

A COMMITMENT TO ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Sustainable Biomass Program
Annual Report 2017



CONTENTS

02	Welcome to SBP
03	Introduction by the Chairman
05	Overview
06	Comment by the Chairman of the Advisory Board
07	Statement by the Chief Executive Officer
09	Our strategy
10	Promoting sustainable sourcing solutions
12	Making a difference
23	Performance review
26	Organisational structure
27	Governance
28	Independent oversight
30	Financial information
31	Glossary and Contact SBP

ABOUT SBP

The Sustainable Biomass Program (SBP) is a not-for-profit, voluntary certification system designed for woody biomass used in energy production.

Woody biomass is a valuable resource, which must be sourced both legally and sustainably, and it is SBP's aim to promote responsible practice throughout the biomass supply chain. Through facilitating the collection of carbon and energy data every step of the way from feedstock origin to its end use the carbon emissions savings of biomass in energy production can be demonstrated compared to fossil fuels.

OUR VISION

SBP'S VISION IS AN ECONOMICALLY, ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE WOODY BIOMASS SUPPLY CHAIN THAT CONTRIBUTES TO A LOW CARBON ECONOMY.



Keep up-to-date and find more information on the SBP website at: www.sbp-cert.org





“**Woody biomass is a valuable resource, and I think of SBP as a lever to unlock that resource in a sustainable way.**”

Thomas Dalsgaard
Chairman

Welcome to SBP’s second annual report covering the year 1 January 2017 to 31 December 2017. I am pleased to report that SBP has continued to make strong progress and is becoming widely acknowledged as a credible and robust certification system for the woody biomass sector.

The uptake of renewable energy has increased significantly over recent years as national governments and energy companies alike focus their attention on reducing carbon emissions. Sustainable biomass is acknowledged as having an important role to play in contributing to the portfolio of renewable energy technologies today and in years to come.

Woody biomass is a valuable resource, and I think of SBP as a lever to unlock that resource in a sustainable way. All stakeholders need assurance that those involved in the biomass supply chain are acting responsibly, and SBP has a central role to play in that regard.

Independent oversight

Throughout 2017, we have benefited from independent oversight of our actions. The independent Advisory Board, chaired by Julia Marton-Lefèvre, provides the SBP Board with advice on strategic direction and the credibility of the certification system, as well as technical and public policy issues.

The independent Technical Committee has continued to uphold the rigour and quality of the certification system through ensuring consistency on technical matters and certification decisions.

I am grateful to members of both the Advisory Board and the Technical Committee for their engagement and commitment to providing objective scrutiny of SBP, its certification system and processes.

There were some important changes to our certification system during 2017 as we worked towards finalising the introduction of the accreditation program for Certification Bodies. The program introduces a further level of independent scrutiny to the certification decision-making process.

Now, any Certification Body wishing to offer SBP certification services must be accredited by Accreditation Services International (ASI), an assurance partner for leading sustainability standard systems and initiatives around the world.

The Board is committed to transforming SBP into a multi-stakeholder organisation as of 2019, whilst maintaining its low-cost, not-for-profit status.


I am pleased to report that, as of early January 2018, four previously SBP-approved Certification Bodies had successfully achieved accreditation for SBP certification.

Corporate governance

Today, SBP is governed by a Board made up of representatives from each of its eight member companies (see page 04). However, we are now readying to implement important changes to our governance arrangements.

The Board is committed to transforming SBP into a multi-stakeholder organisation as of 2019, whilst maintaining its low-cost, not-for-profit status.

During 2017, a detailed blueprint of the new structure and roadmap for its implementation were developed. The process has been open and transparent, and has benefited substantially from insights and comments from our stakeholders, not least the independent Advisory Board, which has engaged profoundly in the discussions.

 [More detail on the proposed new structure is given on page 16.](#)

I should like to thank all Board members, past and present, for their time and commitment to SBP.

Looking ahead

During 2018, we will continue our work on the transition to a multi-stakeholder organisation. There is much to do in terms of getting the structure in place and making new appointments, but we are on schedule for implementation of the new arrangements in 2019.

In February 2018, we announced the appointment of our new, independent Chairman, Francis Sullivan. Francis will take up the new position on 1 July 2018.

We are alert to changes taking place in different regulatory jurisdictions, for example, the forthcoming implementation of the Dutch sustainability requirements for biomass and the EU Renewable Energy Directive II (RED II) that will introduce pan-European biomass sustainability criteria. We are keen to ensure that SBP is recognised as a suitable voluntary certification system for demonstrating compliance with these new regimes.

I am committed to ensuring that the SBP certification system, now and in the future, is fit-for-purpose and will continue to listen and respond to all our stakeholders. Together we should strive for continuous improvement and ongoing development of the system.



Thomas Dalsgaard
Chairman

12 April 2018

I am committed to ensuring that the SBP certification system, now and in the future, is fit-for-purpose.

Our background

Within the last decade, sustainability criteria for woody biomass used in energy (heat and power) production have been considered and, in some European countries, introduced. Notably, Belgium, Denmark, the Netherlands and the UK have been at the forefront of developing regulatory requirements for energy producers. Consequently, there was a need for the regulated energy producers (the end-users of biomass) to demonstrate compliance with those regulatory requirements.

Many end-users were already working together as the Initiative of Wood Pellet Buyers (IWPB) to develop a standard biomass trading agreement with a focus on wood pellet specifications, trading terms and sustainability criteria. It was decided to continue that work and develop a voluntary certification system designed for woody biomass used in energy production.

As a result, SBP was created in 2013 as a not-for-profit organisation, owned and fully funded by its members. All members (see opposite) have an interest in the use of woody biomass for energy production.

Initially named the Sustainable Biomass Partnership, SBP's full name was changed to Sustainable Biomass Program in December 2016 to better reflect the nature of our organisation.

SBP offers a complete solution enabling woody biomass producers and end-users to demonstrate compliance with sustainability and other regulatory requirements. Uniquely, the system also enables the collection and carriage of energy and carbon data throughout the supply chain.

SBP supports a sector that is becoming increasingly commercialised. The certification system works for all supply chain actors, from producers through traders to end-users, thereby facilitating trade across international markets and improving market efficiency and liquidity.

During 2017, MGT Teesside became a member of SBP. MGT Teesside is building a 299 MW Combined Heat and Power biomass plant in the UK.

SBP members:



Looking back: key priorities for 2017

At the end of 2016, we identified three key priorities for 2017 that would serve to strengthen our credentials as a credible certification system and align us with best practice as demonstrated by leading sustainability certification schemes:

Introducing multi-stakeholder governance



A year of formulating ideas and models for new, multi-stakeholder governance arrangements, 2017 saw the development of a roadmap for the future. Our intent is to bring together stakeholder groups representing public interests, biomass producer interests and those of biomass end-users. Together our stakeholders will work to achieve common goals reflecting a set of perspectives rather than a single view, thereby enhancing our legitimacy.

Becoming a self-funded certification system



Representing an important step in the development of SBP, the introduction of fees for Certificate Holders in 2017 signalled a move towards becoming a self-funded certification system. As an emerging multi-stakeholder governed organisation, it is important that the funding arrangements represent best practice as demonstrated by other leading sustainability certification schemes.

Implementing an improved Data Transfer System



Delivering an improved Data Transfer System (DTS) during 2017 enhanced what is a critical component and key foundation of the SBP certification system. The DTS is unique amongst certification systems in its ability to track woody biomass transactions along the supply chain. Facilitating the collection, collation and transmission of verified data, including sustainability characteristics, throughout the biomass supply chain from feedstock origin to end-user allows greenhouse gas calculations to be made for each batch of biomass produced and sold.

Looking ahead: key priorities for 2018

In addition to the three key priorities that have been identified for 2018, the year will be one of consolidation as we seek to embed the important changes to our assurance program that the introduction of accreditation will bring.

Introducing multi-stakeholder governance

Work will continue on the new governance arrangements throughout 2018 to ensure their delivery in 2019. The focus will be on making the appointments to the new Board and Committees.



Becoming a full member of ISEAL

During 2018, in our quest to realise best practice throughout our operations, we will work towards attaining full membership of the ISEAL Alliance, the global membership association for credible sustainability standards, and compliance with the Codes of Good Practice for standard-setting, assurance and impacts.



Improving quality monitoring

Through enhancing our customer relationship management system in 2018 we intend to improve the management of our interactions with those parties involved in the certification process, as well as the quality monitoring and control of all our processes and procedures.



Market perspective

There are macro-environmental factors, including social, environmental, economic and political, that have a bearing on our operations and our future. We remain alert to these factors as part of the ongoing development of our certification system.

Specifically, during 2017, the EU Renewable Energy Directive II (RED II) and the Dutch SDE+ requirements, both made progress in their respective legislative processes. Importantly, both recognise a future for biomass in the energy mix and both recognise a role for voluntary certification schemes operating a risk-based approach.

We will continue to advocate the suitability of SBP as a credible tool for demonstrating compliance with emerging sustainability criteria for biomass. In addition, we will work with regulatory authorities to assist in understanding the practical implementation of the emerging regulations based on our experience.



“
I am convinced that the transformation of SBP into a multi-stakeholder organisation is critical for its acceptance as a credible certification system.”

Julia Marton-Lefèvre
Chairman of the Advisory Board

Find out more about our 'Organisational structure', 'Governance' and 'Independent oversight' on pages 26–29.

I am pleased to report on the work of the independent Advisory Board to SBP. Our aim is to provide the best advice possible to SBP to guide its strategic direction, the credibility of the certification system, as well as provide guidance on technical and public policy issues.

Advisory Board meetings in 2017

During 2017, the Advisory Board met twice, with each meeting spanning a day and a half. The meetings have become an effective way to discuss key issues as well as to engage with a wide range of stakeholders and facilitate an open and honest exchange of views. Members of the SBP Board are also invited to attend parts of these meetings.

Our first meeting of the year, in March, was held in Brussels, Belgium. To inform our discussions we heard from a representative of the European Commission, who spoke on the topic of the introduction of pan-European sustainability criteria for biomass and the wider regulatory environment. We also heard from the Marine Stewardship Council on its multi-stakeholder governance arrangements.

Our second meeting, in September, was held in Washington DC, USA. One of the main sessions of the meeting allowed for an open exchange with representatives of international environmental non-governmental organisations (NGOs), providing an opportunity for us to gain a better understanding of how the use of woody biomass for large-scale energy production, and SBP itself, are viewed by these groups.

