

7. WOOD SUPPLY CHAINS OF GERMAN IMPORTING COMPANIES

7.1 Companies

One of the reasons for illegal logging in Russia is the business practice of the large forest products traders. By the assessment of WWF experts, it is a common method in Russia that a trading company buys wood from any seller in cash, without asking about the origin of wood. Sometimes this directly happens at harbours. From there such wood is exported to various countries. Sometimes small traders buy wood from a private seller in order to resell it to a company which exports it from Russia. In general, importers are not interested in where their Russian partners buy raw material.

The authors of the report analysed supply chains of leading German importers. The analysis was based on the Russian customs data and investigations of WWF experts, including interviews with managers of Russian exporting and German importing companies.

The colours in the figures below represent different companies. Using the same colour means that companies are affiliated. The percentage shows the share of a company in all products imported by a German party. On the German side, only major buyers of imported products are shown. The arrow colours on the Russian side indicate kinds of products exported. Dark green arrows represent sawn wood and bright green round wood supply chains. Yellow arrows represent pulp or paper supply chains.

The analysis of wood supply chains of leading importing companies shows that they make use of a wide range of different purchasing options. In general, it can be said that the more suppliers there are the more difficult it is to exclude unwanted wood sources.

7.1.1 Klausner Nordic Timber

The biggest importer of Russian round wood, sawn wood and wood-based panel is *Klausner Nordic Timber GmbH & Co. KG*. The company predominantly imports round wood (293,768 m³), spruce and pine, and some other wood articles. Forest products are imported to Germany; 22% of which are resold to three foreign companies. Other distribution channels of round wood are unknown.

Klausner Nordic Timber GmbH & Co. KG has a very complicated supply chain (Fig. 18). The suppliers can be classified into two groups:

1. Trading agents of big holding companies which export round wood harvested by their affiliated companies.

This group includes *National Timber Company*, *Petrovles*, *Karellesprom* and *Austrofor* (belonging to the *Vologda Timber Producers* holding company). Their share is about 28%. Two of them *Karellesprom* and *National Timber Company* belong to leading Russian wood producers.

2. Other trading agents

There are 13 trading agents. Only one of them, *Lenles*, declares a logging company as a supplier. The others declare nothing or other trading agents, including even such strange subcontractors like a food enterprise for example. *Intercompas* also declares one logging company among its suppliers but its share is only 5% of the company's exported wood. All trading agents but one are located in St. Petersburg and may export round wood from the whole Russian Northwest or even from further away (e.g. *Intercompas* buys wood in the Ural Region as well). One company, *Sherwood*, is based in Permskaya Oblast. None of the trading companies does provide information about their sources of round wood.

2002 Compared with 2001, *Klausner Nordic Timber GmbH & Co. KG* changed 9 of its suppliers. It is also important to note that 7 of these 13 trading agents operated only for one to two years (overnight companies?).



Figure 18. Supply Chain of *Klausner Nordic Timber GmbH & Co. KG*

? =sources unknown

7.1.2 Bestland

The US-based company *Bestland* has a different supply chain as compared to *Klausner Nordic Timber GmbH & Co. KG* (Fig. 18). It is specialised in Russian round wood import to Germany and has only one supplier in Russia which is *Esles*. However, *Esles* is a trading agent from St. Petersburg which employs undeclared subcontractors buying wood from unknown origin.

Germany

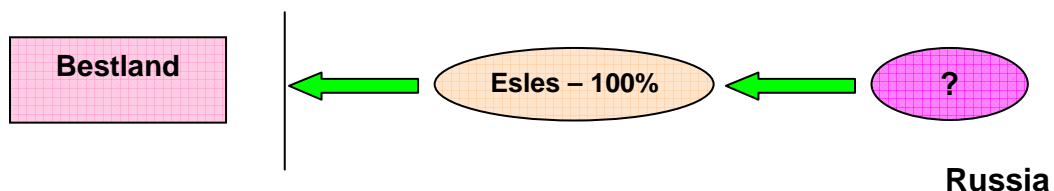


Fig 19. Supply Chain of *Bestland*

7.1.3 Atlas Forest OY

The Finland-based company *Atlas Forest OY* entered the top ten list of German importers in 2002. The company only imports round wood (spruce and pine) and has a supply chain similar to *Bestland* (Fig 20). Both Russian companies, the trading agents *Venta* and *Alek*, that *Atlas Forest OY* employs are from St. Petersburg/ Leningradskaya Oblast. The origin of wood is also undeclared.

