

Supply Base Report: VPV PELLET SIA

September 2019.

www.sbp-cert.org



Completed in accordance with the Supply Base Report Template Version 1.3

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

Document history

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1 Overview

On the first page include the following information:

Producer name: VPV PELLETT SIA
 Producer location: Gaisma, Raiskuma parish, Pargaujas district, LV-4146
 Geographic position: 57.390426, 25.200417
 Primary contact: Viktar Karatkevich , mob: +371 27055444; viktor@VPVpellet.com
 Company website: <http://vpvpellet.com>
 Date report finalised: 30.09.2019
 Close of last CB audit: [Date and location of the closing meeting CB]
 Name of CB: NEPCon SIA
 Translations from English: NA
 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;D V1.1.)
 Weblink to Standard(s) used: <https://sbp-cert.org/documents/standards-documents/standards>
 SBP Endorsed Regional Risk Assessment: NA
 Weblink to SBE on Company website: NA

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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2 Description of the Supply Base

2.1 General description

SIA VPV PELLETT receives the most part of feedstock from Latvia (~90%) and part feedstock from Estonia (10%), as wood residues after wood processing.

01/06/2019-31/09/2019

SBP-compliant primary feedstock: 0 %

SBP-compliant secondary feedstock, 100 % (Wood industry residues/ sawdust wet from Latvia~8 suppliers; From Estonia 2suppliers)

SBP-compliant tertiary feedstock: 0%

SBP-noncompliant 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); Betula pubescens (Ehrh.)

Information about LATVIAN forest resources

Forests in Latvia cover 3 036475 ha. 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 territory occupies 51.8 % (the percentage of the forest land area (3 350684 ha) to the total area of the State territory). In Latvia, the State owns the forest, area of which is 1,495,616 ha (48.97% of the total forest area), while the total area of forests of other owners is 1,560,961 ha (51.68 % of the total forest area). The number of private forest land owners in Latvia is about ~135 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, 2019).

Forest lands consist of:

- forests: 3 036475 ha (91.3 %);
- marshes: 168 424,67 ha (5.3 %);
- clearings: 35,446,7 ha (1.1 %);

- flooded territories: 18,453.2 ha (0.5 %);
- infrastructure facilities: 61,813.4 ha (1.8 %).

(the State forest service: vmd.gov.lv, 2018)

Breakdown of forests by dominant species:

- Pine: 33 %
- Spruce: 19 %
- Birch: 30 %
- Black alder: 3 %
- White alder: 7 %
- Aspen: 7 %
- Other species: 1 %

(the State forest service: vmd.gov.lv, 2019)

Share of tree species in forest renewal, breakdown by area (2017):

- Pine: 15 %
- Spruce: 19 %
- Birch: 30%
- White alder: 14 %
- Aspen: 18 %
- Other species: 4 %

(the State forest service: vmd.gov.lv, 2019)

Wood extraction according to types of cutting, breakdown by volume of production (2017):

- Final harvest: 45,3 %
- Thinning: 33,8 %
- Sanitary clear cutting: 14,5 %
- Deforestation cutting: 0.04 %
- Other types of cutting 6,3 %

(the State forest service: vmd.gov.lv, 2019)

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).

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).

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 (www.lvm.lv).

The forest sector is one of the cornerstones of the country's economy. In 2017, the share of forestry, wood processing and furniture production in the gross domestic product made up 4.8%, while the export volume reached 2.2 billion euros - 20% of the country's total exports.

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. 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 October 2016 was 43,217.30 ha. The identification of biologically valuable forest stands and the implementation of protective measures are performed continuously.

In total, the protected areas occupy 28.2% of the total forest area. In just over half of these areas, there are no restrictions on forestry activities. 6.9% of the total forest area is forbidden

clearing, 1.2% forbidden main felling, and 2.3% forbidden care and main felling. Only 100.3 thousand hectares, corresponding to 3.3% of the total forest area, is subject to a complete limitation of forestry activities. Most of the protected areas with restrictions on economic activity are owned by the state.

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, as well as in Lithuanian forests, the species of trees mentioned in the CITES lists do not grow.