The future SBP Board will be a multi-stakeholder one consisting of members drawn from public interest groups, as well as biomass producers and end-users.

The meeting also involved a number of stakeholders in the SBP supply chain who were invited to offer insights on how SBP certification works in practice.

All of these conversations have helped the members of the Advisory Board understand the complexities of, and opportunities for, woody biomass in energy production and, based on that understanding, make recommendations to SBP for its continued work.

In particular, during the year we have made recommendations on communicating SBP's role, impact and contribution to sustainability. As a result of our discussions, a working group of the Advisory Board was set up at the September meeting to examine the opportunities for introducing a carbon accounting mechanism as a part of the SBP certification system. Detailed discussions will take place in 2018 regarding continued work in this important area.

Future governance of SBP

Throughout the year, we have been deeply engaged in the discussions on the future governance model for SBP. The Advisory Board has been instrumental in assisting SBP in its transition towards a new governance model, where the future SBP Board will be a multi-stakeholder one consisting of members drawn from public interest groups, as well as biomass producers and end-users.

This development will help ensure the future legitimacy of SBP and its operations under the ISEAL Codes of Good Practice.

The Codes provide a globally recognised framework, which is used by leading sustainability standards to help in their effective operation.

Advisory Board meetings in 2018

In early April 2018, members of the Advisory Board reconvened for our sixth meeting in 's-Hertogenbosch, Netherlands. Key topics discussed at the meeting included progress made in the establishment of the new governance arrangements for SBP, and options relating to the carbon accounting issue. We also hosted a consultation session with social NGOs to hear their views on the use of woody biomass for large-scale energy production and the work of SBP.

The seventh and final meeting of the Advisory Board will be held in September in Sweden. The Advisory Board will then prepare to hand over to the new SBP Board from January 2019.

Looking ahead

I remain committed to a collaborative approach involving key stakeholder groups. I am convinced that the transformation of SBP into a multi-stakeholder organisation is critical for its acceptance as a credible certification system. I look forward to playing a part in that important development.

Julia Marton-Lefèvre
Chairman of the Advisory Board

12 April 2018



We strengthened the presence of SBP in the biomass market place and delivered against our stated key priorities for 2017.”

Carsten Huljus
Chief Executive Officer

I am pleased to report that, building on the successes of 2016, we strengthened the presence of SBP in the biomass market place and delivered against our stated key priorities for 2017. There were some notable highlights during the year, which have furthered the development of SBP, and we also welcomed MGT Teesside as a new member.

I give an account of our activities during 2017 below as well as identifying key priorities for 2018. Importantly, in addition to those key priorities, 2018 will be a year of consolidation as we seek to embed the changes to our assurance program that came in effect on 1 January 2018.

Key priorities for 2017

Introducing multi-stakeholder governance

Much progress has been made with the governance transition process.



See page 16 for more information.

The transformation of SBP into a multi-stakeholder governed organisation is an important next step in the development of SBP. It will bring us in line with best practice and ISEAL Codes of Good Practice, enhancing the legitimacy and transparency of our operation.

We have been keen to involve all stakeholders in the process.

Much support and input has been provided by the independent Advisory Board to SBP, and we have engaged with the sector's trade associations. All have offered valuable insights.

Towards the end of the year, we cast the net wider and sought feedback from all stakeholders on the key documents that will underpin the new structure and define the core of SBP's future governance arrangements. Responses were received from various stakeholder groups and are informing the development of the working arrangements of the new organisational structure.

Becoming a self-funded certification system

In keeping with the desire to move SBP from a member-funded certification system to a predominantly self-funded certification system, fees for wood pellet producers, woodchip producers, and biomass traders were introduced, as planned, on 1 October 2017.

A self-funding model represents best practice as demonstrated by other leading sustainability certification schemes.

Implementing an improved Data Transfer System

The new version of the SBP Data Transfer System (DTS) was delivered during the third quarter of the year. The DTS facilitates the collection, collation and transmission of verified data, including sustainability characteristics, throughout the biomass supply chain from feedstock origin to end-user. The DTS is unique in its capability to track woody biomass transactions along the supply chain.

The SBP Data Transfer System is unique in its capability to track woody biomass transactions along the supply chain.

The available data builds a comprehensive record of transactions of SBP-certified biomass, enabling users to access reports and accurate payment and auditing information. We have been pleased with the positive feedback received from users of the system.

Additional highlights

Increase in Certificate Holders

Our Certificate Holder base continued to grow during the year. At the end of 2017 we had 127 Certificate Holders – an increase of over 70% since the end of 2016. Our geographic spread had increased to 17 countries by the end of the year, with the addition of Australia to our portfolio.

We are pleased with the level of interest shown by biomass supply chain actors in becoming certified. Such recognition has helped to secure our place in the market.

Accreditation of Certification Bodies

The work of Accreditation Services International (ASI) towards the accreditation of the previously SBP-approved Certification Bodies progressed well. At the end of 2017, we had three Certification Bodies accredited for SBP certification, these were joined by a fourth at the start of 2018.

The use of an accreditation body for managing our assurance program aligns us with other, well-recognised certification systems adding an extra and important level of independent scrutiny to the certification decision-making process.



127

At the end of 2017 we had 127 Certificate Holders – an increase of over 70% since the end of 2016.

Working group structure

Last year, I reported on the implementation of a revised working group structure. I am pleased to say that the Stakeholder Committee and the various working groups have proved tremendously helpful to the work of SBP. Much has been gained through the ability to tap into the knowledge and expertise of our stakeholders, and I am grateful to all who have contributed.

Meeting our stakeholders

I value the role of stakeholders and I am keen to understand all of their views in relation to the work of SBP. Meeting face-to-face with so many of our stakeholders during 2017 provided the opportunity to receive direct feedback on what we do.

Stakeholder consultation is critical to ensuring the success of any certification system, and SBP is no exception. Throughout the year, I made every effort to improve the visibility of SBP at key conferences and through other methods of engagement.

Key priorities for 2018

Governance transition

As in 2017, the governance transition process is a key priority for 2018. There is still much work to be done to get the new arrangements in place for 2019. Once the structure is finalised we will be looking to fill the various Board and Committee vacancies.

Becoming a full member of ISEAL

During 2018, we will work on ensuring conformance of our standards setting procedure with the requirements of the ISEAL Standard-setting Code and becoming a full member of the ISEAL Alliance.

Improving quality monitoring

Through enhancing our customer relationship management system we aim to improve both the management of our interactions with Certification Bodies and Certificate Holders and the quality monitoring of our processes and procedures.

Meeting regulatory requirements

SBP has been following the progress of the EU Renewable Energy Directive II (RED II) and the Dutch SDE+ requirements, as they make their way through their respective legislative processes. We will continue to advocate the suitability of SBP as a credible tool for demonstrating compliance with sustainability criteria for biomass, whilst reviewing the scope of our existing standards and determining their fit with the emerging requirements.

A robust and credible system

All stakeholders need the assurance that the bioenergy sector is acting responsibly. Through all that we do, we aim to ensure that the SBP certification system is both robust and credible.



Carsten Huljus
Chief Executive Officer

12 April 2018

Near-term strategy

Our near-term strategy ensures that we are on track to achieve our stated vision.

The scope of the SBP certification system is divided into the following sub-scopes:

- Feedstock
- Certified products
- Application of SBP certification
- Countries for regulatory compliance
- Categories of Certificate Holder
- Biomass end-users
- Trade marks
- Relationship with other schemes

Through expanding certain of the sub-scopes in the near-term, we plan to advance the scope of our certification system.

Feedstock

Today, the feedstock is wood, specifically it does not include agricultural products or by-products; that will remain for the near-term.

Certified products

Today, the certified products are solid woody biomass, in the near-term consideration will be given to extending the scope to include liquid fuel from woody biomass.

Application of SBP certification

The SBP certification system is globally applicable and its application is market driven. Today, the majority of Certificate Holders are located in Europe, Russia and North America. In the near-term, the opportunity to expand into Asia will be pursued.

Countries for regulatory compliance

Today, the SBP certification system is fully compliant in Denmark and the UK. In the Netherlands, it is compliant for the interim period (in conjunction with recognised forest management claims) and in Belgium it is used to meet some of the requirements. In the near-term, in addition to maintaining compliance in Denmark and the UK, full compliance will be sought in Belgium and the Netherlands, as well as full compliance with the EU Renewable Energy Directive II criteria. Consideration will be given to Asia as a potential new jurisdiction for SBP to demonstrate regulatory compliance.

Categories of Certificate Holder

Today, Certificate Holders are biomass producers, traders, and end-users producing heat and power; that will remain for the near-term.

Biomass end-users

Today, end-users are characterised as large-scale heat and power producers. In the near-term, end-users may extend to all heat and power producers.

Trade marks

Today, SBP allows only off-product claims, for example, on documents and websites, it does not allow the physical application of the SBP logo or claims on certified biomass. In the near-term, physical application, or on-product claims, may be allowed.

Relationship with other schemes

Today, SBP enjoys good engagement and knowledge transfer with other leading sustainability schemes; that will remain for the near-term.

Advancing the current scope of the certification system



Notes:
¹ Countries in which SBP certificates have been issued.
² Countries in which regulatory compliance may be demonstrated through the SBP certification system. (Note: SBP certification may provide a solution elsewhere.)
³ Trade marks and claims.

This section looks at the role for SBP in an emerging, international market. The essentials of the certification system are introduced along with an explanation of how it works, including the certification decision-making process.

The role for SBP

In many countries, energy policy is becoming increasingly focused on reducing carbon emissions. As a consequence, the uptake of renewable energy has substantially increased over recent years. Sustainable biomass is recognised worldwide as having a significant contribution to make in meeting the renewable energy needs today and in years to come.

Across Europe, some countries have already implemented regulatory requirements that demand biomass feedstock to be sourced responsibly, that is, both legally and sustainably. EU-wide, the biomass sustainability agenda was further developed in 2017 as the Renewable Energy Directive II (RED II) made progress along its legislative passage.

Biomass is emerging as an internationally traded commodity and with it the need for a mechanism to demonstrate compliance with the regulatory requirements already implemented and those that are planned.

Certification systems offer such a market-based mechanism and are not uncommon. In fact, they have gained in popularity over recent years, particularly in relation to demonstrating the sustainable sourcing and production of a range of commodities.

The SBP certification system provides a tool for demonstrating compliance with regulatory, including legality and sustainability, requirements for woody biomass used in energy production.

Use of a certification system that bridges international markets brings efficiency benefits and facilitates consistency between producers, traders and end-users. And for countries that have not yet implemented their own regulatory requirements, SBP can be used to set a benchmark and demonstrate responsible practice.

