

Russian Forestry News Update

Последние известия российской лесной промышленности

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FEBRUARY 15, 2010

VOLUME 3, NUMBER 4



*A Full Moon Rises Above a
Cathedral in St. Petersburg*

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World's Largest Wood Pellet Plant To Be Built In Russia

Vyborgskaya Cellulose is building the world's largest wood pellet plant at its facility in Russia near the border with Finland. Production capacity will be over 900,000 tons per year. Construction of the plant is underway and production is planned to start in the 3Q of 2010, the company said in a press release.

Vyborgskaya Cellulose has appointed Ekman & Co to be its exclusive sales agent. In addition to sales, Ekman & Co will also assist Vyborgskaya Cellulose with services in finance, risk management, logistics and administration.

The raw material for pellets consists primarily of logs from Russia and Belarus, which is partly FSC-certified. The timber will be supplied to the plant by rail.

Vyborgskaya Cellulose is well placed geographically with short distances to all key markets. The main port for export will be the Port of Vyborg and pellets will be transported the short distance from the factory by rail and truck.

"With the new plant in place, we will be able to increase the supply of renewable energy, which is in great demand," says Aleksey Kazmin, CEO, OJSC Vyborgskaya Cellulose.

End users of the pellets will mainly be power and cogeneration plants across Europe.

"The market for wood pellets and other bioenergy products is growing in line with the increasingly stringent political requirements to reduce carbon dioxide emissions," says Johan Granath, Head of Bioenergy division at Ekman & Co.

International technology Group Andritz will supply all process equipment for the pellet plant including debarking and chipping lines, chip handling system, belt dryers, as well as hammer and pellet mills.

Vyborgskaya Cellulose was established in 1927 and produces pulp, corrugated paper and wall paper base.

Ekman & Co was established in 1802 and is one of the world's leading sales and marketing organizations focusing on the global forest industry. Ekman & Co is active in pulp, paper, bioenergy products, recovered materials and forest products derivatives.

Informational resource: Lesprom Network

Arkhangelsk region to focus on Bio-energy

Bio-energy becomes one of the innovative trends for the Arkhangelsk timber industry. Until recently wood wastes haven't been considered as available cheap resource for byproducts. Currently the situation has changed and part of the biomass is used as alternative fuel for some boiler-houses. There are already several projects in the Arkhangelsk region that have been already realized, of them conversion of the boiler-houses to bio fuel in Onega, at Sawmill 25 (Arkhangelsk), energy saving programs at objects of social sphere in the districts.

Today the Arkhangelsk region developed a project on Construction and reconstruction of boiler houses with them to be converted to bio fuel. The project is to be realized on concession terms.

Presently share of imported energy resources (diesel fuel, coal, oil fuel) makes up 74.1%. Considerable costs are spent annually for fuel purchase, whereas the region has large forest resources, wood wastes that can be used as bio-fuel for heat supply sources.

Most of heat supply sources (83%) are small boiler-houses that mostly belong to the government. According to the Regional Forestry Department, there are annually up to 5 thousand cubic meters left from harvesting activity with only 1.6 thousand cubic meters to be further processed. All in all, the Arkhangelsk region could provide about 2.5-3 million cubic meters of low-grade wood that can be used in bio-energy.

Besides, up to 200 million cubic meters of dead wood are not used on the Northern Dvina and Pinega interfluvial area of 2.1 million ha. As for some experts, these resources unavailable for timber companies could be also used in bio-fuel production for local boiler-houses. Moreover, many boiler-houses have high wear rate and low coefficient of efficiency, that's why it is the time to solve the issue re. their reconstruction and conversion to another type of fuel.

Beside reconstruction of small boiler-houses, the project includes construction of a heat power plant in the Leshukonskoye district, as well as construction of 7 mills for pellet production – capacity making up 35 thousand tons each. The latter is of most interest for investors as pellets are to be used not only for bio-energy purposes in the region but are to be exported to Europe where the pellet market is rapidly developing, while there is only one mill in the region that produces pellets – Sawmill 25.

Thus, pellets are to be used at 110 reconstructed or newly-built boiler houses: 34 coal-to-energy and firewood-to-energy boilers are to be reconstructed, 26 boiler houses are to be newly-constructed, and 50 boiler houses are to be built for administrative and municipal buildings. The project was already presented and approved by the Ministry for Regional Development of the RF. The investment volume amounts to 5 billion RUR (about 120 million EUR), of them 39% will be provided by the Investment Fund of the RF, 11% - by the Regional Government.

However, there is also another project worth 500 million RUR (12 million EUR) that can be realized on the regional level. It includes conversion of 30 boiler-houses to bio fuel in Ustyansky, Vinogradovsky, Shenkursky, Verkhnetoemsky and Kholmogorsky districts. Arkhangelsk Regional Energy Company suggests including this project in the program of energy efficiency of the Arkhangelsk region.

All parties agree that the fastest development of bio-energy in the Arkhangelsk will contribute to solving a number of economic, social and ecological issues in the region. The Society for Biotechnologists of Russia confirmed its readiness to assist in realization of this project.

[Informational resource "Runa" www.runa.info](http://www.runa.info)

New pellet facility in Russia

CJSC North-West Group of Companies finished works on construction of pellet mill worth 300 million RUR (€ 7.14 million) in Podporozhye (Leningrad region) with Anritz (Denmark), BRUKS (Germany) and Komforts (Latvia) machinery installed.