FOREST AND SOCIETY

- 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

Forests of JSC Latvijas valsts meži and private owners 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. In Latvia, more than 300 FSC supply chain certificates have been issued to more than 550 companies. Most of the largest forest industry companies have FSC certification. Both these systems are operating in Latvia.

Estonia's Forest Resources

Estonia is a member of the European Union since 2004. The Estonian legislation is in compliance with the EU's legislative framework and directives. National legislative acts make references to the international framework. All legislation is drawn up within a democratic system, subject to free comment by all stakeholders¹. The Estonian legislation provides strict outlines in respect to the usage of forestry land and the Estonian Forestry Development Plan 2020² has clear objectives and strategies in place to ensure the forestland is protected up to the standards of sustainable forest management techniques. The Ministry of the Environment coordinates the fulfilment of state duties in forestry. The implementation of environmental policies and its supervision are carried out by two separate entities operating under its governance. The

Estonian Environmental Board monitors all of the work carried out in Estonia's forests whereas the Environmental Inspectorate exercises supervision in all areas of environmental protection.

The forest is defined in the Forest Act. There are three main forest categories described in this legislation: commercial forests, protection forests and protected forests. According to the ownership, forests are also divided into private forests, municipality forests and state owned forests. The state owned forest represent approximately 40% of the total forest area³ and are certified according to FSC and PEFC forest management and chain of custody standards in which the indicators related to forest management planning, maps and availability of forest inventory records are being constantly evaluated and addressed⁴. The state forest is managed by State Forest Management Centre (RMK) which is a profit-making state agency founded on the basis of the Forest Act and its main duty lies in a sustainable and efficient management of state forest.

Currently more than 2 230 000 ha, equal to 51% of the Estonian land territory, is covered by forest as indicated in Figure 1 and the share of forest land is growing. According to FAO data, during 2000 - 2005, average annual change in the forest cover was +0.4 %⁵. Forestry Development Plan 2012-2020 and Yearbook Forest 2014, that gives annual reports and facts about the forest in Estonia, state that during last decade the cutting rate in Estonian forests is from 7 to 11 mill m³ per year⁶. The amount is in line with sustainable development principle when the cutting rate doesn't exceed the annual increment and gives the potential to meet the long-term economic, social and environmental needs. According to the Forestry Development Plan 2012-2020 the sustainable cutting rate is 12-15 mil ha per year.

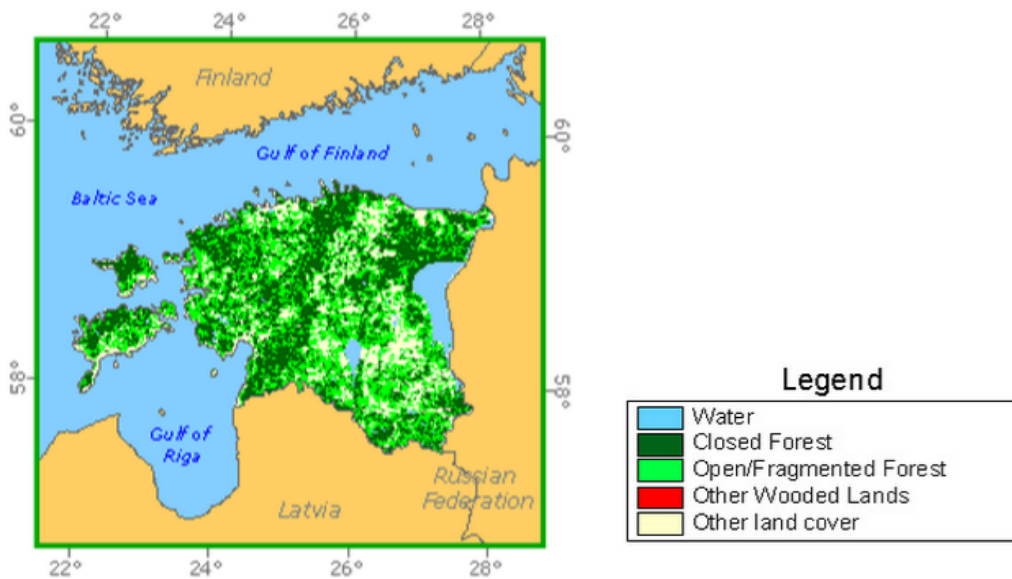


Figure 1. Forest cover of Estonia (FAO: <http://www.fao.org/forestry/country/en/est/>).

