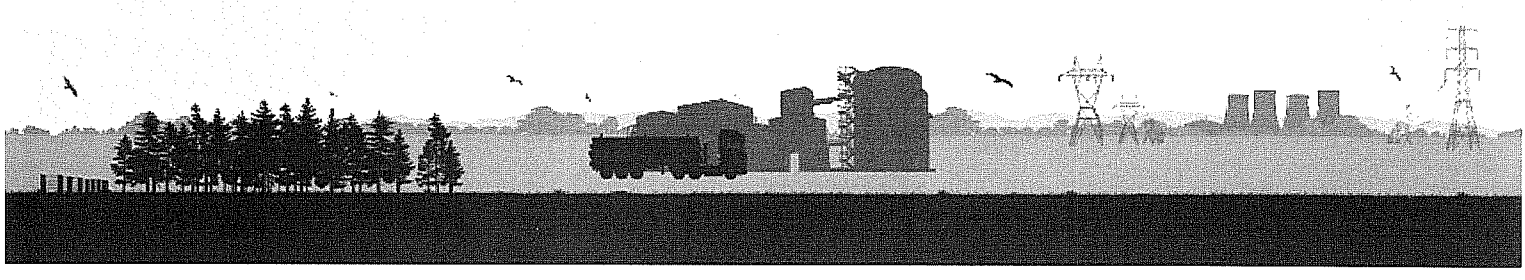
SBP

Sustainable Biomass Partnership

Supply Base Report
Varpa SIA

www.sustainablebiomasspartnership.org



Version 1.2
June 2016

Report period 01st October, 2015 – 30th September, 2016

NOTE:

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

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

Document history

Version 1.0: published 26 March 2015

Version 1.1 published 22 February 2016

Version 1.2 published 23 June 2016

Contents

1 Overview

Producer name: **SIA Varpa**

Producer location: Legal/Sawmill address: Kaplavas pag., Krāslavas novads, LV-5668

Office address: Indras iela 15, Krāslava, LV-5601

Geographic position: Sawmill: Lat E 27 degrees 0 minutes, Long N 55 degrees 51 minutes

Office: Lat E 27 degrees 11 minutes, Long N 55 degrees 53 minutes

Primary contact: Bernards Baranovskis, Indras iela 15, Krāslava, LV-5601, +37165626653,

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Company website: www.varpa.eu

Date report finalised: 04.11.2016.

Close of last CB audit: 13.11.2015.

Name of CB: NEPCon Latvia

Translations from English: Yes-Latvian

SBP Standard(s) used: *SBP Standard 2: Verification of SBP-compliant Feedstock* ***v1.0;*** *SBP Standard 4: Chain of Custody* ***v1.0;*** *SBP Standard 5: Collection and Communication of Data* ***v1.0***

Weblink to Standard(s) used: http://www.sustainablebiomasspartnership.org/documents

SBP Endorsed Regional Risk Assessment:

RRA for Latvia still has not been completed, shall be coming soon.

RRA for Lithuania (version of 15.06.2016.)

Web link to SBP related info on the Company website: http://www.varpa.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**
☐	**X**	☐	☐	☐

2 Description of the Supply Base

2.1 General description

Latvia

In Latvia, forests cover area of 3 056 578 hectares. According to the data of the State Forest Service (concerning the surveyed area allocated to management activities regulated by the Forest law), woodenness amounts to 51.8% (ration of the 3 347 409 hectares covered by forest to the entire territory of the country). The Latvian State owns 1 495 616 ha of forest (48.97% of the total forest area), whilst the other 1 560 961 ha (51.68% of the total forest area) belong to other private forest owners. Private forest owners in Latvia amount to approximately 144 thousand.
The area covered by forest is increasing. The expansion happens both naturally and by afforestation of infertile land unsuitable for agriculture.
Within the last decade, the timber production in Latvia has fluctuated between 9 and 13 million cubic meters (source: vmd.gov.lv).