Currently staff makes up 75 people. Annual mill capacity is to reach 50 thousand. ton of pellets.

The mill was firstly started up in the end of 2009 with commissioning works to continue in January 2010. The mill is to process wastes left from harvesting and sawmilling as well as low-grade wood. Finished products are to be exported to the EU countries and domestic market.

In future North-West Group of Companies is to invest over € 100 million in further development of deep woodworking facilities, incl. construction of mill for wood boards production, sawmill for sawing wood of big diameter and a mill for timber house manufacture.

[Informational resource "Runa" www.runa.info](http://www.runa.info)

Finland to invest about 20 million EUR in projects realized in the neighboring Russian areas

Friday, 05 February 2010

Finland is to invest about 20 million EURO in projects realized in the neighboring Russian areas, in particular, St. Petersburg, Leningrad, Murmansk, Arkhangelsk regions, and Karelia.

According to Paavo Väyrynen, Minister for Foreign Trade and Development of Finland, the most

perspective fields of cooperation are logistics, education and timber industry, including participation of Finland in the Russian programs on development of timber roads and optimization of the forest legislation.

Currently total volume of the Finnish investments in the Russian economy amounts to 6 billion EURO.

- [Informational resource "Runa" www.runa.info](http://www.runa.info)

Russian Timber Industry To Start Reviving In 2010

Russian timber industry is to start reviving in 2010, experts say. In order to overcome low profitability experts suggest revising existing strategies, using more secondary raw materials, creating forest plantations, investing in developing markets and expanding product range.

As in most countries, woodworking sector is to be the first sector that will feel improvements in the Russian timber industry. However, there is a risk that a complicated situation in the logging sector aggravated with financial crisis and increased export duties on round wood, could lead to the lack of raw materials and raised prices on round logs. Unfortunately, logging sector could slow down recovery of the timber industry as harvesting companies will have to face a lot of difficulties, incl. legal and structural reform of forest management.

Logging volumes in the European part of Russia are more likely to reduce in 2010. According to analysts, this fact will be caused by the same reasons as in the previous year. Russia has a limited market of pulp wood, whereas woodworking mills manufacture products with low added value. Costs on logging and transportation in particular are also increasing against unfavorable climate conditions. Thus, many land tenants refuse from lease agreements.

Petteri Pihlajamäki, Executive Vice President, Pöyry Forest Industry Consulting Oy, a part of Pöyry Group, considers that in order timber companies could reach more efficiency in 2010 it is vital, first of all, to adapt the market, industrial and raw-material policy to post-crisis reality. In particular, it is worth reconsidering which markets are target for the company, which strategy of raw material supply is more preferable due to complicated situation in the logging sector. One of the key factors for the Russian timber companies is using new market opportunities the Chinese and other Asian markets.

Secondly, it is important to focus on increase of production efficiency. Current low prices on raw wood, electricity and labor force are to rise in future and in order to keep a competitive prime cost there is no other way than to increase production efficiency.

Thirdly, woodworking companies are to improve a system of their products distribution in the Russian market, i.e. to cooperate with the Government, to develop the projects on timber house construction. Logging companies need a non-standard development strategy and are to promote their products in the domestic market instead of foreign one.

Then it is worth paying attention to projects aimed at woodworking and manufacturing of the products with more added value. And, finally, companies should face completely new type of products and business opportunities – bio-energy and bio-fuel. Low energy tariffs in Russia slow down development of bio energy so far, however, the situation could change.

The mentioned steps taken, Russia is to become one of the key regions of timber industry development in future.

- [Informational resource "Runa" www.runa.info](http://www.runa.info)

Russian timber industry in 2009

According to the Ministry of Economic Development, fiberboard production output decreased by 26.1%, of chipboards – by 20.7%, plywood – by 18.7%, sawn timber 12.2%, door and window units – by 33.4 and 46.1% respectively.

Decreased production output of pulp and paper products is explained by reduced manufacture of market pulp – by 11.9%, cardboard – by 6.6% and paper – by 2.0%.

Timber industrial complex is highly export-oriented (over 30% of manufactured products are exported), which makes the branch significantly dependent on foreign economic conditions. Changes in the foreign markets (incl. market saturation, decreased demand and prices on processed wood products) contributed to significant reduction of production output.

Decreased demand for timber products resulted in slowdown in house construction, repair works and building reconstruction, furniture production, personal incomes, as well as decreased demand from main consumers.

In order to modernize commercial manufacture, reduce export of raw materials and develop high quality competitive timber products the Government introduced the mechanism of priority investment projects. Currently there are 84 approved investment projects with total investment volume amounting to 425.1 billion RUR (€ 10.1 billion) – expected volume of processed raw materials reaching 67.6 million cubic meters.

Manufacture of timber industry products in Russia in 2009

Article	December 2009	Dec 2009/ Dec 2008, %	Jan-Dec 2009	2009/ 2008,%
Commercial timber, million m3	8.5	-4.5	77	-15.3
Sawn timber, million m3	1.6	0.0	19	-12.0
Paper, thousand ton	341	11.8	3923	-2.0
Cardboard, thousand ton	311	20.5	3450	-6.7

Informational resource "Runa" www.runa.info