

# RSEZ NEW FUELS SIA Supply Base Report

January 2018.

[www.sustainablebiomasspartnership.org](http://www.sustainablebiomasspartnership.org)



## Version 1.2 June 2016

*For further information on the SBP Framework and to view the full set of documentation see [www.sustainablebiomasspartnership.org](http://www.sustainablebiomasspartnership.org)*

### *Document history*

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# 1 Overview

*On the first page include the following information:*

Producer name: RSEZ NEW FUELS SIA

Producer location: Atbrīvošanas Alley 169a, Rezekne LV-4604, Latvia

Geographic position: 56.537214, 27.344867]

Primary contact: Mihails Bickovskis; +371 26411975; e-mail: e-pasts: [info@newfuels.eu](mailto:info@newfuels.eu)

Company website: <http://www.newfuels.eu>

Date report finalised: 18.01.2016; actualized 18. January 2018

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: <http://www.newfuels.eu>

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

## 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 1 January- 31. December 2017

Verified the primary feedstock (as FSC Controlled Wood and controlled wood): 28,33%, ~87 supplier

*Controlled Feedstock 97,34 % 10 Secondary Feedstock supplier 68*

*SBP-compliant Primary Feedstock, 71,67% ~ 31 supplier*

*SBP-compliant Secondary Feedstock, 2,66%- 12 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.)

#### Information about LATVIAN forest resources

Forests in Latvia cover 3,01 million ha (State forest service, Public report, 2016). According to the data of the State forest service (regarding the areas under consideration, which are subject to economic activity regulated by the Forest Law), the forest land territory occupies 51 % (the percentage of the forest land area (3,32 million ha) to the total area of the State territory) (State forest service, Public report, 2016). In Latvia, the State owns the forest, area of which is 1,48 million ha (49% of the total forest area), while the total area of forests of other owners is 1,52 million ha (51 % of the total forest area) (State forest service, Public report, 2016). The number of private forest land owners in Latvia is about 144 thousand.

The area occupied by forests is increasing. The increase in forest areas occurs both naturally and artificially by afforestation of barren and non-agricultural land.

Wood production in the last decade in Latvia varies from 9 to 13 million cubic meters (the State forest service: vmd.gov.lv, 2017).

Forest lands consist of:

- forests: 3,01 million ha (90,7 %);
- marshes: 0,17 million ha (5.1 %);
- clearings: 0,032 million ha (0,96 %);
- flooded territories: 0,015 million ha (0.5 %);

- infrastructure facilities: 0,062 million ha (1.9 %);
- other land: 0,016 million ha (0,5%).

(the State forest service: vmd.gov.lv, 2017)

Breakdown of forests by dominant species:

- Pine: 34 %
- Spruce: 18.0 %
- Birch: 30 %
- Black alder: 3 %
- White alder: 7 %
- Aspen: 7 %
- Oak: 0.3 %
- Ash: 1 %
- Other species: 0.1 %

(the State forest service, Public report, 2016)

Share of tree species in forest renewal, breakdown by area (2016):

- Pine: 18 %
- Spruce: 18 %
- Birch: 29 %
- White alder: 13 %
- Aspen: 18 %
- Other species: 4 %

(the State forest service: vmd.gov.lv, 2017)

Wood extraction according to types of cutting, breakdown by volume of production (2016):

- Final harvest: 80 %
- Thinning: 13 %
- Sanitary cutting: 5 %
- Deforestation cutting: 1 %
- Other types of cutting 1 %

(the State forest service: vmd.gov.lv, 2017)

Forestry sector

The forestry sector in Latvia is managed by the Ministry of Agriculture, which, in cooperation with the sector interest groups, develops forest policy, sector development strategy as well as forest management, forest resource use, nature conservation and hunting draft regulatory enactments (the Ministry of Agriculture: [www.zm.gov.lv](http://www.zm.gov.lv)).

