

ANNEX 6: THE EXPERIENCE OF THE RUSSIAN PRODUCERS' GROUP

by Mikail Karpacherskiy

The GFTN began formal discussions on the development of Producer Groups in January 2001, although the Russian group was already formed in April 2000. Since then there has been considerable discussion and development in the field, particularly in SE Asia, Russia, Brazil, Bolivia, Central and West Africa, and Central America, with interest growing elsewhere. Producer Forest and Trade Networks (PFTNs) are FTNs which have a particular focus on the production end of the manufacturing chain and include both forest managers, primary producers and the wide range of processors who use the timber they produce.

ORIGIN OF THE RUSSIAN PRODUCERS' GROUP

Russia is among the leading exporters in the world of timber products in round wood equivalents, with its total export of timber products in the year 2000 being worth a total of US \$4billion. Russia ranks fifth in the world by the amount of produced and exported timber and timber products (by volume, RWE). In 2000, Russia exported 61% of timber and timber products produced (by value). Around 30% of Russian export is directed to China, 27% to Japan, 14% to Finland and around 25% to other EU countries.

The forests of Russia are of great national and international importance

- Russia accounts for 22 % of the total world forests and about 21 % of the world's wood resources
- Russia constitutes 70% of the world's taiga forests
- Russian forests accumulate up to 15% of the carbon stored by the Earth's forest ecosystems, so they are of great importance to prevent climatic change
- Russia accounts for about 25% of the world's pristine forests. Both Siberian forests located on permafrost and Far Eastern forests, which make up more than 50% of the country's forests, are of particular importance for the prevention of ecosystem destruction

The threat to Russian forests

- Illegal logging in Russia makes up for 20%-30% of the overall volume of timber harvested
- Valuable stands of cedar and broadleaved, wild fruit as well as chestnut forests are disappearing as a result of destructive logging in the Far East and the Caucasus. Fewer and fewer highly productive forests remain in the European part of Russia
- Approximately 20 million hectares of forest land are not properly reforested
- Two to three million hectares of forest burn down every year. 90% of these forest fires are caused by people
- Approximately one million hectares of forests are in unsatisfactory sanitary condition due to insects and diseases.
- Over 5 million hectares of forest are polluted with industrial and radioactive waste.

WWF Russia's Forest Programme is a part of the Global Forests for Life programme, which was developed by WWF to conserve forests through protection, sustainable management and reforestation where necessary.

Goals of WWF Russia's Forest Programme

- Develop systems of protected forest territory
- Demonstrate sustainable management in model forests
- Implement responsible ecological policies and work for international certification in FSC-system forest management for Russian timber producers
- Work to prevent illegal logging and criminal trade of timber
- Organize a modern nation-wide forest policy

Thus, it is important that Russia's forests are managed in a sustainable manner, not just for local social, economic and environmental reasons, but because they are also crucial to maintaining the planet's ecosystems and biodiversity.

APPROACHES

A recent WWF survey shows that just **33** Russian forest companies make up 50 million m³, or **43%**, of all harvesting and processing of timber in Russia (without the contribution of forest management units—so-called ‘leshozes’—of the Ministry of Natural Resources of the Russian Federation). Just **10** companies make up 30 million m³, or **25%**, of the same trade. Thus, it is clear that just a few companies have an enormous influence on the Russian timber industry.

The Russian GFTN member is the Association of Environmentally Responsible Timber Producers of Russia [also known as the Russian Producer’s Group (RPG) or Russian Producer Forest and Trade Network (PFTN)]. The RPG was founded in April 2000 as an initiative of WWF in order to connect foreign buyers who want to purchase FSC (Forest Stewardship Council)-certified timber and timber products from Russian producers and manufacturers.

16 companies joined the RPG including:

- ◆ Price-Batch Ltd (Altai Region)
- ◆ Volga PPM in the Nizhniy Novgorod Region. This company has nearly achieved FSC certification. FSC certificate is expected in January 2002
- ◆ Archangelsk PPM and its enterprises (Ust-Pokshensky Lumber Company)
- ◆ Lemo Group and its enterprises (the Gatchina Timber Group, Nord-Kemp, Megatech)
- ◆ Chuguyevsky Forestry
- ◆ Komi Plywood Manufacturing Plant (Komi Republic)
- ◆ Vologadlesprom Corporation (Vologda Region)
- ◆ East-West Timber Company (Moscow)
- ◆ Petropromles & Co (St. Petersburg Region)

In 2001, the performance assessments of members of RPG have shown that some companies do not meet the requirements of the RPG. The members agreed to temporarily cancel participation of Evenkia Timber Company, East-West Company and PetropromLes until they can prove that corrective actions have been taken. So far no marketing or support for these companies will be provided from RPG.

