

**Assessment of stakeholder
consultation for *Preferred by
Nature's* certification
of AS Graanul Invest (Estonia)
based on SDE+ requirements for
biomass energy**

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Abbreviations

ASI	Accreditation Services International
BP	Biomass Producer
CAB	Conformity Assessment Body (see also CB)
CB	Certification Body (another term for conformity assessment body).
ELF	Estonia Fund for Nature
FMU	Forestry management unit
FSC	Forest Stewardship Council
HCV	High Conservation Value
ISEAL	ISEAL Alliance – international organisation that develops principles and codes of best practice for certification systems. https://www.isealalliance.org/
NEa	<i>Nederlandse Emissieautoriteit</i> / Dutch Emissions Authority
NEPCon	CAB rebranded as Preferred by Nature on 1 October 2020
PEFC	Programme for the Endorsement of Forest Certification
PfN	Preferred by Nature
RBA	Risk-based Approach (SDE+)
RRA	Regional Risk Assessment (SBP)
RVO	Rijksdienst voor Ondernemend Nederland / Netherlands Enterprise Agency (responsible for effective execution of the SDE system including the assessment of certification schemes).
SBE	Supply Base Evaluation
SBP	Sustainable Biomass Programme
SBP ID2E	<i>Instruction Document 2E: SBP Requirements for Risk Based Approach for Biomass Category 2 – Demonstrating Compliance with the Netherlands SDE+ Risk Based Approach Sustainability Requirements for Biomass Category 2</i>
SBR	Supply Base Report
SDE+	<i>Stimulerend Duurzame Energieproductie</i> /Encouraging Sustainable Energy Production
SOMO	Centre for Research on Multinational Corporations
WKH	Woodland Key Habitat

Executive Summary

Findings

The Dutch Emissions Authority (*Nederlandse Emissieautoriteit* – NEa) is reviewing the functioning of the Conformity Assessment Body (CAB) that provided the certification of the forest product company Graanul under the SDE+ system that ensures the sustainability of biomass imported to the Netherlands for power generation.

A large proportion of biomass used for power in the Netherlands is imported from Estonia. In order to qualify for subsidies, biomass suppliers must meet the sustainability criteria of *Stimulerend Duurzame Energieproductie/Encouraging Sustainable Energy Production* (SDE+). The Minister of Economic Affairs and Climate Policy recognises certification schemes that comply with SDE+ criteria based on an assessment carried out by Rijkdienst voor Ondernemend Nederland/Netherlands Enterprise Agency (RVO). Stakeholder consultation is a key element of this certification system, although it must be said upfront that this element of the system is complex and opaque. In recent years criticism of the use of biomass for power has increased in the Netherlands and elsewhere, and some specific accusations have been made in the press based on a report by SOMO in 2021.

International Conflict and Security Consulting (INCAS) was asked to review whether the CAB has done an adequate job regarding the stakeholder consultation process in the context of certification for SDE+. Stakeholder consultation was carried out in 2019 and 2021 by Graanul to support its four operations in Estonia and audited by the conformity assessment body (CAB) Preferred by Nature (PfN). PfN also carried out stakeholder consultations and audited the consultations carried out by Graanul. These consultations were intended to comply with the Sustainable Biomass Programme *Instruction Document 2E: SBP Requirements for Risk Based Approach for Biomass Category 2* (SBP ID2E). SBP ID2E is a scheme recognised by the Minister of Economic Affairs and Climate Policy as applying the SDE+ criteria.

INCAS' assessment consisted of interviews with key actors, review of evaluation documentation and associated reports and standards as well as regular discussions with NEa. INCAS found that while the stakeholder consultation carried out by Preferred by Nature met the requirements of the SBP ID2E standard, there were several factors that contributed to the criticism of the process by NGOs in Estonia and the Netherlands. These factors described below relate to the changing views of NGOs relating to the use of forestry biomass for power generation, the quality of the stakeholder consultation in the SBP ID2E system and the related expectations of stakeholders from the process. INCAS has made several recommendations that will improve the SDE+ system as well as next steps to engage stakeholders more effectively in the process.

Best practice for stakeholder consultation promotes engagement with affected and interested parties so that an ongoing dialogue can build trust and promote the understanding of different perspectives even if these cannot be reconciled. While most third-party certification systems include stakeholder consultation, they generally do not promote ongoing engagement. Stakeholder engagement may be promoted in principle, but in practice consultation takes place within a limited timeframe around audits and is based on requesting stakeholder input

on documents relating to certification requirements. There are generally low response rates and limited time during audits to meet with stakeholders. Best practice stakeholder engagement needs to be supported by clear and concise reporting and documentation. It must be said that the quality of reports examined by INCAS is variable, with examples of poor drafting, repetition, unclear references and linkages between documents and previous versions and various omissions meaning that the reader needed significant background knowledge of the issues and understanding of the processes concerned. In addition, the audit reports also do not detail the rationale for how the auditors come to their conclusions on the treatment of stakeholder input.

SDE+ stakeholder consultation requirements are on a par with other third-party certification systems but could be improved by requiring meetings between auditors and stakeholders during audits; promoting ongoing engagement between companies and stakeholders; and providing more detail on the rationale used by CABs in their review of how stakeholder comments are treated by companies undergoing certification.

A key challenge of SDE+ is consultation on the Risk-based Approach for Category 2 forestry. This requires consideration of national, and even international issues such as the carbon balance of national forestry systems. There may be conflicting science, evidence and intense debate at policy level. It is challenging for auditors to address national or international issues with limited time during the evaluation of a company. The process can also identify concerns from stakeholders that go beyond the scope of certification and relate to ongoing national policy discussions. In addition to the challenge faced by auditors, the process can also raise expectations among stakeholders that the evaluation process can somehow adjudicate on these broader issues.

In the case of the Graanul evaluation, INCAS found that the SDE+ stakeholder consultation process was followed. Preferred by Nature researched the issues raised by stakeholders and responses given by Graanul. This involved undertaking desk research and interviews with experts. Preferred by Nature aimed to understand if the criteria of SDE+ had been met. They did not make judgements on issues beyond the scope of SDE+ criteria. At the same time, they did note that some of the issues were challenging to deal with within the limited timeframe of an evaluation.

Third-party certification systems usually have multi-stakeholder mechanisms, or 'roundtables' at the system level that set the standard and certification requirements and approve national-level interpretations. Risk-based approaches with a national, or regional scope are a relatively new approach for third-party certification but can also be dealt with by system level multi-stakeholder mechanisms. For example, this is the case for SBP in the development of Regional Risk Assessments. This approach allows the certification system to invest the necessary time and expertise to review the science and political dialogues around national or international-level issues.

There has been progress on some issues raised by stakeholders albeit at a relatively slow pace. For example, the protection provided by the Woodland Key Habitats (WKH) designation was raised by stakeholders as a concern and led to the development of an information system to support the identification of WKH sites that is used by Graanul. Although there has been progress, much of it would seem to be initiated outside the SDE+ process. The WKH site

identification was initiated by discussions in the Forestry Stewardship Council (FSC) and the database developed by NGOs. The issues of unsustainable forestry in and around Natura 2000 sites was initiated by legal action taken by an Estonian NGO at EU-level which prompted action by the European Commission.

In discussion with NGOs from Estonia and the Netherlands it became clear that there is strong and increasing opposition to the use of biomass for power generation. This can be seen as the underlying cause of the focus that NGOs are placing on SDE+ process in Estonia. The development of SDE+ in 2013 included civil society with environmental NGOs agreeing to the SDE+ sustainability criteria. However, INCAS spoke with NGOs that were involved in the 2013 process and they stated clearly that they now believe that the use of forestry biomass has detrimental impacts on biodiversity and climate. They are not opposed to the use of forestry biomass per se but believe that priority should be given to other uses that minimise the volume of biomass required while at the same time sequestering carbon such as bioplastics. They would also like to see renewable energy types that do not have other renewable energy alternatives, such as biofuels for aviation, being prioritised over power generation. The main driver of this NGO approach appears to be ensuring effective ways to reduce greenhouse gas emissions. However, there is also concern about the impact on biodiversity of increasing the demand on forests. The expectation is that lower volumes of biomass will be required for alternative energy and biomaterials and pressure on forests with thereby be reduced.

Recommendations

Based on the above conclusions, INCAS proposes the following recommendations for consideration by NEa:

- Engage NGOs in a dialogue to understand their concerns around the use of biomass for energy. This should include Dutch and International NGOs as well as those from Estonia and other source countries.
- Establish a multi-stakeholder mechanism as part of the SDE+ framework to deal with system-level issues on an ongoing basis. This could include the oversight/review of RBAs as well as revising SDE+ criteria on an ongoing basis. This would allow for review of issues such as peatland and carbon stocks in Estonia.
- Review the stakeholder consultation requirements of SDE+ to potentially include:
 - Meetings with stakeholders during evaluation audits.
 - Improved documentation by CABs on their review of issues raised in stakeholder consultations giving a summary of methodology and rationale for reaching their conclusions.
 - Ways and means to improve ongoing stakeholder engagement. For example, companies could be required to demonstrate that they have regular meetings with stakeholders and/or have mechanisms in place to allow stakeholders to raise concerns on an ongoing basis so that complaints can be dealt with as they arise.
- Set up limited series of roundtable meetings in Estonia to engage with Estonian government, NGOs and industry to look at the issues raised by stakeholders.

