Sustainable Biomass Program

NEPCon Evaluation of Fuelwood Group Sweden Compliance with the SBP Framework: Public Summary Report

Main (Initial) Audit

www.sbp-cert.org

Completed in accordance with the CB Public Summary Report Template Version 1.4

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

Document history

Version 1.0: published 26 March 2015

Version 1.1: published 30 January 2018

Version 1.2: published 4 April 2018

Version 1.3: published 10 May 2018

Version 1.4: published 16 August 2018

Table of Contents

1 Overview

CB Name and contact:	NEPCon OÜ, Filosoofi 31, 50108 Tartu, Estonia
Primary contact for SBP:	Ondrej Tarabus ot@nepcon.org, +420 606 730 382
Current report completion date:	15/Oct/2019
Report authors: :	Ondrej Tarabus
Name of the Company:	Fuelwood Group Sweden, Wallingatan 34, Stockholm, 11124, Sweden, production site at Byggnad 34 | 826 70 Söderhamn, Sweden
Company contact for SBP:	Priit Arvisto, priit.arvisto@procon.ee, +37258165877
Certified Supply Base:	Sweden, Finland and NorwaySweden, Finland and Norway
SBP Certificate Code:	SBP-07-70
Date of certificate issue:	18/Mar/2020
Date of certificate expiry:	17/Mar/2025

This report relates to the Main (Initial) AuditMain (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope: Production of wood pellets, for use in energy production, at Fuelwood Group Sweden in Söderhamn, Sweden. Post production end point is: plant gate (FCA Biomass Producer, Incoterms). The scope of the certificate does not include Supply Base Evaluation. The scope includes communication of Dynamic Batch Sustainability Data.

3 Specific objective

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

The scope of the evaluation covered:

- Review of the BP's management procedures;
- Review of the production processes, production site visit;
- Review of FSC system control points, analysis of the existing FSC CoC system;
- Interviews with responsible staff;
- Review of the records, calculations and conversion coefficients;
- GHG data collection analysis
- Assess compliance against Instruction Document 5D: Dynamic Batch Sustainability Data v1.1

4 SBP Standards utilised

4.1 SBP Standards utilised

Please select all SBP Standards used during this evaluation. All Standards can be accessed and downloaded from https://sbp-cert.org/documents/standards-documents/standards

☐ SBP Framework Standard 1: Feedstock Compliance Standard (Version 1.0, 26 March 2015)

☒ SBP Framework Standard 2: Verification of SBP-compliant Feedstock *(Version 1.0, 26 March 2015)*

☒ SBP Framework Standard 4: Chain of Custody *(Version 1.0, 26 March 2015)*

☒ SBP Framework Standard 5: Collection and Communication of Data *(Version 1.0, 26 March 2015)*

4.2 SBP-endorsed Regional Risk Assessment

N/A

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

Fuelwood Group Sweden AB is a pellet production and sales company with a pellet plant located in the Mid-Eastern side of Sweden in Söderhamn. The company was founded in 2017 by a group of Estonian entrepreneurs. Pellet production started in 2019.

Fuelwood Group Sweden produces wood pellets from woodworking residues. In context of regional Wood Sector, Fuelwood Group Sweden is a relatively small company. Pellet production capacity is around 20 000 tons a year. There are plans to increase production capacity to 70 000 tons a year. The production plant is run by a small team of employees.

At present, the pellet producer has 2 feedstock suppliers, which are medium-sized timber processors. One of the suppliers is FSC certified, one is not (the supplies of the second supplier are physically segregated and out of the FSC and SBP certification scope).

The FSC certified material is delivered by a tube (air pump) from the neighbouring wood working company. These volumes are delivered directly to the production process (feedstock bunker). For deliveries by truck there are 2 covered storage sections. At present these deliveries are uncertified and out of scope.

The wood residues used for pellet production consist of sawdust and shavings of Scots pine (Pinus sylvestris). Pellets are sold at the gate of the pellet production.

