

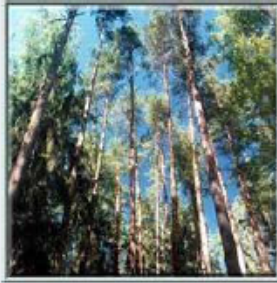
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Midway United Limited BVI

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Siberian Red Pine Forest

Questions or comments?

Phone: +1(678) 290-9195

Skype: bob.nurre

Email:

mnurre@midwayunited.com

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www.midwayunited.com

Russian Market of Wood-based Panels and Plywood

In April 2009, DISCOVERY Research Group completed a study on the Russian market of wood-based panels and plywood in 2008.

Having a quarter of world timber resources, Russia has only 2.3 % in the global timber production and only 2.8% in the timber trade. Only 20% of harvested wood goes to the production of deep processing.

In July 2008, the experts rated the value of the domestic market of timber and forest products in more than \$ 4 billion, excluding wood fuel, waste, wood chips and shavings. The market is dominated by raw wood (industrial roundwood, including sawlogs, pulpwood and other materials). The share of this segment accounts for about 47%.

According to experts, the capacity of domestic market of wood products is currently around \$ 2-2.5 billion. The share of sawn timber accounted for more than 50%, on plywood – 40% and about 10% – on hardboard panels and particle board. DISCOVERY Research Group forecasts a further increase in the market of wood based panels and plywood associated primarily with increases in construction, repairing and finishing works.

Russian industry in 2008 was developing under the negative influence of the global financial crisis. According to expert estimates, in 2008 the volume of timber harvested declined by almost 22% – from 206 million cubic meters in 2007 to 162 million in 2008. According to the Ministry of Agriculture in 2009 the physical volume of the workpiece will 30% fall – up to 100 million cubic meters. And the most affected will be small and medium logging companies. The biggest decline is projected in the logging industry, which is to date the most technologically backward, and the least consolidated of the Russian timber industry.

Until 2008, the Russian timber industry was steadily growing. In 2007, according to the RF FSGS, the index of production of wood processing and manufacturing of wood products amounted to 106.2%. In the woodworking industry there was faster developing of production of particle boards, and plywood and sawn timber. An additional impetus to the development of this industry was the development of housing based on wooden structures. The main factor for the development of pulp and paper industry in recent years has been expanding production of cardboard, due to rapid growth in demand for packaging.

Problems of the Russian timber industry relate primarily to the low efficiency of production, lack of investment, high levels of illegal logging.

Exports of timber and sawn timber in 2008 from Russia are estimated at \$ 8.8 billion, of which \$ 3.4 billion is the raw wood – to produce a deep level of processing an average of \$ 10.2 billion. Thus, the loss of Russia's economy is about \$ 7 billion.

In order to reduce the volume of exports of unprocessed wood in 2007, the Government approved a phased increase of export duties on raw timber until 2010. Since July 2007 the export duty on roundwood increased to 10 euro, in 2008 – up to 15 Euros per cubic meter. As a result, according to the FCS, the percentage of exports of timber and pulp and paper products in total exports to foreign countries in 2008 decreased and was 2.3% versus 3.4% in 2007.

It is anticipated that specifies the scope of consumption in Russia has traditionally left the construction and renovation sector, which would apply to 75% of the sawn timber produced, up to 35% of plywood, and furniture production, which will be used up to 80% of the CPD, to 35% SMD and 30 % plywood.

Informational resource: Discovery Research Group

Krasnoyarsk Krai on the Edge of Development

Another Krasnoyarsk woodworking project is included in the list of priority investment projects in the area of forest the Ministry of Industry and Trade.

Project "Development of wood processing complex in Krasnoyarsk", implemented by KLM-ECO Ltd, is the development of the existing timber complex in Krasnoyarsk by increasing its capacity from 20 thousand cubic meters to 90 thousand cubic meters per year by launching a new plant for production of glued construction and wall beams. The company will focus on the integrated use of waste wood and create about 200 additional jobs. The investment will be around 470 million rubles.