1. Background

1.1. Terms of Reference

The Dutch Emission Authority (Nederlandse Emissieautoriteit – NEa) engaged INCAS in November 2021 to assess the stakeholder consultations carried out as part of the audit of four operations owned by Graanul (Graanul Invest AS – Imavere factory; Ebavere Graanul OÜ; Helme Graanul OÜ; and Osula Graanul OÜ) under the Sustainable Biomass Program scheme ‘NL SDE controlled (ID2E)’ standard (SBP ID2E). This standard has been recognised by the Ministry as effectively applying the SDE+ criteria.

NEa is the independent national authority which implements and monitors the market tools available that contribute to a climate-neutral society. The NEa, among other tasks, supervises the certification of biomass pellets used in the Netherlands to generate energy according to the sustainability criteria for solid biomass under the SDE+ scheme.

SOMO (Centre for Research on Multinational Corporations), a Dutch-based NGO, published a report on the forestry activities of AS Graanul Invest, which criticised the SDE+ certification process. The SOMO report was reviewed by Indufor Oy from an industry perspective. Indufor Oy concluded that there were no substantial issues to answer. NEa engaged INCAS to undertake an independent review of the effectiveness of the stakeholder consultation work carried out by Preferred by Nature, a conformity assessment body (CAB) recognised by the Minister of Economic Affairs and Climate Change Policy, and which carried out the Graanul Invest certification using the SBP ID2E scheme.

The assessment covered five elements related to the Graanul Invest certification:

1. The stakeholder consultation carried out by Graanul as part of their preparation for audit by Preferred by Nature
2. The Preferred by Nature evaluation of how adequately Graanul addressed the comments from stakeholders and specifically the impact of the comments on the risk assessment.
3. The second stakeholder analyses carried out by Preferred by Nature.
4. The Preferred by Nature evaluation if the comments from stakeholders (from its own analysis) have an impact on the risk assessment.
5. The second review currently being carried out by Preferred by Nature in November/December 2021.

NEa noted that they required an understanding of the details of the external stakeholder analysis and requested that the assessment focus on key issues raised in the stakeholder consultation:

- Woodland Key Habitats
- Natura 2000
- Threatened animal species

- Cultural values (including “cross trees”)
- Watersheds
- Peatlands

NEa also requested that the assessment cover the following questions:

1. Have all stakeholders been approached that should have been approached (sufficiently representative)?
2. Have stakeholders been approached with the correct question (and was it sufficiently clear what was asked from them)?
3. Has Preferred by Nature evaluated the input from the stakeholder analysis adequately?
 - i. Are signals and the issues raised investigated sufficiently?
 - ii. Is it justified (or not) to include the input from stakeholders in the risk assessment?
4. Is it sufficiently transparent to the stakeholders what was done with their input?

1.2. The SDE+ Scheme

The SDE+ system (Stimulerend Duurzame Energieproductie/Encouraging Sustainable Energy Production) supports the production of renewable energy in the Netherlands by providing subsidies to energy producers to compensate for the higher cost of renewable energy production. Producers receive financial compensation for every unit of renewable energy they generate.

SDE+ covers a range of renewable energy processes including the co-firing of woody biomass in coal power plants. A 2013 agreement allowed for the production of 25 PJ of energy from woody biomass under SDE+ provided that the biomass complied with the NTA8080/Better Biomass sustainability standard. A working group of energy producers, government organizations and NGOs was set up to develop additional sustainability criteria for implementation through legislation and regulation. This culminated in the approval of the Energy Agreement which was signed by 47 organizations including government, NGOs, trade unions, industry and financial organisations.

A verification protocol was developed by the Netherlands Enterprise Agency (RVO), based on the sustainability principles and criteria contained in the Energy Agreement, to demonstrate compliance with the SDE+ sustainability criteria. SDE+ allows for the direct verification of biomass producers (BPs) and forestry management while also recognising existing certification systems such as SBP and FSC that have been determined to effectively apply the SDE+ criteria. The certification systems can also be partially recognised meaning that any gaps between a certification’s systems sustainability criteria and those of SDE+ can be bridged through an additional verification audit. SBP ID2E is one such certification scheme that was developed specifically by SBP to audit SDE+ criteria. It has been recognised by the Ministry NEa as effectively applying the SDE+ criteria.

SDE+ defines different types of biomass. Two categories are based on the size of the forestry management units (FMUs) undergoing evaluation. Category I are FMUs greater than 500

hectares and Category 2 are FMUs less than 500 hectares. SDE+ allows for a Risk-Based Approach (RBA) to be used for Category 2 biomass up until the end of 2022. The RBA assesses risks against criteria and indicators in the SDE+ Verification Protocol/ SBP ID2E. Risks are classified as 'low' or 'specified'. Where issues are assessed as being a 'specified risk', mitigation measures are required to be put in place and monitored. For low-risk issues, mitigation measures are not required.

1.3. Graanul Evaluations

The main focus of the assessment was to review the stakeholder consultations carried out as part of the evaluation, or audit, of Graanul using the SBP ID2E. There were two main evaluations carried out by Preferred by Nature: in November 2019 (finalised in February 2020) and November 2021 (finalised in February 2022). There was also a surveillance audit carried out in August 2021, but this did not include a stakeholder consultation. Under SBP ID2E stakeholder consultations are only required during full audits every five years.

The first evaluation (2019/2020) is referred to as a 'Scope change audit' because Graanul was previously certified by SBP and was expanding its certification to add the specific SBP ID2E, presumably to facilitate access to the Dutch market. Under SDE+ biomass producers are required to carry out a Risk-based Approach (RBA) as well as a Supply Base Report. As noted above, the RBA is relevant for Category 2 biomass (from small forest management units of less than 500ha). The preparation of the RBA and Supply Base Report require biomass producers to carry out a stakeholder consultation. The RBA and Supply Base Report were prepared by Graanul in advance of the audit in October 2019.

During the Fourth Surveillance Audit in August 2021, a stakeholder consultation was not undertaken but the publication of the SOMO report, 'Wood Pellet Damage', which had been published in July 2021 was noted.

The 'Re-assessment' audit was carried out in 2021/2022 in response to the concerns raised in the SOMO report. This was a full audit, and an updated RBA and Supply Base Report were prepared in November 2021 with stakeholder consultation. Graanul used the SOMO report as input as well as a report responding to the SOMO claims from the industry perspective – 'Peer Review of the Wood Pellet Damage Report' by Indufor Oy, which was published in September 2021.

Graanul has four operations which were audited and considered to be in compliance with SBP ID2E. These are: Graanul Invest AS – Imavere factory; Ebavere Graanul OÜ; Helme Graanul OÜ; and Osula Graanul OÜ. The audit reports for each of the four Graanul entities are identical in terms of their stakeholder consultation and so the INCAS team based its review on one of these reports for each audit cycle.

In addition to the SBP ID2E evaluations and related reports, it is worth noting the SBP-endorsed Regional Risk Assessment (RRA) for Estonia. Although this report is not part of the SDE+ process, it takes a similar approach to the RBA and reviewed the same issues raised during the SBP ID2E evaluation of Graanul as well as consulting similar stakeholders. Version 1.0 of the RRA for Estonia was published in 2016 based on stakeholder consultation carried

out in 2015. The RRA was updated in 2021 (Version 1.1.) and included an additional round of stakeholder consultation. Both Version 1.0 and 1.1 were prepared by Preferred by Nature for SBP.

These various reports/assessments are summarised in Table 1 below with additional details provided in Annex 1.

Table 1: Timeline of Evaluations and Related Reports (evaluation reports in Bold)

Date	Document / Audit	Author
22.04.2016	<i>SBP-endorsed Regional Risk Assessment for Estonia, version 1.00.</i>	NEPCon
16.10.2019	<i>Graanul Invest SDE+ COC and RBA [Risk-based Approach], Cat .2, Estonia, Version for SBP ID2E</i>	Peterson Projects B.V.
26.10.2019	<i>OÜ Osula Graanul Supply Base Report</i>	OÜ Osula Graanul
03.02.2020	<i>Updated: Graanul Invest SDE+ COC and RBA, Cat .2, Estonia, Version for SBP ID2E.</i>	Peterson Projects B.V.
24.02.2020	NEPCon Evaluation of Osula Graanul OÜ Compliance with the SBP Framework: Public Summary Report, Scope Change Audit	NEPCon
07.2021	<i>Wood pellet damage How Dutch government subsidies for Estonian biomass aggravate the biodiversity and climate crisis</i>	SOMO
09.08.2021	<i>Preferred by Nature Evaluation of Graanul Invest AS – Imavere factory Compliance with the SBP Framework: Public Summary Report, Fourth Surveillance Audit</i>	Preferred by Nature
27.09.2021	<i>Dutch Biomass Certification Foundation (DBC) Peer Review of the Wood Pellet Damage Report in Estonia by SOMO</i>	Indufor Oy
22.10.2021	<i>SBP-endorsed Regional Risk Assessment for Estonia, version 1.1.</i>	Preferred by Nature
12.11.2021	<i>Graanul Invest SDE+ COC and RBA Cat .2 Estonia</i>	Peterson Projects/Graanul
12.11.2021	<i>Supply Base Report: Graanul Invest AS – Imavere Factory</i>	Graanul
23.02.2022	Preferred by Nature Evaluation of Osula Graanul OÜ Compliance with the SBP Framework: Public Summary Report, Re-assessment	Preferred by Nature

2. Approach to Assignment

The INCAS team reviewed documentation related to the Preferred by Nature audits of Graanul as well as the SOMO and Indufor Oy reports and the SBP Regional Risk Assessment for Estonia. Interviews with key stakeholders were undertaken and there were weekly calls with the NEa team to report back and discuss findings. The second Preferred by Nature audit, the re-assessment report, became available in March 2022. Additional interviews with stakeholders were then undertaken to discuss the second Preferred by Nature audit results and stakeholder consultation process.