5.2 Description of Company's Supply Base

Sweden

Sweden's land area is 40.7 million ha, of which 28.1 million ha are forest land (69%). Of these 23.5 million ha are productive forest land. Productive forest land is the most dominant land use followed by Alpine areas (5.1 million ha) and agricultural land.

Over half of the forests are PEFC-certified and slightly less have a double certification of FSC and PEFC.

Sweden's forests are dominated by Norway spruce and Scots pine. Almost the whole country is within the Boreal region. Up until the 1970's an increase in standing stock was realised by spruce, since then the volumes of spruce, pine and broadleaves have all increased.

The forest products industry is significant for the Swedish economy, and accounts for 9 to 12% of the Swedish industry's total employment. Around 73 thousand people work in the forest and wood sector, of which 16 thousand in forestry, 28 thousand in wood working, and 29 thousand in the paper and paper products industry.

The total forest harvesting volume in Sweden is around 80 million m^3 annually, which is below the annual increment of forests. Calculated as dry weight, the total volume is 2642 million tons.

Sweden ranks high on the Worldwide Governance Indicator (WGI) with excellent scores on 'rule of law' and 'control of corruption'. With a Corruption Perception Index (CPI) score of 85 points (in 2018), Sweden is in the top three of less corrupt countries in the world.

The largest part of the Swedish productive forest land is in private ownership. About 50% of the productive forests are owned by people, 25% is owned by private companies, 17% by the state (including state-owned companies) and the remaining 8% is the property by other private or public organisations.

The forest rotation period is usually 60-100 years, mostly with 2-3 intermediate thinnings. Planting and natural regeneration are both commonly used. GMO tree species are not used in forestry.

In recent years, continuous cover forestry methods are also applied. Continuous cover forestry is based on a 15-20 years harvesting cycle using selective harvesting techniques or the felling of small sites of less than 0.5 ha.

The authority to enforce requirements concerning environmental protection is delegated to the Swedish Forest Agency. Besides, the Forest Agency, the County Administrative Board, and the Municipality's environmental authorities are responsible for the supervision of several forestry related activities. The Forest Agency processes approximately 60 thousand Timber Harvesting Notifications annually, which are inspected within a 6-week period allocated for this purpose. Harvesting permits are only required for specific forest lands, e.g. mountainous forests. However, final fellings on areas lager than 0.5 ha must be notified in advance to the Swedish Forest Agency.

No CITES listed tree species are represented in the Swedish forestry.

A complete list of all plant and animal species that are protected throughout Sweden is available on the website of the Environmental Protection Agency. At present, there are about 300 species with the protected status throughout the country, and an additional fifty in one or more counties.

Whereas national parks only may be established on state land, nature reserves, habitat protection, Natura 2000-areas or nature conservation agreements can be established on forest land that continues to be privately owned. A natural conservation agreement is a civil contract between the state and a forest owner through which the latter undertakes to limit its forestry activities or make specific conservation measures.

Norway

In total 37% of Norway's land area, or about 12.2 million ha is covered by forests or wooded land. Around 50% is considered productive area. Roughly 25 thousand people (of a total population of 5 million) are employed in the forest-based value chain.

Norway spruce and Scots pine are the most common tree species in Norwegian forests, representing 75% of the total standing stock. The main forest types used commercially are dominated by spruce, pine, birch, and (marginally) oak.

Almost all Norwegian forests are part of a certification scheme. PEFC certification covers 7 380 750 ha (2017), whereof 6% has a double certification FSC/PEFC (Statement PEFC, 2018).

Annually, Norwegian forests absorb 30.8 million tons of CO^2. This is about 50% of the Norwegian emissions of climate gases.

In 2018, Norway had a Corruption Perception Index (CPI) of 84 and according to the World Bank Worldwide Governance Indicators (WGI) it has excellent scores on 'Government Effectiveness', 'Rule of Law' and 'Control of Corruption'.

Norwegian forestry is closely connected to family farming and cooperatives. About one third of the forest properties is smaller than 10 ha. Individual land holders own 77% of the forests, the state owns 7%, and the remainder is owned by companies, the church, forest-commons and municipalities. 80-85% of the timber for industrial use comes from family owned forests connected to forest owners` cooperatives. The timber cooperatives were formed about a hundred years ago by family forest owners.

