

NEPCon Evaluation of ULK Group LLC, production site in Velsk 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

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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:	13/Nov/2019
Report authors: :	Roman Kurakin
Name of the Company:	ULK Group LLC
Company contact for SBP:	Ekaterina Krivosheeva, Deputy Director of Certification Department, e.krivosheeva@ulkust.ru, +79214989849
Certified Supply Base:	Russia, Arkhangelsk and Vologda regions
SBP Certificate Code:	SBP-07-35
Date of certificate issue:	14/Nov/2019
Date of certificate expiry:	13/Nov/2024

This report relates to the Main (Initial) Audit

2 Scope of the evaluation and SBP certificate

The certificate scope covers the production site and office in Velsk, Arkhangelsk region.

Scope description: Production of wood pellets, for use in energy production, at ULK Group LLC and transportation to Saint Petersburg harbour (Russia). The scope of the certificate does not include Supply Base Evaluation. The organization uses the FSC transfer system.

The end points:

FCA Velsk;

FCA Oktyabrkiy;

CFR port Ust-Luga;

CFR Noviy port St. Petersburg

Scope of the evaluation is indicated in the table below:

Scope Item	Check all that apply to the Certificate Scope				Change in Scope (N/A for Assessments)
Approved Standards:	SBP Standard #2 V1.0 SBP Standard #4 V1.0 SBP Standard #5 V1.0 https://sbp-cert.org/documents				☐
Primary Activity:	Pellet producer				☐
Input Material Categories:	☐ SBP-Compliant Primary Feedstock		☒ SBP-Compliant Secondary Feedstock		☐
	☐ Controlled Feedstock		☐ SBP non-Compliant Feedstock		
	☐ SBP-Compliant Tertiary biomass	☐ Post-consumer Tertiary Feedstock			
	☐ SBP-approved Recycled Claim	☐ Post-consumer Tertiary Feedstock			
	☒ FSC	☐ PEFC	☐ SFI	☐ GGL	☐

Chain of custody system implemented:	☒ Transfer	☐ Percentage	☐ Credit	☐
Points of sales	☒ Harbour – Permanent storage (Storage site)	☐ Harbour – Temporally storage (Logistic site)	☒ Other point of sale (e.g. gate of the BP, boarder, railway station etc.)	☐
Provide name of all points of sales			- Saint-Petersburg (harbour) FCA; - Velsk, Oktyabrkiy CFR	
Use of SBP claim:	☒ Yes		☐ No	☐
SBE Verification Program:	☐ Low risk sources only		☐ Sources with unspecified/ specified risk	☐
	New districts approved for SBP-Compliant inputs:			
Sub-scopes				☐
Specify SBP Product Groups added or removed:				
Comments:				

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;
- Review ID5D

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

Not applicable.

5 Description of Company, Supply Base and Forest Management

5.1 Description of Company

BP is a pellet producer situated in Velsk, Arkhangelsk region, Russia. Only secondary feedstock with FSC 100% is sourced. FSC transfer system of claims is used for pellet production. The final product is transported by truck to S.Petersburg sea port.

Total annual production capacity of pellet plant is 60 000 tones. Pellet production has been commissioned in 2016.

5.2 Description of Company's Supply Base

The Supply base of ULK Group LLC is the forest fund area of its own leased base in the Arkhangelsk and Vologda regions and the leased area of three FSC certified suppliers, who is located in the Arkhangelsk and Vologda regions. The company ULK GROUP LLC has an FSC forest management certificate (NC-FM / COC-014108).

ULK GROUP LLC is one of the largest logging and timber processing enterprises in the Arkhangelsk region. The group includes 4 sawmills (3 in the Arkhangelsk region and 1 in the Novgorod region) and two pellet plants in the Arkhangelsk region, the village of Oktyabrsky and the city of Velsk.

The SBP-certified biomass producer is located in the south of the Arkhangelsk region in the middle taiga zone, in Velsk town. The main activities are lumbering and lumber production. The company processes about 500 thousand m³ of roundwood per year. For the production of pellets, ULK GROUP LLC uses only SBP-compliant secondary feedstock (sawdust, waste of its own sawn timber production).

The Supply Base is located in the North-West Federal District of the Russian Federation, in one of the most forested regions of the country. Officially, the forest territory of the Russian Federation (forest fund) accounts for about 21% of the global stock of standing timber. Softwood species constitute 78%, hardwood - 22%.

In accordance with the legislation of the Russian Federation, all lands of the forest fund are in state ownership. Legal entities receive forest plots for use for a period of 10 to 49 years on loan (with the possibility of their prolongation). Long-term rental relations are the dominant legal form for obtaining the right to harvest timber on stem. The conclusion of lease agreements for forest plots or purchase and sale agreements for forest stands is carried out at auctions for the sale of the right to conclude such agreements. Land leased, must pass a state cadastral registration.

The Forest Code of the Russian Federation obliges each tenant to develop a forest development project for 10 years (based on taxation and forest management), implement measures for the conservation, protection and reproduction of forests, and each year submit a forest declaration containing a report on the implemented measures and logging volumes.

Ensuring high-quality reproduction of forest resources and protective afforestation is a prerequisite for forest use. All reforestation work on leased forest areas is planned and carried out by forest users at their own expense in accordance with forest managements projects.