In framing this report, the INCAS team compared the stakeholder consultation carried out by Preferred by Nature to the requirements of SBP ID2E as well as the approach to stakeholder consultation by other certification systems and international best practice on stakeholder consultation and engagement.

The INCAS team also reviewed the specific issues raised by the main stakeholder ELF in the Graanul and Preferred by Nature stakeholder consultations to understand if the responses and follow-up action by Preferred by Nature were adequate. The responses and follow-up were reviewed in terms of the SDE+ *SBP ID2E* framework and as well as what could be considered adequate in terms of best practice for stakeholder consultation.

The following stakeholders were consulted: Graanul, ELF, Preferred by Nature, Greenpeace Netherlands, Natuur & Milieu, Accreditation Services International (ASI). The NGO Hiite Maja Foundation was also contacted but due to language issues they simply referred INCAS to their original responses.

3. Best practice for stakeholder consultations

3.1. Global Best Practice

There are many international standards relating to best practice for stakeholder consultation. Standards and guidelines from the International Finance Corporation (IFC), AccountAbility, and the International Council of Mining and Metals (ICMM) are among those most frequently referenced and used by practitioners, business and NGOs. Although there are different approaches they agree on fundamental principles.

Best practice stakeholder engagement requires the active and ongoing engagement of key stakeholders. This should be done transparently and openly. Detailed discussions on contentious issues may be required, and while agreement on all sides is not the aim, setting out clear positions, and understanding and engaging with others' views is essential. Best practice engagement also implies that stakeholder views will be considered in decision-making and that best efforts will be made to address them. Consultation should be targeted to those directly affected, accompanied by good and detailed information, meaningful, two-way and reported back to those consulted.

3.2. Stakeholder Consultation under SDE+

The requirements for biomass producers regarding stakeholder consultation are laid out in the *Verification Protocol for Sustainable Solid Biomass for Energy Applications (January 2021)* and these have been incorporated into SBP ID2E almost verbatim (see comparison in Annex 3). In addition, SBP ID2E notes that the requirements set out in *SBP Framework Standard 2: Verification of SBP-compliant Feedstock* are also applicable. These require that stakeholders should be given one month timeframe to respond; and that a stakeholder consultation is required for the first audit and, after that, every five years during re-evaluation i.e., consultations are not required during annual surveillance audits. The *Framework Standard* also notes that the 'principles in Stakeholder Consultation for Forest Evaluations FSC-STD-20-006 (V3-0) EN are recommended as good practice.'

There are also requirements for certification bodies (CBs), another term for conformity assessment bodies CABs), detailed in *SBP Standard 3 - Certification Systems. Requirements*

for *Certification Bodies v1.0*. This document requires that CABs carry out their own stakeholder consultation during the first audit and five-year re-evaluation. The CAB also needs to check if stakeholders' comments were adequately addressed by the biomass producer. While stakeholder consultations only take place every 5 years, the requirements state that any submissions from stakeholders 'shall be recorded and evaluated during, or prior to the next audit'.

3.3. Discussion

3.3.1. Best practice for certification stakeholder consultation

While the SDE+ / SBP ID2E requirements form a good basis for stakeholder consultation there are several important gaps when compared to best practice for stakeholder consultation. As noted above, best practice recommends that organisations develop relationships with key stakeholders rather than periodically requesting feedback on documentation prior to audits. This allows for ongoing exchange and understanding of issues of concern rather than a once-off, often written, exchange in the context of periodic audits.

Some certification systems like the Roundtable on Sustainable Biomaterials (RSB) require a physical meeting with stakeholders during the site audit. Experience has shown that this allows for more exchange on concerns between the company and stakeholders with the auditor playing a neutral role.

3.3.2. Incentives for quality stakeholder consultation

Third-party certification approaches generally do not incentivise auditors to go beyond requirements to apply best practice or undertake more in-depth stakeholder consultation. In fact, the commercial nature of certification can incentivise CABs to reduce time spent on stakeholder consultation. When CABs submit offers to companies that are receiving competing offers from other CABs, they have an incentive to reduce time spent on an audit and thereby the cost to the client. Spending additional time on stakeholder consultation could make bids less competitive. It also means that if a CAB wins a contract, they are unlikely to increase staff costs by engaging in additional outreach and discussions with interested parties. An approach that encouraged ongoing stakeholder consultation and engagement by the biomass producer during normal operations would improve the quality of engagement during audits.

3.3.3. Stakeholder response rates

An additional challenge for certification systems is the response rate, or willingness of stakeholders to engage with companies and the certification process. This can be due to time constraints but also lack of confidence that issues raised will be dealt with effectively in the auditing process. The situation is exacerbated when engagement is limited to sending out documents at audit time rather than ongoing dialogue and engagement.

3.3.4. Conformity versus Risk-based approach

Stakeholder consultation under certification systems is usually focussed on the conformity of the company undergoing certification. For example, the FSC standard on stakeholder consultation states: *‘The certification body shall consult with a range of stakeholders who can provide relevant information as to an applicant’s conformity with the environmental, legal, social, and economic requirements of the Forest Stewardship Standard.’*

The approach was set up to gather additional information on the company’s adherence to the requirements of the standard. Local stakeholders but also national-level NGOs can give important direct feedback on examples of where companies are not adhering to certification principles and criteria. For example, there can be direct observation of instances of pollution, clear-cutting or mistreatment of local communities. The system can work quite well at site level when stakeholder can act as ‘whistle blowers’ to identify issues that auditors might otherwise miss. Certification systems also have mechanisms to protect the anonymity of stakeholders that highlight such issues.

Certification stakeholder consultations were envisaged to deal with specific ‘sites’ or ‘operations’ with clearly defined boundaries and management responsibilities – for example a facility, a farm, or forestry area. While certification can be applied to multiple-sites through group certification, processes like stakeholder consultation were not developed to deal with ‘bigger picture’ issues over large regions or entire countries, such as the state of endangered species, or the prevalence of unsustainable forestry practices near waterbodies. With the SDE+ approach to Category 2 forestry, the Risk-based Approach, requires that the audit of a company includes a review of national or international level issues. The science on some issues such as carbon balance can be contradictory and the issue highly politicised. This makes the evaluation of these big picture issues within a framework designed for specific sites, extremely challenging for an auditor with limited capacity to invest in research and consultation necessary to make a judgement when companies and stakeholders have divergent opinions.

3.3.6. Documentation of stakeholder consultation

Best practice stakeholder engagement needs to be supported by clear and concise reporting and documentation. While the comments received by stakeholders, the response from the company and the conclusions of the CAB on the company’s response are well documented in Graanul’s RBAs, the conclusions of the CAB do not provide any rationale for how the conclusions were reached. It would be preferable for the CAB evaluation reports to provide a summary of literature and experts consulted, reference to site visits if they were undertaken, and the CABs own experience of the issue. This would give a clearer picture of how the CABs conclusions were reached. Making this information available to stakeholders would also provide greater transparency in the overall process.

3.3.7. Multi-stakeholder dialogue at system level

Credible certification systems also have multi-stakeholder dialogue at the level of the development and revision of the standard and requirements itself. According to ISEAL Codes of Good Practice standards should be revised every five years with a process that allows for input from the general public, as well as members of the standards organisation. This enables

standards to review their effectiveness and take account of new developments in science and society.

3.4. Conclusion

SDE+ stakeholder consultation approach cannot be considered best practice mainly because it does not require:

- Ongoing engagement between stakeholder and the biomass producers;
- Direct meetings between stakeholders and the auditors, or companies undergoing certification; and
- Details of how CABs reach their conclusions on the issues raised by stakeholders.

SDE+ could improve the quality of stakeholder consultation by incorporating requirements on these issues in the Verification Protocol and certification systems recognised under SDE+ such as SBP ID2E.

An important aspect of stakeholder consultation in standards and certification systems is in the multi-stakeholder approach to standard development. Multi-stakeholder mechanisms, while time consuming, do enable standard systems to ensure that the certification requirements take account of new policy and scientific information and remain realistic in terms of implementation. Although developed with multi-stakeholder input, the SDE+ system does not have a mechanism to update requirements on a regular basis based on new thinking from NGOs, industry and other stakeholders. SDE+ should consider establishing such a mechanism.