Earlier the Krasnoyarsk region has published its list of priority investment projects in the area of forest according to the Ministry of Industry and Trade of the Russian Federation. There have been incorporated 5 investment projects (115 billion rubles), including two projects in wood (cellulose Enisejskij plant and the timber complex Boguchansky). Thus, all applications to the Ministry from Krasnoyarsk Krai were approved and now 6 projects are in the list of state budget priority – the highest figure in the SFD.

It should be noted that at last, in October 2008, during the Council for the Development of the Russian Timber Industry, the First Deputy Chairman of the Government Viktor Zubkov called on the regions to intensify the implementation of resolutions of the Government of Russian Federation "On the priority investment projects in the forest", pointing out that unfortunately "not all the forestries in Russia aim to deep processing of timber"

Minister of Natural Resources and Forestry Complex, Andrei Gnezdilov comments on the inclusion of the project KLM-ECO Ltd. in the list of priorities: "The fact that the districts' projects are being supported at the federal level, it is very important. It is also worth noting that in times of crisis the edge of industry continues to evolve. For Russia, almost the half of the claimed investment projects either suspended or closed. In the Krasnoyarsk region all the companies continue to be implement", he said.

Informational resource: [Krasnoyarsk Krai. RussianForestryReview.com](http://Krasnoyarsk.Krai.RussianForestryReview.com)

Krasnoyarsk forestry enterprises received more than 58 million rubles

Minister of Natural Resources and Forestry Complex Andrei Gnezdilov had a meeting on the questions of the forest industry in Krasnoyarsk Krai. The main topic of discussion was the state support to the forestry of the Krai, reported the press service of the Government.

Ol'ga Ruhullaeva, the Acting Head of the Forest Industry Agency, reported that during the period from 14 February to 15 April 2009 the forest sector agency has received requests for state support of 11 organizations, 10 of which have already concluded contracts for of state. The organizations are already listed the grant of more than 58 million rubles.

Andrei Gnezdilov called leaders to vote actively for the provision of state support: "All the regional crisis laws were written and accepted by us and Legislative Board so that they could actually work. It is in our interests to make an effort to take advantage of the assistance that is provided by the State", he said. However, the Minister separately recalled that budgetary funds should be careful to observe all the obligations relating to the conservation staffing, wages and timely payment of taxes.

Informational resource: IA.Regnum

Pervaya Gruzovaya Company starts a project of route traffic of timber export "Siberian Express"

Pervaya Gruzovaya Co has just started its project of route traffic of timber export called "Siberian Express"(Lesosibirsk – Novorossiisk).

The first train named "The Siberian Express" loaded with the export sawn timber block departed from the railway station – Lesosibirsk (Krasnoyarsk region). The total amount of traffic sent from the Lesosibirsky Timber and Sawmilling plant was about 4 thousand cubic meters of packaged timber. The distance of 4962 km from Lesosibirsk to the Novorossiysk terminal forest the block train of PGC has to pass in 7 days. This term delivery is twice short compared to the usual period for this type of export transportation.

Due to newly built logistics' schemes of the company, which allows bringing cargo to the shippers just in time, the loading of the runs takes a short time – two days. Working with a single operator allows shippers–timber mills significantly accelerate the process of inter-route and get a discount (up to 5% by carrying fare), provided by the carrier.

The new route "The Siberian Express" runs through the stations of Novosibirsk, Omsk, Chelyabinsk, Syzran, Saratov, Volgograd and Tikhoretskaya of Russian railways network. In the port of Novorossiysk the packaged timber transferred to seagoing ships for export to the countries of the Mediterranean.

Total in April Pervaya Gruzovaya Company plans to send to Lesosibirsk – Novorossiisk 6 trains (24 thousand cubic meters of packaged timber).

Khabarovsk Krai discussed the execution of delegated powers in the area of forest

The question of the implementation of state authority in the province in the field of environmental management was considered last year as well as the performance of the powers transferred to the edge of the forest and the status of state control and supervision in taiga stated at the extended meeting of College of Forest Management governments edges in April. Overall, the exercise of this authority is estimated in the sum of 753.3 million rubles.