Germany

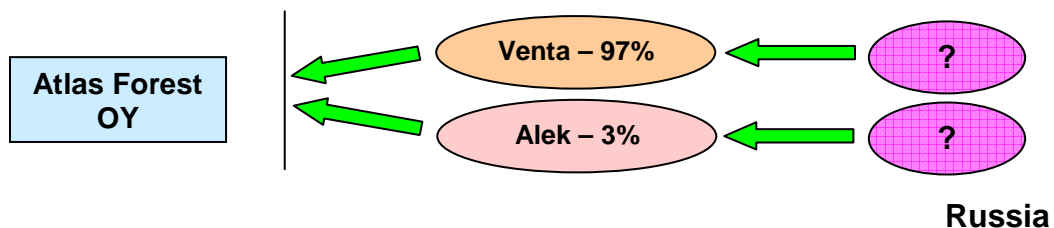


Figure 20. Supply Chain of *Atlas Forest Oy*

7.1.4 Cordes GmbH & Co.

The leading importer of Russian sawn wood to Germany is *Cordes GmbH & Co.* The company operates in Arkhangelskaya Oblast only and has five contractors (Fig. 21). All of them are big well-known sawmills. *Cordes GmbH & Co.* uses only one trading agent which is *Severolesoexport*. This company sells products from the big sawmill *Sawmill No. 26* (about 94%; This sawmill is also known as LDK 3) but from some unknown producers too.

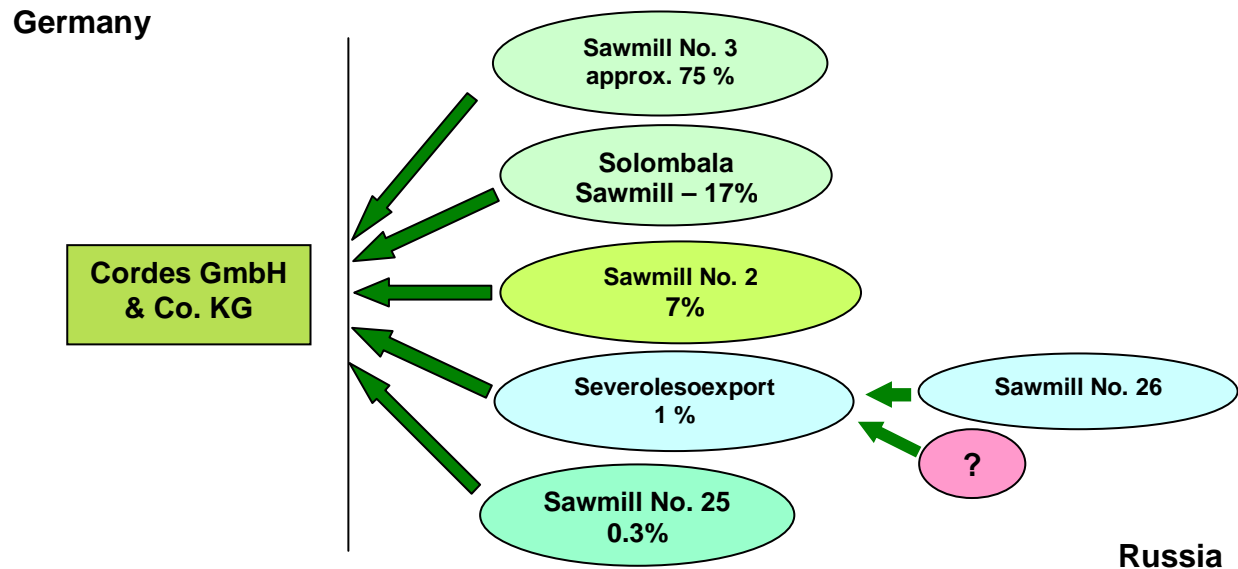


Figure 21. Supply chain of *Cordes GmbH & Co.*

The two biggest suppliers (accounting for more than 92%) are permanent contractors: *Solombala Sawmill* since 1999 and *Sawmill No. 3* since 1998. At least two of the suppliers (*Solombala Sawmill* and *Sawmill No. 25*) use wood from primeval forests. However, *Solombala* now signed a contract with WWF Russia to set up an environmental friendly purchasing policy.

Remark: *Cordes GmbH & Co.* is a good example for companies which feel responsible for the environment in Northwest Russia. The company interacts with environment NGOs and, together with five more companies from the Netherlands, Belgium and the United Kingdom, purchasing sawn wood from Arkhangelskaya Oblast, has established the *European Platform for Ecological Russian Timber*.

7.1.5 Ost-West Holzhandels GmbH

The second biggest sawn wood importer, *Ost-West Holzhandels GmbH*, has a supply chain with 14 contractors similar to *Klausner Nordic Timber GmbH & Co. KG*. (Fig. 22).

