RUSSIA

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In 2006 and the first part of 2007, Russia continued to experience robust economic growth, reflected by continued growth in Russian pulp and paper output (Tables 1, 2, fig. 1). The growth in Russia's paper and paperboard output was 2.8% in 2006, (1.7% in 2005, 6.8% in 2004).

The important forest sector policy developments of 2004-2007 in Russia were as follows:
the Kyoto Protocol ratification by Russia (and its coming into effect in spring of 2005 with new efforts to monitor carbon emissions),

- new alliance formation between "**International Paper" and "Ilim Pulp Enterprise",**
- new Forest Code to be adopted,
- the use of space satellite monitoring for preventing illegal timber cuttings,
- new level of export tax on round wood in 2007-2009-2011 (Fig.6),
- Giprobum-Engineering's (the Russian major designing and engineering company) share purchase (70%) by the Pöyry company, Finland.

Both demand and output of pulp and paper products increased in Russia through 2004-2006 and into the first half of 2007. Owing to relative economic and political stability established in the country since the major currency revaluation of 1998 and more expansionary macroeconomic policy under President Putin since 1999, there has been a continuous increase in output of pulp, paper and paperboard in Russia, more than doubling since 1996, although output has yet to reach previous record levels of 1988-1989 pre-transition periods (in the late Soviet era).

In 2005-2006, the Russian pulp and paper sector continued to expand production of pulp, paper and paperboard, particularly the output of paperboard for packaging. During 2006, Russia's total output of pulp (both pulp for paper and paperboard and market pulp) increased by 0.1%, the output of market pulp increased by 0.4%, and the output of paper and paperboard increased by 2.7%, including a 4.2% increase in output of paperboard.

Exports of pulp and paper products hold a dominant position in the total Russian exports of forest-based products, and the overall structure of forest product exports still has a pronounced raw material character. In terms of round wood equivalents, round wood timber exports and sawn wood exports accounted for 82% of Russia's exports in 2005, while pulp and paper accounted for only 17.8% of exports (Table 2).

In 2005, exports of pulp and paper products continued to increase. Exports of pulp, paper and paperboard progressively increased from 1990 and reached a peak level in 2005. However, Russian exports as a percentage of production have remained largely unchanged since 1996, with exports comprising about 80% of output for market pulp, and around 40% for paper and paperboard. (Table 3, fig. 2, 3). Major export destinations for these Russian products are China (market pulp, kraft linerboard), Ireland (market pulp, kraft linerboard), India (newsprint), and Turkey (newsprint).

Although the tonnage of Russian paper and paperboard exports greatly exceeds the tonnage of imports, the trade balance in value has continued to deteriorate, as Russia has expanded imports of higher value paper products. The annual trade deficit in paper and paperboard has been negative since 2001, and in 2005 it was more than a 0.87 billion USD (Table 4, fig. 4). The higher value of imports of paper and paperboard as compared to their exports is mainly due to the fact that Russia is importing rather expensive products such as high quality materials for container and packaging, coated paper, and tissue, whereas less expensive commodity products such as newsprint and kraft linerboard are being exported.

Table 1
Output of pulp, paper and paperboard in the Russian Federation in 1995 – 2006 (thousand metric tons)

Products	1988 (89)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2006/ 2005,%
Chemical pulp total:	8331	4151	3028	3170	3205	4225	4960	5272	5568	5764	5922	5933	6005	100.1
Market pulp	3076	1743	1144	1169	1320	1722	2018	2136	2233	2311	2409	2419	2380	97.9
Paper and paperboard	8632	3956	3236	3269	3426	4535	5300	5595	5921	6227	6619	6800	7145	102.8
Paper total including:	5465	2760	2274	2179	2325	2966	3320	3415	3524	3682	3903	3969	4004	100.1
Newsprint	1693	1457	1243	1201	1386	1622	1694	1732	1713	1814	1978	2007	1993	100.4
Offset paper	396	346	349	337	399	485	461	465	491	449	469	452	466	103.2
Paperboard total:	3167	1196	962	1090	1102	1569	1980	2180	2397	2545	2716	2830	3141	106.6
Corrugated board	1639	814	610	775	760	1080	1356	1530	1711	1882	2090	2102	2332	109.4