4. Stakeholder Consultation for Graanul

4.1. Scope change audit 2019/2020

The initial stakeholder consultation by Graanul was not undertaken at the time of the first (Scope Change) audit in November 2019 and was identified as a non-conformity by Preferred by Nature. Graanul carried out its stakeholder consultation for the RBA report from 22 November to 22 December 2019 with the report being sent to 11 Estonian stakeholders (see Annex 4). The Supply Base Report was published on 21 December 2019 on the company website and also sent to 11 stakeholder organisations. Three responses were received on the RBA report and Graanul included these in the RBA report.

Preferred by Nature undertook its stakeholder consultation from 5 November to 5 December 2019 contacting 30 organisations as well as publishing an announcement on the Loodusaeg mailing list with approximately 1,000 subscribers. No direct responses were received during this period but Preferred by Nature was copied on a letter from one stakeholder (ELF) addressed to Graanul dated 20 December. Preferred by Nature also called the main stakeholders on 11 December and succeeded in speaking to one of them. Feedback on this conversation was provided to Graanul which included the comments to the RBA (as one of the three stakeholders mentioned above).

4.2. Re-assessment audit 2021/2022

For the Reassessment audit in 2021, consultation on the RBA report was undertaken from 5 October to 5 November 2021. In addition, the SOMO and Indufor Oy reports were considered as stakeholder input and integrated into the RBA. The RBA notes that ten relevant stakeholder groups received the documents, two provided feedback, while two stakeholders responded orally that they supported the Graanul approach. Two stakeholders responded to the consultation. Graanul noted that one stakeholder (ELF) ‘raised the same cases and questions like in SOMO report’. The second stakeholder represents small forest owners and questioned international sustainability criteria as well as the designation of specified risks. The Preferred by Nature consultation was carried out from 21 October to 20 November 2021 with outreach to 29 organisations and publication on the Loodusaeg mailing list.

4.3. Discussion

It is clearly a matter of concern that Graanul did not carry out any stakeholder consultation ahead of the audit in 2019. Graanul noted confusion with the requirements as being the reason for the consultation not being carried out but SBP ID2E clearly lays out the requirements for stakeholder consultation and it is not a long document (10 pages on requirements). While there could be confusion between the Supply Base Report consultation and that of the Chain of Custody Risk-based Approach document, neither consultation was carried out ahead of the audit. However, given the overall complexity of the SDE scheme, potential confusion between SBP requirements (the certification was already in place for Graanul) and the SBP ID2E requirements, and the unlikelihood of a biomass producer knowingly scheduling an audit without carrying out a key part of the required preparation, credence should be given to the Graanul claim.

According to the SBP standard (see Table 2), the intent of the conformity assessment body (CAB) stakeholder consultation has two aspects: to verify that management systems of the site are working; and to check the response of the biomass producer to the issues raised during the BPs stakeholder consultation.

Table 2: Requirements for CAB Stakeholder Consultations

SBP Framework Standard 3: Certification Systems. Requirements for Certification Bodies

‘9.2 . . .CBs are not expected to identify and consult all possible stakeholders, but shall consult with a sufficient number of affected stakeholders in order to verify that management systems (documented or undocumented) are working effectively and consistently under the full range of conditions present in the area under evaluation.’

‘9.3 The CB shall consult with stakeholders included in the BPs SBE [Supply Base Evaluation] consultation and the Locally Applicable Verifiers (LAVs) process. As a part of the CB consultation the CB shall determine if stakeholders’ comments were adequately addressed by the BP.’

Table 3: Requirements for Biomass Producer (BP) Stakeholder Consultations

SBP Framework Standard 2: Verification of SBP-compliant Feedstock

Instruction Note 2B: Supply Base Evaluation Stakeholder Consultation – Requirements for Biomass Producers

1 General Requirements

1.1 The BP shall proactively and transparently engage affected stakeholders in its SBE [Supply Base Evaluation] planning and monitoring processes, proportionate to the scale, intensity and risk of management activities. It shall engage interested stakeholders on request.

1.2 Affected stakeholders shall be notified in advance of the SBE if feedstock harvesting is likely to negatively impact on them. They shall also be provided with opportunities for engagement in order to identify ways to avoid or reduce any negative impacts.

1.3 Interested stakeholders shall be notified at least one month in advance of the end of the SBE, and shall be provided with opportunities for engagement in management planning and monitoring processes likely to impact on their interests.

2 Stakeholder Concerns

2.1 The BP is not required to reach a consensus with stakeholders, but shall consider relevant stakeholder concerns.

Instruction Note 2C: Supply Base Report – Requirements for Biomass Producers

3 Public availability

3.1 The SBR shall be both uploaded onto the BP website and submitted to the SBP no later than ninety (90) days after the on-site closing meeting at the end of an audit by a CB. SBP shall publish SBE public summary reports and annual updates on the SBP website.

The stakeholder consultations carried out by Preferred by Nature had very low response rates. The one set of feedback received (in 2019) was a copy of comments being sent to Graanul as part of their consultation. With these low response rates, it was helpful that Preferred by Nature called the main stakeholders. It should also be noted that in its communication with stakeholders, Preferred by Nature does offer to meet, or set up a call with stakeholders which is good practice for consultations.

The CAB consultation for the 2019 /2020 audit started before, and ended during, the BP (Graanul) consultation. This made it impossible for the CAB to receive any feedback from stakeholders on how their concerns had been dealt with by Graanul. While Preferred by Nature could make its own assessment on the issues raised by stakeholders and Graanul's response, it would have been more informative to have the potential to discuss the counterarguments put forth by Graanul.

Also due to the timing overlap, the CAB and Graanul consultations appear to be based almost entirely on the same set of feedback and it is difficult to make a distinction between the CAB and Graanul consultations based on input received. The most substantive feedback from ELF (Estonian environmental NGO) was considered as input for both consultations. The second set of feedback received by Preferred by Nature via a call, concerning mitigation measures and databases, was passed on to Graanul and by them as a response to its own consultation. The third set of feedback received by Graanul was editorial in nature. For both the Graanul and Preferred by Nature stakeholder consultations a total of three stakeholders participated. In summary, while the stakeholder consultations carried out in 2019 met the 'letter of the law' in terms of both the CAB and BP carrying out stakeholder consultations, the overlap in timing of the consultations was far from ideal.

For the reassessment audit in 2021/2022, the BP and CAB stakeholder consultations were held sequentially. However, Preferred by Nature did not receive any responses most likely because the two most active stakeholders had already given their feedback to the Graanul consultation.

NEa identified four questions to guide this assessment. There are listed below with responses from the INCAS team.

1. Have all stakeholders been approached that should have been approached (sufficiently representative)?

The group of 11 stakeholders approached by Graanul for both audits represented a range of NGOs, business associations and academic institutions. Many of the stakeholders were associations representing groups of NGOs or businesses in addition to multi-stakeholder certification systems FSC and PEFC. While the group of stakeholders included environmental NGOs, it did not include civil society organisations concerned with social and cultural issues such as Hiite Maja Foundation which had raised concerns about cross trees. The Preferred by Nature consultation reached out to a far broader group of stakeholders which also included local parish councils and government institutions and the cultural NGOs including Hiite Maja. INCAS concludes that while the combined group of stakeholders approached was sufficient, more effort could have been made by Graanul to reach out to local communities (via Parish councils) civil society organisations concerned with social and cultural issues.

2. Have stakeholders been approached with the correct question (and was it sufficiently clear what was asked from them)?

While the SDE+ system is quite complex and can be confusing to stakeholders, INCAS found that the communication with stakeholders was quite clear. For example, the letter sent to stakeholders included the included mitigation measures description, overview of the supply base and a link to the SBP-approved Regional Risk Assessment for Estonia. The RBA document was attached to the letter which asked stakeholders to provide feedback and comments on mitigation measures taken by the Graanul to mitigate risk of materials coming from WKHs as well as the RBA document. As noted above the communications also included the offer to speak directly with the stakeholders by call or direct meeting. This would have allowed any potential lack of clarity in the communications to be cleared up.

3. Has Preferred by Nature evaluated the input from the stakeholder analysis adequately?

Overall, the inputs from stakeholders were found to be evaluated adequately in the context of SDE+ criteria. However, INCAS believes that some of the issues raised are of a complexity that cannot be analysed effectively in the course of the audit of a single company and would have benefited from a consultation beyond the scope of a regular audit, for example via a multi-stakeholder discussion at national or SDE+ system level (see sections 3.3.7 and 4.4 above).

Preferred by Nature has a good approach for reviewing the stakeholder consultation analysis based on the experience of its auditors with forestry in Estonia and other

certification systems, literature review, consultation with experts. Preferred by Nature noted that they did not carry out site visits for the Graanul audits because the auditors were already familiar with several of the sites referenced from audits under other systems such as FSC and because the auditors have in-depth knowledge of the forestry sector and related political context in Estonia.