There are six regional forest owners' cooperatives in Norway with around 36 thousand members. The cooperatives are found throughout the country and are based on democratic principles with boards composed of elected employees and forest owners.

Norwegian forests are mainly managed as 'LNFR-areas' (abbreviation for 'Landbruks-, Natur- og Friluftsformål samt Reindrift' – areas for the purpose of agriculture, nature and outdoor activities and reindeer herding) according to each municipality's masterplan for area classification. In most of the forest areas, no permits are needed before logging. In the Protective Forests bordering the mountains, in selected areas along the coast, in the Oslomarka forests bordering the Norwegian capital Oslo, and in northern Norway (Nordland, Troms and Finnmark), various notification forms or applications must be approved by local forest authorities prior to logging.

In 2016, the Parliament decided on a target to strictly protect 10% of the Norwegian forests, partly through voluntary protection, partly through conserving public forests.

Finland

The forest sector is one of key contributors to Finland's economy. Forestry and the forest industry account for ca. 5% of Finland's gross domestic product, and approximately 20% of the exports. The forest sector employs directly about 70 thousand people, which is around 2.8% of Finland's workforce. 20% of Finland's export income comes from the forest industries. More than 60% of the value added generated by the forest industries came from the pulp and paper industries and the rest from wood products industries. High-quality printing and writing paper make up over 40% of the total export value of the forest industry, while sawn goods and wood-based panels account for around 20%. Regionally, the importance of the forest sector is the

largest in the south-eastern corner of Finland, in Etelä-Savo and the central regions, where the sector produces some 10% of the regional GDP.

With a Corruption Perception Index (CPI) score of 85 points (in 2018), Finland is in the top three of less corrupt countries in the world.

Finnish citizens own around 60% of the forestry land. The state owns 26% of the Finnish forests, private industries, such as forest industry companies 9% and other organisations 5%. The state forests are mainly situated in the north of Finland; 45% of those forests are under strict protection. State lands are managed by Metsähallitus.

Around 75% of Finnish forests have been certified under PEFC. In practise, forest certification requirements determine the standard of silviculture in Finland. Some Finnish forests have also been certified under the Forest Stewardship Council (FSC); however, this forms only approximately 6% of the total forest area. There is ca 1 623 863 ha FSC certified forest (2019) and 18 037 840 ha PEFC certified forest (2018) in Finland. Currently, about 120 thousand ha of forest land are planted or seeded annually favouring almost exclusively native tree species.

According to the 1st national forest inventory (1921–1924), the total growing stock volume was 1 588 million m³. The latest estimate, based on the 11th inventory, is 2 332 million m³ (103 m³/ha) with annual growth of 105 million m³ (4,6 m³/ha).

Finland joined CITES in 1976. Nowadays the national legislation for the implementation of CITES and relating EU regulations is the Nature Conservation Act (1096/1996), which came into force on the 1st of January 1997. IUCN National Committee of Finland was approved by IUCN Council in 1999.

Finland’s nature reserves cover around 9% of the country's surface area.

The state-owned protected areas cover 1 496 thousand ha, while 1 22 thousand ha are on private land. No industrial activity or agriculture are permitted in the protected areas. Although there are many types of protected areas, most of them are strictly protected.

For more detailes please see the Supplya Base Report

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	62.5 million ha (of forests and wood lands) - Sweden: 28.1 million ha - Norway: 12.2 million ha - Finland: 22.2 million ha
Tenure by type (ha):	- Finland: 48.7 million ha private, 13.8 million ha public property - Norway: 9.6 million ha private, 2.4 million ha public property - Sweden: 22.5 million ha private, 5.6 million ha public property

	- Finland: 16.4 million ha private, 5.8 million ha public property
Forest by type (ha):	62.5 million ha boreal forests
Forest by management type (ha):	62.5 million ha managed natural forests
Certified forest by scheme (ha):	FSC – 15 635 417 ha; PEFC – 41 346 437 ha - Norway: FSC 641 003 ha (2019); 7 380 750 ha (2017) - Sweden: FSC 13 370 511 ha (2019); 15 927 847 ha (2018) - Finland: FSC 1 623 863 ha (2019); PEFC 18 037 840 ha (2018)