The Arkhangelsk and Vologda regions are among the leading forest regions of Russia. The share of mature and overmature forest stands is about 3/4 of the timber stock. In protective forests located along lakes, swamps and other environmentally sensitive objects, a more strict control regime is applied. Within the Supply Base, the calculated cutting area is not fully developed. Underdeveloped infrastructure does not allow full use of available timber stocks.

Within the Supply Base, forests of high conservation value (HCVF) have been identified. FSC-certified enterprises, incl. and ULK GROUP LLC, observe a moratorium on timber harvesting in these forest areas. On the territory of the Supply Base there are intact forests and wetlands of international importance. Therefore, in order to minimize the risk of conflict wood entrance in the supply chain, ULK GROUP LLC uses wood only from FSC certified forests in the pellets production.

Within the Supply Base, forest management practices are based on the achievement of renewable sustainable forest management in accordance with the requirements of forest legislation and the principles of forest certification. The rotation period is 60-120 years. Only clear cuts are used as a method of wood harvesting. The maximum area of clear cuts is limited by 50 ha. Reforestation can be done with planting seedlings or the promotion of natural regeneration.

When harvesting wood, according to the forest legislation, species listed in the Red Book, as well as their habitats, are subject to conservation. Harvesting of valuable, endangered and specially protected species of trees is prohibited. ULK GROUP LLC processes only Siberian spruce (*Picea obovata*), European spruce (*Picea abies*) and Scotch pine (*Pinus sylvestris*). The tree species listed in CITES and IUCN are not procured.

The forest complex of the Russian Federation, which includes forestry and timber industries for the harvesting and processing of wood, occupies an important place in the country's economy. The development of the social sphere (health, education, culture) largely depends on the success of forestry. In many cases, the presence of a woodworking enterprise is critical for the existence of settlements.

ULK GROUP LLC is of great socio-economic importance in the Ustyansky District and the Arkhangelsk Region. The company provides financial and material support to social and cultural facilities and organizations, sports facilities and healthcare facilities, is engaged in repair and construction of roads in the district.

5.3 Detailed description of Supply Base

Total Supply Base area (ha):	40,7 million ha
Tenure by type (ha):	100%, state
Forest by type (ha):	40,7 million ha, boreal
Forest by management type (ha):	40,7 million ha, natural, managed according to lease Agreements.

Certified forest by scheme (ha): 13 million ha, FSC certified

5.4 Chain of Custody system

The BP is holding valid FSC Chain of Custody

<https://info.fsc.org/details.php?id=a0240000008nKWaAM&type=certificate#result>

NC-COC-014234

BP is implementing FSC transfer system. FSC 100%.

After the reception, incoming secondary feedstock (sawdust) is registered in BP's database and submit to pellet production.

Conversion factors are established and regularly revised based on actual production data. Pellets are produced of the secondary feedstock (wood chips and sawdust).

6 Evaluation process

6.1 Timing of evaluation activities

Onsite main assessment was conducted on 16.08.2019 (8 h). Assessment activities included documents review at office, inspection of production facilities and staff interviews.

Activity	Location	Date/time
Opening meeting*	Office	16/08/2019 10.15-10.30
Documents and procedures review, staff interview.	Office	10.30-12.00
Break		12.00-12.30
Chain of custody review (site tour); interview with the chief of pellet production	Production facilities	12.30-14:00
Documents and procedures review; staff interview.	Office	14.00-18.30
Closing meeting*	Office	18.30-18.45
End of the evaluation	Office	18.45

6.2 Description of evaluation activities

Composition of audit team:

Auditor(s), roles	Qualifications
Roman Kurakin	NEPCo FSC CoC auditor. He passed SBP lead auditor training course in Dec. 2016 in Amsterdam and participated in SBP assessment in Russia in training purposes. Role at the audit: lead auditor

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 existing FSC system and FSC system control points as well as GHG data availability.

Description of the annual audit evaluation:

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

Auditor introduced himself, provided information about audit plan, methodology, auditor qualification, confidentiality issues, and assessment methodology and clarified certification 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-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 biomass. During the process overall responsible person for SBP system and other staff were interviewed.

6.3 Process for consultation with stakeholders

11/06/2019 the information letter (e-mail) was sent to the stakeholders. More than 100 stakeholders was informed about the assessment. No feedback has been received from them.

7 Results

7.1 Main strengths and weaknesses

Strength: The organization is FSC certified. All raw materials for the production of pellets (wood chips, sawdust,) at the time of the audit come as FSC 100%.

Weaknesses: Not found.

7.2 Rigour of Supply Base Evaluation

Not applicable.

7.3 Collection and Communication of Data

During the main assessment the BP has already implemented all the requirements for collection of energy data.

7.4 Competency of involved personnel

The SBP responsible staff has shown good understanding of the requirements in relation to SBP certification and FSC CoC system.

7.5 Stakeholder feedback

No stakeholder comments are received.

7.6 Preconditions

None.

8 Review of Company's Risk Assessments

Describe how the Certification Body assessed risk for the Indicators. Summarise the CB's final risk ratings in Table 1, together with the Company's final risk ratings. Default for each indicator is 'Low', click on the rating to change. Note: this summary should show the risk ratings before AND after the SVP has been performed and after any mitigation measures have been implemented.

Not applicable.

9 Review of Company's mitigation measures

Not applicable.

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.*

Not found.

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):	Ondrej Tarabus
Date of decision:	13/Nov/2019
Other comments:	<i>Click or tap here to enter text.</i>