Sources: Goscomstat of the Russian Federation; PPB-express, author's data handling

Table 2
Structure of Russian exports of forest-based products in 1990 – 2005

	1990	1998	1999	2000	2001	2002	2003	2004	2005
Round wood, million m^3	31,4	20,0	27,6	31,3	31,7	36,5	37,6	41.5	48.0
Sawn wood, million m^3	15,7	4,6	6,4	7,9	7,7	8,9	11,0	13.1	15.4
In terms of round wood[1], million m^3	*25,1*	*7,36*	*10,2*	*12,6*	*12,3*	*14,2*	*17,6*	*20.96*	*24.64*
Market pulp, million metric tons	0,993	1,056	1,373	1,600	1,758	1,885	1,905	1.866	1.952
Paper and paperboard, million metric tons	2,761	1,767	2,048	2,309	2,353	2,500	2,550	2.590	2.700
Pulp, paper and paperboard, million metric tons	3,74	2,823	3,421	3,909	4,111	4,385	4,455	4.456	4.652
In terms of round wood [2], million m^3	*12,7*	*9,57*	*11,6*	*13,3*	*13,94*	*14,87*	*15,10*	*15.11*	*15.77*
Total exports of forest and paper products in terms of round wood, million m^3	69,2	36,9	49,4	57,2	58,0	65,6	70,30	77.57	88.41
Percentage of round wood exports	45%	54%	56%	55%	55%	56%	53%	53.5%	54.3%

[1] The factor 1,6 is used - source: UN FAO
[2] The factor 3,39 is used - source: UN FAO

Table 3
Exports of market pulp, paper and paperboard from the USSR (1980 – 1990) and from Russia (1993 – 2004), thousand metric tons

Year	Market pulp			Paper and paperboard		
	Output	Exports	Percentage of exports	Output	Exports	Percentage of exports
1980	2457	821	33.5	8688	1018	11.7
1983	2840	1012	35.6	9556	1034	10.8
1986	3233	1105	34.1	10395	1188	11.4
1987	3371	1088	32.3	10566	1252	11.9
1990	3255	600	18.4	8325	900	10.8
1992	2109	856	40.6	5750	1568	27.3
1993	1682	1077	64.0	4462	1418	31.8
1994	1328	1028	77.4	3410	1264	37.1
1995	1736	1362	78.5	4070	1690	41.5
1996	1267	1095	85.7	3220	1380	42.9
1997	1193	1008	82.8	3331	1507	45.2
1998	1311	1056	75.8	3540	1783	50.4
1999	1725	1350	78.3	4467	2019	45.2
2000	2000	1635	81.8	5239	2355	45.0
2001	2136	1753	82.1	5595	2350	42.0
2002	2233	1866	83.6	5921	2453	41.4
2003	2301	1905	82.8	6174	2550	41.3
2004	2404	1866	77.6	6653	2590	38.9
2005	2429	1952	80.4	6948	2700	38.9
2006	2379			7145		

Sources: Goscomstat of the USSR, Goscomstat of the Russian Federation, PPB-express, Moscow, author's data handling