However, in the audit reports, Preferred by Nature does not give any rationale for its conclusions on the stakeholder consultation. In the 2019 /2020 audit it mostly stated its conclusion on the quality of Graanul's response. In the 2021 /2022 audit, it gave an overall endorsement of Graanul's response, except for one issue where it issues a non-conformity due to lack of information to justify a 'low risk' designation. Ideally, the CAB should give a summary of the rationale for its conclusion on each issue citing sources such as literature review, auditor experience, familiarity with sites etc. This information could then be shared with stakeholders which would lend more transparency to the process.

Based on the literature reviews and several conversations with the team, INCAS believes that Preferred by Nature has evaluated the input and adequately but would recommend that SDE+ review requirements for CABs to detail the rationale for their conclusions in audit reports.

i. Are signals and the issues raised investigated sufficiently?

As noted above, INCAS concludes that the issues raised were investigated sufficiently in terms of SDE+ requirements but some of the concerns raised have conflicting science and therefore cannot be resolved with the limited resources available during the course of an audit.

ii. Is it justified (or not) to include the input from stakeholders in the risk assessment?

The input from stakeholders was included in the RBA. INCAS agrees with the Preferred by Nature assessment on most that the input was adequately addressed in the RBA except for one case where a non-conformity was issued. There are also two areas where INCAS believes that further investigation is warranted. These are the issues of peatlands and carbon stocks (see points 5.7 and 5.8 below). As noted in the Graanul RBA, there is a need for better approaches to assessing the impact of renovating old drainage systems and assessing the impact of forestry management on carbon balance. While INCAS agrees with the conclusions of Graanul in the RBA – that the issue is low risk in terms of Graanul's operations – both issues have a potential risk at national level in Estonia and should be reviewed by SDE+.

4. Is it sufficiently transparent to the stakeholders what was done with their input?

Stakeholders have been able to see the treatment of their inputs by Graanul and Preferred by Nature. This does not mean that the stakeholders agreed with how their input was dealt with, but the process was transparent. As noted above transparency could be improved through the CAB providing a summary of rationale for reaching its conclusions on the BP's response to the issues raised by stakeholders.

5. Response to Stakeholder Concerns

The main stakeholder feedback received by Graanul was from the NGO ELF as well as the input of the SOMO and Indufor Oy reports. Other stakeholders provided editorial comments, requested clarity on mitigation measures and the use of databases (2019/2020) evaluation), or raised concerns from the perspective of small forestry owners about the criteria being too restrictive on their practices (2021/2022) evaluation).

For the purpose of the assessment, INCAS focussed on the issues raised by ELF which overlapped with the issues raised in the SOMO and Indufor Oy reports. NEa also requested that the assessment focus on the following key issues raised in the stakeholder consultation:

- Woodland Key Habitats
- Natura 2000
- Cultural values (including “cross trees”)
- Threatened animal species
- Watersheds
- Peatlands

In addition, an important issue raised by ELF was the carbon balance of Estonian forests related to national cutting rates (4.1).

5.1. Key Issues and the SDE+ Risk-based Approach

Under the Risk-based Approach (RBA) set out in the SDE+ Verification Protocol and SBP ID2E, there are a set of indicators related to sustainability criteria. In the development of the RBA, each indicator is designated as ‘low risk’ or ‘specified risk’. For specified risks, the biomass producer (BP) should put in place mitigating measures, while for indicators designated as low risk mitigation measures are not necessary.

Woodland Key Habitats (WKH), Natura 2000 and cultural values (cross trees) relate to the protection of high conservation value areas under indicator 7.1 of the SDE+ Verification Protocol. In Graanul’s RBA finalised in 2019 and updated in November 2021, indicator 7.1 is designated as a ‘specified risk’. This corresponds to the designation of these issues in the SBP Regional Risk Assessment (RRA). The 2016 RRA classified the SBP indicator related to high conservation values (2.1.2) as a specified risk due to WKH. In the updated SBP RRA (October 2021), the specified risk was expanded to include Natura 2000 and cultural values (cross trees).

The other key issues (threatened species, peatlands and wetlands) were designated as low risk in both the 2021 and 2019 Graanul RBA as well as the 2016 and 2021 versions of the SBP RRA for Estonia.

5.2. Woodland Key Habitats (WKH)

Woodland Key Habitats (WKHs) are areas outside of legally designated protected areas where there is a high probability of species of high conservation importance occurring and therefore should be conserved. In Estonia there are two problems related to WKHs: the official inventory of sites is not complete and under Estonian law the protection of Woodland Key Habitat (WKH) is optional for private forest owners. WKHs were mapped during a 1999- 2002 inventory but experts believe that only 50% of Estonia's WKHs have been identified. NGOs have developed an additional list of potential WKHs based on a database inventory. The NGO database is used by FSC.

In its RBA reports, Graanul set out how it mitigates this 'specified risk'. Graanul only sources biomass from FSC and Programme for the Endorsement of Forest Certification (PEFC) certified forest areas. FSC has a definition and approach to areas of High Conservation Value (HCV) that is similar to or even more robust than the SDE+ Verification Protocol/ SBP ID2E requirements. Therefore, FSC certified biomass is considered SDE+ compliant. This is not the case for PEFC-certified material because PEFC is not considered to have the same rigour as FSC in its approach to HCV.

FSC has identified databases of potential HCV areas (such as the NGO database for WKHs) which it uses for its certification. Graanul uses these FSC databases to screen PEFC-certified material. Graanul checks the origin of each truck arriving at its pellet plant gate against the FSC databases. Any PEFC certified material which overlaps with HCV areas identified in the FSC databases is not considered SDE+ compliant. PEFC certified material that does not overlap with HCV areas in the databases is considered SDE+ compliant.

Preferred by Nature agreed that WKHs should be classified as a 'specified risk' and that the measures put in place by Graanul offer a robust approach to mitigation this risk. agreed INCAS agrees with the Preferred by Nature conclusion on this issue. INCAS would also note that application of the mitigation measures could be improved via regular engagement of stakeholders to discuss concerns of impacts on WKH sites as well as ways to further improve mitigation measures.

5.3. Natura 2000 Sites

Natura sites have not been fully inventoried in Estonia. When Estonia joined the European Union in the 1990s it designated its protected area system as Natura 2000. While this met the requirement for EU membership, it did not meet the requirements of the EU Habitats Directive. Stakeholders raised concerns about unsustainable logging activities in areas that have been designated as Natura sites and specifically in surrounding limited management, or buffer zones. Logging activities are allowed in Natura sites at EU level provided that they do not negatively impact on the natural values of the site. In fact, in some cases logging may be desirable, for example to maintain grassland areas. However, any non-conservation activities in Natura sites require a thorough assessment of impacts.

ELF took legal action against the government of Estonia on the poor implementation and safeguarding of Natura sites. This resulted in the European Commission initiating infringement proceedings against Estonia in June 2021 for not properly implementing EU environmental impact assessment requirements when permitting logging at Natura sites. This resulted in

Estonia, first putting in place stricter approaches for assessments and then halting the granting of any logging permits.

The infringement procedure led to SBP designating Natura sites as a 'specified risk' in the revised Regional Risk Assessment (RRA) for Estonia finalised in October 2021. And as noted above, the specified risk for indicator 7.1 in the Graanul RBA also concerns Natura sites. Graanul mitigates this risk by screening biomass against the forest habitats inventory. Where there is overlap, material is not considered to be SDE+ Compliant Category 2.

Preferred by Nature agreed with the classification of Natura sites as a 'specified risk' in the 2019 and 2021 versions of the Graanul RBA. Preferred by Nature also agreed that the measures put in place by Graanul offer a reasonable approach to mitigate this risk. INCAS agrees with the Preferred by Nature conclusion on this issue.

5.4. Cultural values (including “cross trees”)

Estonian legislation does not consider sacred natural sites as having conservation value. Stakeholders at FSC Estonia have highlighted the insufficient inventory and mapping of sacred sites - especially cross trees. While there is an official Estonian database listing sites for heritage protection, stakeholders estimate that there are more than 2,000 sacred sites that have not been inventoried by the state. The NGO Hiite Maja has developed its own database of sacred natural sites that includes these additional areas.

As noted above sacred sites are included in the specified risk associated with HCV (indicator 7.1) in the Graanul RBA as well as the 2021 SBP RRA. To mitigate this risk Graanul screens material against the Hiite Maja database as well as the official heritage protection database. As for Natura and WKH sites, any material from forest areas overlapping with sites identified on these databases is considered non-compliant with SDE+ criteria.

Preferred for Nature agreed with the classification of sacred sites as a 'specified risk' in both the 2019 and 2021 version of the RBA and that the measures put in place by Graanul offer a reasonable approach to mitigate this risk.

5.5. Threatened animal species

Threatened animal species come under indicator 7.2 which requires measures to be taken to protect and enhance endangered species. The Estonian regulations require that forest operations protect nesting sites of rare and endangered bird species and leave certain types of trees and dead wood for biodiversity protection. The government carries out inspections to ensure compliance. Infringements are at a low level -- one percent of sites inspected.