Forest land consists of:

- Forests 3 056 578 ha (91.3%)
- Marshes 175 111.8 ha (5.3%)
- Open areas 35 446.7 ha (1.1%)
- Flooded areas 18 453.2 ha (0.5%)
- Objects of infrastructure 61 813.4 ha (1.8%)

(source: vmd.gov.lv)

Distribution of forests by the dominant species:

- Pine 34.3%
- Spruce 18%
- Birch 30.8%
- Black Alder 3%
- Grey Alder 7.4%
- Aspen 5.4%
- Oak 0.3%
- Ash 0.5%
- Other species 0.3%

(source: vmd.gov.lv)

Share of species used in reforestation, by planting area:

- Pine 20%
- Spruce 17%
- Birch 28%
- Grey Alder 12%
- Aspen 20%
- Other Species 3%

(source: vmd.gov.lv)

Timber production by types of cuts, by volume produced:

- Final cuts 81%
- Thinning 12.57%
- Sanitary clear-cuts 3.63%
- Sanitary selective cuts 1.43%
- Deforestation cuts 0.76%
- Other types of cuts 0.06%

(source: vmd.gov.lv)

The field of forestry

In Latvia, the field of forestry is supervised by the Ministry of Agriculture, which in cooperation with stakeholders of the sphere develops forest policy, development strategy of the field, as well as drafts of legislative acts concerning forest management, use of forest resources, nature protection and hunting (www.zn.gov.lv). Implementation of requirements of the national laws and regulations is issued by the Cabinet of Ministers notwithstanding the type of tenure is carried out by the State Forest Service under the Ministry of Agriculture (www.vmd.gov.lv).

Management of the state-owned forests is performed by the public limited company Latvian State Forests, established in 1999. The enterprises 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 share of forestry, wood-working industry and furniture production amounted in 2015 to about 20% of export yielded to 2.01 billion EUR.

Harvesting

In order to commence commercial activities in the forest, the State Forest Department requires a long-term forest management plan for every forest unit and owner. After acceptance of the plan, the State Forest Department issues a Harvesting Licence for separate sites. The Harvesting License determines what kind of forest felling system is allowed, and which species and in what amount can be harvested in that area. It also determines the forest regeneration method for the each harvesting site. After the harvesting operation, the site owner signs a report on the harvested volumes and planned forest regeneration method. The site is inspected by a representative of the State Forest department. The Harvesting Licence (licence number) is

the main document for suppliers to track the supply chain and secure sustainable log purchases.

Biological diversity

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

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

Micro reserves were established in order to protect highly endangered species and woodland key habitants located without the designated protected areas. According to the data provided by the State Forest Service in 2015, the total area of micro reserves is 40 595 ha. Identification and protection planning of biologically valuable forest stands is carried out continuously.

On the other hand, for preservation of biological diversity during forest management activities, general nature protection requirements binding to all forest managers have been developed. They stipulate that at felling selected old and large trees, dead wood, undergrowth trees and shrubs, land cover around micro-depressions are to be preserved, thus providing habitats for many organisms.

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

Forest and community

Areas where recreation is one of the main forest management objectives add up to 8% of the total forest area or 293 000 ha (2012). 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 specifically protected natural areas in Latvia is co-ordinated by the Nature Conservation Agency under the Ministry of Environmental Protection and Regional Development.

Certification

The forests of both public limited company Latvian State Forests and private owners may be certified against sustainable forest management standards, whereas woodworking enterprises can contribute to sustainable forest management by certification against the chain of custody system requirements.

Both FSC ® and PEFC ® systems have found their way into Latvia. SIA Varpa only uses FSC certified and controlled wood, in the form of wood waste from its own woodworking plant and purchased from other suppliers.

Varpa SIA is obtaining raw material, which is claimed as FSC certified, mainly originating from Latvian State Forests.
Varpa SIA is also sourcing controlled material from variety of suppliers in Latvia.

Lithuania

Agricultural land covers more than 50 percent of Lithuania. Forested land consists of about 28 percent, with 2,177 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 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 l2 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 l80 m3 in Lithuania. In nature stands, the average growing stock in all Lithuanian forests is about 244 m3 per hectare. Total annual growth comes to 11 900 000 m3 and the mean timber increment has reached 6.3 m3 per year and per hectare. Current harvest has reached some 3.0 million m3 u.b. per year. The consumption of industrial wood in the domestic forest industry, including export of industrial wood, is estimated to be less than 2.0 million m3. The remainder is used for fuel or stored in the forests, with a deteriorating quality as a result. The potential future annual cut is calculated at 5.2 million m3, of which 2.4 million m3 is made up of sawn timber and the remaining 2.8 million m3 of small dimension wood for pulp or board production, or for fuel.