SBP essentials

The SBP certification system is founded on the two principles of legality and sustainability. Those principles are broken down into criteria and again into indicators, of which there are 38 in total covering a range of requirements, including ensuring compliance with local laws, ensuring features and species of outstanding or exceptional value are identified and protected, and ensuring regional carbon stocks are maintained or increased over the medium to long term.

All the indicators are given in SBP Standard 1: Feedstock Compliance Standard, and each has specific guidelines and reporting requirements. Therefore, SBP Standard 1 sets SBP's definition of legality and sustainability.

The definition maps on to similar systems, such as the Forest Stewardship Council (FSC®), the Programme for the Endorsement of Forest Certification (PEFC™), and those schemes recognised by PEFC, such as the Sustainable Forestry Initiative (SFI®), and is based on the biomass sustainability criteria of European countries, in particular, Belgium, Denmark, the Netherlands and the United Kingdom.

There are five other SBP standards covering how to evaluate the sustainability of the feedstock material, including requirements for stakeholder consultation and public reporting, how third-party verification is to be undertaken, and requirements for chain of custody, and energy and carbon data transfer. The certification system also includes other processes, such as those for dealing with appeals from Certificate Holders and complaints from any interested party.

The certification system

SBP offers a certification system for woody biomass used in energy production (see the diagram on page 11).

The first point of certification

The first point of certification in the SBP certification system is the biomass producer (usually a wood pellet/chip producer). The biomass producer is assessed for compliance with the SBP standards, specifically that the feedstock it uses is sourced both legally and sustainably.

Independent assessment

That assessment must be carried out by an independent, third-party Certification Body.

The biomass producer must consult with a range of stakeholders and provide a public summary of the assessment for transparency purposes.

SBP has certain requirements in place to avoid potential conflicts of interest between the Certification Body and its client seeking certification.

Entitlement to make an SBP claim

A biomass producer (wood pellet/chip producer) that satisfactorily demonstrates compliance receives a certificate and is entitled to make an SBP claim, provided the SBP-certified management system is implemented and the SBP sustainability definition is met.

Evaluating feedstock

FSC or PEFC-certified feedstock, including feedstock with a certification claim from PEFC-endorsed schemes, such as SFI, is considered SBP-compliant. All other feedstock must be evaluated.

The process of evaluating the feedstock is termed the Supply Base Evaluation. The biomass producer must carry out a risk assessment to identify the risk of compliance with each of the 38 indicators detailed in SBP Standard 1 (which contains the SBP sustainability definition).

Each indicator is rated as either 'low risk' or 'specified risk'. For any indicator rated as 'specified risk,' the biomass producer must put in place mitigation measures to manage the risk such that it can be considered to be effectively controlled or excluded. The mitigation measures must be monitored.

In conducting the risk assessment, the biomass producer must consult with a range of stakeholders and provide a public summary of the assessment for transparency purposes.

The role of the independent, third-party Certification Body is to verify the Supply Base Evaluation, assuring quality and consistency across biomass producers and ensuring that stakeholders' views have been taken into account. Finally, the Certification Body provides assurance that the biomass producer may make accurate claims for the biomass produced.

Transfer of data along the supply chain

SBP requires information relating to the sustainability characteristics, including greenhouse gas data, of the biomass to be passed along the supply chain, from origin of the feedstock through trade, transport and processing.

Independent scrutiny

Accreditation Services International (ASI), an international accreditation body, manages the SBP accreditation program, under which Certification Bodies must become accredited if they wish to offer SBP certification services.

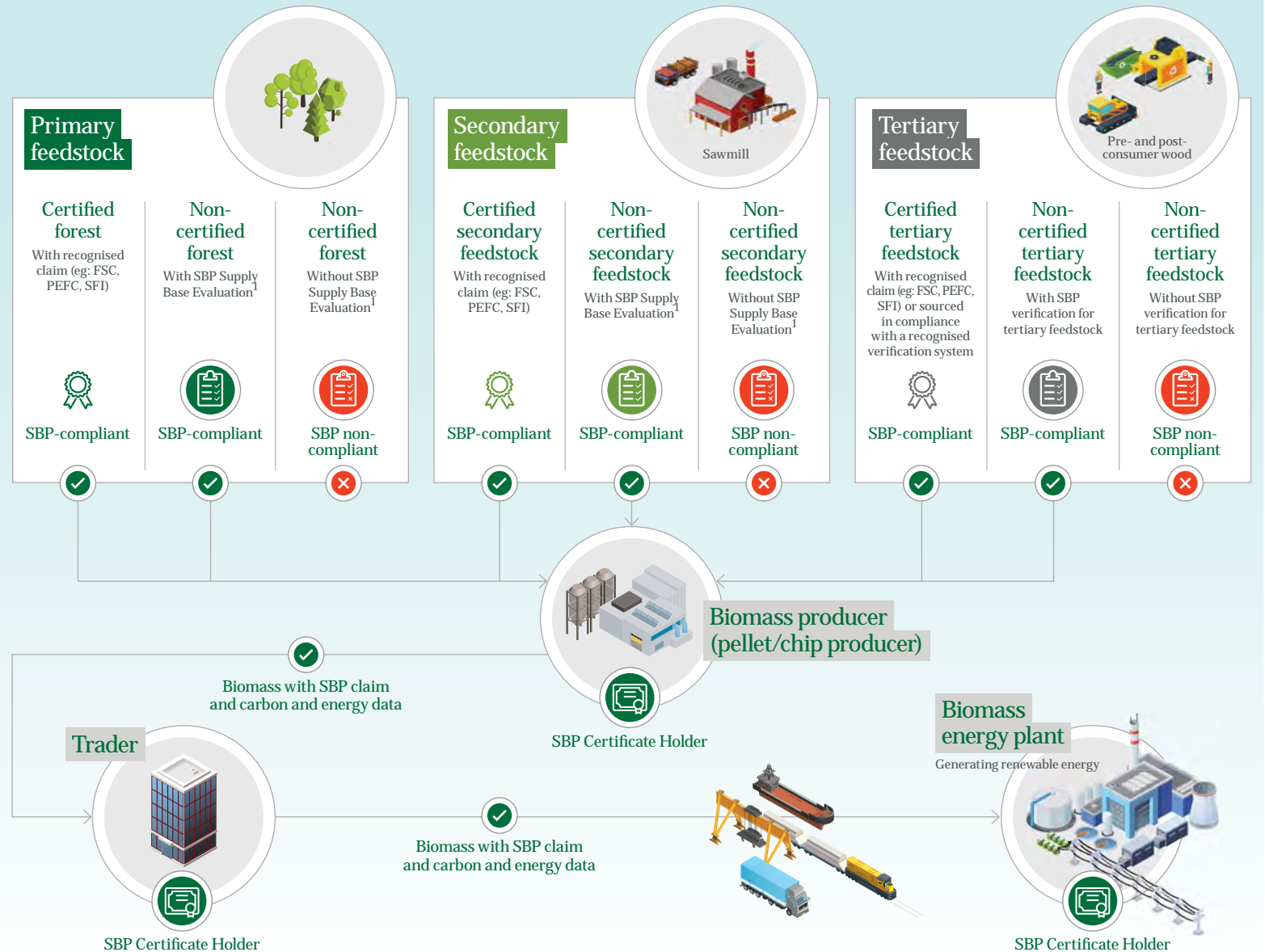
Once accredited, Certification Bodies are subject to regular assessment, based on the ASI Surveillance and Sampling Procedure. With accreditation in place, certification decisions are the sole responsibility of the Certification Body.

To ensure the quality and consistency of audit reports within and across Certification Bodies, the Certification Body Peer Review Process has been introduced.

FSC: Forest Stewardship Council; PEFC: Programme for the Endorsement of Forest Certification; SFI: Sustainable Forestry Initiative.

¹Supply Base Evaluation is the process of evaluating uncertified feedstock.

The flow of SBP-compliant biomass through the supply chain



Six key impacts have been identified that define the desired and intended outcomes from implementation of the SBP certification system. Monitoring these impacts will assist in tracking the progress made by SBP towards achieving its vision of an economically, environmentally and socially sustainable woody biomass supply chain that contributes to a low carbon economy.

For this annual report, in addition to the activities and achievements of SBP, the activities, actions and behaviours of a number of supply chain actors and stakeholders have been evaluated against the six key impacts.

Such monitoring and evaluation is the starting point for a much wider exercise that, over time, will help to improve our standards and their effectiveness.

- 1 Unlocking the potential of biomass in a sustainable way
- 2 Providing assurance of legal and sustainable practice
- 3 Realising best practice
- 4 Achieving recognition by regulatory authorities
- 5 Providing greater visibility on biomass supply chains
- 6 Increasing the volume of certified material in the biomass market

Key impact:

1

UNLOCKING THE POTENTIAL OF BIOMASS IN A SUSTAINABLE WAY

Evidenced through actions taken to deliver against the sustainability indicators of SBP Standard 1: Feedstock Compliance Standard.

REGIONAL RISK ASSESSMENTS

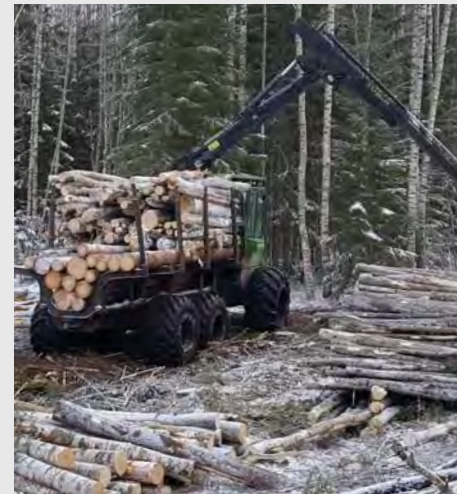
Regional Risk Assessments (RRAs) are a key part of SBP’s focus on identifying and mitigating risks associated with sourcing feedstock for biomass wood pellet and chip production. A risk assessment is necessary to identify the risk of compliance of any uncertified feedstock with each of the 38 indicators detailed in SBP Standard 1.

The RRA evaluation process covers an entire geographic region and determines the risks associated with sourcing feedstock for biomass production from that region, thereby avoiding the need for individual biomass producers to conduct risk assessments. The process also ensures active engagement with a diverse range of stakeholders in the region.

SBP developed the RRA procedure and pilot tested it in the three Baltic states. The procedure is available for any organisation or initiative to use. A party may choose to conduct a risk assessment at its own cost, or to collaborate with other parties located in the same region and share the cost.