The *Ost-West Holzhandels GmbH* mainly imports spruce and some pine sawn wood from Northwest Russia but also buys larch sawn wood (6.7%) from Siberia (Krasnoyarsky Kray) – Yeniseysles and Lesosibirsk Sawmill No.1.

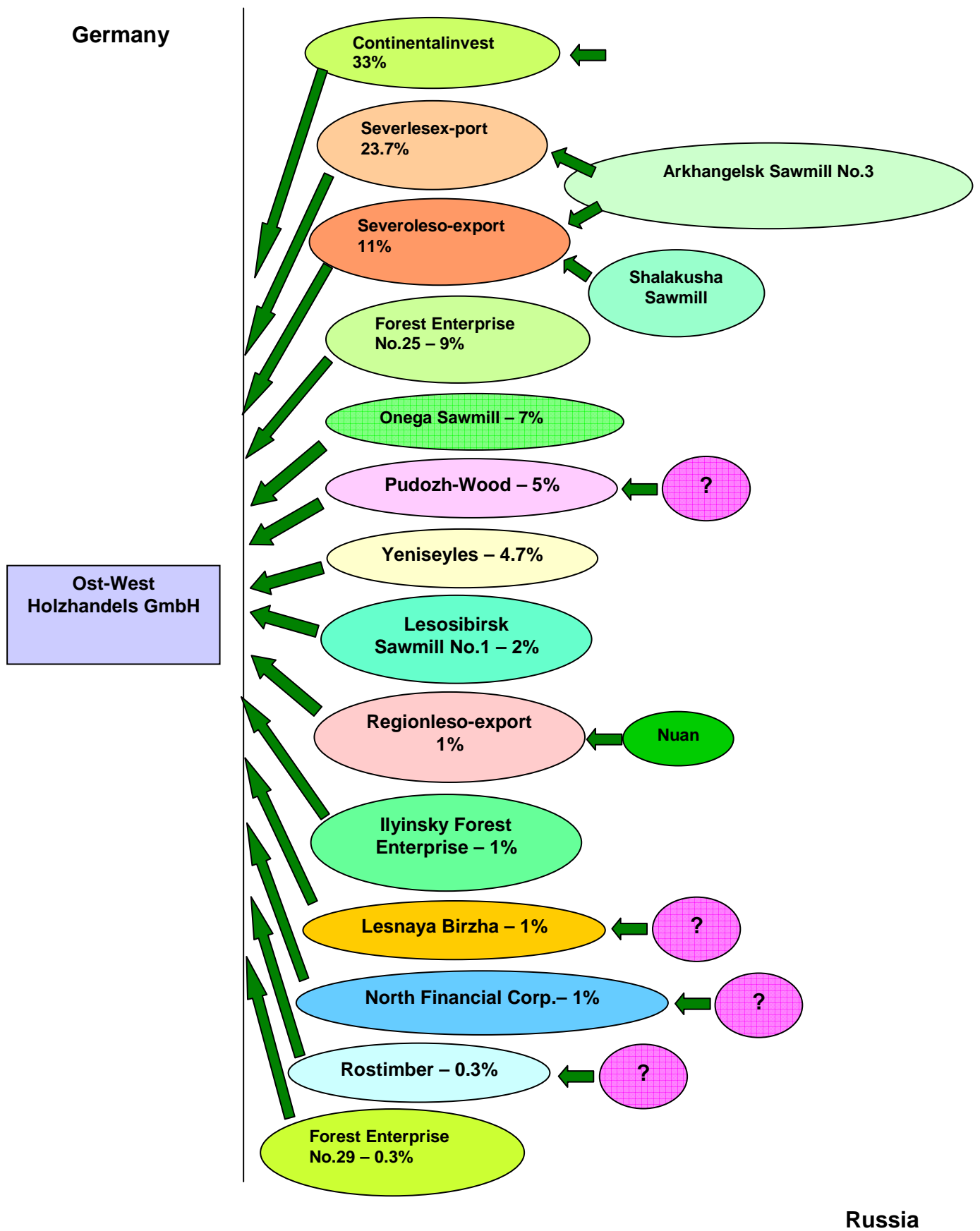


Figure 22. Supply chain of *Ost-West Holzhandels GmbH*

7.1.6 GNS Trading LLC

The US-based company *GNS Trading LLC* deals with spruce round wood import to Germany. It showed up on the market in 2002 and immediately became the sixth importer of the year. Its supply chain consists of only one contractor, one subcontractor and unknown suppliers (Fig. 23).