There is likely to be a significant overlap between areas containing threatened and endangered species and official and potential Nature and WKH sites and therefore the above sections are also relevant here. The SOMO reports identifies examples of important nesting sites and habitat being impacted by logging. These cases referred to state forestry operations (RMK) and Graanul Invest-owned land. Graanul noted in its 2021 RBA that the state forestry

operations are classified as Category 1 biomass (large forest management units) and are therefore not relevant to the RBA which deals with Category 2 (forest management units less than 500 ha). Graanul further notes that it does not, and has not previously, owned forestry land. Forestry land may be owned or managed by other legal entities in the Graanul group, but this is not stated in the RBA.

The Graanul RBA also notes that the Estonian Environmental Inspectorate inspects forestry operations each year and that there is a low level (less than 1% from samples sites) of infringements. This is consistent with the experience of Preferred by Nature that noted on a call with the INCAS team that infringements are rare and that they are familiar with some of the sites identified in the SOMO report.

Graanul makes a strong case that infringements are generally at a low level in Estonia. In its assessment of the Graanul stakeholder consultation, Preferred by Nature was guided by its own experience of the level of infringements in Estonia from audits under other certification systems as well as experience with the forest sector. Again, INCAS would recommend regular stakeholder engagement to discussion cases of infringement.

5.6. Watersheds

Watersheds are considered under indicator 8.2 which requires water balance and quality of both groundwater and surface water to be maintained and ideally improved. The Water Act of Estonia requires a water protection zone of 10 metres from the banks of rivers, streams and large (main) ditches. Logging is forbidden except when permitted by the Estonian Environmental Board. Stakeholders raised concerns about the clear-cutting of areas adjacent to waterbodies such as streams. They noted that while Estonian legislation forbid clear-cutting close to waterbodies, in practice the law is not adhered to by forestry operators. The SOMO report noted infringements at Graanul's primary supplier and sourcing area level. It noted that during 2018-2019, 54 hectares of water protection zones were clearcut on the lands of three Graanul Invest forestry. SOMO reported that the infringements occurred at 300 separate sites across Estonia representing seven percent of water protection zones on Graanul-owned lands and implying a systematic disregard for regulations.

In the 2021 RBA, in responding to these stakeholder comments, Graanul noted that it does not own land and that the examples given represented legal maintenance cutting and that instances of clear-cutting are very rare. It also noted that biomass from these cuttings, due to quality of the wood, is not used for SDE+ compliant biomass.

Preferred by Nature issued Graanul with a non-conformity under this indicator in the RBA. In correspondence Preferred by Nature noted that the non-conformity was issued because the RBA did not provide sufficient information to conclude low risk for this requirement. Preferred by Nature acknowledged that Graanul provided sufficient information about the theoretical implementation of legislation but raised concerns that the examples from the SOMO report have shown that in some cases the legislation and best management practices are not followed. From experience in country with audits under other certification systems and interaction with the sector and stakeholders, Preferred by Nature believe that it is not common practice in Estonia to clear cut in water protection zones. Therefore, they are not certain that

a specified risk is warranted in this case but rather that the RBA lacked sufficient analyses of the problem to justify a low risk.

INCAS believes that Preferred by Nature was correct to issue a non-conformity in this case and again would highlight that any mitigation measures put in place by Graanul would benefit from regular stakeholder engagement to review cases of potential infringement as they occur.

5.7. Peatlands

Peatlands are considered under indicator 3.1 which prohibits the sourcing of biomass from drained land considered as peatland on 1 January 2008. There is a particular case in Estonia and potentially other former-Soviet countries, where peatlands drained in Soviet times have started to regenerate due to blockage of drainage systems. Under Estonian law these areas can be re-drained through the repair of the drainage systems. Under the legislation, the drained area can be increased by an 10%. Stakeholders were concerned that draining these areas impacts on biodiversity as well as emitting GHGs.

In its 2021 RBA, Graanul argued that lands drained in Soviet times are classified as 'forest land' and that drainage is required to maintain forestry operations. They also noted that drainage is important to maintain forest roads which are important for fighting fires and that the drainage expansion limit of 10% is less than the volume that the system has lost since it was constructed. Graanul also highlighted the need for larger state drainage reconstruction projects to have public Environmental Impact Assessments. The examples given in the SOMO report related to RMK operations which as noted above are large operations classified Category I and therefore Graanul noted that they are not relevant to the RBA which is focussed on Category 2 biomass.

At the same time, Graanul did agree that renovation works do carry a risk of carbon release if best practice is not followed. It noted that risk assessments could be improved by including carbon stock/balance analysis as well as other impacts of renovation works.

In the 2020 evaluation Preferred by Nature stated that they agreed with the stakeholder comment that the reconstruction of old drainage systems is generally a negative activity. Presumably because there is regeneration of peat in at least some of these areas and therefore there is the potential to damage important species habitat and carbon storage. However, Preferred by Nature did conclude that the drainage activities met the SDE+ criteria, this is because criterion 3.1 gives a clear cut off date: 1 January 2008. Provided lands were not classified as peatland after that date, biomass sourced from those areas can qualify under SDE+.

INCAS believes that Preferred by Nature made the correct judgement in this case based on the requirements of SDE+but at the at same time it represents and issue that is worthy of further reflection by NEa/SDE+ with a view to amending the criteria of SDE+. For example, the criteria could be revised to make exception for areas that have significant regeneration of peatland / wetland qualities despite qualifying under the cut-off date.

5.8. Carbon Stocks

The Verification Protocol requirement for Indicator 4.1 states that ‘The forest management unit where the wood is sourced is managed with the aim of retaining or increasing carbon stocks in the medium or long term.’ The SOMO report raises concerns about cutting rates and the release of carbon from the drainage and disturbance of peatland soils.

In its response in the RBA, Graanul refers to Estonian government forest inventory most over the last five years which show that the national harvesting rate is less than the forest growing stock. Graanul also refers to the Estonian Forest Act that requires forest owners to ensure forest regeneration as well as the Estonian LULUCF strategy that they say regulates forest management activities to support carbon sequestration.

Graanul also notes that the examples given in the SOMO report are from RMK-managed forests which are classified as Category I and therefore not relevant to the RBA which deals with Category 2 forests.

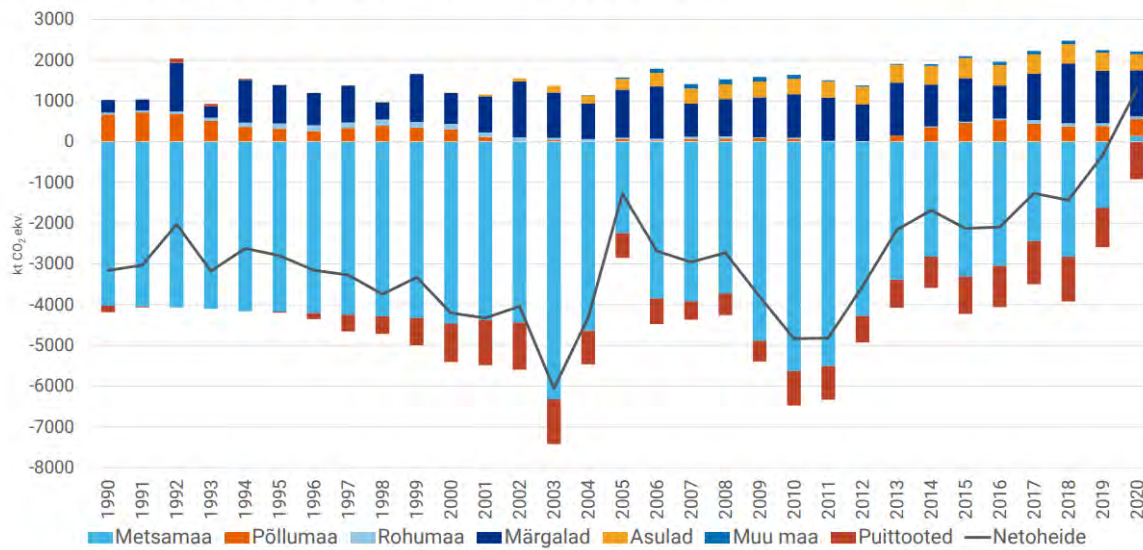
The NGO ELF noted in its comments to Graanul that there is no Estonian LULUCF strategy and that the document Graanul refers to is in fact a review of scenarios rather than a strategy. ELF also drew the attention of INCAS to a recent (29 February 2022) press release from the Estonian Ministry of Environment on the Estonian GHG emissions in the LULUCF sector (1990-2020) with new data for 2020 emissions.

The 2020 GHG inventory shows that Estonian land use is emitting more carbon than it is sequestering: ‘the Estonian land use (LULUCF) sector emitted 1.3 million tonnes of CO₂ equivalent in 2019. According to a more detailed analysis, the binding capacity of forests was not sufficient to cover emissions from other land use sectors, as in previous years. Carbon associated with forest land and wood products are categories that have so far been the only carbon sinks, while other categories emit CO₂ and other greenhouse gases.’

From the graph below it is clear that there has been a marked decrease in sequestration from forestland (Metsamaa - light blue) from 2010 to 2020.