RRA map to date:

- Completed RRAs: Denmark, Estonia, Latvia and Lithuania
- RRAs well underway: Portugal and Quebec (Canada)
- RRAs recently underway: Alberta (Canada), British Columbia (Canada), New Brunswick (Canada) and Nova Scotia (Canada)
- Potential RRA: southern US



WPAC | Gordon Murray

WPAC is committed to carrying out RRAs for the Canadian provinces of Alberta, British Columbia, New Brunswick, and Nova Scotia, which is where most of Canada’s wood pellets are exported from. The project began in December 2017 and WPAC aims for all four RRAs to be SBP-endorsed by the end of March 2019.

WPAC believes the RRAs will bring major benefits to Canadian biomass producers through streamlining both the Supply Base Evaluation process of SBP Standard 1 and the re-certification process, which SBP Certificate Holders are required to undergo every five years.



Key impact:

1

UNLOCKING THE POTENTIAL OF BIOMASS IN A SUSTAINABLE WAY — CONTINUED

MAPPING OF WOODLAND KEY HABITATS IN LATVIA

LATbio | Didzis Palejs

The lack of a national Woodland Key Habitat (WKH) inventory in Latvia presented a challenge to the country's biomass producers wishing to conduct an SBP Supply Base Evaluation and mitigate the risk of sourcing from such areas. Satisfying Criterion 2.1 of SBP Standard 1 requires the identification and protection of forest features and species of outstanding or exceptional value. With no inventory or relevant national legislation in place, biomass producers joined forces under the auspices of the Latvian biomass association, LATbio, to devise a solution.

Acting as the co-ordinating body, LATbio held discussions with habitat experts and Latvian environmental non-governmental organisations to develop an approach for mapping private forested land and identifying 'risky areas', which would be likely to include Woodland Key Habitats.



A tried and tested methodology, which has been used in Sweden for over two decades, was chosen.

Following a tender exercise the Latvian research organisation, Institute for Environmental Solutions (IES), was commissioned and work commenced on identifying 'risky areas' and 'green areas' of private forested land, the verified results were then used to populate a database. With the database finalised, the Woodland Key Habitat Instrument portal was established allowing biomass producers to search by forest stand and discover the corresponding risk category.

The Woodland Key Habitat Instrument has significantly raised awareness of the risk of harvesting from Woodland Key Habitats and serves to reassure biomass producers and end-users alike that biomass may be sustainably sourced from Latvian forests.



DELIVERING RESPONSIBLE FEEDSTOCK SOURCING

Drax Biomass | Richard Peberdy

Drax Biomass Inc. (DBI) was awarded SBP certification by SCS Global Services in 2016. The company is a producer of high quality wood pellets for use as renewable, low-carbon fuel. DBI pursued SBP certification to advance its sustainability goals, better align with parent company Drax Group's objectives, and comply with regulations in the UK. DBI's challenge was to assure feedstock sourcing in a sustainable manner from areas in which forest ecosystem values were protected.

By utilising the SBP standards at all of its pellet mills, DBI's original goals were not only met, but exceeded. The standards provided a framework for evaluating greenhouse gas emissions, honing emissions measurements, streamlining management systems, and engaging stakeholders on best-in-class practices. DBI is now better equipped to work with partners to improve forest management, wildlife habitat and water quality.

Interaction with suppliers and landowners regarding best management practices directly enhances the sustainability of the company's supply chain. Additionally, the diligent tracking and reporting of sustainability data through SBP is recognised internationally and further demonstrates DBI's commitment to sustainability.



Key impact:

2

PROVIDING ASSURANCE OF LEGAL AND SUSTAINABLE PRACTICE

Evidenced through independent scrutiny of certification decisions.

INCREASING IMPARTIALITY AND ROBUSTNESS

Accreditation Services International (ASI) | Ana Dahlin

During the 18 months since its appointment as an accreditation body for SBP, Accreditation Services International (ASI) accredited four Certification Bodies (CBs) for the SBP certification system with one more currently in the application process.

The team of ASI assessors conducted 58 report reviews, and 15 accreditation assessments across Russia, Europe and North America. The number of findings raised by ASI per assessment was in line with those for other ASI accreditation programs.

As a result of the findings and evaluations, SBP was able to further clarify the practical application of various accreditation and certification requirements. ASI considers that to be a clear benefit of having third-party accreditation as part of a certification system.

Involving another professional entity in delivering assurance also increases impartiality and robustness of the system, given that SBP no longer interacts directly with the CB during the certification process.

Working with SBP, a new certification system, has brought insights to other ASI programs, as many core accreditation requirements are the same. To be challenged by a new perspective or experience has proved stimulating.

In 2018, ASI will carry out regular assessments as part of the surveillance process, and will focus its scrutiny on audits of those Certificate Holders with Supply Base Evaluations and on CB auditors that have not yet been witnessed.



PROVIDING RIGOUR AND CONFIDENCE

SCS Global Services | Vanessa Ellis



Independent third-party certification is a crucial step in the Sustainable Biomass Program, as it provides a sound assurance that the Certificate Holder upholds the integrity of the certification system.

As an accredited Certification Body (CB), we are monitored by Accreditation Services International (ASI) to ensure our auditing processes meet a certain level of expectations, consistent across every accredited CB. Our accreditation means that we inherently provide more rigour and confidence in our third-party certification decision, strengthening SBP-certified claims.



Key impact:

2

PROVIDING ASSURANCE OF LEGAL AND SUSTAINABLE PRACTICE — CONTINUED

DELIVERING CONSISTENCY, CREDIBILITY AND EFFICIENCY



NEPCon | Ondřej Tarabus

NEPCon has offered SBP certification services since 2015. It was the first Certification Body (CB) to be approved by SBP in that year and, in 2017, the first to be accredited by ASI. NEPCon's focus is on fostering solutions for safeguarding natural resources and tackling climate change.

As a strong believer in conformity assessment, NEPCon supports SBP's approach to ensuring consistency and credibility across CBs. As a start-up certification system, SBP made every effort to deliver those two qualities through independent review of certification decisions. Now, with accreditation in place, those values are maintained.

Conformity assessment and accreditation are important to give confidence in goods and services, management systems and people.



SBP has proved itself to be accessible, rigorous and responsive – all of which a CB looks for from the scheme owner and all of which should give confidence to stakeholders.

NEPCon has witnessed the positive impact SBP has made in protecting Woodland Key Habitats (areas of high conservation value) in uncertified Latvian private forest and attributes this to the risk-based approach adopted by SBP, which necessitates the evaluation of the supply base and the assignment of 'low risk' or 'specified risk' to each of the 38 indicators in SBP Standard 1. In Latvia, assignment of 'specified risk' to the indicators requiring the identification and protection of high conservation values led to a comprehensive mapping exercise of the country's private forested land and the implementation of mitigation measures to prevent feedstock from identified Woodland Key Habitats entering the biomass supply chain.

More generally, NEPCon favours SBP's risk-based approach for its efficiency in delivering sustainability assurance. By allowing auditors to focus on indicators that are evaluated as 'specified risk' the process proves to be both time and cost efficient. Directing effort towards the 'risky areas' brings about greater impact on the ground, and makes a real difference.

SBP has delivered a lot in a short period of time, from training CB auditors to delivering a full solution for transferring data throughout the supply chain, the latter positioning the certification system at the leading edge of sustainability certification schemes.

NEPCon is pleased to have been part of SBP's progress and looks forward to collaborating on future innovative developments.

Key impact:

3

REALISING BEST PRACTICE

Evidenced through appropriate governance arrangements, decision-making procedures and stakeholder engagement.

GOVERNANCE TRANSITION PROCESS

In October 2016, SBP announced its intention to transition towards a multi-stakeholder governed organisation. The transition is in line with best practice as demonstrated by leading sustainability standards and the ISEAL Codes of Good Practice.

The new governance arrangements will bring together stakeholder groups representing public interests, biomass producer interests and those of biomass end-users. The involvement of a range of interest groups at Board and Committee level will foster dialogue, decision-making and implementation of solutions to common goals. Through the involvement of a wide range of stakeholders, decisions will gain more legitimacy and better reflect a set of perspectives rather than a single view.

During 2017, much work was undertaken to determine the appropriate structure and stakeholder representation.

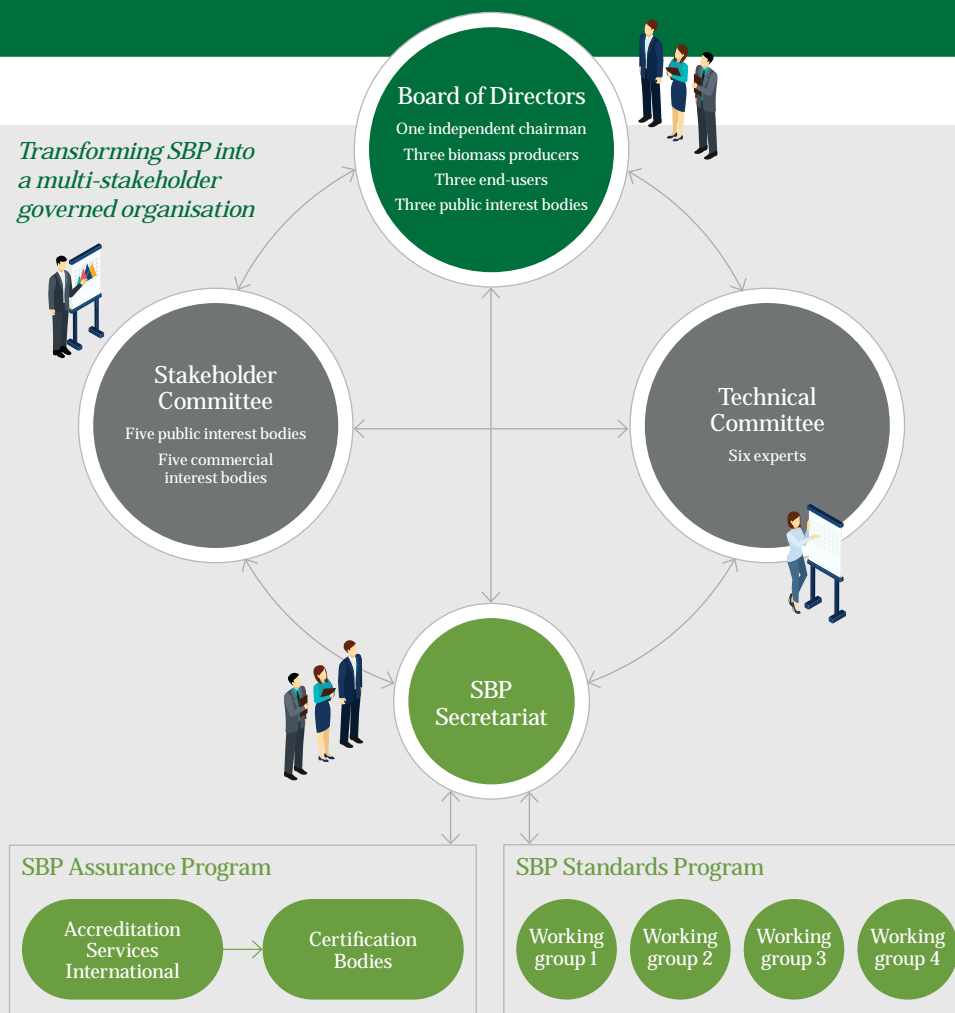
After discussion with various stakeholder groups, a core structure of a Board of Directors and two committees, a Stakeholder Committee and a Technical Committee was formulated.