5.4 Chain of Custody system

BP undergo the FSC assessment together with the SBP one and now become FSC CoC certified (NC-COC-027784). Incoming tertiary feedstock originates from the secondary producer (windows producer) located at the same production site, and has FSC Mix Credit and FSC Controlled Wood claim. BP uses credit system of FSC claims for certified pellet production and sales.

The BP has also second supplier (the same windows producer but located in different area), this entity is not certified (although is receiving certified material) and therefore some feedstock is obtained by the BP without FSC claim as non-certified. Such feedstock is not used in certified biomass production. BP ensures physical segregation of certified and non-certified wood material at all stages. This is implemented by using separate warehouse – the certified material is stored in bumper connected with the tube (air pump). On the top of this physical separation system the organization has implemented credit account for the certified material which is mixed in the production (the material received from the certified supplier which is physically separated). The physical separation in the production is assured by cleaning the production and silo where the pellets are stored after the production from the non-certified material and only after that the FSC production can start.

In the future, it is expected tat this supplier will get certified as well.

6 Evaluation process

6.1 Timing of evaluation activities

Activity	Location	Date/time
Opening meeting	Office in Söderhamn	09/09/2019 09.00-09.15
Documents and procedures review (SBP documented procedure; staff training records; origin of the feedstock, including Supply Base Report; H&S requirements), staff interviews.	Office in Söderhamn	09.15-13.00
Lunch		13.00-14.00
Documents and procedures review (FSC CoC documented procedures, feedstock inputs and biomass sales registration), staff interviews.	Office in Söderhamn	14.00-17.00
Chain of custody review (site tour); documents review and staff interview	Pellet production site at Söderhamn	10/09/2019 09.00-10.00
Documents and procedures review (SAR; energy use data obtaining and registration system); staff interview.	Office in Söderhamn	10.00-13.00
Closing meeting*	Office in Söderhamn	13.30-14.30
End of the evaluation		14.30

6.2 Description of evaluation activities

The assessment visit was focused on management system evaluation: division of the responsibilities, document and system, input material classification (reception and registration), analysis of the FSC system and FSC system control points as well as the collection of the energy and emission data.

Description of the audit evaluation:

All SBP related documentation connected to the SBP as well as FSC system of the organisation, including SBP Procedures, GHG related data, Supply Base Reports, were evaluated during the assessment.

Auditor was welcomed in the company. Audit started with an opening meeting.

Auditor introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified verification scope. During the opening meeting the auditor explained CB's approval related issues.

After that auditor went through all applicable requirements of the SBP standards nr.2, 4, 5 and instruction documents 5a, 5b, 5c, 5d covering input clarification, existing chain of custody system, management system, CoC, recordkeeping/mass balance requirements, emission and energy data and categorisation of input and verification of SBP compliant feedstock/ biomass. During the process overall responsible person for SBP system and as well as other persons having key responsibilities within the system were interviewed.

After that roundtrip around BP's pellet production was undertaken. During the site tour reception process were observed, applicable records were reviewed, pellet factory staff was interviewed and FSC system critical control points were analysed.

At the end of the assessment findings were summarised and assessment conclusion based on use of 3 angle evaluation method were provided to the representatives of the company.

Composition of audit team:

Auditor(s), roles	Qualifications
Ondrej Tarabus Lead auditor Evaluation against all applicable requirements	Czech citizen, graduated in University of Life Sciences Prague, The Faculty of Forestry. He has participated in several SBP assessments in UK, Latvia, Estonia, Germany, Brazil, Portugal, Spain, etc. as well as FSC FM audits in Czech Republic, Rumania and Lithuania. Ondřej Tarabus successfully completed SBP training course and he has practical experience with carbon footprint certification as well as biofuels certification.