In 2002, WWF proposed new principles for becoming a partner in the Association. The proposal suggests stricter rules for participation and a yearly ecological examination of production processes by independent experts. These rules have served as a basis for the development of GFTN principles and producers group worldwide. As a result, several companies left the Association. At the same time new members appeared, among them Ilim Pulp Enterprise, the leader of the Russian timber producing industry.

Today the list of members of the Association comprises:

1. Archangelsk PPM
2. Volga PPM
3. Ilim Pulp Enterprise
4. Altay Price Batch
5. Krona M

The companies Solikamskumprom, Gatchina forest company (member of Lemo group), the National Forest Industrial Company and others are in the process to finalize the agreement. Some more companies are also due to join in the near future. WWF expects that up to 10-12 companies will join RPG by the end of 2003.

THE GOALS OF THE RUSSIAN PRODUCERS' GROUP

1. To facilitate the development of FSC certification and Sustainable Forest Management (SFM) in Russia and to exclude illegally-logged and other doubtful wood from trade.
2. To match supply and demand by facilitating the marketing of members' tratimber and products to suitable markets.

Access to information of certification & sustainable forest management:

Forest managers often do not have access to information or training about certification itself, nor to information about many of the aspects of forest management which must be implemented in order to achieve certification. The RPG provides information and training specifically geared towards forest managers. In addition, the RPG serves as a forum for influencing government policy and institutional frameworks in order to make them more conducive to certification.

Marketing certified production:

Some forest managers and primary processors who have achieved certification find it very difficult to access the markets for their certified products. This is a particular problem for small

forest-owners and producers. The RPG provides information and support to members to help them to market their certified products more effectively. Certified products have great value, help to increase profits and improve a company's image abroad. They are also usually procured by economically sustainable companies that sign more stable and long-term contracts.

Support transition from existing level of forest management to certified one:

In Russia, as in other countries with similar problems, it is a long and costly process to move from existing levels of forest management to the high standards required for certification. At this time, there are currently no mechanisms that would provide an immediate incentive to forest managers to complete this long and costly certification process; as a result, many do not complete it. Therefore, a means of providing incentives to forests 'in transition' is urgently needed. One possibility would be to actively promote their timber on the basis that it is generating improvement, although it is essential that these improvements are then delivered in practice. The RPG provides a framework within which forest managers who are genuinely (and verifiably) committed to improvement and to eventually achieving certification will gain access to markets.

A key aim of the RPG is to give members access to markets through links to the Buyers Groups within the GFTN and other potential customers for certified products, e.g. governments. The basis for this will be that the RPG members are *en route* to full certification within an agreed timeframe, and that this will be measured against a standard recognized by the GFTN. Therefore, all RPG members must be actively committed to achieving certification for the forest within a defined time frame. The maximum time may need to be agreed on either globally or nationally and is currently under discussion. It may also be appropriate to allow a range of time-scales within which certification must be achieved, dependent on forest types or ownership types.

Conditions for membership of the RPG

There is a list of conditions, which must be met in order for a company to obtain membership of Transition PFTNs (Producer Forest and Trade Networks). When applying for membership, the applicant must confirm that their operation or company meets these conditions.

Baseline audit

- Each new member of the RPG needs to have their operations audited in order to establish their current level of performance in relation to the standards required by the RPG and in order to ensure that they will be able to achieve certification. To achieve membership of the Producers' Group, companies must implement the Environmental Policy of Forest Management drafted by Russian non-governmental organizations. Companies that will never be able to achieve certification (e.g. if natural forest has been converted to plantation, contravening FSC Principle 10.9) will not be allowed admittance to the Group. The audit is carried out by an independent third party and is presented in the form of a report to the PFTN manager.

Audit Requirements:

The audit report must present

- the existing degree of compliance with the chosen standard, including details of all areas of non-compliance;
- an assessment of the mechanism used to demonstrate that timber is not coming from illegal sources;
- any issues which are likely to prevent full compliance with the standard in the future;
- any serious current technical, environmental or social problems or issues.

Each member of the RPG must design an Action Plan which must set out in detail how the organization will achieve full compliance with the standard within an agreed timeframe. The Action Plan must be prepared and submitted to the RPG Manager. At a minimum, it needs to include details of how each item of non-compliance identified in the baseline audit will be addressed.