 More detail on the remit and composition of the Board of Directors, Stakeholder Committee and Technical Committee can be found at: www.sbp-cert.org/about-us/governance-transition-process/governance-updates

At the end of November 2017, a consultation was launched seeking comments on the key documents that will underpin the new structure and define the core of SBP's future governance arrangements.

Responses to the consultation were received from non-governmental organisations, certification and accreditation bodies, biomass producers and biomass end-users.

The new arrangements are on schedule to be implemented in 2019.



Key impact:

3

REALISING BEST PRACTICE — CONTINUED

CERTIFICATION DECISION-MAKING



Since the launch of the SBP standards in March 2015, SBP has ensured that certification decision-making is independent of the SBP governance structure. From the outset, independent, third-party Certification Bodies (CBs) have been responsible for conducting audits for initial evaluations prior to certification and annual surveillance audits of Certificate Holders. Up until the end of December 2017, the certification decisions made by CBs were reviewed by the independent Technical Committee and, throughout 2017, additional independent scrutiny was provided by Accreditation Services International (ASI) in a report reviewer role.

In August 2016, ASI was appointed to manage the SBP assurance program and accreditation was introduced to the SBP certification system.

During the period 2 August 2016 to 31 December 2017, those existing SBP-approved Certification Bodies wishing to continue to offer SBP certification services after 31 December 2017 were required to transition to ASI accreditation.

As at early January, four CBs – DNV GL Business Assurance Finland, Control Union Certifications, NEPCon and SCS Global Services – had achieved accreditation through ASI and a fifth – TÜV NORD CERT – had applied for accreditation.

Accreditation sends a clear message that the CBs can be counted on to act with integrity when certifying a biomass producer, trader or end-user. Third-party accreditation is recognised around the world as a valuable part of the assurance process.

With accreditation in place, CBs are now responsible for taking certification decisions. However, recognising the importance of independent review in delivering consistency across CBs and their certification decisions, SBP has introduced the CB Peer Review Process, to which certain decisions will be subjected.

Key impact:

3

REALISING BEST PRACTICE — CONTINUED

STAKEHOLDER ENGAGEMENT

Stakeholder engagement and transparency are inherent in our work and central to our certification processes. Biomass producers and Certification Bodies (CBs) must undertake stakeholder consultation, the former when conducting a Supply Base Evaluation and the latter when auditing those biomass producers. Details of the stakeholder consultation must be published by both the biomass producer and the CB.

In addition to the requirements of our certification processes, engagement with our many and diverse stakeholders is an essential part of our operations. Our aim is to be open and transparent in all that we do and we make use of a variety of communications channels in our attempt to achieve that.

We encourage all stakeholders to make contact and get involved in the work of SBP, in the interests of improving the understanding and acceptability of its certification system and improving its standards and processes.

We engage in the following ways:

- Conferences and seminars
- Face-to-face meetings
- SBP Advisory Board
- SBP bulletins
- SBP CB Forum
- SBP notifications
- SBP position papers
- SBP stakeholder consultations
- SBP Stakeholder Committee



Key impact:

4

ACHIEVING RECOGNITION BY REGULATORY BODIES

Evidenced through formal recognition by regulatory authorities and/or national governments of the SBP certification system as compliant with national agreements and/or regulations and legislation.

RECOGNISED BY COMPETENT AUTHORITIES

The SBP certification system is recognised in Denmark as a means of documenting compliance with the Danish Industry Agreement for Sustainable Biomass. In the UK, the SBP certification system is recognised as fully compliant with all relevant legislation.

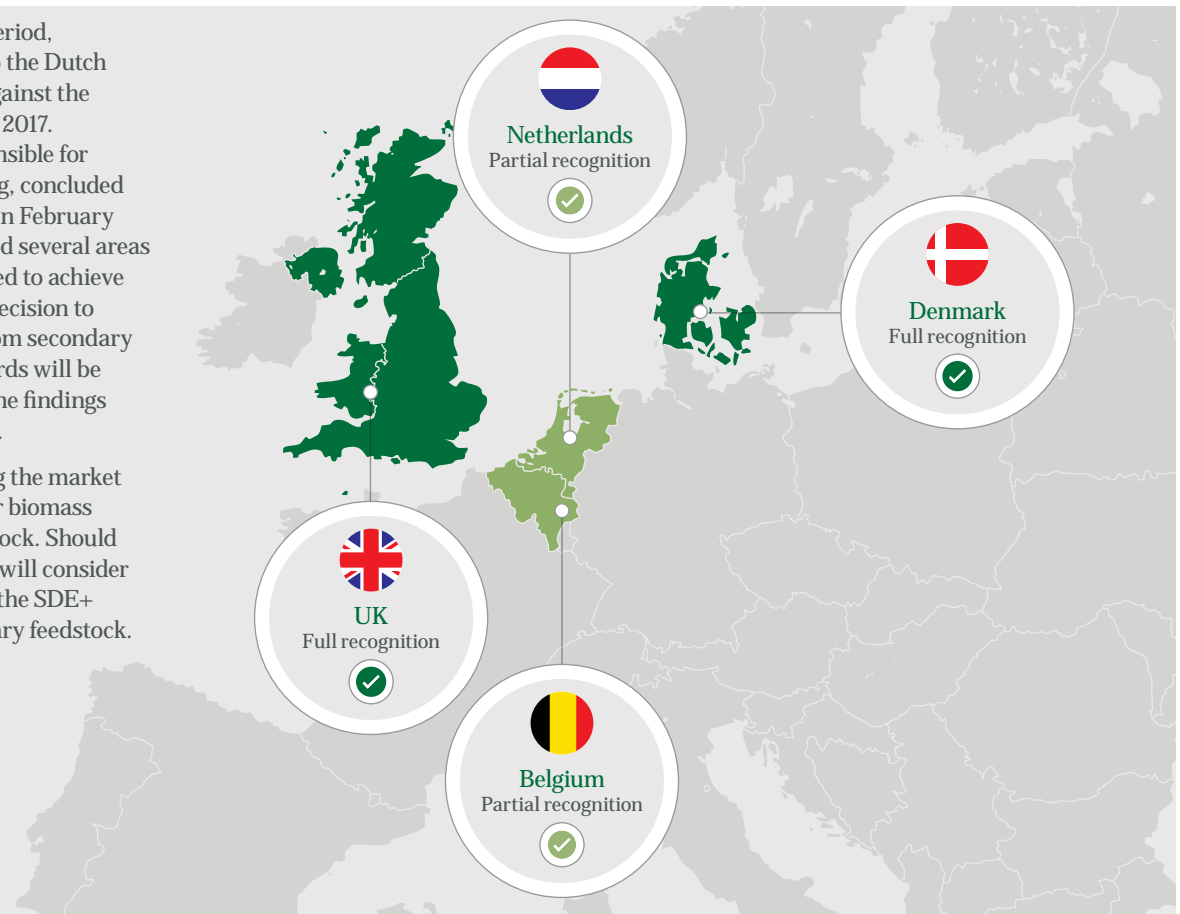
SBP is in close and constructive dialogue with the relevant regulatory authorities in Belgium and the Netherlands, promoting the suitability of the SBP certification system as a means of verifying legal and sustainable sourcing of woody biomass.

In Belgium, SBP is already being used to meet some of the requirements.

In the Netherlands, the Dutch regulator has confirmed that, for the interim period, which is expected to run until the end of 2018, the SBP Chain of Custody system in combination with FSC and PEFC-endorsed Forest Management claims, can be used to demonstrate compliance with the Dutch sustainability requirements.

Looking beyond the interim period, we submitted our standards to the Dutch regulator for benchmarking against the SDE+ requirements in August 2017. ADBE, the Commission responsible for carrying out the benchmarking, concluded their preliminary assessment in February 2018. The assessment identified several areas that would need to be addressed to achieve full compliance. We took the decision to focus on biomass produced from secondary feedstock only and our standards will be modified in accordance with the findings of the preliminary assessment.

In parallel, we are determining the market demand in the Netherlands for biomass produced from primary feedstock. Should there be sufficient demand we will consider further modifications to meet the SDE+ requirements specific to primary feedstock.



Key impact:

5

PROVIDING GREATER VISIBILITY ON BIOMASS SUPPLY CHAINS

Evidenced through greater transparency on activities throughout the supply chain, allowing informed choices leading to responsible behaviour and efficient resource allocation.

SUPPLY CHAIN TRANSPARENCY

Graanul Invest | Mihkel Jugaste

Graanul Invest was awarded SBP certification by NEPCon in 2017. Through introducing training and auditing of feedstock suppliers, Graanul Invest has significantly increased its supply chain transparency, allowing a greater understanding of its suppliers' sourcing patterns.

In mitigating the risk of sourcing feedstock from Woodland Kay Habitats (WKH) in the private forest areas of Latvia, Graanul Invest has implemented supplier training programmes on how to conduct inspections prior to harvesting in specified (high) risk areas.

A set of criteria has been developed to ensure objectivity in the inspection process. Both the training and the criteria were developed by licensed biotope experts.



Suppliers are audited by Graanul Invest, which includes the evaluation of WKH inspection procedures, and cross-checked at the pellet plant gate.

Graanul Invest has also introduced specific requirements for those secondary feedstock suppliers wishing to supply uncertified residues. All secondary feedstock suppliers are required to demonstrate that the primary feedstock input of the secondary residues originates from primary feedstock suppliers that have undertaken the WKH training above. Again, supplier audits and cross-checking at the pellet plant gate are undertaken by Graanul Invest.