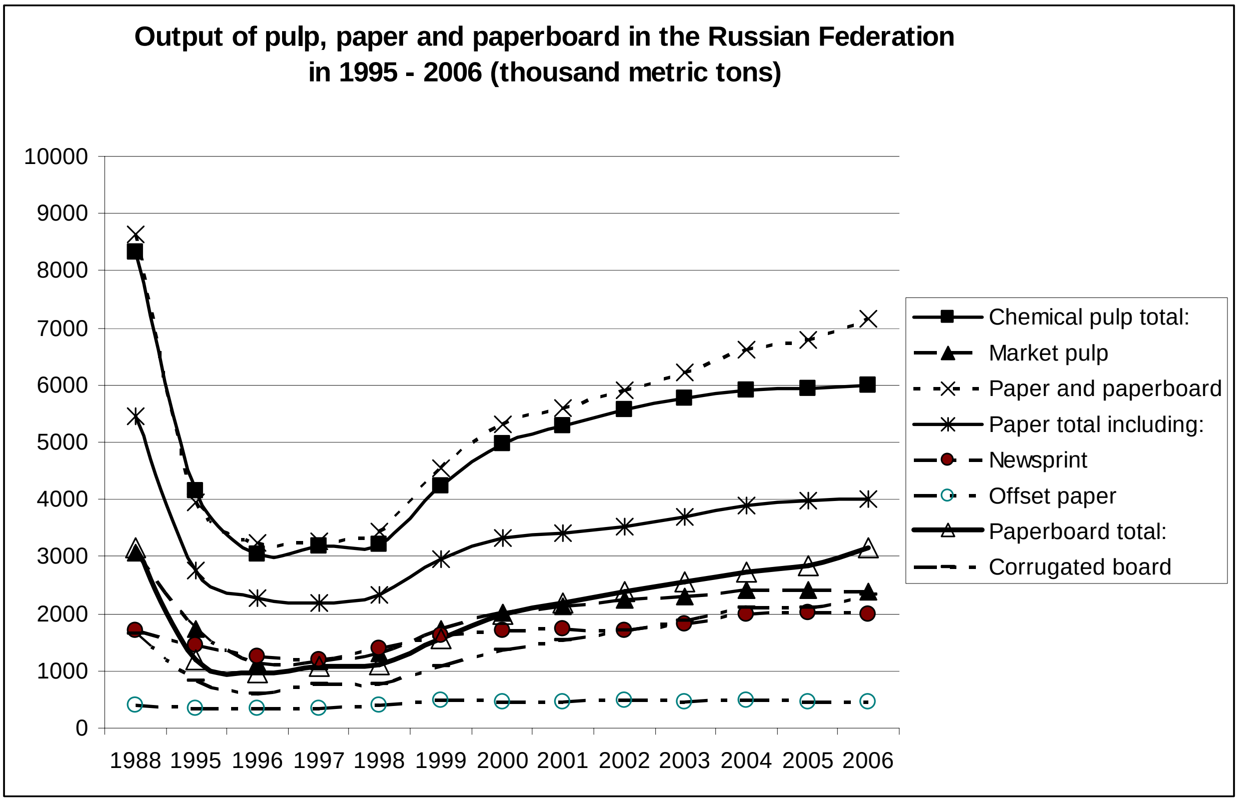

Output of pulp, paper and paperboard in the Russian Federation in 1995 - 2006 (thousand metric tons)
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
1988 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006
Chemical pulp total:
Market pulp
Paper and paperboard
Paper total including:
Newsprint
Offset paper
Paperboard total:
Corrugated board