The implementation of the regulatory requirements included in the Latvian laws and the Cabinet of Ministers regulations in the management of forests, regardless of the type of property, is controlled by the State forest service under the supervision of the Ministry of Agriculture (the State forest service: [www.vmd.gov.lv](http://www.vmd.gov.lv)).

Management of the State-owned forests is ensured by JSC Latvijas valsts meži, established in 1999.

The company pursues national interests by ensuring the preservation and enhancement of the value of the forest as well as by increasing the contribution of the forest sector to the national economy ([www.lvm.lv](http://www.lvm.lv)).

In 2016, export reached EUR 2.084 billion in revenue ([www.zm.gov.lv](http://www.zm.gov.lv)).

### Biodiversity

Historically, the extensive use of Latvian forests for economic purposes began relatively later than in many other European countries, therefore, greater biodiversity has been preserved in Latvia.

For the preservation of nature values, 683 specially protected nature territories have been created (Nature Conservation Agency, 2017). Part of these territories is included in the Natura 2000, unified network of protected territories of European importance. The most part of the protected territories are in State ownership.

In order to ensure the protection of a specially protected species or a biotope outside specially protected nature territories, micro-reserves are created, if any of the functional zones does not provide it. According to the State forest service, the total area of the micro-reserves in 2016 was 42600 ha. The identification of biologically valuable forest stands and the implementation of protective measures are performed continuously.

In turn, for the conservation of biodiversity in the forest management process, general nature conservation requirements have been developed that apply to all forest managers. They stipulate that during logging work the older and larger trees, dead wood, underwood and brushwood must be kept separately in wet micro-lowlands and other structures to promote the preservation of many habitats.

Latvia has ratified the CITES Convention (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) in 1997. In Latvian forests the species of trees mentioned in the CITES lists do not grow.

### FOREST AND SOCIETY

Forest territories in which provision of recreation is one of the main objectives of forest management account for up to 8 % of the total forest area or 293,000 hectares (2012). Sight towers, cognitive trails, cultural heritage natural sites and recreational areas – these are just a few of the recreational infrastructure facilities available in forests that can be used by anyone. Particular attention to development of such territories is paid in the State-owned forests (JSC Latvijas valsts meži, Nature Conservation Agency). Recreation functions are also performed by specially protected nature territories (except in areas with a strict nature conservation regime) – national parks, nature parks, protected landscape areas, protected dendrological plantations and protected geological and geomorphologic objects, nature parks of local importance, protection zones of the



Baltic Sea coastal dunes, protective zones around cities, forests in administrative territories of cities, etc. The management of the specially protected nature territories (SPNT) of Latvia is provided by the Nature Conservation Agency under the authority of the Ministry of Environmental Protection and Regional Development. Some of the specially protected nature territories (SPNT) of Latvia are managed by the Nature Conservation Agency and some of them – by land owners, legal possessors. In addition, land owners, legal possessors establish rest areas in forests also outside specially protected nature territories (for example, Latvijas valsts meži – see <http://www.lvm.lv/par-mums/sociala-atbildiba/atputasplaces> [1]).