Graph 1: Estonian GHG emissions in the LULUCF sector 1990-2020

KHG emissioonid LULUCF sektoris 1990-2020



Metsamaa: forest land
Põllumaa: arable land
Rohumaa: grassland
Märgalad: wetlands
Asulad: settlements
Muu maa: other land
Puittooted: wood products
Netoheide: net emissions

Source: Estonian Ministry of Environment, press conference presentation, 29-03-22 <https://envir.ee/uudised/eestikasvuhoonegaaside-heitkogused-vahenenud>

Given the above data there would appear to be a risk for any forestry management unit in Estonia of not meeting the SDE+ requirement to maintain or increase carbon stocks. However, it should be noted that the above data was not available at the time of the Preferred by Nature evaluation of Graanul. It should also be noted that for this kind of data there are often conflicting studies based on different methodologies. For example, the Estonian biannual GHG report 2019 and the National Forest Accounting Plan 2019 notes that forests will decrease as carbon sinks in the period 2030 – 2050 due to the age profile of Estonian forests (which has a relatively high level of mature trees). The sequestration of carbon is expected to rise after 2050 and therefore it can be argued that Estonian forests are ‘managed with the aim of carbon stocks increase” as per SDE+ criterion 4.1.

INCAS agrees that Preferred by Nature made the right decision on this issue when evaluating the stakeholder consultation, however, carbon balance requires closer examination by SDE+. For example, in the RBA, Graanul cites the Indufor Oy review of the SOMON report which noted the need to improve on high level analysis to further reduce risk and demonstrate continued low risk and concludes that carbon balance criteria should be included in future SBP standards and risk assessments.

6. Risk-Based Approach and Site-based Auditing

The Risk-based Approach (RBA) of SDE aligns with current trends in voluntary certification towards focussing on key risks and thereby reducing the cost of certification on one hand and the impact of certification on the other hand as areas where real change is needed can be focussed on. Certification systems are also moving towards regional approaches, there are various initiatives to look at certification at state or provincial level sometimes across multiple commodities. These approaches are still being piloted but include a mixture of site-based certification and risk assessments at landscape level – usually aligning with state/national boundaries.

In the Graanul audit many of the issues raised by stakeholders in relation to the Risk-based Approach are at national, or even international level e.g. on carbon sequestration rates. The usual approach to stakeholder consultation is to focus on the level of the site, or the exact boundaries of the entity being certified. For example, the first requirement for the CAB laid out in SBP Standard 3 (see Table 2 above) focuses on consulting stakeholders to verify if management systems are working. The second requirement to verify if the issues raised by the stakeholders have been adequately addressed by the BP. The issues raised by in the SOMO report and ELF often concern issues at a national level in Estonia rather than Category 2 biomass sourced by Graanul. While these issues are relevant for the RBA, is it reasonable to expect the CAB to deal with these bigger-picture issues, especially those that are the subject of debate at national and international level?

CABs are orientated towards site-based certification and their stakeholder consultations will usually look at issues related to the compliance of the operator. Expanding this ‘normal’ stakeholder consultation to look at national-level debates risks that the CAB is not adequately equipped in terms of capacity to properly evaluate the issues. CABs also face constraints on time as auditing is a commercial activity and so there is a strong incentive to maximise the time efficiency of audits. Therefore, there is a risk that CABs will not invest the necessary time to research national and international level policy and scientific debates.

The view of the INCAS team is that the RBA should have a broader consultation with stakeholders beyond stakeholders interested in one particular BP. For example, as noted above many standards have multi-stakeholder processes at the standard level based on their membership. Many standard systems also set up multi-stakeholder technical committees to manage the revision of standards, their responsibilities often extend to overseeing the development of guidance as well as national level risk assessments. The Ministry NEa could give consideration to establishing such a committee to provide input or approve future RBAs.

7. NGO Perspectives on Biomass Use for Bioenergy

From interviews with Dutch-based NGOs – Greenpeace and Natuur & Milieu—it is clear that the position of NGOs on the use of forest biomass for power generation has changed considerably since the development of the original SDE criteria in 2013. They see potential for negative impacts on forest biodiversity and ecosystems from increased demand for biomass while at the same time they see uncertain carbon benefits from using biomass – especially roundwood – in coal plants. They also see increased global demand for forest biomass from other sectors such as biofuels, textiles, chemicals and plastics. They believe that the priority should be to use forest biomass for products that will sequester carbon in the medium to long term, for example materials used for building and long-life products such as furniture. They are not opposed to using biomass for energy but would prefer that the priority should be for those sectors that do not have alternatives such as the aviation and shipping sectors where electrification is not feasible in the short term.

This opposition to the use of forest biomass for power generation is clearly the underlying concern that is driving environmental NGOs to criticise SDE+ and specifically the Graanul case. While the stakeholder consultations have allowed concerns to be raised by environmental NGOs, most of the issues raised have been specific to Estonia and it has not allowed NEa to examine the core issues behind the opposition. The INCAS team would recommend that a multi-stakeholder platform is established at the system level that can improve the standard as well as looking at bigger picture issues such as the use of forest biomass for power generation.

Annex 1: Key Documents, Stakeholder Consultations and Comments

Date	Document / Audit	Summary of consultation	Key Issues raised by stakeholders / General comments
22.04.2016	SBP-endorsed Regional Risk Assessment for Estonia, version 1.00. (NEPCon)	2 rounds – sent to 17 organisations: 26.03.15 – 26.04.15 15.05.15 – 20.05.15 - 7 responses.	ELF [Estonian] EMPL (Estonia Wood & Forest Industries Association) [Estonian] Graanul Invest AS - Highly critical of draft RRA esp. the risks identified: <ul style="list-style-type: none"> o Biomass can't be traced back to supply base o Tax and duty payments o Forestry in HCVs not regulated (WKH issue) o Health & safety of forest workers FSC Eesti [Estonian] MTÜ Eesti Erametsaliit [Estonian] Warmeston OÜ, Purutuli OÜ, Ardor OÜ - WKHs have <i>de facto</i> protection <1% potentially harvested Stora Enso Eesti AS - WKHs have <i>de facto</i> protection
16.10.2019	Graanul Invest SDE+ COC and RBA [Risk-based Approach], Cat .2, Estonia, Version for SBP ID2E (Peterson Projects B.V.)	Stakeholder consultation not carried out.	N/A
26.10.2019	OÜ Osula Graanul Supply Base Report (Osula Graanul OÜ).	21.12.2019 published on company website and sent to 11 organisations – 'no written comments received'.	N/A
20.12.2019	Letter to Graanul Invest and NEPCon OÜ (ELF Estonia Fund for Nature).		Comments summarised as 'Stakeholder 3' below under 03.02.2020 Updated: <i>Graanul Invest SDE+ COC and RBA</i> .
??..01.2020	Graanul sends updated Risk Assessment to NEPCon		From Scope Change audit report.

03.02.2020	Updated: Graanul Invest SDE+ COC and RBA, Cat .2, Estonia, Version for SBP ID2E (Peterson Projects B.V.).	22.11.2019- 22.12.19 consultation sent via email to Estonian stakeholders - 3 stakeholders sent feedback which was incorporated into final RBA. .	Stakeholder 1 - Editorial comments Stakeholder 2 - Clarity on mitigation measures and use of databases. Stakeholder 3 (ELF) - Wetlands: conversion from drainage upkeep. - Carbon stocks: logging volumes too high - Endangered species not surveyed - in decline - Species mgt.: poor conservation zones/ PA system - Soil protection: no legislation, widespread damage - Watershed protection: no nat. system in place - Water monitoring impact: no nat. system - Soil compaction: no special measures used - Soil erosion/fire: no measures in place - Allowable Annual Cut (ACC)exceeds limit - State Audit Office found RMK's ACC unsustainable
24.02.2020	NEPCon Evaluation of Osula Graanul OÜ Compliance with the SBP Framework: Public Summary Report, Scope Change Audit	05.11.19 – 05.12.19 – NEPCon consultation via email. - 1 response copy of ELF email to Graanul (20.12.19). 11.12.19 - NEPCon called main stakeholders. - 1 response – feedback sent to Graanul.	Stakeholder that NEPCon spoke to by phone noted that information on databases used for mitigating measures for PEFC-Certified material should be added to RBA. NEPCon informed Graanul and relevant databases were added to RBA. Presumably this was 'Stakeholder 2' who raised an issue about databases detailed in RBA above. .
09.08.2021	Preferred by Nature Evaluation of Graanul Invest AS – Imavere factory Compliance with the SBP Framework: Public Summary Report, Fourth Surveillance Audit	Stakeholder consultation not required for surveillance audits (only for main audits every 5 years).	N/A
22.10.2021	SBP-endorsed Regional Risk Assessment for Estonia, version 1.1. (Preferred by Nature)	None required but stakeholders contacted for latest data. SBP carried out public consultation. 17. 06.21 - SBP 30-day public consultation - 4 responses.	ELF - Case against forest biomass – 800 scientists, EASAC - Certification can dismiss concerns of science/NGOs & accept degradation of forest ecosystems

- Legality should not be used to imply sustainability
- 2010- 2019, 5700 ha in WKHs felled in State Forest – **specified risk to WKH accepted by SBP.**
- Natura 2000/EC action against Estonia – **specified risk accepted by SBP.**
- Decline of bird species
- High carbon stocks (peatlands, WKH)
- Forestry impact on carbon sinks

Warmeston OÜ

- As risks related to HCV are highly debated they should not be classified as specified risks in the RBA.