There was the new system of forest management created in Khabarovsk: forest enterprises were reorganized in the forestries and new regional state unitary enterprises (KGUP) were born. In addition, into the district forestry management was included the management of Khabarovsk forestry and – from January 2009 – and the Far East base of aviation protection of forests. But during the reorganization the number of employees has decreased almost thrice. Among them were foresters, craftsmen, engineers, etc.

Nevertheless, the industry has developed. There was approved the new forest plan – an important document, which will conduct and govern this entire farm. There were adopted 40 of the rules of Forestry Code. KGUP logged nearly 400 thousand cubic meters of wood, and has also received income of 250 million rubles.

But the federal grants budget for the execution of all powers in the taiga is clearly insufficient, and this makes foresters to serve protection, reproduction and manufacture as well. But even this does not allow them to carry out as expected – especially now, when the demand for timber has declined.

Vladimir Kolomytsev stressed some problems in his the report of the board of the head of department: although the volume of landings is mainly carried out (for the last two years, this work carried out over an area 130 hectares, and the planting carried out by more than 14 thousand), there is a problem of preservation of cultures: in some forestries (as the monitor for 20 years shows) the loss of some cultures has reached 50 %. And the reason lies primarily in the fire. Reducing the intensity of forest fires in the past year has not happened.

Simultaneously there were discussed some issues of forest control and supervision. There are also a lot of problems. For example, the number of inspectors is only 53 people in the entire region. But they managed to recover almost three million rubles to the state in 2008. Inspectors identify not only violations of the forest. There are some things that surprised not only specialists: the released stumpage is seven million cubic meters, and passes through customs much more. In addition, forest control and supervision are required to get omissions in the forestries.

The Largest Wood Processing Company Is Opening in Leningrad Region

Governor of Leningrad Region Valery Serdyukov launched primarily woodworking complex in the village Chudtsy (Boksitogorsk district). The volume of investment in this joint project of the Austrian Mayr-Melnhof Holz GmbH and LSR Group amounted to 80 million Euros.

The first phase of the plant is a sawmill area of 24 hectares. It took less than three years to construct. Today this is one of the most modern plants in the area, which will work by new technologies that will improve the useful yields and reduce waste.

The second part of the plant is the factory for the production of glued laminated beams, the construction of which is planned to begin in 2010. Thus, the total area of the plant with access roads and railway line will be 42 hectares.

The company will become one of the largest not only in North-West region, but also in Russia. The annual power output of the plant after the totals will exceed 650 thousand cubic meters of roundwood input, output of finished products – 350 thousand cubic meters of lumber per year. The main raw material – spruce – will be supplied by 80% from Boksitogorsk and Tikhvin districts of Leningrad Region, and about 20% – from the other area. Some materials will provide the subsidiary MM-Efimovsky company, which has the lease in the forest fund with permissible annual volume of 450 thousand cubic meters of forest management (include 120 thousand cubic meters of timber).

The technology involves the production of waste-processing method. 100% of the crust and, if necessary, shaving will be the fuel for the installation of thermal energy, which will be used for drying chambers, and in winter – for heating of industrial premises.

According to experts, the plant production is in demand today in such a strategically important sector as an individual and low-rise construction. Such products as decking, beams, wood are widely used in monolithic construction.

Along with the North-West region, it is scheduled to deliver the products to other regions of

Russia, CIS and far abroad countries: Japan, Western Europe, and the United States.

Currently the company employs 150 people. In general, staffing is maintained by local residents from Pikalevo, including staff from the recently downsized Pikalevsky Alumina Refinery. After the release of the production at full design capacity the number of employees will increase to 250–300 people. The plant will operate around the clock 7 days a week in three shifts.

Additional tax revenues to the budget of Leningrad region will be about 120 million rubles per year, subject to full capacity utilization.

Informational resource: RussianForestryReview.com

South of Russia expands producing of paperboard

Rostov Agricultural Group "South of Russia" is expanding its production of paperboard. On the base of its enterprise "Donskoy Corrugated" there will be organized an issue of a flat and corrugated cardboard capacity 68 tons and 144 million sq. m. per year. Investments are 1.5 billion rubles. Experts welcomed the project, as well as the quantity of packaging produced in the Southern Federal District are far behind the needs of the food industry.