Germany

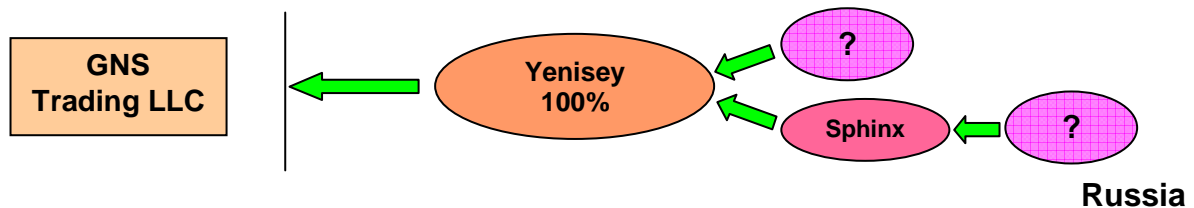


Figure 23. Supply chain of *GNS Trading LLC*

Both the contractor and subcontractor are trading agents from St. Petersburg established in 2001. They seem to buy wood from anybody and anywhere. According to the data of the State Customs Committee of the Russian Federation for the first half of 2003, the company stopped its operations in Russia, so did its Russian partner *Yenisey*.

7.1.7 Neva Handels und Beteiligungs GmbH

The *Neva Handels und Beteiligungs GmbH* is a one-man-buying company owned by Holz Ruser. The company has a rather simple supply chain with one dominant supplier (Fig. 24).

The company imports spruce round wood and some sawn wood from Northwest Russia (mostly Vologodskaya Oblast). Two logging companies exporting their round wood through big trading agents make up 90%. The others are small trading agents, in some cases with unknown wood origin.

Germany

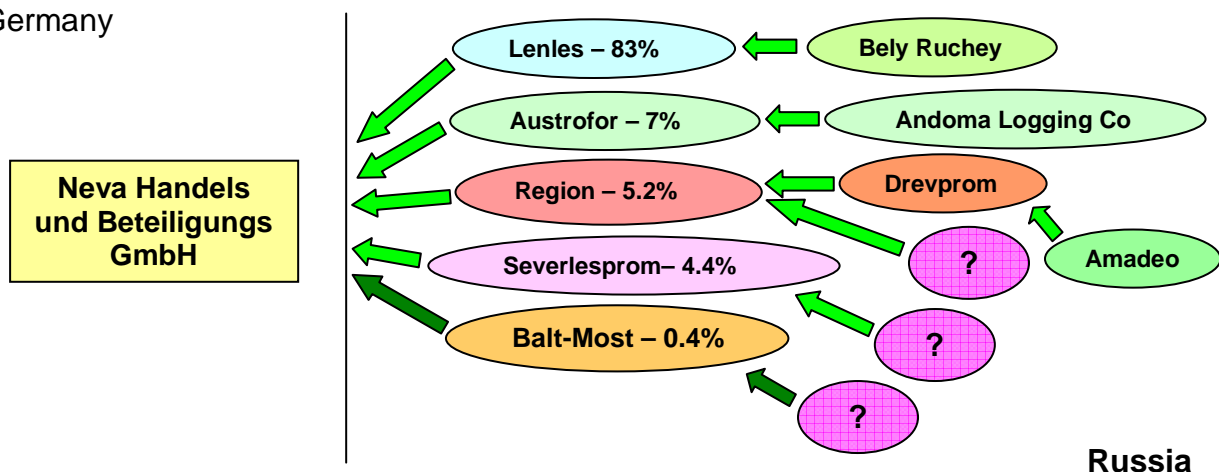


Figure 24. Supply chain of *Neva Handels und Beteiligungs GmbH*

7.1.8 Puderbach Holzhandel GmbH & Co. KG

The Puderbach Holzhandel GmbH & Co. KG is a unique company in the Russian-German timber trade. It had 40 suppliers in 2002; the number of suppliers being decreasing over the years: 51 in 2001 and 71 in 2000. Given the company's complex structure of supply chain only part of it is shown (Fig. 25).

The geography of the company's procurement area is very wide. It covers whole Northwest Russia (mostly Vologodskaya Oblast – about 40%), the central region, Urals, Volga region and Siberia. The company imports sawn wood from non-conifers birch and aspen, spruce and pine.

Since 1999 Puderbach Holzhandel GmbH & Co. KG has three stable leading suppliers under contract: Drevexport, Pestovo Sawmill and Oleninskiy Logging Co. Some of the suppliers of 2002 are newly set up companies. Drevexport declares its suppliers (14 in total) most of them are small sawmills with unknown origin of wood. It seems the company needs a very good system for tracking wood origin, taking into account the number, variability and profile of its suppliers.