All RPG members must be monitored on an annual basis by an approved third party auditor. The audit report, which must state whether or not commitments in the Action Plan are being met, must be submitted to the PFTN manager by an agreed date. Based on the report, the PFTN manager must decide whether membership should be maintained or not.

The criteria of the Environmental Policy of Forest Management are as follows, and each one has 3-4 indicators associated to help companies assess whether they are fulfilling the criteria.

Criteria

- ◆ To stop buying and using illegally-logged, and other timber of unclear origin
- ◆ Stop harvesting and buying timber from high conservation value forests
- ◆ To implement only sustainable (in silvicultural terms) management
- ◆ To compile biodiversity inventories in high value conservation forests and to protect biodiversity in commercial forests
- ◆ To make company policies transparent to the public
- ◆ To develop effective management tools and train personnel to implement and fund current ecological policy
- ◆ Constantly reduce adverse environmental effects of using forest resources

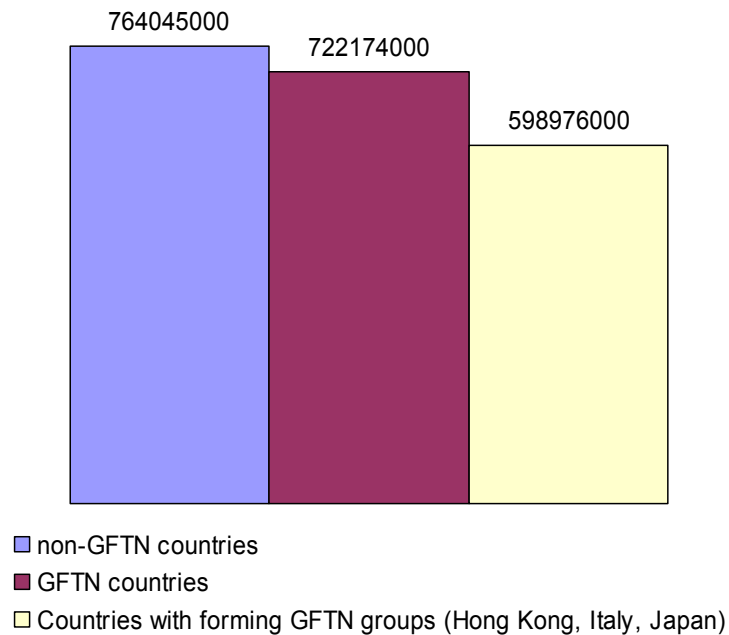
BENEFITS OF RPG MEMBERSHIP

Members may:

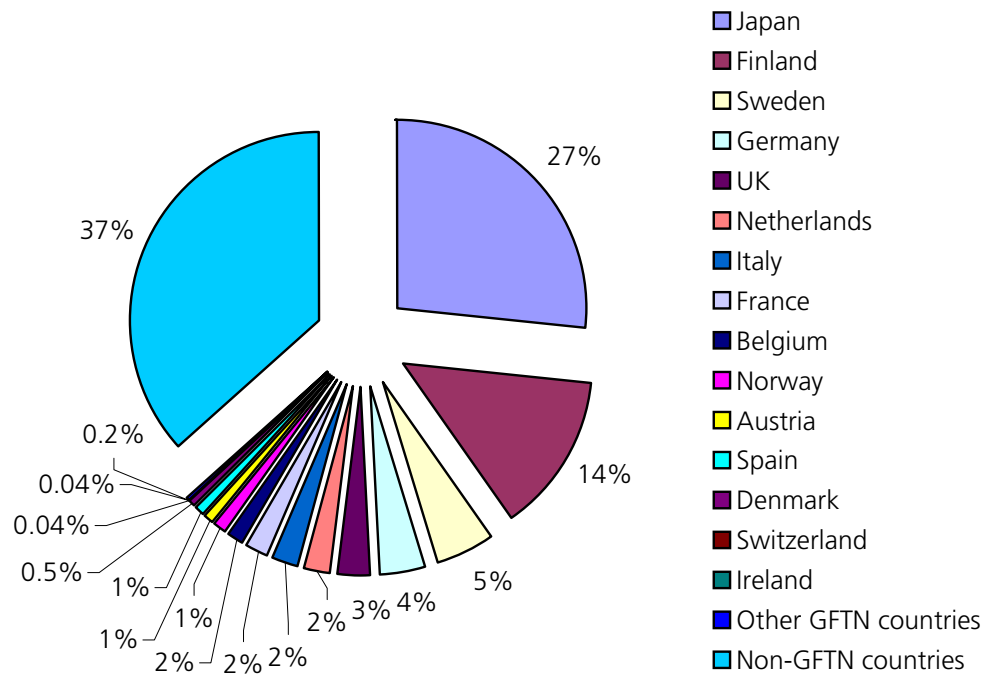
- Participate in Study Tours (Sweden 2001, Canada 2002). In Sweden companies were acquainted with the best practices of environmentally leading companies, like AssiDoman, StoraENSO, IKEA, SCA forest products.
- Participate in the Certified Products World Fairs (eg. London 2000, Atlanta 2002).
- Attract business from buyers of certified products and ethical investors, both of which are growing markets.
- Achieve a better, more environmentally-friendly image amongst consumers and other members of the industry.