Deputy Head of the Administration of Rostov-on-Don on the economy Vitaly Zolotukhin reported on the expansion of pulp and paper production of "South of Russia":

– Industrial holding will launch new lines to produce 68 tons of cardboard and 144 million square meters of corrugated board at its plant (managed by "Donskoy Corrugated") in Zarechny.

Thus, the carton power of "South of Russia" will increase in 4-5 times, the corrugated cardboard – almost doubled. According to Zolotukhin, investment in the project amounted to 1.5 billion rubles. In the urban sectors of the economy department of coordination reported that the earlier the new equipment of "South of Russia" was purchased from Taiwan Hsieh-HSU Machinery Co. and Italian Curioni and is likely to cooperate with them in the implementation of this project. "Donskoy Corrugated" confirmed that soon there would be launched new lines, but refused giving any comments.

Experts welcomed the project.

– This is a serious power to the South, where the production of cardboard for flat layers and corrugated cardboard is small. In YUFO there is only one major producer, Maikop Paper and Pulp Mill Kartontara, and the development in the region of the food (including alcohol) industry needs a lot of packaging, which were imported in large quantities from other Russian regions and Ukraine. The new power will not work as the warehouse, said the chief editor of industry magazine "Pulp. Paper. Cardboard" Alexander Schwartz.

– Before the crisis, the power of Russian Pulp and Paper mill were loaded on 80-90%. Production of cardboard and corrugated cardboard, which is targeted for the food industry, was not affected by the crisis, demand for this type of packaging declined over the last four to six months only at 15-20%. But lots of PPM have already loaded on 95%, said the Head of Lesprom Network analytical department, Anastasia Kopylova.

– In January and February there has been a sharp decline, but in March, some producers of corrugated board showed an increase compared with March, 2008, Alexander Schwartz added.

According to Anastasia Kopylova, Russia produced 3.69 million tons of paper (including paper for corrugating) that is approximately 24-27.5 billion sq. m. depending on its density.

Informational resource: Коммерсантъ

SCA to expand consumer products in Russia

The Russian market for personal care products is undergoing rapid growth. Since 1995 SCA's sales of baby diapers (Libero) and feminine care products (Libresse) have grown continuously, increasing the need for local production. Against this background, SCA has made a decision to open its own production facility in the Tula region south of Moscow to meet rising consumer demand.

Rapid and strong growth is awaited for personal care products in Russia, particularly in the Moscow region where consumer buying power is on the rise. More and more families with children are using disposable diapers and the emergence of hypermarkets and superstores is increasing the availability of these products and changing consumer behavior.

"The Russian market is extremely exciting and this venture is fully in line with SCA's expressed ambition to expand in Eastern Europe, one of our designated growth markets," says Jan Johansson, President and CEO of SCA.

The investment is estimated at approximately EUR 48m. The venture is long-term and will gradually include all product groups in SCA's consumer portfolio for personal care – feminine care, baby diapers and incontinence care.

Informational resource: www.sca.com

First Statistics: Russian Timber Industry in Q1 2009

According to Russian State Statistics Service (Rosstat), sawn timber production decreased by 24.4% (up to 4.3 million cubic meters) compared to Q1 2008.

The most significant decrease was fixed in fiberboards (hard) production and glued plywood production – by 43% and 39.5% respectively. At the same time chipboard, cardboard and paper production also watched the decrease in Q1 2009.