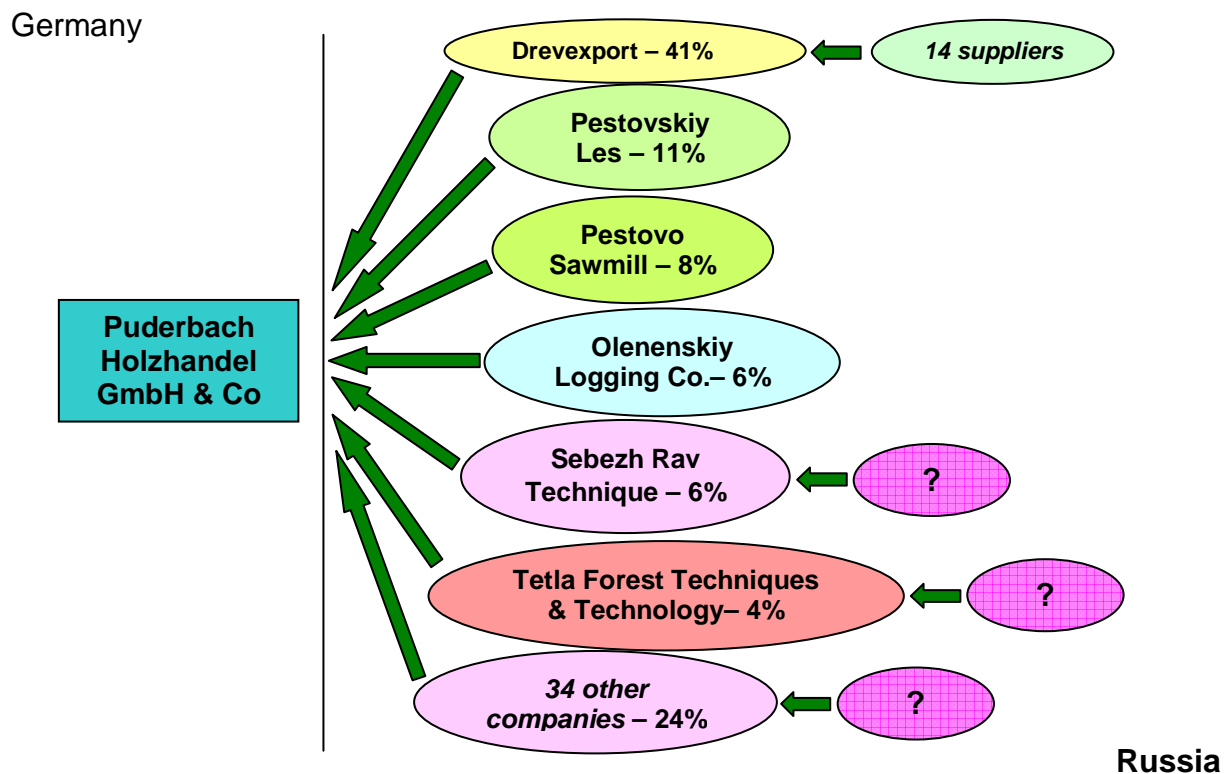


Figure 25. Supply chains of *Puderbach Holzhandel GmbH & Co. KG*

7.1.9 Firmman Trading Ltd.

The Cyprus-based company *Firmman Trading Ltd.* imports products from the *National Timber Company* only which is a big Russian holding company with own logging facilities (Fig. 26). The import consists of spruce sawn wood (61%) and round wood (39%) from Vologodskaya Oblast.

