SBP

Sustainable Biomass Program

Supply Base Report:

N DINAMIKA 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

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1 Overview

On the first page include the following information:

Producer name: N DINAMIKA SIA

Producer location: Jekaba str. 3/5-9. Rīga, Latvia, LV -1050, location of production facility SIA Vagonete: Bebrulejas iela 3B, Pļaviņas, Pļaviņu novads, LV-5120

Geographic position: 56.609377, 25.694081

Primary contact: Nikolajs Domanickis, mob: +371 29383000; domanickis@vagonete.eu

Company website: N/A

Date report finalised: 30.09.2019

Close of last CB audit: 12.01.2020

Name of CB: NEPCon OU

Translations from English: N/A

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 5E V1.1.)

Weblink to Standard(s) used: https://sbp-cert.org/documents/standards-documents/standards

SBP Endorsed Regional Risk Assessment: N/A

Weblink to SBE on Company website: N/A

Indicate how the current evaluation fits within the cycle of Supply Base Evaluations				
Main (Initial) Evaluation	**First Surveillance**	**Second Surveillance**	**Third Surveillance**	**Fourth Surveillance**
☒	☐	☐	☐	☐

2 Description of the Supply Base

2.1 General description

SIA N DINAMIKA receives the most part of feedstock from suppliers in the Republic of Belarus (95%) and minor share from Latvia (~5%) as wood residues after wood processing (sawdust).

The reporting period: 01/01/2019 - 31/11/2019

SBP-compliant primary feedstock: 0 %

SBP-compliant secondary feedstock: 100 % (Wood industry residues/ sawdust from Supply Base Regions The Republic of Latvia: 2 suppliers; The Republic of Belarus: 3 suppliers)

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.)*

2.1.1 Latvia 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.

2.1.2 Description of Belarus forest resources

In Belarus forests cover area of 9,5 milj hectares. According to the data of the State Forest Ministry Woodenness amounts to 39,3 % Forest industry input into IKP is 1,1%;; 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 Belarus has fluctuated aprox., 11 million cubic metres (http://www.mlh.by , 2015.)

Total land area 20,748;; Inland water bodies 12;; Total area of country 20,76 Source: http://www.mlh.by , 2015.

Distribution of forests by the dominant species: • pine 50,4%;; • spruce 9,2%;; • birch 23,1%;; • black alder 3,3%;; • grey alder 3,3 %: • aspen 2,1%;; • other species 3,3%.

Source: http://www.mlh.by , 2015.

Timber production by types of cuts, by volume produced (2013): • final cuts 34,5 %;; • thinning 45,79 %;; • other types of cuts 19,62 %. Source: http://www.mlh.by,

Biological diversity

Belarus has been a signatory of the CITES Convention since 1995. CITES requirements are respected in forest management, although there are no species included in the CITES lists in Belarus. Forest regeneration is carried out annually over an area of 32,000 ha, including 81% of the forest planting planting and seeding and 19% by natural regeneration. http://belstat.gov.by/ (2015.y.) There are 2 strictly protected Nation reserves and 4 National parks present in Belarus at the moment. Area of National reserves accounts 2,98 milj ha and area of National parks is 3,98 milj ha.

Forest and community

In 2014 in all kinds of felling there were harvested 12,5 million m3 marketable timber. Foreign trade surplus made USD 104 million. 1.9 million cubic meter round timber and 191.8 thousand cubic meter sawn timber were sold abroad. Forest products and services were exported to 25 states, including 95,3% to the near abroad and 4,7% to the remote countries. Among the main forest export directions are Poland (47,9% of the total export volume in value terms), Germany (11,4%), Lithuania (10%), Latvia (8,62%), the Netherlands (3,3%), Belgium (3,46%), Sweden (3,25%).

All forest area is certified by FSC and PEFC certification schemes.

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

The proportion of biomass guantity as primary raw material after final fellings is about 51-60% compared to quantity of other raw material assortment. The primary raw material has been procured from the Supply Base area and it consists of round wood/firewood. The raw materials are procured in well developed, free and open market with competition of other customers. Different assortments of raw materials are obtained from the logging. Most companies of forest industry have public price lists for the assortments. The price lists reflect the solvency of the industry for different assortments. The price lists clearly indicate that logs and veneer logs are the most valuable assortments while firewood (e.g. for pellet production) is less valuable assortment. This information is derived from the documents and data provided by suppliers of feedstock.

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.); Betula pendula (Roth); Betula pubescens (Ehrh.).*

2.5 Quantification of the Supply Base

Supply Base

a. Total Supply Base area (ha): The Republic of Belarus 9,5 milj hectares; The Republic of Latvia 3,05 mln ha cumulative area of all forest types within SB

Tenure by type (ha): The Republic of Latvia 1,49 mln ha state forests; 1,56 mln ha private forests, The Republic of Belarus 9,5 milj hectares State forest

b. Forest by type (ha): hemi-boreal 59 %
c. Forest by management type (ha): managed, partly natural forest
d. Certified forest by scheme (ha): Latvia - 1.737 mln are certified according FSC, 1,690 mln ha – according PEFC; The Republic of Belorus: 9.5 mln hectares certified according to FSC and PEFC schemes.

Feedstock

e. Total volume of Feedstock: 2777 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.); 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:
    - 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 - 2777 tonnes (wood primary processing residues - sawdust).
l. Volume of tertiary feedstock: specify origin and composition – 0%.

2.6 Requirement for a Supply Base Evaluation

SBE completed	SBE not completed
☐	☒

3 Supply Base Evaluation

3.1 Scope

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

3.2 Justification

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

3.3 Results of Risk Assessment

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

3.4 Results of Supplier Verification Programme

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

3.5 Conclusion

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

4 Supply Base Evaluation Process

Not applicable, Supply Base Evaluation is not included in the scope of the SBP certificate

5 Stakeholder Consultation

A letter of information about upcoming certification according to the SBP standard was sent electronically to various stakeholders. A list of stakeholders has been developed in such a way that to include the maximum number of recipients representing the economic, social and environmental interests of the society as well as local governments. The total number of recipients is 86.

During the public consultation, the meetings with stakeholders face-to-face and both correspondence and telephone interviews are planned.

SBP risk assessment is available on the company's website:

5.1 Response to stakeholder comments

N/A, Supply Base Evaluation not in the scope

6 Supplier Verification Programme

6.1 Description of the Supplier Verification Programme

N/A, Supply Base Evaluation not in the scope

6.2 Site visits

N/A, Supply Base Evaluation not in the scope

6.3 Conclusions from the Supplier Verification Programme

N/A, Supply Base Evaluation not in the scope

7 Mitigation Measures

7.1 Mitigation measures

Not applicable, the Supply Base Evaluation not in scope

7.2 Monitoring and outcomes

Not applicable, the Supply Base Evaluation not in scope

8 Detailed Findings for Indicators

Detailed findings for each Indicator are given in Annex 1.

9 Review of Report

9.1 Peer review

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

9.2 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.

10 Approval of Report

Approval of Supply Base Report by senior management			
Report Prepared by:		*Commerce manager*	*12.01.2020*
	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:	Nikolajs Domanickis	*CEO*	*12.01.2020*
	Name	**Title**	**Date**

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11 Updates

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

11.1 Significant changes in the Supply Base

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

11.2 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.

11.3 New risk ratings and mitigation measures

Provide an update of risk ratings for all relevant Indicators.

11.4 Actual figures for feedstock over the previous 12 months

01/01/2019-30/11/2019 2777 tonnes

11.5 Projected figures for feedstock over the next 12 months

01/01/2020-31/12/2020 60 000 m3