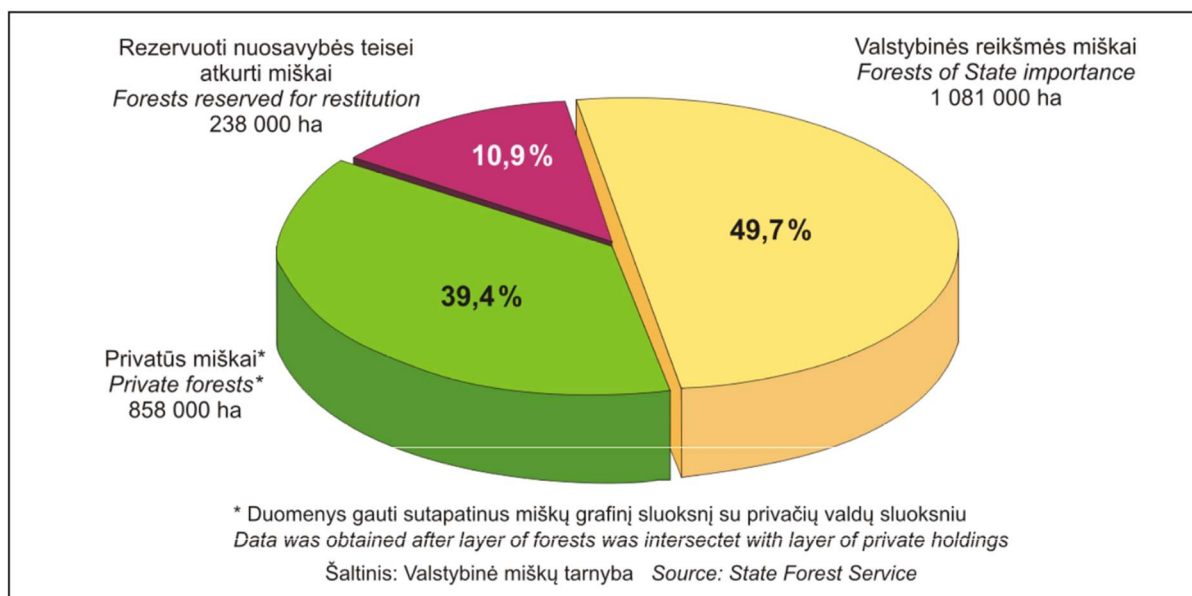
#### Certification

Forests of JSC Latvijas valsts meži and part of private forests are certified according to FSC and PEFC certification systems. Approximately 1.737 million ha of Latvian forests from the total forest area of 3,056,578 ha are certified according to FSC and/or PEFC certification systems. Both these systems are operating in 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 180 m<sup>3</sup> in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m<sup>3</sup> per hectare. Total annual growth comes to 11 900 000 m<sup>3</sup> and the mean timber increment has reached 6.3 m<sup>3</sup> per year and per hectare.

Current harvest has reached some 3.0 million m<sup>3</sup> 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 m<sup>3</sup>. 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 m<sup>3</sup>, of which 2.4 million m<sup>3</sup> is made up of sawn timber and the remaining 2.8 million m<sup>3</sup> 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

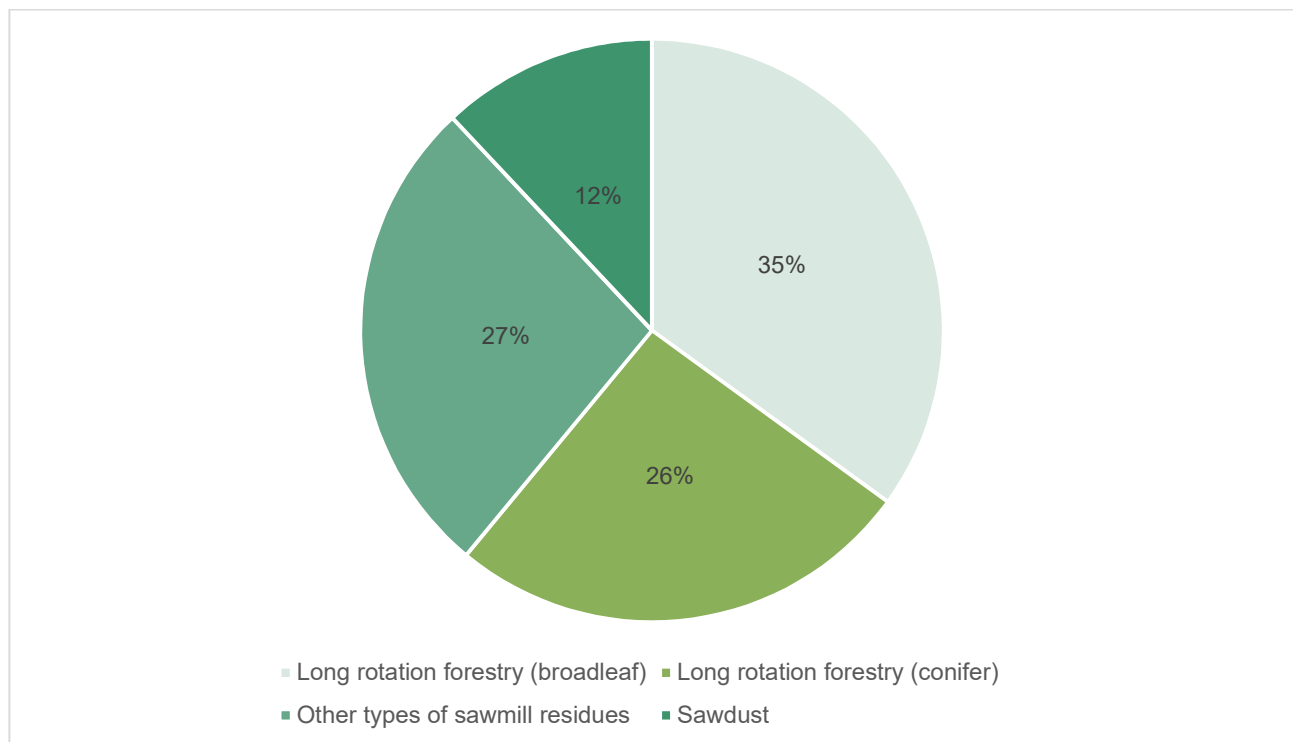
For the production of SBP pellets are mostly use FSC certified supplier material 98,9 % (primary and secondary. The company policy is to give a preference to certified suppliers. Raw material (sawdust, consists of wood waste from main production of suppliers. Therefore, uncertified and new suppliers 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% . The management of the company has decided to increase procurement of *FSC, PEFC certified or SBE compliant* materials by more than 100 % till 2019