The figures refer to the nearest 10-year period. Thereafter a successive increase should be possible if more intensive and efficient forest management systems are introduced.
Certification of all state forests in Lithuania is done according to the strictest certification in the world – the FSC (Forest Stewardship Council) certificate. The audit of this certificate testifies to the fact that Lithuanian state forests are managed especially well – following the principles of the requirements set to protection of and an increase in biological diversity.
(Resources: http://www.fao.org/docrep/w3722e/w3722e22.htm)

Varpa SIA is obtaining raw material, which is claimed as FSC certified, mainly originating from Lithuanian State Forest Enterprises.
Varpa SIA is also sourcing controlled material from variety of suppliers in Lithuania.

BELARUS

38.1% —or about 8.71 Mio hectares—of Belarus is forested. Of this, 5.1% —or roughly 400,000 hectares—is classified as primary forest, the most biodiverse form of forest. The total stock of timber constitutes 1.3 billion cubic meters. Young forests constitute 36.6%, ripining 14.2%, and overmature 4.8%.

All forest in Belarus belongs to Government and managed by state FMU's, belonging to Committee of forestry (86%), Presidential Administration (8%), The Ministry of Emergency Situations (2%) and some smaller institutions. The structure of the Committee of Forestry is represented by 800 forestries (average area is about 8 thousand ha), 88 forest enterprises (average area is about 70 thousand ha) and 6 Forestry Boards.

Belarusian Forestry and Forest industry includes nearly 5 thousand enterprises and production facilities with different forms of property (including over 470 large and medium-scale enterprises) with over 146 thousand employees.
In 2013, the forestry sector contributed to 2.1% of GDP and exports amounted to 1.2 Billion USD.
The level of forests management in Belarus is quite satisfactory, due to the fact that implementation of forest legislation is ensured properly by FMU's. Depending on their value and their location, the Belarus Republic's forests are divided into two groups. The first group of forests having water protection, sanitary and other protective functions takes up 44 per cent, while the second one, which is of commercial value, constitutes 56 per cent of forests.

There are five National Parks in Belarus, protected by the State. Their work has been recognised and supported by UNESCO.

Number of Native tree species is 28.
Number of tree species in IUCN red list: Critically Endangered – 0, Endangered – 0 and Vulnerable – 0.

Distribution of forests by the dominant species:

- Pine 52%
- Spruce 10%
- Birch 22%
- Black Alder 8%
- Grey Alder 2%
- Aspen 2%
- Oak 3%
- Other species 1%

The amounts to an average annual reforestation rate of 0.64%. Between 1990 and 2005, Belarus gained 7.0% of its forest cover, or around 518,000 hectares.

Belarus has 8,5 Mio ha of FSC certified forests. There are105 FSC CoC certificates, part of them are group certificates. By that area of FSC certified forests Belarus ranks 7th in the World.
The Ministry of forestry preferred system is PEFC. Belarus has about 8,7 Mio ha of PEFC certified forests.
(*Sources: ic.fsc.org/download.sdgbproposalsfinal.1694.htm, http://rainforests.mongabay.com/deforestation/archive/Belarus.htm, http://www.fao.org/docrep/ARTICLE/WFC/XII/0784-B1.HTM)*

From May, 2016 Varpa SIA started to obtain raw material from Belarus, which is claimed as FSC certified only.
A few suppliers deliver the raw material from Belarus, the volume of the supply is still insignificant.

Overview of the proportions of SBP feedstock product groups

Production Group	Proportion of the PG, %	Number of suppliers
Controlled Feedstock	59.3	39
SBP-compliant Primary Feedstock	18.9	5
SBP-compliant Secondary Feedstock	20.9	9
SBP-compliant Tertiary Feedstock	0.9	1

Feedstock species mix: Spruce (Picea abies (L.) Karst), Pine (Pinus sylvestris L.), Birch (Betula pendula), Aspen (Populus lpp.), Black alder (Alnus glutinosa (L.) Gaertner), Grey alder (Alnus incana (L.) Moench), Oak (Quercus lpp.), Ash (Fraxinus exelsior L.).

2.2 Actions taken to promote certification amongst feedstock supplier

Company's procurement contracts contain demand for suppliers to provide information on the origin of forest raw materials upstream from the point of delivery and the obligation to support Varpa SIA in inspecting this information. SIA Varpa supply managers explained for suppliers that the best way to fulfil these contracts' demands is the participation in wood chain of custody certification. Thus, the attention of all involved responsibles from the woodworking and logging enterprises has been turned to the necessity to implement sustainable forestry certification methods.

Varpa SIA also declared on a regular basis to their suppliers its preference to FSC or PEFC certified supplies, compared with supplies having other sustainability data.