Article	Q1 2009	March 2009/ March 2008	March 2009/ February 2009	Q1 2009/Q1 2008
Sawn timber, mln m3	4,3	-17,1	+24,3	-24,4
Glued plywood, th. m3	433	-31,3	+17,0	-39,5
Sliced veneer, th. m3	58,3	-23,5	+10,6	-24
Fiberboards (hard), mln ref. m2	60,0	-40,6	+12,1	-43
Chipboards, mln ref. M3	1,0	-35,5	-10,3	-28,7
Market pulp, th. tons	459	-16,9	+18,8	-26,2
Paper, th. tons	913	-4,4	+15,3	-11,6
Cardboard, th. tons	728	-8,4	+22,0	-19,7
Newspaper (ref. circulation), bln pcs.	4,0	-18,9	+04,3	-18,4
Books and brochures (printed sheets), mln pcs.	1916	-33,9	+27,6	-38,9
Magazines (printed sheets), mln pcs.	1350	-31,1	+13,6	-27,6

Informational resource: "Runa" www.runa.info

Production indices in January-March 2009

In January-March 2009 production indices as regards woodworking and manufacturing wooden products made up 70.8% as compared to January-March 2008, as regards pulp and paper sector (including publishing and printing) – 82%, and as for harvesting – 88.2%.

Changes on the outer markets (incl. market saturation, a sales slowdown and decline in prices on wood products) led to suspension of production and shipment at some enterprises, which resulted in considerable reduction of production output. January-March 2009 watched decrease in fiberboards (hard) production by 43%, plywood – 39.5%, sawn timber – 24.4% as compared to January-March 2008.

However, Q1 2009 fixed continuing growth in wooden container production, i.e. production index reached 104.3%.

Pulp and paper production decreased by 14.9% due to the decreased production output of market pulp (by 26.2%), cardboard (-19.7%) and paper (-11.6%).

Article	March	Jan-March 2009/ Jan-March 2008, %
Timber, mln m3	9.6	-17.3
Sawn timber, mln m3	1.7	-24.4
Glued plywood, th. m3	171	-39.5
Chipboards, th. ref. m3	326	-28.7
Fiberboards (hard), mln ref. m2	22.5	-43
Market pulp, th. tons	172	-26.2
Paper, th. tons	337	-11.6
Cardboard, th. tons	290	-19.7

Informational resource: "Runa" www.runa.info

The forest industry in Finland dramatically reduces its dependence on logs from Russia in 2008

Finland imported 24 percent fewer logs from Russia in the 4Q/08 as compared to the same quarter in 2007. With the uncertainty surrounding the log export taxes and timber market conditions in Russia, it is likely that the Finnish forest industry will rely less on Russian timber in the future.

Log consumption in Finland was substantially lower in 2008 than in the previous year. Total harvests were down about seven percent, with log deliveries from small private owners 25% lower than in 2007. Contrary to domestic log deliveries, log imports increased by three percent, totaling over 13 million m3 last year. However, shipments fell dramatically late in 2008, with softwood imports in the 4Q/08 down 24% from the same quarter in 2007 and hardwood log

imports declining 28% over the same time period.

Demand for logs was quite different for the pulp industry compared to the sawmilling sector. The total harvest of sawlogs was down an estimated 22% in 2008 and the decline in the imports of conifer sawlogs was close to 45%, with the biggest reduction originating in Russia. On the other hand, logging of pulpwood was up by approximately 7% and imports were 24% higher than in 2007. The biggest increases in pulpwood imports were of pine and birch logs from the markets around the Baltic Sea.

Despite the postponement of the Russian log export taxes for 9-12 months, it is not likely that Finland will rush back to its Eastern neighbor and increase log imports again. This is because many major Finnish companies have already cut back on their presence in Russia and/or closed some of their offices. It would be a big surprise if the log export tax of €50/m³ that was announced by President Putin in 2007 is actually implemented.

There are a number of reasons for this:

1) Russia is in need of income from the timber exports, 2) many Russian logging companies have had to shut down, resulting in increased unemployment, 3) there is not enough domestic capacity to convert all logs that are now being exported and 4) the Russian government's involvement in restricting free trade has only created uncertainty, which discourages foreign investors from investing in manufacturing facilities in Russia.

Despite the reduced operating rates in the Finnish industry, pulpwood and sawlog costs did not decrease much in the 4Q (in the local currency). Because the Euro continued to weaken, pulpwood prices fell 15% and conifer sawlogs were down 17% in US dollar terms, according to the Wood Resource Quarterly.