A similar training and audit-based approach has been adopted to mitigate health and safety risks.

Graanul Invest will only procure feedstock from suppliers that have successfully undertaken the training and satisfy all requirements. Any suppliers failing to undertake the necessary training or failing to meet the WKH and health and safety requirements are removed from Graanul Invest's supplier list, and any uncertified feedstock from uninspected specified (high) risk areas is rejected at the pellet plant gate.

SBP DATA TRANSFER SYSTEM

The SBP Data Transfer System (DTS) is unique in its capability to track woody biomass transactions along the supply chain. During the third quarter of 2017, the original version of the DTS (version 0.5) was replaced with a more sophisticated version (version 1.0), offering all DTS users improved functionality and an enhanced service.

The DTS facilitates the collection, collation and transmission of verified data, including sustainability characteristics, throughout the biomass supply chain from feedstock origin to end-user. Alongside biomass seller and buyer information, tonnages of wood pellets and chips are recorded and each production batch can be identified and linked to energy and carbon data allowing greenhouse gas calculations to be made for each transaction. Such visibility of the supply chain's energy and carbon data enables end-users to demonstrate regulatory compliance with greenhouse gas criteria.



Key impact:

6

INCREASING THE VOLUME OF CERTIFIED MATERIAL IN THE BIOMASS MARKET

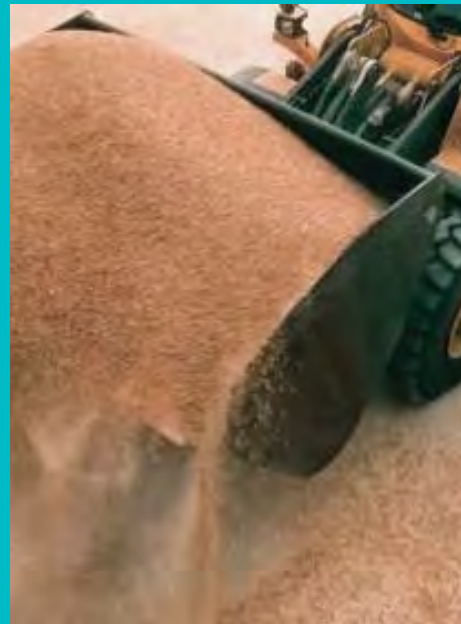
Evidenced through driving the uptake of certification, whether at forest level or elsewhere in the supply chain.

STIMULATING THE DEMAND FOR CERTIFIED FEEDSTOCK

CM Biomass | Rens Hartkamp

CM Biomass was awarded SBP certification by NEPCo in 2016. In meeting its corporate responsibility policy and the codes of conduct of leading energy producers, CM Biomass places strict requirements on biomass producers operating in countries with a low ranking in the Corruption Perceptions Index (www.transparency.org). Industrial wood pellets sourced from such countries must be SBP-certified on the basis of certified feedstock with an FSC claim.

CM Biomass has assisted many small and medium-sized biomass producers in the process of SBP certification. On the other hand, it has ceased cooperation with just as many that have no access to FSC-certified feedstock. Current suppliers to CM Biomass have successfully sourced an ever-increasing share of certified feedstock and, where possible, have expanded their supply base with FSC-certified forest. These projects have bolstered the position of FSC certification in a few important markets with troublesome transparency.



CM BIOMASS
COPENHAGEN MERCHANTS GROUP

PROMOTING BEST PRACTICE AND CERTIFICATION

Tec Pellets | Ana Alves

Tec Pellets was awarded SBP certification by Control Union Certifications in 2016. Located in Portugal, the company interacts intensively with its feedstock suppliers to promote the use of forestry best practice and has implemented the SBP Supply Base Evaluation successfully.



Tec Pellets considers its current procedures on sustainable forest management to be an excellent starting point for encouraging small landowners to undertake forest-level group certification.

Tec Pellets fully recognises the benefits of forest management certification in combination with SBP certification.

By increasing its volumes of SBP-compliant biomass, the pellet producer was able to engage in new business opportunities. With a focus on expanding its pellet production and export, Tec Pellets actively increased the amount of FSC and PEFC-certified feedstock used in its pellet production process. During 2017, as part of its determination to increase the use of FSC-certified feedstock, Tec Pellets extended its supply base to Spain and the island of São Miguel (Portugal).

Tec Pellets

Key impact:

6

INCREASING THE VOLUME OF CERTIFIED MATERIAL IN THE BIOMASS MARKET — CONTINUED

SBP-CERTIFIED BIOMASS IN THE MARKET PLACE

127

127 certificate holders at the end of 2017

5.07Mt

5.07Mt of SBP-certified biomass (wood pellets and chips) produced and sold by biomass producers in 2017 made up of 4.6Mt of wood pellets and 0.47Mt of woodchips

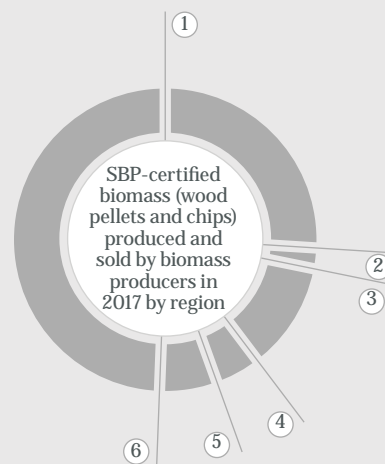
46%

SBP-certified wood pellets produced and sold in 2017 equate to around 46% of the EU28 wood pellet consumption (based on 2016 consumption data for CHP and dedicated power¹)

40%

SBP-certified wood pellets produced in Canada and the USA in 2017 account for around 40% of the wood pellets imported to the EU28 from those countries (based on 2016 import data¹)

¹AEBIOM Statistical Report 2017.



Region	Tonnes	%
① Baltics (<i>Estonia, Latvia and Lithuania</i>)	1,320,315	26.0
② Canada	113,952	2.2
③ Europe (<i>Belarus, Denmark, Germany, the Netherlands, Norway, Poland, Sweden, and the UK</i>)	581,590	11.5
④ Iberia (<i>Portugal and Spain</i>)	242,965	4.8
⑤ Russia	308,745	6.1
⑥ USA	2,502,893	49.4
Total	5,070,460	100.0

Note: Figures derived from unaudited DTS data.

DELIVERING QUALITY THROUGH A FOCUS ON CERTIFICATION

Altus Renewables | David Valentine

Altus Renewables (Altus) was awarded SBP certification by SCS Global Services in 2017. A small-scale biomass producer in Australia, Altus first sought out SBP certification to assist with meeting the growing demand for independently certified, premium grade wood pellets in the European and Japanese markets.

Implementing the SBP framework has assisted Altus through the systematic improvement of its data capture and management systems. This has resulted in tighter control over the procurement and management of raw materials, more detailed tracking of energy use and sustainability criteria and the integration of these processes into everyday operations.



Altus insists on 100% certified raw material from their regional suppliers and has introduced strict quality management systems ensuring that their customers receive the highest quality wood pellets with transparent sustainability claims.

Introducing the SBP certification system has assisted Altus to successfully market its product into existing European and emerging Japanese wood pellet markets. As a small producer, Altus is able to differentiate itself with the SBP 'label', which complements the company's high quality product. Altus plans to increase its production capacity to over 500,000 tonnes per annum through the development of a second processing facility, and is committed to maintaining SBP certification for all future production.



At the start of 2017, three key priorities were identified for the year ahead – governance transition process (see pages 5 and 16), introduction of fees for Certificate Holders (see page 5) and the implementation of a new, more sophisticated version of the Data Transfer System (see pages 5 and 20).

Below we report on other key achievements of the year.

Accreditations and certifications

At the end of 2017, there were three accredited Certification Bodies, with a fourth achieving accreditation in early January 2018. Certificate Holders totalled 127, of which 108 were biomass producers and the remaining 19 biomass traders and/or biomass end-users, with a geographic spread across 17 countries. Also, by the end of the year, around a further 30 organisations had made applications for SBP certification through Certification Bodies.

Accreditations and certifications

As at end of 2017:

3

accredited Certification Bodies

127

Certificate Holders –
108 biomass producers; 19 biomass
traders and/or biomass end-users
(2016: 74)

30

additional organisations have made
applications for SBP certification
(2016: 60)

5M+

5.07Mt of SBP-certified biomass
(wood pellets and chips) produced
and sold by biomass producers
in 2017

17

countries making up the geographic
spread of Certificate Holders
(2016: 14)



Australia



Belarus



Canada



Denmark



Estonia



Germany



Latvia



Lithuania



Netherlands



Norway



Poland



Portugal



Russian Federation



Spain



Sweden



UK



USA

Maintaining up-to-date standards

The suite of SBP documentation was updated throughout the year to provide additional guidance and, where necessary, clarification and interpretation of certain standards, processes and procedures.

Two new normative, instruction documents were introduced. One defining the requirements for transferring certificates from one Certification Body (CB) to another, and a second defining the requirements for the CB Peer Review Process. A work instruction document on the latter was also produced providing additional guidance to CBs on, for example, the terms of reference for and competencies of peer reviewers.

A guidance document to help Certificate Holders understand how to comply with the SBP requirements on the use of the SBP trade mark was issued in October 2017.

All matters for interpretation and clarification raised by users of the SBP certification system are recorded on the website to assist with implementation of the standards. The interpretations and clarifications were maintained during 2017.



The full set of interpretations and clarifications are available as a download at:
www.sbp-cert.org/sbp-framework/normative-interpretations

Training and events

Throughout 2017, we have been actively engaging with all our stakeholders. From training auditors to participating in the biomass sector's key conferences we have strived to increase awareness and understanding of the SBP certification system.

Such engagement is critical to the success of SBP. It is important that a two-way communication channel is established with all our stakeholders and we welcome the opportunity to engage with all interested parties.

Auditor training

In keeping with SBP's aim to uphold a robust certification system, we have exacting requirements when it comes to the quality of the audits undertaken by independent CBs of applicant, or existing, Certificate Holders. Demonstrating auditor competence is a critical part of the certification process.

We require that the auditors not only demonstrate existing competence, but attend training sessions and be examined on the SBP standards, specifically on the three subject areas of supply base evaluation, chain of custody, and energy and carbon data.

It is important that a two-way communication channel is established with all our stakeholders.

Two training sessions were delivered in 2017, one in Europe and one in Canada. As a result of those and previous years' training sessions, around 70 auditors worldwide have met all the requirements and may conduct SBP audits.