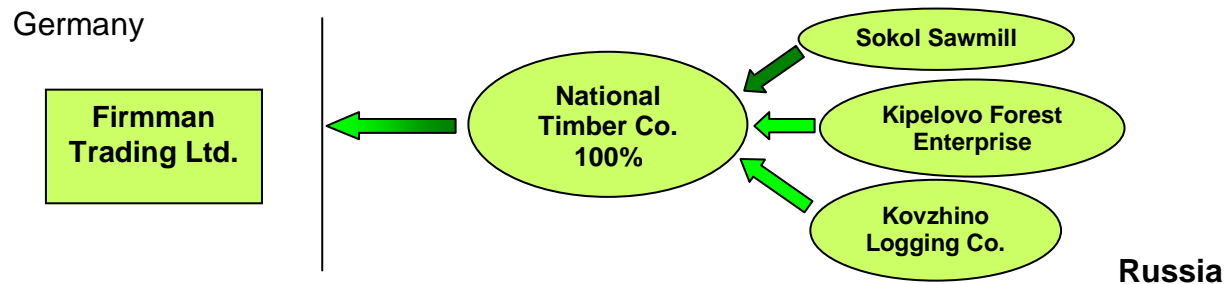


Figure 26. Supply chain of *Firmman Trading Ltd.*

7.1.10 JCH Pulp & Paper

The Canada-based company *JCH Pulp & Paper Inc.* is one of the leading importers of Russian forest products to Germany both for timber and pulp and paper products¹ (Fig. 27). The company imports products of one of the biggest Russian holding companies the *Titan Group* which owns Arkhangelsk Pulp and Paper Mill, Forest Enterprise No. 25, Tsiglomen Sawmill, Shalakusha Sawmill, two packaging enterprises and 19 logging companies. Products of Arkhangelsk PPM are exported through the group-owned logistics company *Arkbum*. The company imports pulp (25.5%), paper products (66%) and sawn-wood (8.5%).

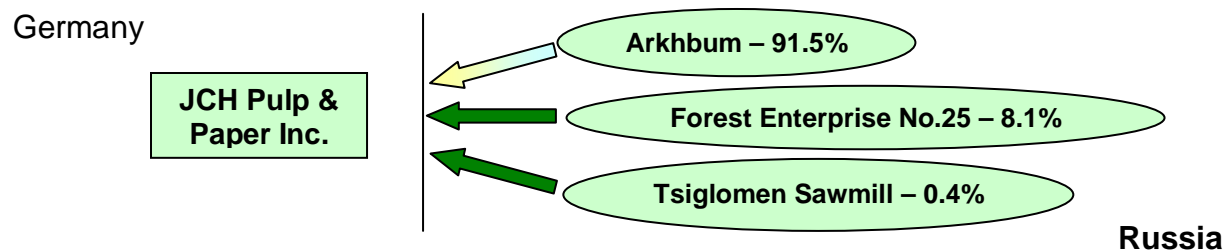


Figure 27. Supply chain of *JCH Pulp & Paper Inc.*

¹ While calculating the percentage of products in the figures for companies exporting different kinds of products volumes are reduced to RWE.

7.1.11 Conrad Jacobson GmbH

The leading importer of pulp and paper Conrad Jacobson GmbH purchases products from three Russian mills (Fig. 28). The company buys newsprint (89%), kraft-liner (5%) and pulp (6%). The trade of OAO Kondopoga is handled by Kondopoga International Trading GmbH which is a subsidiary company of Conrad Jacobsen GmbH. OAO Kondopoga and Soloboala PPM are partly purchasing wood originating from primeval forests.

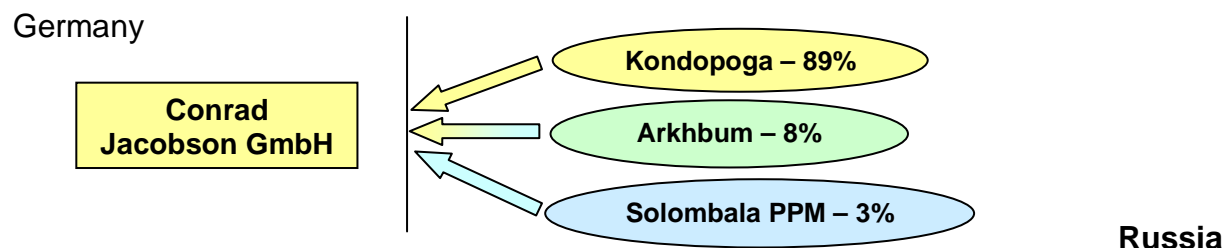


Figure 28. Supply chain of *Conrad Jacobson GmbH*

7.1.12 Gusco Handel G. Schurfeld & Co. GmbH

The Gusco Handel G. Schurfeld & Co. GmbH buys predominantly newsprint from the Volga company, which is the second Russian newsprint producer, and some paper (1% of the total paper products export). It also bought 10,251 m3 of sawn wood in 2002, all from big producers of Arkhangelskaya Oblast and Krasnoyarskiy Kray (Fig. 29).