[Informational resource: WRQ](#)

Eduard Rossel told on the outcomes of the Finnish-Russian business forum

During 20-21 April there is the official Russian delegation working in Finland, headed by the President of Russia Dmitry Medvedev.

According to the Governor, during the bilateral business talks between the Finnish and Sverdlovsk businesses there were held more than 600 contacts. They agreed to cooperate in the timber industry and in the wooden house, as well as in areas such as ecology, energy and alternative energy sources, education, high technology.

Thus, the firm Hyumat has signed a contract to supply to the Sverdlovsk region of hydraulic equipment in the amount of 10 million Euros. In addition, the company will be sold in Finland, produced in the Sverdlovsk region components for hydraulic equipment. Company Midinvest held talks on establishing a production of harvesters ProFi Forest on the basis of Forest Machines Ltd. Finmit concluded a contract for the supply of fresh meat for the meat. Company Fortum started talking on the reconstruction of energy facilities in the Sverdlovsk region. Ponsse and John Deere agreed with the organization in the Middle Urals about supplying of service machines.

Also, Eduard Rossel said, the event received the first results of cooperation in the field of nanotechnology. Innovative Technology Center Finn-Naudet met with the center of nanotechnology-UPI USTU of cooperation for the implementation of scientific development. By June 2009, they are signing their agreement.

"The Middle Urals air needed foreign investment, modern innovative technologies, and new markets for our products. Without the active promotion of the economy in the West Urals we get nothing", said Rossel.

[Informational resource: NEP](#)

Tyumen and Finland authorities and business people will meet in June

The head of the regional projects in Russia Finnish-Russian Chamber of Commerce, Eugene Korobkin visited Tyumen 13-15 April 2009. His arrival was due to the preparation of the visit of the delegation of Finnish companies in the Tyumen region during the Russian-Finnish business forum, 8-11 June 2009.

The purpose of the Forum is the development of trade and economic cooperation between the Tyumen region and Finland. Finnish delegation will include representatives of 10-15 companies that specialize in designing and implementing advanced technologies, food processing, timber industry, and furniture manufacture. During the visit, the guests are planning to visit the Department of LUKOIL - Western Siberia, Red October Ltd, the enterprises of engineering complex.

Eugene Korobkin stressed the importance of specific business meetings between businessmen of Russia and Finland. Finland took the 3rd place in the foreign trade area after the south of Italy and Turkey. In 2008, with Finland's foreign trade turnover has increased compared to 2007 by 11% and amounted to 118.96 million dollars (exports – U.S. \$ 109.96 million, imports – U.S. \$ 9

million). Cooperation with Finland is carried out in various industries: petrochemical, light industry, forestry, agricultural, food, energy, fuel and energy complex, transports and logistics area.

Informational resource: Bcnvx.py

The Fifth Element?

"Investing bioenergy we are creating the fifth element of world energy, which, with the oil, gas, coal and nuclear power plants will ensure global energy security in the long run", said the chairman of the Duma Committee on Environment and Ecology Natalia Komarova.

17 April, 2009. Moscow, the State Duma of Russian Federation. There was held a public hearing on the development of renewable energy and the role of biofuels from non-edible plant material to provide energy and food security in Russia. The Chairman of the State Duma Committee on Natural Resources, Environment and Ecology Natalia Komarova noted that the use of renewable sources in Russia annually produces less than 1% of total electricity production. In document called «Basic directions of state policy in the sphere of improving the energy efficiency of electric power through the use of renewable energy until 2020» there has been tasked to bring the rate of 1.5 % by 2010, 2.5% by 2015 and in 2020 to reach 4.5%.

According to experts, the most promising area is the development of bioenergy. In today's world of the biomass products there is about 70% of all energy produced from renewable sources.

However, in recent years the development of the industry slowed down due to the fact that the production of biofuels from agricultural growth has caused global food prices. A more reliable and efficient raw material for the bio-energy can become a timber industry. In Russia, the total area of forest land and forests outside the forest fund is 1.2 billion hectares (69% of the country). Stocks of wood in forests account 82 billion cubic meters (more than a quarter of world reserves). The annual production of timber is more than 500 million cubic meters, and this figure continues to grow. On each hectare of cuttings is about 50 cubic meters of waste sawnwood, which, along with waste wood companies can and should be processed into biofuels. The available resources are of low quality will allow Russia to build large-scale production of biofuels.