Figure 2. The distribution of growing stock by tree species (Yearbook Forest 2014).

For logging in any type of forest, it is required that a valid forest inventory or forest management plan, along with a felling permit issued by the Environmental Board, is available. All issued felling permits and forest inventory data is available in the public forest registry online database⁷.

Area of protected forests accounts for 25.3% of the total forest area whereas 10% is considered to be under strict protection. The majority of protected forests are located on state property. The main regulation governing the preservation of biodiversity and the sustainable use of natural resources is the Nature Conservation Act⁸. Estonia has signed the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1992⁹ and joined the International Union for Conservation of Nature (IUCN) in 2007¹⁰. There are no CITES or IUCN protected tree species naturally growing in Estonia.

According to the Forestry Yearbook 2014 the wood, paper and furniture industry (646,4 million euro) contributed 23.7% to the total sector providing 3.8% of the total value added. Forestry accounted for 1.5% of the value added.

In Estonia, it is permitted to access natural and cultural landscapes on foot, by bicycle, skis, boat or on horseback. Unmarked and unrestricted private property may be accessed any time to pick berries, mushrooms, medicinal plants, fallen or dried branches, unless the owner forbids it. On unmarked and unrestricted private property camping is allowed for 24 hours. RMK creates exercising and recreational opportunities in nature and in recreational and protection zones and also provides education about nature.

2.2 Actions taken to promote certification amongst feedstock supplier

For the production of SBP pellets are used FSC certified supplier material (100%). The company policy is to give a preference to certified suppliers. Raw material 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.

2.3 Final harvest sampling programme

Not applicable.

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

Wood industry residues/ sawdust wet 100 %

Species: *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.).

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): Estonia 2,23 mln;; Latvia 3,05 mln ha cumulative area of all forest types within SB
Tenure by type (ha): Estonia and Latvia 2,65 mln state forests;; 2,63 mln private forests,
- b. Forest by type (ha): /hemi-boreal 59 %
- c. Forest by management type (ha): managed, partly natural forest
- d. Certified forest by scheme (ha): 3,907,000 ha are certified according FSC, 1,690,000 ha – according PEFC

Feedstock

- e. Total volume of Feedstock: 1930,37 tonnes
- f. Volume of primary feedstock: 0 tonnes
- g. List percentage of primary feedstock (g), by the following categories. -0%. Subdivide by SBP-approved Forest Management Schemes:
 - Certified to an SBP-approved Forest Management Scheme 0%
 - Not certified to an SBP-approved Forest Management Scheme 0%
- h. 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.)
- i. Volume of primary feedstock from primary forest 0%
- j. List percentage of primary feedstock from primary forest (j), by the following categories. Subdivide by SBP-approved Forest Management Schemes:

Focusing on sustainable sourcing solutions

- Primary feedstock from primary forest certified to an SBP-approved Forest Management Scheme
 - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme
- k. Volume of secondary feedstock: specify origin and type - 1930,37 tonnes (Sawmill residue sawdust).
- l. Volume of tertiary feedstock: specify origin and composition – 0%.

* Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
<input type="checkbox"/>	X

The SBE system of the Organisation is not finished and is not ready at the moment.

3 Supply Base Evaluation

3.1 Scope

Provide a concise summary of the scope of the evaluation.

3.2 Justification

Provide a justification for the approach used in the evaluation.

3.3 Results of Risk Assessment

Give a brief summary of the results of the risk assessment.

3.4 Results of Supplier Verification Programme

Give a brief summary of the results of the SVP.

3.5 Conclusion

Give a concise summary of the overall conclusions from the SBE as to whether the organisation meets SBP requirements. This summary should include a discussion of the main strengths and weaknesses of the supply base evaluation, and a statement about the confidence that the evaluators have that the Biomass Producer can ensure that all specified feedstock are in full compliance with SBP Standards.