## 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

- Total Supply Base area (ha): 5 236 578 ha cumulative area of all forest types within SB
- Tenure by type (ha): privately owned/2 418 961 ha / Government - 2 576 616 ha / Other 2 380 00 ha
- Forest by type (ha): Temperate 41% / Hemi boreal 59%
- Forest by management type (ha): natural forest management -5 236 578 milj. ha
- Certified forest by scheme (ha): 3 907 000 ha of FSC and 1 690 000 ha PEFC-certified forest

### Feedstock

- Total volume of Feedstock: 500000 – 600000 m<sup>3</sup>
- Volume of primary feedstock: 300000- 400000 m<sup>3</sup>
- 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- 68,28%
- Not certified to an SBP-approved Forest Management Scheme 0%
- i. 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%
- l. Volume of secondary feedstock: specify origin and type - **SAWDUST and WOOD chips (Sawmill residues)** feedstock as production waste from producers comes from Latvia, Lithuania 200000- 250000 b/m3  
\*.
- 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	<input type="checkbox"/>

SBP Biomass supply evaluation includes:

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

RSEZ New Fuels SIA defines the biomass received from 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 19<sup>th</sup> 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 terms and conditions of the contracts concluded between SIA NewFuels RSEZ and the suppliers are based on the supply of SBP compliant biomass. Much of the raw material is purchased as FSC certified wood. However the decision of the management of the company is to develop SBE risk mitigation measures, cooperate with suppliers, attract independent environment experts in order to avoid purchasing of wood volumes which do not comply with the status of SBP certified products.*

*The risk mitigation measures developed and introduced in 2016-2017 and approved by auditing company in January, 2017 enable SIA NewFuels RSEZ to buy SBP approved and matching assortment to be able to produce the required volume of SBP compliant biomass products.*

*The classification of risk indicators is grayed from a possible risk to a lower risk.*

*During development of risk mitigation measures the risk assessment for Latvia was takes into consideration; it is available in the consulting process at the web page of ABP and is also available in the supplemented version.*

**SIA NewFuels RSEZ** together with independent habitat experts, experts from professional woodworking companies and nature conservation specialists have worked out risk mitigation and control mechanism to evaluate and approve the deliveries and suppliers of biomass whose production is SBP compliant biomass.