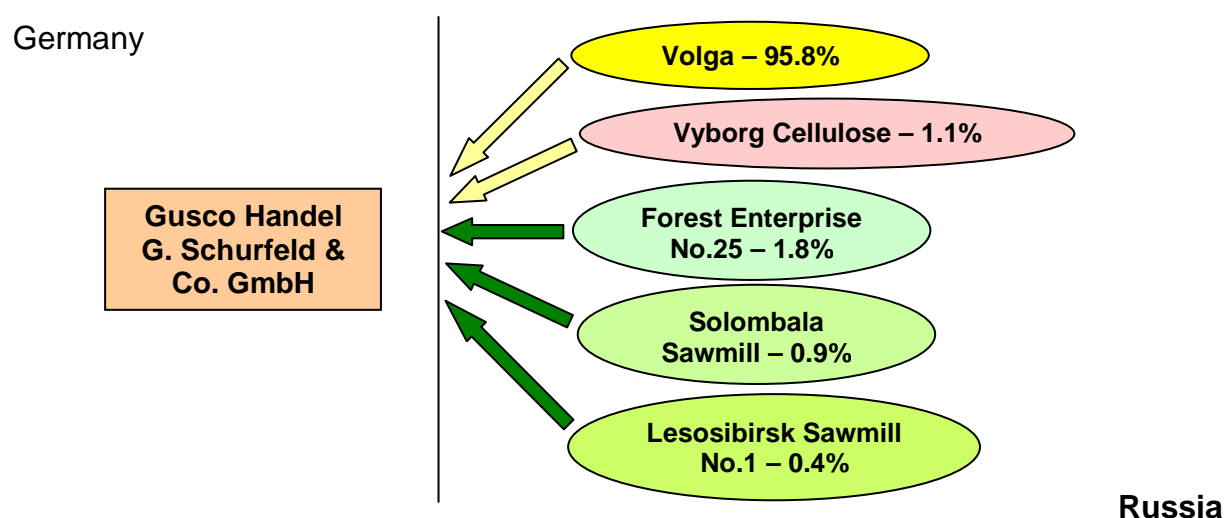


Figure 29. Supply chain of *Gusco Handel G. Schurfeld & Co. GmbH*

7.1.13 Europcell Zellstoffhandels GmbH

The Europcell GmbH has the largest supply chain among German importers of pulp and paper products (Fig. 30). The company imports mostly pulp (98%) and some paper (2%). The procurement areas are Northwest Russia, Kaliningradskaya Oblast (Tseprus, Sovetskaya Bumaga, Velau Papir) and Siberia (Ust-Ilimsk Timber Complex through its mother company Ilim Pulp Enterprise). In 2002, the company also bought an insignificant amount of wood article.