Drax Power Station

- HCV (WKH, Natura and cross trees) should not be classified as specified risk.
- **SBP classified risk related to cross trees as specified.**

Graanul Invest AS

- HCV should not be classified as specified risk.

<p>12.11.2021</p>	<p>Graanul Invest SDE+ COC and RBA Cat .2 Estonia (Graanul Invest)</p>	<p>5.10.2021- 5.11.2021 Graanul consultation</p> <ul style="list-style-type: none"> • 10 relevant stakeholder groups received the documents for comments (a large number of contacts but some represent the same group). • 2 stakeholders responded with input, • 2 confirmed that they received the material, • 2 stakeholders said that they support Graanul Invest's but did not want to provide comments <p>SOMO and Indufor Oy reports considered as stakeholder input & integrated into RBA.</p>	<p>From Preferred by Nature Evaluation (below): ELF 'raised the same cases and questions like in SOMO report'.</p> <p>Stakeholder 1</p> <ul style="list-style-type: none"> • Questions on international sustainability requirements and how to manage HCV areas. The stakeholder may have been questioning the specified risk allocated to HCV in the RBA – comments were in Estonian and INCAS used an online translation. <p>Stakeholder 2</p> <ul style="list-style-type: none"> - Concern about inadequate response to previous comments and draft RBA not being complete.
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			<ul style="list-style-type: none"> - Condemnation of use of biomass for energy even if sustainability criteria met. - Drained forests areas should be classified as peatland / not forest land. - Estonia does not have a LULUCF strategy. - Highlights of SOMO report relevant to RBA: <ul style="list-style-type: none"> o WKHs o Natura 2000 o Endangered species o Cross trees o Watersheds o Peatlands
<p>23.02.2022</p>	<p><i>Preferred by Nature Evaluation of Osula Graanul OÜ Compliance with the SBP Framework: Public Summary Report, Re-assessment</i></p>	<p>21.10.2021 – 20.11.2021 Preferred by Nature consultation.</p> <ul style="list-style-type: none"> • 10 relevant stakeholder groups received the documents for comments (a large number of contacts but some represent the same group). • 2 stakeholders responded with input, • 2 confirmed that they received the material, • 2 stakeholders said that they support Graanul Invest's but did do not want to provide comments. • 	

Annex 2: Assessment of Graanul's Response to Stakeholder Comments by Preferred by Nature (2019/2021 evaluation)

[See separate Excel file]

Annex 3: Comparison of SDE+ and SBP ID2E Stakeholder Consultation Requirements

Verification Protocol for Sustainable Solid Biomass for Energy Applications (January 2021)	Instruction Document 2E: SBP Requirements for Risk Based Approach for Biomass Category 2	SBP Framework Standard 2: Verification of SBP-compliant Feedstock	SBP Standard 3 - Certification Systems. Requirements for Certification Bodies v1.0
<p>8.2.2 Consultation of stakeholders and experts The outcomes of consultations with stakeholders and experts are an important source of information for the risk assessment. A stakeholder is any individual or group that has an interest in any decision or activity (e.g. logging, forest management) of an organisation (the biomass producer or FMU involved). Examples of stakeholders are NGOs, local residents or communities, workers or unions, local or regional government, companies and company associations and contractors.</p>			<p>9 Certification Body stakeholder consultation</p> <p>9.3 The CB shall consult with stakeholders included in the BPs SBE consultation and the Locally Applicable Verifiers (LAVs) process. As a part of the CB consultation the CB shall determine if stakeholders' comments were adequately addressed by the BP.</p>
<p>While collecting information, the biomass producer must establish and implement effective procedures for the involvement of stakeholders for the specified region(s), as well as relevant requirements for sustainable forest management that ensure that the rights and opinions of these stakeholders in relation to their interests are taken into account when assessing the risks. The procedures shall at least include:</p>	<p>2.10.1 As part of the information gathering exercise, the BP shall document and implement effective procedures for consultation on the sustainability requirements with stakeholders in specific regions. The procedures shall at least include:</p>	<p>13.1 Stakeholder consultation is required at the initial SBE and at the five-yearly re-evaluation. 13.2 Requirements include those detailed in Instruction Note 2B: Supply Base Evaluation Stakeholder Consultation Requirements. 13.3 The principles in Stakeholder Consultation for Forest Evaluations FSC-STD-30-006 (V3-0) EN are recommended as good practice. The BP shall also take into account any consultations undertaken as a consequence of e.g. forest operations, plant construction or planning processes, and the outcomes of stakeholder consultations associated with existing certifications of the BP's management systems.</p>	<p>9.1 During the main audit of the BP and the re-certification audit, the CB shall undertake a stakeholder consultation process. 9.2 During the stakeholder consultation process, the CB shall identify relevant individuals and organisations interested in and affected by the operation of the applicant BP. CBs are not expected to identify and consult all possible stakeholders, but shall consult with a sufficient number of affected stakeholders in order to verify that management systems (documented or undocumented) are working effectively and consistently under the full range of conditions present in the area under evaluation.</p>
<ul style="list-style-type: none"> responsibilities for the stakeholder consultation process; description of the various stages in the consultation process; identification of the stakeholders to be involved; a proactive approach of stakeholders, who must be given sufficient time to respond (at least one month); 	<ul style="list-style-type: none"> Responsibilities for stakeholder consultation; Description of the various stages in the consultation process; Identification of the stakeholders to be involved; A proactive approach of stakeholders, who must be given sufficient time to respond (at least one month); 	<p>13.4 Relevant stakeholders shall be informed of the SBE at least one month prior to the end of the evaluation. Stakeholders shall be provided with adequate information as a basis for informed comment, but may not be provided with sensitive or commercially confidential information.</p>	<p>9.4 The CB shall give stakeholders at least one month's notice of the audit. Notification shall include adequate information to enable stakeholders to make informed comments, but shall not include sensitive or commercially confidential information. 9.5 The CB shall encourage stakeholders to submit relevant information to the CB, in order to evaluate compliance of the BP with SBP requirements.</p>
<ul style="list-style-type: none"> consultation of qualified and independent experts where specialised knowledge is required. 	<ul style="list-style-type: none"> Consultation of qualified and independent experts where specialised knowledge is required. 		
<p>The biomass producer shall keep the reports and the contributions and comments from stakeholders and experts, including reactions and measures taken in response.</p>	<p>2.10.2 The BP shall keep the reports and the contributions and comments from stakeholders and experts, including reactions and measures taken in response.</p>		<p>9.6 During the audit process, the CB shall review all submissions and evaluate those that are relevant. All submissions shall be recorded and the CB shall document actions taken in relation to relevant submissions, and the conclusions of the CB regarding compliance of the BP with the Standards.</p>
<p>The biomass producer shall make the results of the RBA (risk assessment and mitigating measures taken) publicly available as part of the stakeholder consultation.</p>	<p>2.10.3 The BP shall make the results of the RBA and the mitigation measures implemented publicly available as part of the stakeholder consultation.</p>		
	<p>*2.8.2 Gathering information shall follow the requirements of Standard 2 sections . . . 13 Stakeholder consultation.</p>		<p>9.7 CBs are not required to undertake a stakeholder consultation process during surveillance audits. However, all submissions received by the CB regarding the compliance of a certified BP, shall be recorded. If submissions contain information relevant to compliance with SBP requirements, the CB shall evaluate the comments as they affect the certification, during or prior to the next audit, as appropriate.</p>
			<p>9.8 Records of evaluations and outcomes of all stakeholder consultations shall be maintained for at least five years.</p>
<p>List of definitions</p>			
<p>Stakeholders (interested parties) Any person, group of persons or entity who or which has established it has an interest in the activities of the FMU, or who or which is known to have this. This could be an NGO, trade union, government or representative of a certification scheme, for example.</p>			
<p>Stakeholders (affected parties) Any person, group of persons or entity who or which is or probably will be affected by activities being carried out in an FMU. This could be local residents, the local population, indigenous people, downstream landowners, owners of land rights or user rights and organisations acting on behalf of the affected stakeholders.</p>			

References

SBP Standard Documents

- Instruction Document 2E: SBP Requirements for Risk Based Approach for Biomass Category 2 – Demonstrating Compliance with the Netherlands SDE+ Risk Based Approach Sustainability Requirements for Biomass Category 2
- SBP Framework Standard 2: Verification of SBP-compliant Feedstock

Graanul Documentation

- Supply Base Report: Graanul Invest AS – Imavere Factory, 12 November 2021

Stakeholder Engagement International Best Practice

- Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets, IFC
https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_stakeholderengagement_wci_1319577185063
- Mining Principles, International Council of Mining and Metals (ICMM),
<https://www.icmm.com/mining-principles/10>
- AA Standard 1000 Stakeholder Engagement Standard, AccountAbility,
<https://www.accountability.org/standards/>

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