Figure 2. Russian timber exports to GFTN Countries

(Note: Russian timber export to countries with GFTN and GFTN-forming groups accounted for 63% in 2000)



Source: State Customs Committee of Russia, 2001



THE STEP-WISE APPROACH TO ACHIEVING CERTIFICATION

The Environmental Policy of Forest Management uses a step-wise approach to achieving certification as experience has shown that such an approach is the most appropriate way for industry to implement certification.

See separate document below on WWF proposals for Ecological policy of forest management and wood procurement.

APPENDIX 1. WWF RUSSIA ANNUAL REPORT.

FORESTS

The threat to Russian forests

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- Around 20 million hectares of forest land are not properly reforested.
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Saving Forests on Protected Areas

One of the goals of WWF Russia's Forest Programme is to protect forests of high conservation value. For this reason, WWF supports the creation of new protected forest areas. In 2002, with the active participation of WWF, decisions were made to reserve land for four new nature parks in Bashkortostan and the creation of six forest reserves in the Amurskaya Oblast. The overall area of protected forest areas in Russia will thus increase to over 900,000 hectares.

Model Forest – A Demonstration of Sustainable Forest Management

New approaches to forest management are being developed in what are known as WWF's model forests of the Pskov region and Republic of Komi. At the present time, productivity of commercial forests in European Russia is decreasing while flora and fauna are degrading in the wake of logging operations. Model forests demonstrate how to preserve habitat areas for plants and animals, maintain a highly productive forest and keep a wide profit margin at the same time.

The Pskov Model Forest

Economically sound normative forest planning and management was developed for the first time in Russia in the Pskov Model Forest. The norms define the allowable volumes of logging and rules for timber harvesting and reforestation that will allow for sustainable use over the course of hundreds of years. In addition, profits from forest use should increase eight to tenfold. There is also a special nature conservation plan for forest management, developed and approved by the public, and for protection of flora and fauna.

The Priluzye Model Forest

New regulations for forest management in northern European Russia plus new regional legislation on sustainable forest management were developed in 2002 in the Priluzye Model Forest in Komi region. Parts of the recommendations were included in the ecological section of the project Forest Policy of Russia prepared by the Union of Timber Producers of Russia. In September 2002, per an agreement with the project's donor, the Swiss Agency for Development and Cooperation (SDC), WWF handed management of the Priluzye Model Forest project over to the regional organization Silver Taiga.

TOWARDS ENVIRONMENTALLY RESPONSIBLE TIMBER BUSINESS

Forest Certification as an Indicator of Civilized Business

WWF supports the implementation of a voluntary forest certification system in Russia designed by the Forest Stewardship Council (FSC). This voluntary international certificate is a guarantee that certified forest products, sold on world market, are obtained without harm to forest ecosystems.

The Fourth FSC Certificate in Russia

Kovernin State Forest management unit (leskhoz) of the Nizhny Novgorod region became the fourth holder of the FSC certificate in Russia in 2002. The purchaser of the unit's certified timber is the largest producer of newspaper-grade paper in Russia – the Volga Pulp and Paper Mill. More than 70% of Volga's production is sold internationally where buyers inquire into the legality of the production process and wish to buy certified paper. Certification of Kovernin

leskhoz is the first serious step Russian pulp and paper mills have taken towards responsible management of timber production and forest conservation in Russia.

Russian Standards of Forest Certification

National guideline standards for responsible forest management were tested in October 2002 on the basis of the company “Terneiles” of the Russian Far East. WWF and the German auditing company GFA Terra System, with, for the first time, active participation of the timber industry, conducted the approval process for new guideline standards. The national standards comply with international criteria and will simplify the FSC certification process and entrance to the world market for Russian timber producers. After making changes, the standards will be sent for final approval to the Forest Stewardship Council.