Impartiality commitment: NEPCon commits to using impartial auditors and our clients are encouraged to inform NEPCon management if violations of this are noted. Please see our Impartiality Policy here: http://www.nepcon.org/impartiality-policy

6.3 Process for consultation with stakeholders

The stakeholder consultation was carried out on July 18th, 2019 by sending direct email to different stakeholder categories, including NGO, forest associations, private entities, scientific and educational entities, local authorities etc.

7 Results

7.1 Main strengths and weaknesses

Strengths: use of FSC transfer system. Robust recordkeeping system. Good awareness of certification requirements by involved staff.

Weaknesses: The organization has only two suppliers where the second one is not FSC CoC certified and while using FSC material in the production can not deliver FSC certified material as the supply chain is broken.

7.2 Rigour of Supply Base Evaluation

N/A

7.3 Collection and Communication of Data

BP has a system of measuring and recordkeeping of energy use data related to biomass production and handling. There are very limited energy inputs considering the fact that the organization is sourcing dry material and the feedstock therefore does not need to be dried. There were some changes in the personnel and some data collected before that were inconsistent. However, the organization has set us a strong system for collection of energy data.

7.4 Competency of involved personnel

Responsible staff showed good awareness of requirements of applicable SBP standards and Instruction Documents. The key staff involved to SBP certification includes H&S engineer (SBP responsible), pellet production chief and chief accountant. There is clearly defined responsible person and the further responsibilities are also defined. There are only 5 employees working in the pellet production.

7.5 Stakeholder feedback

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

7.6 Preconditions

None.

8 Review of Company's Risk Assessments

N/A

9 Review of Company's mitigation measures

N/A

10 Non-conformities and observations

Identify all non-conformities and observations raised/closed during the evaluation (a tabular format below may be used here). Please use as many copies of the table as needed. For each, give details to include at least the following:

- *applicable requirement(s)*
- *grading of the non-conformity (major or minor) or observation with supporting rationale*
- *timeframe for resolution of the non-conformity*
- *a statement as to whether the non-conformity is likely to impact upon the integrity of the affected SBP-certified products and the credibility of the SBP trademarks.*

10.1 Open Non-Conformity Reports (NCRs)

N/A

10.2 Closed Non-Conformity Reports (NCRs)

NCR number: 40296	**NC grading:**	**Major** ☐	**Minor** ☒
Standard & Requirement:	Instruction Document 5D - Dynamic Batch Sustainability Data v1.1 - 2.6		
Description of Non-conformance:			
The requirement for recording DBS data in the DTS is specified in SBP Procedure. However, it is not clear from the description when this code shall be used and the description gives an impression that it shall be for each batch while this seems not to be the case.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
NCR conformance deadline:	By next audit, but not later than 12 months after report finalisation date		
Client evidence:	The organization has updated their procedure during the audit and the NCR is considered to be closed.		
Evaluation of Evidence:	The updated procedure was reviewed by the auditor and find in conformance with the SBP requirements.		
NCR Status:	**Closed**		
Comments (optional):			