In September 2016 Varpa SIA has broadcasted among its uncertified suppliers a letter with invitation to participate in FSC COC certification. This invitation explained the role and importance of the CoC certification, as well as benefits for the supplier resulting from this certification.

As the result of all activities taken, several Varpa's suppliers became certified during the current period, as well as the share of FSC certified supplies at Varpa SIA has increased till 40.7%.

2.3 Final harvest sampling programme

All feedstock supplied to Varpa SIA pellet production is derived from long-term rotation period forests (over 40 years) in line with Latvian forest management traditional practice which also is aligned with Latvian legislation. The determination of the share of fellings coming directly to the biomass production is based on transport documentation originating from a cutting area, which includes the specification, and correspondingly usage purpose, of the delivered logs.

The cutting areas are taken into this monitoring program by random choice in quantity of 0.8 times the square root of the number of cutting areas processed during the reporting period.

In the period of 1st Oct 2015- 30th September 2016 the share was **19%.**

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

N/A

2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): 13.9 Mio ha.
b. Tenure by type (ha):
   privately owned LV – 1.56 Mio ha, LT – 0.86 Mio ha, BY – no.
   public/community concession LV – 1.50 Mio ha, LT – 1.32 Mio ha, BY – 8.71 Mio ha.
c. Forest by type (ha): temperate -13.9 Mio ha.
d. Forest by management type (ha): managed semi-natural - 13.9 Mio ha.
e. Certified forest by scheme (ha):
   FSC -certified forest LV-1.01 Mio ha, LT- 1.09 Mio ha, BY – 8.50 Mio ha, Total: 10.60 Mio ha.
   PEFC-certified forest LV-1.68 Mio ha, LT- no, BY – 8.71 Mio ha, Total: 10.39 Mio ha.

Feedstock

f. Total volume of Feedstock: 59944 mt – for biomass production, 4937 mt – for drying.
g. Volume of primary feedstock: 16177 mt – for biomass production, 4132 mt – for drying.
h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes:
   - Certified to an SBP-approved Forest Management Scheme
     for biomass production - 70%;
     for drying – 0%.
   - Not certified to an SBP-approved Forest Management Scheme
     for biomass production - 30%;
     for drying – 100%.
i. List all species in primary feedstock, including scientific name
   - Spruce (Picea abies (L.) Karst)
   - Pine (Pinus sylvestris L.)
   - Birch (Betula pendula)
   - Aspen (Populus lpp.)
   - Black alder (Alnus glutinosa (L.) Gaertner)
   - Grey alder (Alnus incana (L.) Moench)
   - Oak (Quercus lpp.)
   - Ash (Fraxinus exelsior L.)
j. Volume of primary feedstock from primary forest: None
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

- Primary feedstock from primary forest not certified to an SBP-approved Forest Management Scheme

  Not Applicable

l. Volume of secondary feedstock:

For biomass production:

Sawdust	LV- 21860 mt, LT- 11371 mt, BY – 845 mt, Total: 34076 mt.
Sawmill residues	LV- 8618 mt, BY – 327 mt, Total: 8945 mt.

For drying:

Bark	LV- 696 mt.
Sawdust	LV- 109 mt.

m. Volume of tertiary feedstock:

For biomass production: Sawmill residues (Shavings) LV - 746 mt.

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	X

4 Review of Report

4.1 Peer review

The final version of this report was submitted for peer review to

Riga State Technical School Principal of Kraslava Branch ***Aivars Andžāns-*** *experience in wood processing*

Manager of DienvidLatgale Forest Owner Consulting Centre ***Janis Dzalbs*** *– expert in wood yield and quality.*

4.2 Public or additional reviews

No public report, examination is not carried out, except in paragraph in the 4.1

5 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:	*Bernards Baranovskis*	*Board Member*	*04.11.2016.*
	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:	*Edvards Baranovskis*	*Chairman of the Board*	*04.11.2016.*
	Name	Title	Date
Report approved by:	*Aleksandrs Bartkevičs*	*Board Member*	*04.11.2016.*
	Name	Title	Date

6 Updates

6.1 Significant changes in the Supply Base

From May, 2016 Belarus has been included into Supply Base. Only FSC certified supplies have been authorized of Belarus origin.

6.2 Effectiveness of previous mitigation measures

n/a

6.3 New risk ratings and mitigation measures

n/a.

6.4 Actual figures for feedstock over the previous 12 months

64881 mt.

6.5 Projected figures for feedstock over the next 12 months

228500 mt.