Data Transfer System training

The implementation of the new version of the Data Transfer System (DTS) was accompanied by a series of webinar training sessions to introduce the new portal and its functionalities. The sessions were well attended, with the participation of over 80 DTS users. Regular information bulletins were also used to supplement the introduction of DTS version 1.0.

A further webinar, specifically for CBs, was held on the verification of data entered into the DTS during a CB audit. Again, attendance was good with some 16 auditors taking part.

Events

We took the opportunity to participate in the sector's key annual conferences and events, including the Argus Biomass conference, the annual conferences organised by the trade associations, AEBIOM, USIPA and WPAC, and the events organised by forest certification schemes, including the FSC General Assembly, the PEFC stakeholder dialogue and the SFI conference.

Alongside several of the conferences we held our own side events to update stakeholders on the work of SBP and its future direction, and to facilitate an open exchange of views.

We also accepted invitations to speak at the IEA Workshop on Sustainability Governance and the ProPellet France event, and participated in the ISEAL Global Standards Conference. All providing us a platform to promote the benefits of the SBP certification system as a tool for demonstrating compliance with biomass sustainability criteria.

In the last quarter of the year, we supported a workshop in Estonia for woodchip producers, held an information day for interested parties in Latvia and held our first CB Forum in the UK.

SBP working groups

The working groups play an important role in addressing specific, technical challenges. Membership of the working groups is drawn from a pool of technical experts, which may include individual expert advisers or representatives of organisations with a specific interest in the biomass sector.

During 2017, there were five working groups in existence.

The working groups play an important role in addressing specific, technical challenges.



High conservation values

Objective:

To develop guidance to support biomass producers in fulfilling SBP requirements relating to high conservation values in relation to biomass feedstock in the south of the USA.

Outcome:

An outreach programme was initiated by the working group extending to a wide range of stakeholders. Having established contact with parties willing to participate in identifying high conservation values and offering examples of best practice to protect high conservation values, evidence was gathered and used to inform the development of a draft guidance manual. The draft guidance was subject to further stakeholder consultation, and, in January 2018, the working group submitted the final guidance manual to SBP.

Following approval by the SBP Stakeholder Committee an SBP guidance document, based heavily on the findings of the working group's manual, was published in March 2018.

Data Transfer System (DTS)

Objective:

To support and enhance the integrity of SBP claims, and improve efficiency of data transfer through facilitating simple and secure transmission of relevant, required data between actors in the biomass supply chain.

Outcome:

The working group facilitated engagement and consultation with stakeholders, including hosting a workshop at the Argus Biomass conference specifically for DTS users. The feedback was used to inform the development and specification of DTS version 1.0. Following the implementation of version 1.0, further engagement was initiated with DTS users to ensure the smooth running of the system. The working group continues to monitor user experiences.

European Union (EU)

Objective:

To ensure that the SBP certification system is compliant with emerging EU legislation concerning sustainability criteria for biomass used in large-scale energy production. Further, that the certification system itself is recognised by the relevant authorities, such that SBP is fit-for-purpose to demonstrate regulatory compliance.

Outcome:

Through a thorough analysis of the European Commission's text, the appointed Rapporteur's draft opinion and the European Council's revised text of the Renewable Energy Directive II (RED II), the working group identified certain aspects that required advocacy effort. The working group continues to monitor the passage of the legislation.

Secondary feedstock

Objective:

To develop guidance and provide interpretations in relation to the use of secondary feedstock in the biomass supply chain and compliance with SBP standards.

Outcome:

The working group prepared interpretations to address specific issues related to secondary feedstock with a focus on the Baltics and the USA. Those interpretations were approved by the Stakeholder Committee and posted on the SBP website.

Woodchip

Objective:

To develop guidance and provide interpretations in relation to the woodchip supply chain and compliance with SBP standards.

Outcome:

The working group identified several areas where additional guidance would prove beneficial to woodchip producers implementing the SBP standards and some areas where revision of the SBP standards would be desirable. The working group also revised the Standard 5 audit report template for recording energy and greenhouse gas data for woodchip producers. The working group will oversee the production of a simple implementation guide for woodchip producers.

Our balanced approach

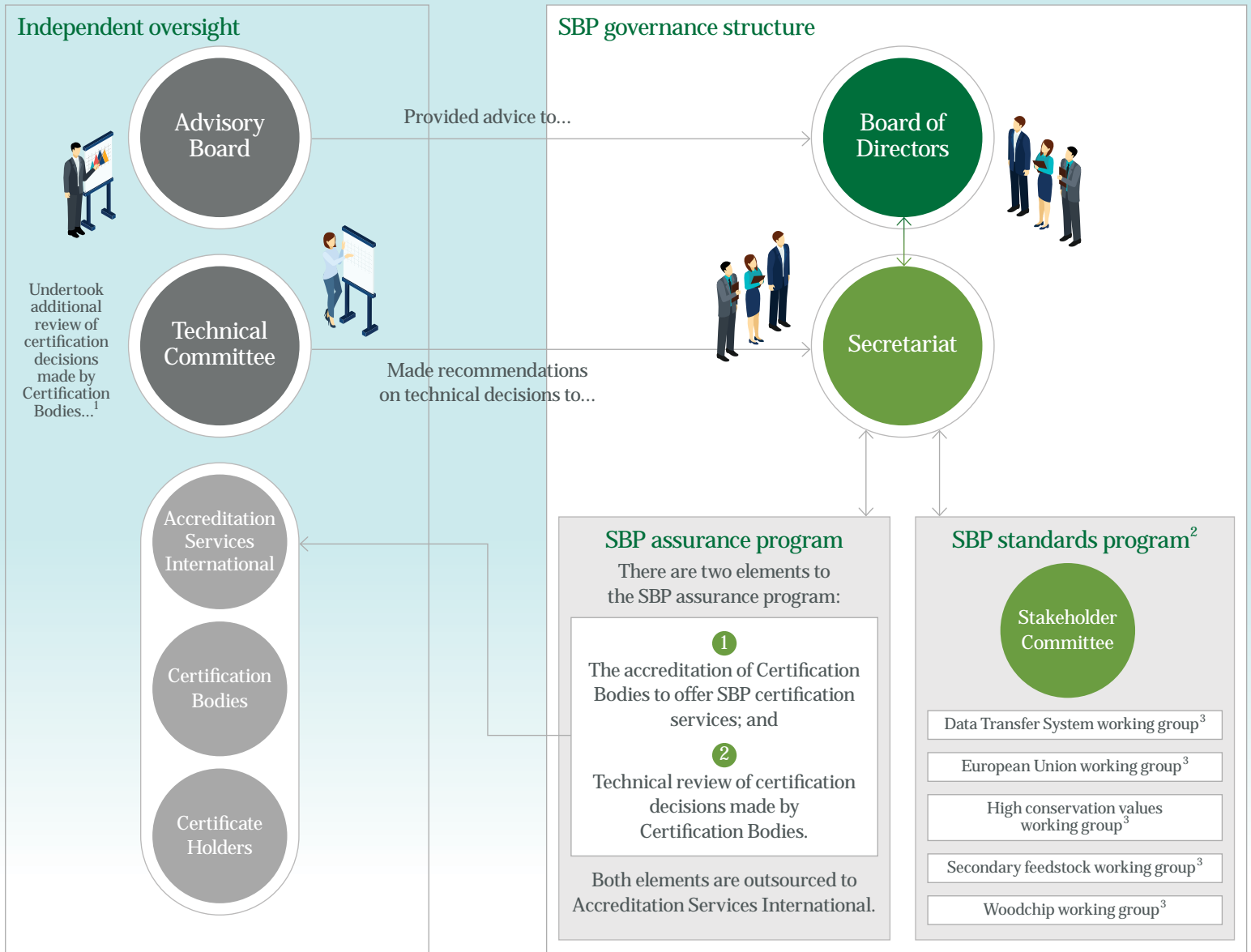
SBP recognises the value and benefit of good governance and independent oversight. Throughout 2017, the organisational structure linked the two as shown in the diagram opposite.

The independent Advisory Board provided advice directly to the Board of Directors on strategic matters, credibility of the certification system, and technical and public policy issues.

The independent Technical Committee scrutinised all technical decisions and provided recommendations to the Secretariat.

Accreditation Services International (ASI) managed the SBP assurance program.

Linking independent oversight with our own governance structure during 2017



Notes:
¹ From 1 January 2018, the Technical Committee ceased to perform this role due to the accredited status of the Certification Bodies.
² Supported by the SBP Secretariat.
³ Transient working groups.

GOVERNANCE










Board of Directors

The Board of Directors is the key governing body of SBP, with representation from each member company and SBP’s Chief Executive Officer. The Board determines SBP’s strategy and objectives, and approves the annual business plan and budget.

During 2017, the Board of Directors met seven times.

Membership

As at the end of December 2017, the composition of the Board of Directors was as follows:

		
Thomas Dalsgaard <i>Chairman</i>	Maarten Gnoth <i>Vice-Chairman</i>	Jane Egebjerg Andersen
		
Carsten Huljus <i>Chief Executive Officer</i>	Matthew Rivers	Anju Sanehi
		
Peter-Paul Schouwenberg	Steven Verbeek	Alf van Weereld

 Biographies of the Board of Directors are available at:
www.sbp-cert.org/about-us/governance/sbp-board






Secretariat

The day-to-day running of SBP is carried out by the Secretariat. In fulfilling the Secretariat function, as at the end of December 2017, SBP employed three full-time employees and procured the services of GE Public Relations Ltd, Simon Armstrong & Associates Limited, and independent consultants.

SBP is a virtual organisation registered in England and Wales.

People

As at the end of December 2017, the full-time employees and service providers were as follows:

		
Carsten Huljus <i>Chief Executive Officer</i>	Lauri Kärmas <i>Data Manager and Analyst</i>	Agita Nagle <i>Office Manager</i>
		
Simon Armstrong (Simon Armstrong & Associates) <i>Technical</i>	Melanie Wedgbury (GE Public Relations) <i>Communications and Information</i>	

 Biographies of the Secretariat are available at:
www.sbp-cert.org/about-us/governance/secretariat

Committee and working group structure

Stakeholder Committee

The Stakeholder Committee is drawn from pellet and woodchip producers, biomass traders, Certification Bodies, relevant trade associations and SBP member companies. There are two seats available for relevant international non-governmental organisations, should any wish to join in the future.

