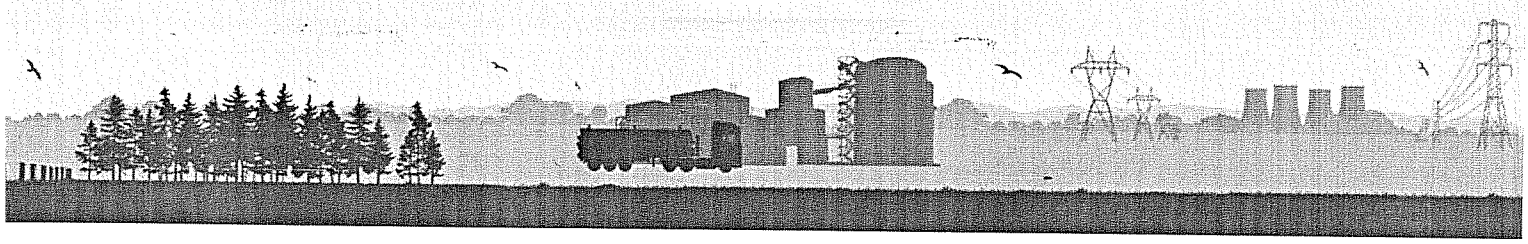
SBP

Sustainable Biomass Partnership

Supply Base Report
SIA Varpa

www.sustainablebiomasspartnership.org



Version 0.13
October 2015

Reporting Period: 1st October 2014 – 30th September 2015

Document history

Version 0.13 published November 2015

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: 02.11.2015.

Close of last CB audit: N/A

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: Currently not being used, awaiting for the approved documents

SBP risk assessment for Latvia (coming soon)

SBP risk assessment for Lithuania (publically available soon)

Web link to SBP related info on the Company website: http://www.varpa.eu/about.html?row=1

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

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, 2015).

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, 2015)

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, 2015)

Share of species used in reforestation, by planting area (2014)

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

(source: vmd.gov.lv, 2015)

Timber production by types of cuts, by volume produced (2014)

- 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, 2015)

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 Latvijas Valsts Meži, 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 to 6% GDP in 2012, whilst export yielded 1.7 billion EUR (17% of the total export amount).

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 Latvijas Valsts Meži 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.

FSC Certified Wood is sourced from:

- Latvian State Forest Enterprise
- Lithuanian State Forest Enterprises

FSC Controlled Wood is sourced from various suppliers in:

- Latvia
- Lithuania

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 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)

2.2 Actions taken to promote certification amongst feedstock supplier

SIA Varpa has informed all of their suppliers about the SBP requirements and has highlighted the importance of receiving FSC certified material. SIA Varpa person responsible for purchasing had thorough discussions with all suppliers regarding increasing supply of FSC certified or controlled material. As a result of this SIA Varpa has increased the volume of FSC certified feedstock supplied by the Lithuanian enterprises as of August 2015.

Following discussions are still ongoing. Our supplier registers are constantly reviewed and any newly FSC certified suppliers are subjected to discussions regarding the supply of FSC certified/controlled material.

In regards to the future suppliers, priority is given to all FSC certified suppliers.

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 2014- 30th September 2015 the share was **11%.**

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

N/A

2.5 Quantification of the Supply Base

Provide metrics for supply base including

Supply Base

a. **Total Supply Base area (ha):** 5233577 ha

b. Tenure by type (ha):

- *LV-1495616 ha State owned*
- *LV-1560961 ha Privately owned*

- *LT-1348454 ha State owned*
- *LT-828546 ha Privately owned*

c. **Forest by type (ha):** *Temperate*

d. **Forest by management type (ha):** *Managed forests*

e. Certified forest by scheme (ha):

- *LV-1495616 ha; LT- 1348454 FSC/PEFC certified*

Feedstock

f. Total volume of Feedstock: 99020.30 mt (includes drying 7183.81mt)

g. Volume of primary feedstock: 28452.63 mt (includes drying 6334.34mt)

h. List percentage of primary feedstock (g), by the following categories. Subdivide by SBP-approved Forest Management Schemes

- Large forest holdings certified to an SBP-approved Forest Management Schemes - 25%
- Large forest holdings not certified to an SBP-approved Forest Management Schemes - 0%
- Small forest holdings certified to an SBP-approved Forest Management Schemes - 0%
- Small forest holdings not certified to an SBP-approved Forest Management Schemes – 75%

i. List all species in primary feedstock, including scientific name

- Egle (Picea abies (L.) Karst)
- Priede (Pinus sylvestris L.)
- Lapegle (Larix sibirica (Ostasien))
- Bērzs (Betula pendula)
- Apse (Populus lpp.)
- Melnalksnis (Alnus glutinosa (L.) Gaertner)
- Baltalksnis (Alnus incana (L.) Moench)
- Ozols (Quercus lpp.)
- Osis (Fraxinus exelsior L.)
- Liepa (Tilia cordata Mill)

j. Volume of primary feedstock from primary forest: **None**

k. List percentage of primary feedstock from primary forest (i), by the following categories. Subdivide by SBP-approved Forest Management Schemes
   - Primary feedstock from primary forest certified to an SBP-approved Forest Management Schemes
   - Primary feedstock from primary forest not certified to an SBP-approved Forest Management Schemes

Not Applicable

l. Volume of secondary feedstock: 69441.94mt (includes drying 849.47mt)
m. Volume of tertiary feedstock: 1125.73mt (includes drying 0 mt)

3 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	X

Finalised Regional Risk Assessments (RRAs) were not available for the use in SBE.
For this reason SIA Varpa have decided to proceed with certification on FSC basis and then will extend their scope to include SBE once all necessary RRAs are approved by SBP.

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.*

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*	*20.11.2015.*
	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*	*20.11.2015.*
	Name	Title	Date
Report approved by:	*Aleksandrs Bartkevičs*	*Board Member*	*20.11.2015.*
	Name	Title	Date

6 Updates

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

6.1 Significant changes in the Supply Base

N/A

6.2 Effectiveness of previous mitigation measures

N/A

6.3 New risk ratings and mitigation measures

N/A

6.4 Actual values of feedstock over the previous 12 months

99020.30mt

6.5 Projected values of feedstock over the next 12 months

105000 mt