### 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.

SIA NewFuels RSEZ in 2018 before the annual audit for 2017 has reviewed the efficiency of the system and cooperation with the approved suppliers and concludes that 4 of 11 raw material suppliers take risk mitigation measurements fairly together with a representative of SIA NewFuels RSEZ. All the necessary information has been submitted for the risk mitigation and prevention and for conservation of natural values as it has been advised by the associated experts.

Depending on the suppliers' woodworking intensity, additional audits have been performed at the suppliers, who have been initially approved as SBE compliant supplier in order to exclude possible risk of delivering SBE unmatched material.

The risk mitigation measurements are implemented at the wood processing companies (suppliers of the secondary material) and at the approved SBE suppliers. The basis of the system is controlling the primary raw materials and accounting SBE compliant material in the FSC credit system or separate accounting of processed SBE NR material.

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

*Risk mitigation measurement system, suppliers' audits, criteria of visiting property compartments, registers, evaluation forms, process of associating experts and procedure of evaluating work safety are defined in the procedure of the whole SBE system.*

*Risk assessment results of the summary report of 2017 about the efficiency of SBE system were acquired via audits to woodworking companies in properties which were proved ready to take necessary steps for risk mitigation. Additional consultation was organized with experts, other forestry and woodworking companies and the results and experience gained were discussed with the management of the company and the results were handed in to the auditing company.*

*Delivery evaluations and risk mitigation procedures for developing SBE system are done by Ronalds Polis, Licensing and Procurement specialist of SIA NewFuels RSEZ; he has 14 years long experience in the procurement market of Baltic States, long-term experience in maintaining FSC system and assessment of wood origin at forest management and 14 years long experience and knowledge in forestry, supplies of wood, procurement and legislation.*

*SBP SBE risk mitigation system is based on experience and knowledge in forest management as well as legislation of woodworking education and wood supplies.*



## 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 at the company's website.

The answer to the comments from the stakeholders:

*At the moment of the publication and submission of SBR to SIA NEPCon, there were not any recommendations or claims on risk assessment, risk mitigation development and implementation process received.*

SBP risk assessment is available on the company website: [http://www.newfuels.eu/wp-content/uploads/2016/09/SBP\\_Supply-Base-Report.pdf](http://www.newfuels.eu/wp-content/uploads/2016/09/SBP_Supply-Base-Report.pdf)

### 6.1 Response to stakeholder comments

At the time of the SBR final version is published and submitted to NEPCon SIA, no recommendations, comments or complains regarding the risk assessment or risk mitigation measures actions as a such and risk mitigation process implementation had been obtained.

*Sent the information, not receivedany comments were received in writing or by telephone, rather than full-time.*

*Approval and recommendations to the letter received only from the Ornithological Society.*

## 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 NEPCo 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 point 7 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)

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
1.1.1	X		
1.1.2	X		
1.1.3	X		
1.2.1	X		
1.3.1	X		
1.4.1	X		
1.5.1	X		
1.6.1	X		
2.1.1		X	
2.1.2		X	
2.1.3	X		
2.2.1	X		
2.2.2	X		
2.2.3	X		
2.2.4	X		
2.2.5	X		

Indicator	Initial Risk Rating		
	Specified	Low	Unspecified
2.3.1	X		
2.3.2	X		
2.3.3	X		
2.4.1	X		
2.4.2	X		
2.4.3	X		
2.5.1	X		
2.5.2	X		
2.6.1	X		
2.7.1	X		
2.7.2	X		
2.7.3	X		
2.7.4	X		
2.7.5	X		
2.8.1		x	
2.9.1	X		

2.2.6	X		
2.2.7	X		
2.2.8	X		
2.2.9	X		

2.9.2	X		
2.10.1	X		

## 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.

The result of suppliers' inspection programme is achieved if SBE NR approved suppliers deliver only the material from **saimnieciskiem** forests with a low biological value and the wood from the properties with no endangered nature values; birds' nests are identified and are not affected and the cultural historical objects are not affected.