NCR number: 40297	**NC grading:**	**Major** ☒	**Minor** ☐
Standard & Requirement:	Standard #4 V1.0 - Chain of Custody - 5.1.2		
Description of Non-conformance:			
The organization has implemented both physical separation (storage) and temporal separation (production). While the temporal separation implemented in the production is well implemented and there is small risk that the certified and non-certified material would be mixed. The responsible people understand the requirements and the production is well recorded to check that no mixing of material took place. The physical segregation is implemented in a way that the certified feedstock (from the next door company) is delivered by pile line to the bumper where is stored and the non-certified is delivered by the supplier by truck and stored in the storage. The separation shall be assured by using different storage area and the SBP/FSC procedure also specifies that when the material can not be received in the bumper, it shall be on the left site of the storage area while the non/certified material shall be stored on the right side. During the onsite visit of the area, the bumper was not receiving material and therefore the material (certified) was falling to the warehouse. However, the amount of material was quite large and occupied mora than half of the storage. In case the truck with the non-certified material would arrive, the dry sawdust would have to be stored in the same storage and therefore be mixed with the certified one. After this observation the BP has changed the procedure claiming that the certified material which is stored in the storage instead of bumper would lost the claim and could not be considered as certified and there will be a record of any situation when the bumper could not receive the material with hour and volume recorded. However, this log was not yet implemented, and the responsible employees were not trained for this new process and therefore the auditor decided to issue a non-conformity.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
NCR conformance deadline:	Before issue/reissue of certificate		
Client evidence:	Just after the audit, the log to record the time and volume of material received to the warehouse (due to the some problems in the bumper which would not be able to receive the material) was implemented and will allow to trace back the certified production by comparing the volumes stored and actual production records. Additionally, the organization has submitted a training record with training content description, date, name of the people trained and their signature to prove that all responsible personnel is aware about the fact that once the material is received in the warehouse (instead of bumper) it is considered as non certified.		
Evaluation of Evidence:	The training record together with the production log was received and evaluated. As this issue is simple change of one process which is rather easy to be implemented this evidence is considered sufficient to close the non-conformity. Additionally, the only supplier shall get extend their FSC certificate within few		

	months for the second production site in which case no physical segregation will be needed anymore.
NCR Status:	**Closed**
Comments (optional):	

NCR number: 40612	**NC grading:**	**Major** ☒	**Minor** ☐
Standard & Requirement:	Instruction Document 5B - Energy and GHG Data V-1.1 - 3.1.1		
Description of Non-conformance:			
The SAR was provided by the organization contained some inconsistencies: - The pellet production was wrongly calculated for about 20% - Electricity amount was divided by wrong total pellet production - No explanation why reporting period is shorter than 12 months.			
Corrective action request:	Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the non-conformance.		
NCR conformance deadline:	3 months		
Client evidence:	The organization has provided on the second day of the audit updated SAR where all issues were addressed and corrected.		
Evaluation of Evidence:	The auditor has reviewed the updated SAR and consider all identified issued addressed and corrected.		
NCR Status:	**Closed**		
Comments (optional):			

10.3 Observations

OBS number: 40247	**Standard & Requirement:**	Standard #4 V1.0 - Chain of Custody - 6.3.3
Description of findings leading to observation:	The company owners and most of the employees are Estonian but have some local employees and accountant as well. They are well informed about the applicable rules and laws. However, considering the fact, that most of the people in the organization management are no local, it is recommended, to implement additional measure, to ensure that in case there are any changes in the legislation, the BP get the information about it.	
Observation:	It is recommended, to implement additional measure, to ensure that in case there are any changes in the legislation, the BP get the information about it.	

OBS number: 40248	Standard & Requirement:	Instruction Document 5B - Energy and GHG Data V-1.1 - 3.1.1
Description of findings leading to observation:	The SAR was provided by the organization contained some inconsistences: The pellet production was wrongly calculated for about 20% Electricity amount was divided by wrong total pellet production Moisture content of the feedstock and pellets was not measured since the moisture measure tool broke back in June 2019 No explanation why reporting period is shorter than 12 months. The above-mentioned issues were corrected except the moisture measurement. As the standard required to measure moisture only where drying of the material takes place (which is not this case) the auditor decided to raise an observation.	
Observation:	The organization should assure that the moisture measurement takes place for all input and output material.	

OBS number: 40249	Standard & Requirement:	Instruction Document 5B - Energy and GHG Data V-1.1 - 6.1.4
Description of findings leading to observation:	The BP does not have the weighbridge calibrated and therefore there are no data about the weight of the incoming material or pellets sold (transported by trucks). Considering the fact that material delivered by trucks is not used for certified production and the value of the certified pellets volume is provided by customer, this is considered as observation only.	
Observation:	The organization should implement the system to weight the material internally and not to rely on the external values provided by the supplier and customer.	

11 Certification decision

Based on the auditor's recommendation and the Certification Body's quality review, the following certification decision is taken:	
Certification decision:	Certification approved
Certification decision by (name of the person):	Pilar Gorría Serrano
Date of decision:	15/Oct/2019
Other comments:	N/A