Association of Environmentally Responsible Timber Producers of Russia

The Association of Environmentally Responsible Timber Producers of Russia, created under aegis of WWF, is in its second year of existence. Corporate members of the Association strive for long-term transparent forest business practices based on responsible forest management.

In 2002, WWF proposed principles for partnership to members of the Association. The proposal suggests stricter rules for participation and a yearly ecological examination of production processes by independent experts. As a result, a number of companies left the Association. At the same time new members appeared, among them Ilim Pulp Enterprise, the leader of the Russian timber producing industry. Today, the companies Volga, Arkhangelsk Pulp and Paper Mill and Altai Price Batch, which control more than 30% of timber production and export in Russia, became the members of the Association. Some more companies are also due to join in the near future.

Russian Timber Trade – Principles of Responsibility

The principles of ecological responsibility for the trade of Russian timber were approved by the largest ecological organizations in Russia: WWF, Greenpeace, IUCN, the Biodiversity Conservation Centre and the Social-Ecological Union. The principles were developed with an eye towards demands for environmental responsibility of western timber buyers as well as realities of the Russian forest sector. They contain a step-wise approach improvement of the companies’ ecological policy. For example, monitoring logging activities, such as investigating the legality of harvested timber, should be followed by more sophisticated checks that re in line with the requirements of sustainable forest management. By meeting the requirements for the international FSC certificate, a company is considered to have achieved environmental responsibility in the trade of timber.

The Forest Industry Forum: Discussion of Forest Sector Reforms

The Russia-wide Forest Industry Forum opened in June of 2002 at the initiative of WWF Russia and the company Lesprom Industry Consulting and with the support of the agency Mikhailov

and Partners. The main goal of the Forum is to engage large as well as medium and small businesses in discussions on reforming the forest sector. Four information centers in Moscow, St. Petersburg, Arkhangelsk and Irkutsk have been enlisted to provide Forum participants information, generate consensus of opinions and develop proposals on the basis of received feedback for reforming the industry.

Information about events related to reform of the forest sector is available at www.forum.lesprom.ru.

WWF and IKEA: A Partnership for Developing Responsible Forest Management

WWF Russia and the IKEA group have combined forces for the development of responsible forest management in Russia. Over the next three years a series of activities are planned to address urgent problems of forest management such as illegal logging, destruction of protected forest areas and so on. The projects will allow for development of responsible forest management on the federal level and in important regions including Arkhangelsk, Vologda, Irkutsk and Krasnoyarsk Krai.

Illegal Logging and Timber Trade – a Blow to Forests and the Economy

In the countries of the Asia-Pacific Rim region, WWF is raising awareness of the need to solve the complex problems of illegal and unsustainable timber harvesting in the Russian Far East. As part of this campaign, WWF published the *Analytical Report on Russian-Japanese Timber Trade* in 2002. According to the report, up to 30% of timber imported into Japan was logged in serious violation of the rules and regulations for harvesting. WWF experts compiled and published a rating of Far Eastern timber producing companies supplying Japan with timber. WWF recommends that Japanese buyers refrain from buying timber from producers of the Russian Far East that export illegally-logged timber or timber of questionable origins and that they monitor the legal origins of imported timber.

Problems of Russian-Swedish Timber Trade

Swedish timber-producing companies are well-known for their environmentally responsible approach to forest business. However, after analyzing the Russian-Swedish timber trade, WWF experts discovered the same unsettling facts as in the case of Japan and China: a large part (up to 35%) of timber is of questionable origins; there is significant (reaching 15%) discrepancy between the data of Swedish and Russian customs on the amount and structure of timber sold; and the timber trading business is largely non-transparent. The ecological rating makes it possible to distinguish those companies that try to conduct business legally. As a result of the work of WWF, a number of leading exporters, for example the company Tkhomesto, have introduced ecological policies and improved monitoring of the origins of timber bought and sold.

The Cedar Anti-Poaching Brigade

For more than four years WWF has been working to prevent illegal logging of forests in the Russian Far East, in particular supporting the Cedar Brigade, which is organized as part of the Tiger Special Inspection Unit of the Ministry of Natural Resources of the Russian Federation. In 2002, inspectors discovered 67 cases of illegal logging, detained 280 timber shipments and opened 60 criminal cases. Forest poachers were fined 298 thousand rubles, and 3000 cubic meters, more than 100 truck-shipments, of timber were confiscated. Cedar inspectors work selflessly: their cars have been rammed by poachers' timber trucks more than once and they have been threatened both with and without weapons. Despite pressure from all sides, the group continues to fight for the conservation of forests in the Primorye region.