Fig. 1

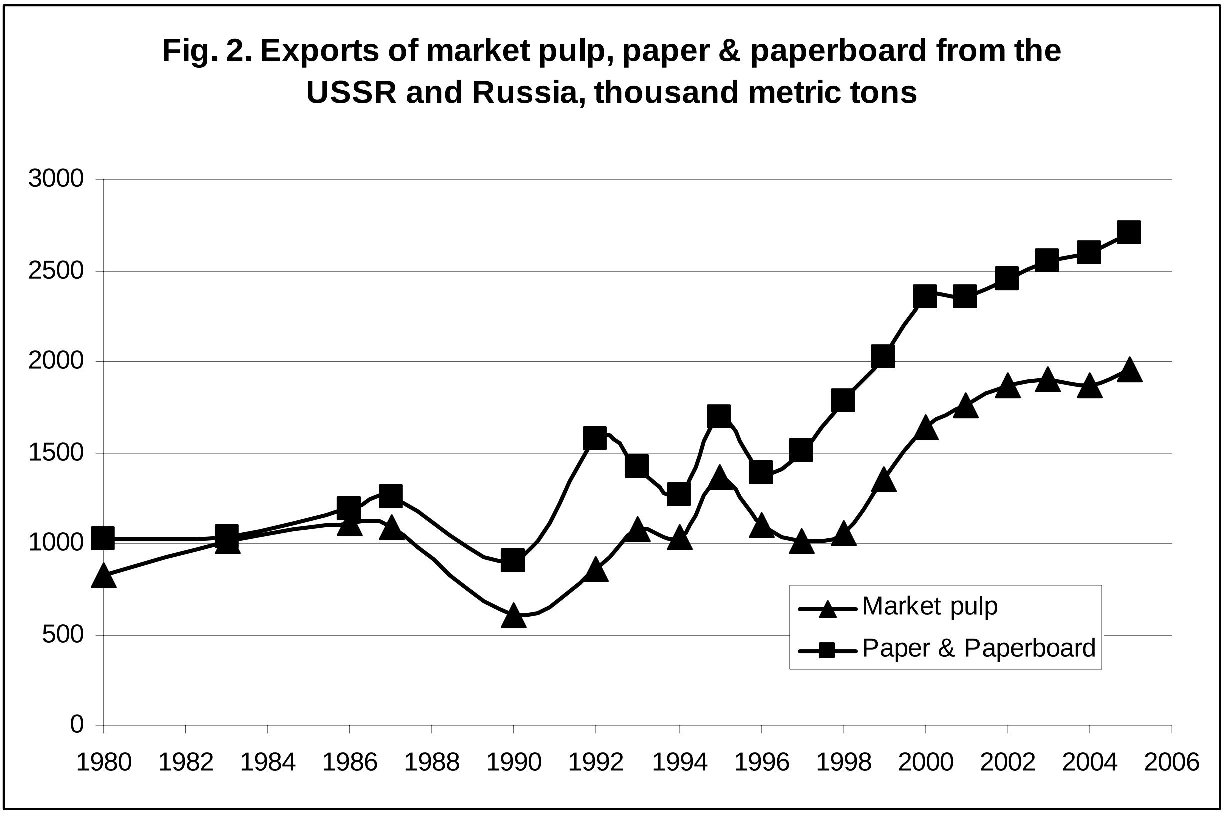


Fig. 2. Exports of market pulp, paper & paperboard from the USSR and Russia, thousand metric tons
3000
2500
2000
1500
1000
500
0
1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006
Market pulp
Paper & Paperboard

