revealed, State Forest Service and relevant local municipality are informed in written manner. The logging is suspended until the relevant decision from the competent authorities has been received.
- 3) During the audit the large nests of birds (over 50 cm) were not found in the visited fellings. The suppliers are aware of the necessary actions when noticing the large nests of birds (over 50 cm). The logging companies are aware of the need to leave deadwood and ecological trees in clearings, as well as to comply with the other requirements of nature protection in the forest management. It was stated in the audits that different restrictions for logging, which are set by the administrative territories, have been observed.

The audit found out that the logging companies are ready to show the territories for NewFuels which are identified as the biologically valuable forests (forest habitats of EU significance, natural forest habitats and places where the logging will not take place), whether NewFuels management is going to be informed about. The timber from these forest units / properties (farms) will not be delivered.



9 Mitigation Measures

9.1 Mitigation measures

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

- Identification of the characteristics of forest habitats and natural forest habitats of European significance;
- Identification of cultural and historical monuments, objects of cultural and historical value within the process of logging;
- Identification of the birds nesting sites;
- Mitigation of work protection and work safety risks.

9.1.2. The process of auditing

- **9.1.2.1.** The surveillance audits are performed at random for all suppliers, regardless of whether the supplier is approved as a supplier of SBP or not.
- **9.1.2.2.** For those suppliers who are approved as SBP raw material suppliers, audits and all categories of assessment is carried out just prior or during the logging.
- **9.1.3.** Audits for the harvesting of agricultural lands during logging work are being carried out prior or during the logging for all the logging objects by assessing all possible risks.
- **9.1.4.** According to the results of the surveillance audits and the evaluation of the supplier, the company management takes a decision on further co-operation with the supplier of wood supply regarding the conditions and the volume of supply. The suppliers, who refuse to inform NewFuels about the planned logging quantity, as well as refuse to cooperate with NewFuels in performing auditing functions, may be excluded from the list of suppliers.
- **9.1.5.** By attracting appropriate habitat experts, specialists, as well as forestry work safety specialists, NewFuels provides additional informative seminars for suppliers in order to acquaint suppliers with SBP compliant raw material supply conditions and potential risks, thus reducing risks of non-compliant raw material supply in accordance with SBP standards.

9.1.6. General description of risk mitigation system:

- 9.1.6.1. Risk mitigation general measures:
 - **9.1.6.1.1.** The purchase of FSC certified material as priority in compliance with SBP biomass procurement.
 - **9.1.6.1.2.** Signing supply contracts and including SBP standard conditions for biomass supply, in a timely manner identifying and reducing SBP non-compliant raw material supply risks.
 - **9.1.6.1.3.** When performing habitat risk assessment procedures prior to logging, during or after the logging, which includes the following measures:
 - **9.1.6.1.4.** Checking the cadaster number prior to logging, during or after the logging using Latbio databases "Habitats' instruments" <u>http://latbio.lv/MBI/search_db;</u>
 - 9.1.6.1.5. Checking the existence of forest habitat of European significance, the potential forest habitat at each potential felling area using 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/publikacijas/parskati_zinojumi/

- 9.1.6.1.6. The audit form is designed for the evaluation prior to logging, which includes all four categories of risk. The form has been developed together with the forest habitats experts to identify and minimize the impact on potential habitats, recognize and protect the cultural and historical objects and bird nesting sites.
- 9.1.6.1.7. Work protection and work safety risk assessment process takes place in forest operations, during which the forest master performs checks in accordance with developed forms, which include minimum requirements for safety compliance in the forest. The form has been developed together with the licensed work safety specialist of the company.
- 9.1.6.1.8. The trainings and seminars are carried out for logging masters and biomass suppliers. The aim of the curricula is developed to identify the possible indicators of the potential habitats, bird nesting sites, cultural and historical objects, as well as to ensure fully the safety requirements within own company and service providers companies.

The effective evaluation and audit results of the risk mitigation measures are available to stakeholders upon request by meeting in person and explaining the overall risk mitigation measures mechanism and benefits as well as promoting further cooperation in the identification of risk mitigation process

9.2 Monitoring and outcomes

Due to finding safety violations and a lack of cooperation with NewFuels when identifying habitat presence and mitigating SBP non-compliant raw material supply risks while performing supplier audits, two suppliers were not approved for wood supplies.