**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 effectiveness of SBE system and evaluation program is reviewed .

### 8.2 Site visits

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

All the wood that is or will be delivered to SIA NewFuels RSEZ or the company has received information about the planned forest properties is audited by SBE NR approved suppliers regardless of the location of felling.

For the moment of reviewing effectiveness of SBE system on 1<sup>st</sup> January 2018, SIA NewFuels RSEZ with or without presence of SBE NR approved supplier has performed:

- 132 forestry units in Latgale region
- 13 work safety audits

### 8.3 Conclusions from the Supplier Verification Programme

***Work protection and work safety risk monitoring program***

*Work safety audits shall be evaluated for the period 2017.*

*Audits were previously planned to monitor and carry out audits of all suppliers and providers approved by SBE NR during the year.*

*In total, 13 work safety assessment audits have been carried out. For SBE NR suppliers, logging is mainly done by logging machinery, less hand-saw brigades.*

*After audits carried out, it can be concluded that work protection and safety risks related to logging works for approved suppliers of SBE NR are low, as they employ their employees, logging masters, work safety specialists requesting and controlling service providers in logging in order to ensure full compliance with work safety requirements.*

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

The audits of habitat monitoring risk program were launched from December 2016. Within the framework of the program for 2017 those fellings and adjoining areas were audited, where:

- *the potential natural forest habitat probability was identified in accordance with Latbio, Natural Data Management System.,*
- *all compartments indicated in one felling attestation together with possible habitat compartments but whose biological value is low*

*The choice of the area and suppliers to be audited was carried out in such a way as to maximise both the different supply regions and the various forestry and contracting companies. The Audit Programme includes the regions of Vidzeme and Latgale. Records and observations are made after each audit.*

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 on work safety one large bird nest (over 50 cm) was found. The group of trees was left around the nest in accordance with leaving land area. The forest compartment was FSC certified.*
- 4) *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. *Audits of harvesting, development work carried out in agricultural lands shall be carried out before or during logging for all logging objects, evaluating all potential risks.*

9.1.4. *Following the results of the monitoring audits and the assessment of the supplier, the management of the undertaking shall take a decision on further cooperation with the supplier in terms of the supply of wood and on the volume of supply. Suppliers refusing to notify NewFuels RSEZ SIA about planned development volumes and refuse to cooperate with NewFuels in carrying out RSEZ SIA audits may be excluded from the supplier list.*

9.1.3. *Newfuels RSEZ SIA by attracting relevant habitat experts, specialists as well as forestry safety professionals shall carry out additional information seminars for suppliers in order to introduce as much as possible the conditions for the supply of raw material and potential risks to the requirements of the SBP, thereby reducing the risks for the supply of non-compliant raw material for the requirements of the SBP standard requirements.*

**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.**

### 9.2 mitigation process

#### 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 audits in 2017, four supplier companies are approved to be recognized as SBP compliant biomass suppliers after SBE risk mitigation measures.

Two supplier companies are approved to be recognized as SBE NR compliant biomass suppliers

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

*Risk assessment is available at <https://www.newfuels.eu>.*



## 10 Detailed Findings for Indicators

### Detailed Findings for Indicators

Detailed findings for each Indicator are given in Annex 1.

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## 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 Jānis 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.*


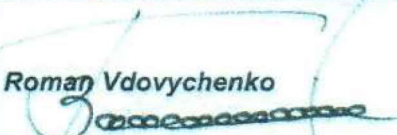

*NewFuels has to continue to carry out informative events, refresher trainings for the responsible employees, loggers, material suppliers on Specified risk areas as well as on general nature protection requirements on logging, protection of soil and water during logging process.*

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

## 11.2 Public or additional reviews

*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 by:	Ronald Polis 	Procurement Manager	18.01.2017
	Name	Title	Date
The undersigned persons confirm that I/we are members of the organisation's senior management and do hereby affirm that the contents of this evaluation report were duly acknowledged by senior management as being accurate prior to approval and finalisation of the report.			
Report approved by:	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

550,000 – 650,000 m3

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

550,000 – 650,000 m3