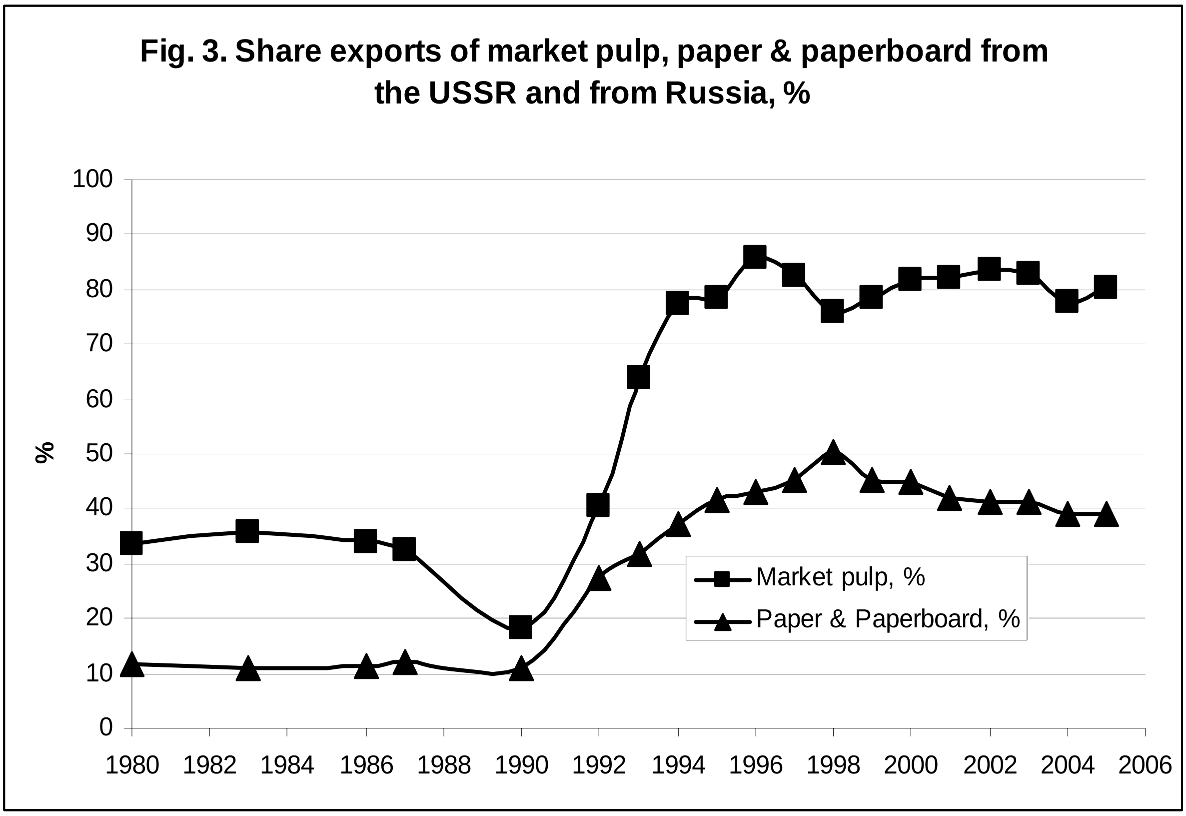


Table 4
Russian exports and imports of paper and paperboard in 2000–2005 (million USD)

	Exports	Imports	Trade balance
2000	920	731	+189
2001	927	1012	–85
2002	887	1200	–313
2003	967	1465	-498
2004	1184	1774	-590
2005	1331	2107	-876

Sources: State Customs Committee, Pulp. Paper. Board Magazine, PPB-express, PPB Exports, PPB Imports, author's data handling

In present time the biggest Russian Enterprise produced 75% market pulp, 80% paper and 50% paperboard (Table 5). 25.10. 2006 was announced new alliance formation between "International Paper" and "Ilim Pulp Enterprise"(Fig. 5).

Reconstruction and restructuring of the Russian pulp and paper industry is continuing, with some progress being made towards higher value products with better processing of wood raw material. As an example, International Paper Company announced recently plans to speed up an uncoated free-sheet machine and add 50,000 tons per year of production capacity at the paper mill in Svetogorsk (about 140 km from St Petersburg). The mill is also reportedly installing a coater on a liquid packaging machine to add 15,000 tons/year of capacity. More than 200 million USD have been put into reconstruction of the mill in recent years. Office paper produced by the mill supplies presently more than 60% of the Russian market demand. In addition, a new 200,000 tons per year aspen-based BCTMP pulp line is planned in 2007, according to International Paper, which will supply pulp to paper mills in Europe and elsewhere.

Sources: State Customs Committee, Pulp. Paper. Board Magazine, PPB-express, PPB Exports, PPB Imports and author's data interpretation, 2006.

It can be noted that future development of Russia's pulp and paper sector is linked to expanded production of more technologically advanced products (such as coated printing and writing paper rather than newsprint for example), and also more integrated utilization of forest resources.

Implementation of important environmental projects provides examples of steps being taken towards applying the new Russian environmental laws adopted in late 2002 (based on comparison of environmental indices of individual mills and those of "best available technology", or BAT). For instance, new systems of wastewater local treatment with the use of KWI floatators were constructed at the Syassky pulp and paper mill, SCA *Huygens Product*, etc. Furthermore, in connection with ratification of the Kyoto Protocol, a number of mills (the Arkhangelsky pulp and paper mill, for example) initiated work on inventorying of greenhouse gas emissions. Such accounting for carbon and greenhouse gas emissions is being done at the Arkhangelsky mill and elsewhere to prepare for limits on emissions and perhaps trading in carbon emissions.