The Stakeholder Committee's role is to provide stakeholder advice to support the Secretariat in the development, implementation and maintenance of the certification system for woody biomass and all the activities necessary to make SBP an efficient and effective organisation.

The Chief Executive Officer, Carsten Huljus, chairs the Stakeholder Committee. The Committee met four times in 2017.

Working groups

Membership of the working groups is drawn from technical experts, which may include individual expert advisers or representatives of organisations with a specific interest in the biomass sector.

Working groups met on an as-needed basis consistent with the demands of their objectives. Reports are made directly to the Stakeholder Committee for review before being presented to the Board of Directors.

SBP recognises the value of independent oversight.

INDEPENDENT OVERSIGHT













Advisory Board


The Advisory Board is an independent forum providing advice to the Board of Directors on the strategic direction of SBP, the credibility of the SBP certification system, and technical and public policy issues. Julia Marton-Lefèvre, Chairman of the Advisory Board, is invited to attend the meetings of the Board of Directors, as an ex-officio participant, to report on the advice of the Advisory Board.

Members were invited to join the Advisory Board as individual expert advisers. Specifically, members were chosen on the basis of holding senior level positions and possessing relevant expert knowledge and extensive networks. During 2017, the Advisory Board met twice.

Membership

As at the end of December 2017, the composition of the Advisory Board was as follows:

			
Julia Marton-Lefèvre <i>Chairman</i>	Jørgen Bo Larsen	Gary Q Bull	Jeroen Douglas
			
Leif Gustavsson	Martin Junginger	Diana Mangalagiu	Göran Örländer
			
Mohammad Rafiq	David Tenny	Katherine Willis	Pernille Risgaard <i>Provides support to the Advisory Board</i>

 Biographies of the Advisory Board members are available at: www.sbp-cert.org/about-us/governance/advisory-board

Technical Committee

During 2017, the independent Technical Committee made recommendations on technical decisions, including initial certification decisions, Certification Body suspensions and Regional Risk Assessments.

Throughout 2017, the Technical Committee continued to play an important role in the Certificate Holder approval procedure through reviewing the documentation in support of an application for certification after the technical review had been conducted by ASI.

That additional oversight helped to assure system users of the competence of the Certification Body in making certification decisions and ensuring consistency of that decision-making across all Certification Bodies. Thereby, upholding the rigour and quality of the SBP certification system through independent oversight.

The Technical Committee conducted all of its work remotely. The Committee itself nominated a Chairman for each individual review that it undertook.

Membership

As at the end of December 2017, the composition of the Technical Committee was as follows:



Kathryn Fernholz



Erik Lammerts van Bueren



Martin Walter



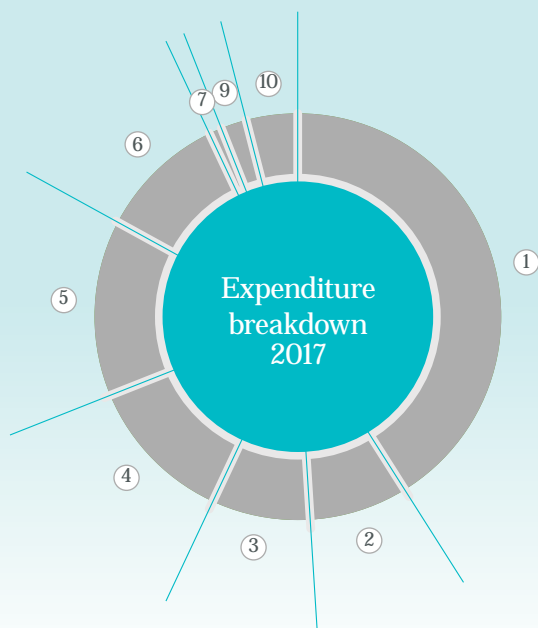
Peter Wilson



Biographies of the Technical Committee members are available at: www.sbp-cert.org/about-us/governance/technical-committee



2017 expenditure



	2017	% of operating costs	% total	2016 comparison
① Secretariat	€ 578,417	43%	41%	€ 553,709
② Advisory Board	€ 114,528	9%	8%	€ 86,632
③ Other consultants	€ 109,632	8%	8%	€ 181,699
④ Travel and subsistence	€ 164,792	12%	12%	€ 209,952
⑤ Certification costs	€ 192,932	14%	14%	€ 155,414
⑥ IT, legal and professional fees	€ 145,812	11%	10%	€ 18,536
⑦ Depreciation	€ 13,464	1%	1%	€ 842
⑧ Foreign currency losses	€ 710	0%	0%	€ 20,375
⑨ Other	€ 22,616	2%	2%	€ 35,926
Total operating costs	€ 1,342,903	100%	—	€ 1,263,085
⑩ Capital projects	€ 60,931	—	4%	€ 48,074
Total expenditure	€ 1,403,834		100%	€ 1,311,159

Expenditure in 2017

SBP is a not-for-profit organisation. Total expenditure in 2017 amounted to €1,403,834 (2016: €1,311,159), including €60,931 (2016: €48,074) invested in capital projects (principally, the development of the Data Transfer System). The small increase in overall expenditure principally reflects the costs associated with running the Data Transfer System and initial costs relating to the governance transition process.

The pie chart (left) shows each key category of spend as a proportion of total spend in the year.

The figures have been extracted from the Company's statutory financial statements, which are subject to an annual audit. The audited financial statements of the Company for the year ended 31 December 2017 will be approved and published separately in due course.

Secretariat

Almost half of SBP expenditure is invested in the people who carry out the day-to-day running of SBP (see page 27). During 2017, SBP invested in full-time staff reflecting its continuing development.

Advisory Board

The role and composition of the Advisory Board is described on page 28.

Other consultants

SBP engages other consultants to carry out specific project work. The reduction in 2017 predominantly reflects the investment in permanent staff and delivery of the Data Transfer System.

Travel and subsistence

Travel costs include those costs that arise from the day-to-day running and governance of SBP, running working groups, attending industry events and engaging with stakeholders.

Certification costs

Certification costs include all costs associated with the SBP assurance program, including the accreditation work carried out by ASI (see page 11) and the costs of the independent Technical Committee.

IT, legal and professional fees

The necessary professional fees associated with running the Company's affairs make up a small proportion of total overheads. During 2017, SBP also incurred new costs associated with the running of the Data Transfer System and initial professional advice regarding the governance transition process.

Capital projects

During 2017, SBP continued to invest in the development of the Data Transfer System and version 1.0 went live in September 2017.

Accreditation Services International (ASI)

An independent third-party accreditation body. ASI manages the SBP assurance program.

Advisory commission on sustainability of biomass for energy applications (ADBE)

The Commission, ADBE (in Dutch, Adviescommissie Duurzaamheid Biomassa voor Energietoepassingen) advises the Dutch Minister of Economic Affairs on the extent to which certification schemes guarantee the sustainability of solid biomass.

AEBIOM

The European Biomass Association.

Biomass

Typically, wood pellets and woodchips.

Biomass producer

A producer of wood pellets and/or woodchips.

Certificate Holder

An SBP-certified organisation in the biomass supply chain, such as a biomass producer, trader or end-user.

Certification Body (CB)

An independent body recognised for its competence to audit and issue certificates confirming that an organisation conforms to the requirements of a standard or standards.

Chain of custody

A mechanism for tracking certified material throughout the supply chain.

Data Transfer System (DTS)

A tool facilitating the collection, collation and transmission of data throughout the supply chain.

EU Renewable Energy Directive II (RED II)

The proposal for a directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources (recast).

Feedstock

Woody material used to produce biomass (wood pellets and woodchips).

Forest Stewardship Council (FSC)

A global forest certification system.

Greenhouse gas (GHG) data

Data related to the calculation of energy and carbon savings.

IEA

International Energy Agency.

International Organisation for Standardisation (ISO)

A non-governmental international organisation responsible for developing standards covering almost every industry.

ISEAL Alliance

The global membership association for credible sustainability standards.

ISEAL Codes of Good Practice

ISEAL Codes of Good Practice provide a globally recognised framework used by leading sustainability standards. The three Codes of Good Practice focus on the core elements of a sustainability standard: standard-setting, assurance and impacts.

Legality

The term legality is defined by SBP Standard 1, Feedstock Compliance Standard, version 1.0.

Non-governmental organisation (NGO)

An organisation that is independent from states and international government organisations.

Primary feedstock

Roundwood and forest residues direct from the forest.

Programme for the Endorsement of Forest Certification (PEFC)

A global forest certification system.

Regional Risk Assessment (RRA)

An evaluation of an entire geographical region to determine the risks associated with sourcing feedstock for biomass (wood pellet/chip) production.

SDE+ subsidy scheme

SDE+ (in Dutch: Stimulerend Duurzame Energieproductie) is an operating grant, which aims to encourage the production of renewable energy in the Netherlands.

Secondary feedstock

Residues from sawmills and other primary processing.

Supply Base Evaluation (SBE)

The process of evaluating uncertified feedstock.

Supply chain actors

All organisations operating within the biomass supply chain, including feedstock suppliers, biomass producers, biomass traders and biomass end-users.

Sustainable Biomass Program (SBP)

A certification system designed for woody biomass used in industrial, large-scale energy production.

SBP certification system

The standards, processes and procedures that together define the certification system.

SBP claim

There are two SBP claims – SBP-compliant biomass and SBP-controlled biomass.

SBP-compliant biomass

Any biomass that comes with a claim that the feedstock used to produce it originates from certified forest (that is, FSC or PEFC-certified feedstock, including feedstock with a certification claim from PEFC-endorsed schemes, such as SFI), or feedstock sourced from areas that are deemed to be 'low risk' following a Supply Base Evaluation.

SBP-controlled biomass

Any biomass that is produced from feedstock with an FSC or PEFC-controlled claim, or feedstock sourced within the scope of the SBP-approved controlled feedstock system.

Sustainability

The term sustainability is defined by SBP Standard 1, Feedstock Compliance Standard, version 1.0.

Sustainable Forestry Initiative (SFI)

A forest certification system used widely across North America.

Tertiary feedstock

Residues from secondary processing (pre-consumer) and recycled (post-consumer) feedstock.

USIPA

US Industrial Pellet Association.

WPAC

Wood Pellet Association of Canada.

CONTACT SBP

For all technical, media and general information enquiries, please contact:

info@sbp-cert.org

For all Advisory Board enquiries, please contact:

Pernille Risgaard
SBP Advisory Board Support

T: +45 4026 1433
pr@pcompany.dk

Keep up-to-date and find more information online:

www.sbp-cert.org