After the surveillance audits in nature, assessing the possible habitats and work safety risks, the company's management has decided to exclude from the list of suppliers those suppliers who, during the audit, did not meet the acceptable performance criteria of risk reduction programs established by the company.

Supply regions – Vidzeme, and Latgale.

After SBP mitigation audits and supplier trainings the suppliers - forest owners and forest companies have developed an understanding of the SBE requirements for risk categories, their identification and risk mitigation mechanism.

As the result of the audit, four supplier companies are approved to be recognized as SBP compliant biomass suppliers.

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

Risk assessment is available at http://www.newfuels.eu.



10 Detailed Findings for Indicators

Detailed Findings for Indicators

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Detailed findings for each Indicator are given in Annex 1.



11 Review of Report

11.1 Peer review

The final version of the report was submitted to the Forestry and forest-environment processes to engage professionals.

The report was reviewed and returned with comments were received from:

WWF International Director Janis Rozītis- experience in sustainable forestry practice, assessment

SBR final version of the report was submitted to the professionals related to timber industry, forestry and the forest environment processes.

The report was reviewed and comments were received from:

J.Rozītis, the Director of World Wildlife Fund and Head of the Forest Program

The information provided by the biomass producer SIA NewFuels RSEZ in the Supply Base Report, in section "Supply Base" the description "Latvian forest resources" corresponds to the sources of information.

A recognized value is company's current activities as described in the "Measures are being taken to encourage the certification of raw material of the suppliers" to get FSC certified raw material increase in deliveries. The recommendation for NewFuels is purposefully increase the raw material procurement which originates from the responsibly managed forests in accordance with FSC forest management standards including the promotion of FSC forest management certification development.

The risk assessment for raw material supplies is supportive, highlighting the priority risk areas for supply regions in Latvia: the protection of forest habitats of European significance and natural forests, bird habitats, the preservation of heritage sites and monitoring the activities of work safety. The risk mitigation measurements mentioned in the Supply Base Report and confirmation of SBP compliant material, verification, documentation of risk mitigation processes, presumably, will provide risk elimination or minimization within implementation of measures for habitats as well as protection of socially high value forests and work safety in practice. The outcomes of the suppliers' audits mentioned in the Supply Base Report already now are showing the functionality of the system by excluding suppliers – loggers, who are working non-compliant to requirements, from the wood supply.

In the future NewFuels must analyse the outcomes of the surveillance audits of suppliers, evaluate the information obtained in public space or direct communication from the experts of habitats, species and social spheres, non-governmental organizations and municipalities on problems of specified risk area in Latvia, and in case of necessity, introduce the stricter requirements of the surveillance audit system.

NewFuels has to continue to carry out informative events, refresher trainings for the responsible employees, loggers, material suppliers on Specified risk areas as well as on general nature protection requirements on logging, protection of soil and water during logging process.



Sigitas Girdziušas- Lithuanian Agricultural University, Master of Forestry, forestry specialists.

11.2 Public or additional reviews

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If another type of external review was done prior to finalisation of this report (e.g. publication for comments by stakeholders, NGOs, or other independent third parties), describe the process here.



12 Approval of Report

Approval of Supply Base Report by senior management					
Report Prepared	Ronald Polis	Procurement Manager	18.01.2017		
	Name	Title	Date		
The unders and do here management	igned persons confirm that I/we are r by affirm that the contents of this ev nt as being accurate prior to approva	nembers of the organisation's s aluation report were duly ackno I and finalisation of the report.	senior management owledged by senior		
Report approved	Roman Vdovychenko	Chairman of the Board	18.01.2017		
	Name	Title	Date		
Report approved by:	Witold Dura	General Plant Manger	18.01.2017		
	Name	Title	Date		



13 Updates

Note: Updates should be provided in the form of additional pages, either published separately or added to the original public summary report.

13.1 Significant changes in the Supply Base

Provide a description of any significant changes to the supply base.

13.2 Effectiveness of previous mitigation measures

For each mitigation measure identified during the evaluation, give a detailed account of whether the measures were shown to be effective or not.

13.3 New risk ratings and mitigation measures

Provide an update of risk ratings for all relevant Indicators.

13.4 Actual figures for feedstock over the previous 12 months

300 000- 400 000 tonnes

13.5 Projected figures for feedstock over the next 12 months

Up to 480 000 tons