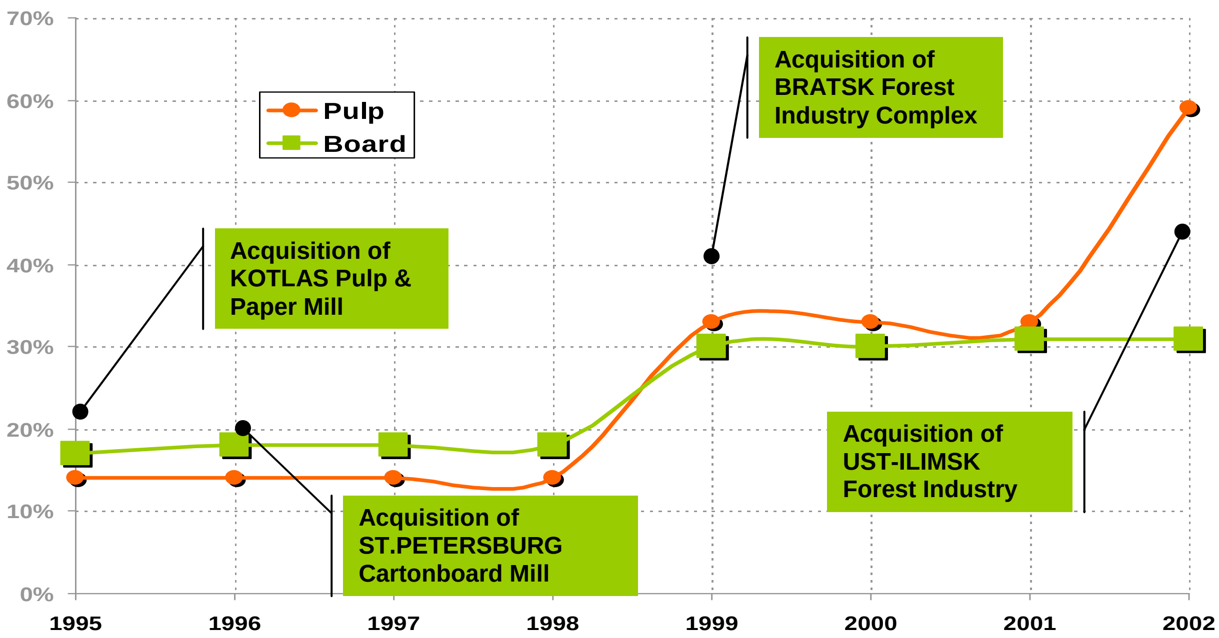
The forest sector of the Russian Federation has a staggering potential for further development. Russian forest sector has excellent opportunities for rapidly increasing exports of forest products. The growing stock amounts to 81.9 billion m^3 with an annual increment exceeding 900 million m^3. (Table 6, Fig.6). These resources represent over 20 % of the global total and the single largest national forest resource. The potential for increasing felling in the framework of sustainable forest management is clear. Further, Russia has the benefit of rather well educated, low-cost, labour resources. Both factors could attract investments into the Russian forest sector.

Table 5
Major Russian Pulp, Paper & Board Producers (2006)

	Total Output, x 000 t	Market Pulp, x 000 t	Paper, x 000 t	Board, x 000 t
Ilim Pulp	2582	1516	262	804
Kotlas	945	350	262	333
Bratsk	737	506		231
Ust-Ilimsk	660	660		
St.Petersburg	240			240
Arkhangelsk	804	236	82	486
Syktyvkar	813	12	595	206
Kondopoga	741		741	
Volga	551		551	
Solikamskbumprom	456		456	
Svetogorsk	406		324	82
Segezha	220		220	

Sources: State Customs Committee, Pulp. Paper. Board Magazine, PPB-express

Fig. 5. Ilim Pulp Growth (share of total Russian production)



Sources: Frank Graves, ILIM PULP, 7th Annual ASI Conference
The Pulp & Paper Industry in Russia, the CIS and the Baltics

Table 6
General indices of forest resources of the Russian Federation

	Unit	Russian Federation, total	European part	%	Asian part	%
Forest land area	million ha	882.0	173.7	19.6	708.3	80.4
Stocked area	million ha	774.2	168.7	21.8	605.5	78.2
Growing stock, total	billion m^3	81.9	22.1	27.0	59.8	73.0
Mature and over mature of which:	billion m^3	44.1	9.7	22.0	34.4	78.0
Coniferous	billion m^3	34.6	6.4	18.5	28.2	81.5
Non-coniferous	billion m^3	9.5	3.3	34.7	6.2	65.3
Total average annual increment	million m^3	970.4	359.4	37.0	611.0	63.0
Annual allowable cut	million m^3	551.0	213.0		338.0	

Sources: Russian Federation forest sector outlook study. *UNECE - FAO UN*, **ECE/TIM/DP/27** Geneva, 2003

Fig.6. New Russian Wood Tax (Resolution # 75, February 2007).