Today, two bills «On energy saving and energy efficiency» and «On Amendments to Certain Legislative Acts of the Russian Federation in order to enhance energy and environmental efficiency of the Russian economy» are ready to have a support of the legislative branch. These bills laid the mechanisms of tax, tariff and fiscal incentives, developing and implementing environmentally technology. In particular, the subsidizing of interest rates on commercial loans, engaged in the involvement in the economy and the expansion of the use of renewable energy sources. The possibility of providing tax incentives, incentives to pay for a negative impact on the environment, subsidies from the budgets of businesses that invest in equipment to produce raw materials or finished products from the waste, including in the field of wood processing.

All these measures will help to practice the principle of sustainable development, the main thrust of which is to live in the capital of nature, and on dividends from it.

The development of this industry will bring economic dividends in the form of lower energy, growth, profitability of forest management, development of mechanical engineering and a number of related industries. Environmental – in form of reducing the greenhouse gas emissions and the amount of waste, complete and deep processing of raw materials. The social – in the form of job creation and development of domestic science, said N. Komarova.

Informational resource: Energyland.com

Rosleshoz takes part in the UN Forum of Forests

20 April to 1 May 2009, New York. The 8th session of the UN Forum on Forests (UNFF). The President of Russian Society of Foresters Anatoly Pisarenko and the Deputy Chief of the science, education, international cooperation and information Vladimir Dmitriev will take part in the preparation of materials and the session from the Russian side.

The issue of sustainable forest management set as a priority subject of international cooperation, under the auspices of the UN. During the upcoming meeting it is necessary to agree on methods of implementation of the UNFF multi-year work plan and identify key actions for the near future.

Provisional agenda includes issues such as:

- Forests and climate change;
- Prevention of forest degradation, desertification, biodiversity conservation;
- Capacity building and transfer of environmentally sound technologies;
- Decide on a voluntary global financial mechanism, a portfolio approach and framework for financing forestry activities;
- Strengthen and coordinate policies and programs, including the further guidance to the Collaborative Partnership on Forests.

The Forum is the focal point of the UN system, designed to develop policies for sustainable forest management of all types and promote an enabling environment for the implementation of internationally agreed measures in this field at national, regional and universal levels.

MEPs adopt rules to keep illegal timber off the EU market

Stricter rules on timber sold in the EU are needed to combat illegal logging. All the operators in the timber supply chain must prove the legality of their timber and illegal timber suppliers must pay penalties that reflect the degree of environmental and economic damage.

EU rules need to be more effective, as 20 to 40% of global industrial wood production is from illegal sources, stresses the European Parliament, which wants to toughen the proposed legislation to ensure that illegally harvested timber and timber products are removed from the EU market, through a concrete system of traceability and monitoring.

Caroline Lucas speaking in the plenary debate said: "Illegal logging is a hugely serious problem, against which the EU has preached for many years, yet all the while continuing to provide one of the world's biggest markets for illegally-logged timber and timber products. Between 20 and 40% of global industrial wood production is estimated to come from illegal sources and up to 20% of that finds its way into the EU. That depresses timber prices, it strips natural resources and tax revenue, and it increases the poverty of forest-dependent peoples. The longer-term effects are even more serious... since deforestation, of which illegal logging is a major driver, accounts for nearly one-fifth of global greenhouse gas emissions."

Shared responsibility, tougher penalties

All operators in the supply chain shall ensure that only legally harvested timber and timber products are made available on the market. Obligations must therefore apply to operators throughout the timber supply chain, not just those placing timber on the market for the first time, as proposed by the Commission.

Financial penalties, to be set by EU Member States, must reflect the degree of environmental and economic damage caused by the illegal activity, add MEPs. These penalties must represent "at least five times the value of the timber products obtained by committing a serious infringement" and they will increase in the event of repeat infringements.