4 Supply Base Evaluation Process

Give a general description of the process for Supply Base Evaluation including any relevant consultations with stakeholders. Specify whether the SBE was performed 'in house' or whether an external party was contracted to perform the SBE. If the latter, give a full description of the competencies of the contracted party that includes a justification for the appointment of personnel to the evaluation team.

Although not required by SBP, it is likely that the verification system will also include a sampling plan for assessing forest operations within the Supply Base. If such a plan has been developed for monitoring suppliers, it should be described here.

5 Stakeholder Consultation

Give a general description of the process of Stakeholder Consultation, including stakeholders contacted and method of communication.

5.1 Response to stakeholder comments

Provide a summary of all stakeholder comments received and how the comments were taken into consideration in the SBE process.

Comment 1:

Response 1:

Comment 2:

Response 2:

6 Overview of Initial Assessment of Risk

Briefly describe the results of the Risk Assessment. This represents the initial evaluation of risk done prior to the SVP and prior to any mitigation measures.

This section provides an opportunity to detail how the BP’s management system is effective in reducing risk.

List the result for each Indicator in Table 1.

Where multiple sub-scopes are involved, prepare a separate overview table for each sub-scope showing the initial risk ratings for each Indicator.

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

Indicator	Initial Risk Rating			Indicator	Initial Risk Rating		
	Specified	Low	Unspecified		Specified	Low	Unspecified
1.1.1				2.3.1			
1.1.2				2.3.2			
1.1.3				2.3.3			
1.2.1				2.4.1			
1.3.1				2.4.2			
1.4.1				2.4.3			
1.5.1				2.5.1			
1.6.1				2.5.2			
2.1.1				2.6.1			
2.1.2				2.7.1			
2.1.3				2.7.2			
2.2.1				2.7.3			
2.2.2				2.7.4			
2.2.3				2.7.5			
2.2.4				2.8.1			
2.2.5				2.9.1			
2.2.6				2.9.2			
2.2.7				2.10.1			
2.2.8							
2.2.9							

7 Supplier Verification Programme

7.1 Description of the Supplier Verification Programme

Give a general description of the Supplier Verification Program (SVP) including the criteria used for monitoring suppliers (e.g. supplier characteristics, risk factors, or local circumstances) as applicable. Describe how the control system in place will ensure that all Feedstock remains in compliance with SBP Standards. If applicable, explain how the sampling frequency and intensity was chosen, and why certain suppliers were grouped together for sampling purposes.

7.2 Site visits

Describe any field assessments of Indicators.

7.3 Conclusions from the Supplier Verification Programme

Summarise conclusions from the SVP.

8 Mitigation Measures

8.1 Mitigation measures

Describe any mitigation measures taken to address specified risks associated with Indicators.

8.2 Monitoring and outcomes

Describe how the Indicators are being monitoring and what the outcomes are (if known) from that monitoring.

9 Detailed Findings for Indicators

Detailed findings for each Indicator are given in Annex 1.

10 Review of Report



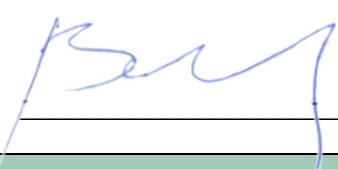
10.1 Peer review

Janis Rozitis, Pasaules Dabas Fonds (WWF associated partner)- experience in sustainable forestry practice, assessment

10.2 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.

11 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	  Viktor Karatkevich	Commerce manager	1.10.2019
	Name	Title	Date
<p>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.</p>			
Report approved by:	 Vitaly Zaeko	CEO	1.10.2019
	Name	Title	Date

12 Updates

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

12.1 Significant changes in the Supply Base

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

12.2 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.

12.3 New risk ratings and mitigation measures

Provide an update of risk ratings for all relevant Indicators.

12.4 Actual figures for feedstock over the previous 12 months

01/06/2019-30/09/2019 8000 tonnes

12.5 Projected figures for feedstock over the next 12 months

01/10/2019-31/09/2020 24 000 tonnes