Due diligence – better information, traceability/labeling and monitoring

The "due diligence system", approved by MEPs, requires operators to reduce the risk of placing illegally harvested timber and timber products on the EU market to a minimum, using a system of detailed measures and procedures. This system only applies to operators placing the timber in the market for the first time, since they are considered to have the biggest influence and responsibility.

But to improve timber traceability, MEPs ask that all operators provide basic information about the source of the products, their country and forest of origin. They will also have to identify the operator who has supplied the timber and to whom it has been supplied, through a traceability system. Member States shall ensure that two years after the entry into force of the Regulation all timber and timber products placed and made available on the market are labeled with this information.

Monitoring must also be improved, say MEPs, who call on the competent authorities to carry out checks on the supply chain and to apply "immediate corrective measures", such as "seizure of illegal logging" and enforcing the "cessation of commercial activity".

Timber from high-risk areas demands extra due diligence

Parliament calls on the Commission to establish certain categories, such as "high-risk" timber or suppliers which will require extra due diligence from the operators. Timber could be classified as high risk if, for example, it were from "countries where there is consistent and reliable information regarding significant failures of forest law governance" or a "high level of corruption". In such cases, operators will be subject to extra due diligence obligations.

No exceptions for biomass timber

The rules should cover all products that could contain illegally-sourced timber, "without exception", say MEPs, who deleted a proposed exemption for products covered by mandatory sustainability criteria, such as timber used for biomass.

"Pskov model forest" Shares Its Experience

WWF project "Pskov model forest" in conjunction with the Institute of the regional press in the conclusion of the second phase of the project, which lasted from 2005 to 2008, conducted for the St. Petersburg media press conference on the theme "The economic model of sustainable forest management for the development of the forestry sector of Russia".

The press conference was devoted to the issues of the effective development of the forest industry in Russia and the degree of readiness of the forest industry in Russia to introduce innovative technologies. Also, participants of the meeting tried to explain why the current reforms in the forestry were devastating and told about the main outcomes of the project «Pskov model forest».

The head of WWF Forest, Elena Kulikova, Research Project Director WWF «Pskov model forest», Boris Romanyuk and the Head of the Russian-Swedish cooperation in the forestry sector Per Hazel were answering the questions.

As the press conference stated, the situation in the Russian forest industry today requires the new technologies in forest management. Obsolete standards, lack of effective forest planning and economic evaluation of resources for the most part led to the unsustainable use of forests. The current method of planning does not make a forecast on forestry cycle (100 years). The system of allocation of environmental protection facilities in the forest management is limited, thereby reducing the percentage of conservation of valuable forests.

“Eight years ago we set a challenge – to develop a new model for forest management in Russia, based on the criteria of sustainable development. We work performed. “Pskov model forest” really showed how to efficiently solve problems in management and forest management. The main thing is that now we have a systematic understanding of how to look cost-effective model of forestry in Russia”, said Boris Romanyuk.

Over the years the project «Pskov model forest» became one of the pioneers in the development of new methods of forest management in Russia, creating a model of sustainable forest management. Recent estimates of the project made by professionals have once again confirmed that the use of "Pskov model" the economic efficiency of forest management is increased by more than 2 times, objects of flora and fauna of the forest, through the established framework of environmental planning, there are still ten times more compared to today's forest management practices.

A new model of a sustainable forest management developed by the specialists of the «Pskov model forest» project allows planning the activities of the forest, as in the short term, and for 100 years. The technique is based on an analysis of alternatives for development of silvicultural and economic requirements. Here is calculated the costs of the activities and the cost of such timber for each version of the events in the forest.

Experts of the project propose a new vision and methods of biodiversity conservation in exploited forests. Established a system of environmental planning for each of the forest area is able to determine the optimal mix of ecological and economic functions. It makes possible to save the habitat of rare animal and plant species in the forest management. It is based on a landscape approach and complies with the requirements of a voluntary certification.

Previously, it was reported that the first phase of the project started in 2000. "Green Forest" fund will continue to share the experience of sustainable forest management in Russia.

[Informational resource: Pskov News](#)