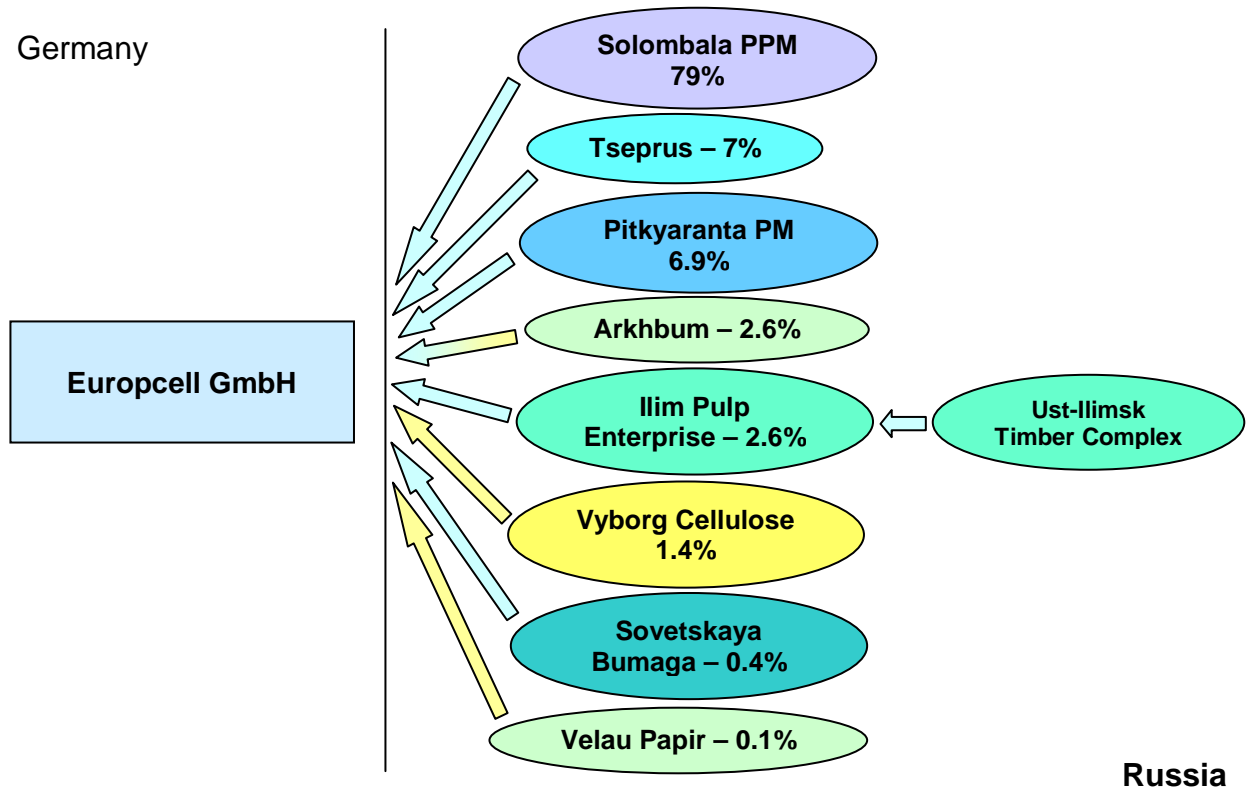


Figure 30. Supply chain of *Europcell GmbH*

7.1.14 Interpulp Trading Ltd.

The Ireland-based company *Interpulp Trading Ltd.* is a foreign trading agent of the biggest Russian forest holding company *Ilim Pulp Enterprise* (Fig. 31) which holds three big pulp and paper mills, three paper factories, 29 logging companies and several logistics companies. The company imports the whole range of *Ilim Pulp Enterprise*'s products; to Germany it imports paperboard (96%) and plywood (4%).

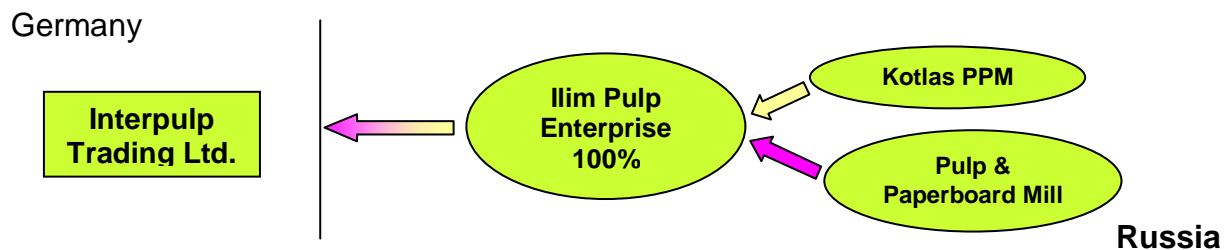
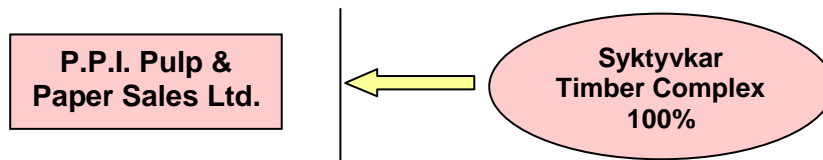


Figure 31. Supply chain of *Interpulp Trading Ltd.*

7.1.15 P.P.I. Pulp & Paper Sales Ltd.

The Cyprus-based company *P.P.I. Pulp & Paper Sales Ltd.* is a foreign trading agent of the big Russian pulp and paper mill *Syktyvkar Timber Complex* (Fig. 32). The company imports to Germany various paper products of the Complex (offset paper, kraft-liner, newsprint, test-liner).

Germany



Russia

Figure 32. Supply Chain of *P.P.I. Pulp & Paper Sales Ltd.*

7.1.16 Jacob Jürgensen GmbH & Co. KG

The *Jacob Jürgensen GmbH* mostly imports paper products from three Russian big mills (94.5% of the company's import from Russia) to Germany: newsprint (from *Solikamskbumprom*), kraft-liner (from *Arkhum*) and paperboard (from *Vyborg Cellulose*). The company also imports sawn wood (8,344 m³ representing 5.5% of the company's import), mostly larch from Siberia (Krasnoyarskiy Kray and Irkutskaya Oblast) and spruce from Leningradskaya Oblast. The paper supply chain is simple, whereas the sawn wood supply chain consists of 16 suppliers (Fig. 33).

There are big Russian producers of sawn wood among the company's suppliers (such as *Lesosibirsk Sawmill No.1*, *Igirma-Tairiku*, *Maklakovsky Sawmill*, *PIK-89*, *Yeniseyles*, *Tikhvin Complex Logging Co.*) but their shares are insignificant, while small producers and trading agents (in some cases with trading subcontractors) with unknown origin of wood prevail.

Siberia has the same problem of logging in primeval forests as Northwest Russia, so tracing of wood origin is an urgent problem in the region. Some of *Jacob Jürgensen GmbH's* suppliers lease areas in primeval forests and cut there (see above). Jacob Jürgensen is supplying wood to a wide range of German companies.

Germany

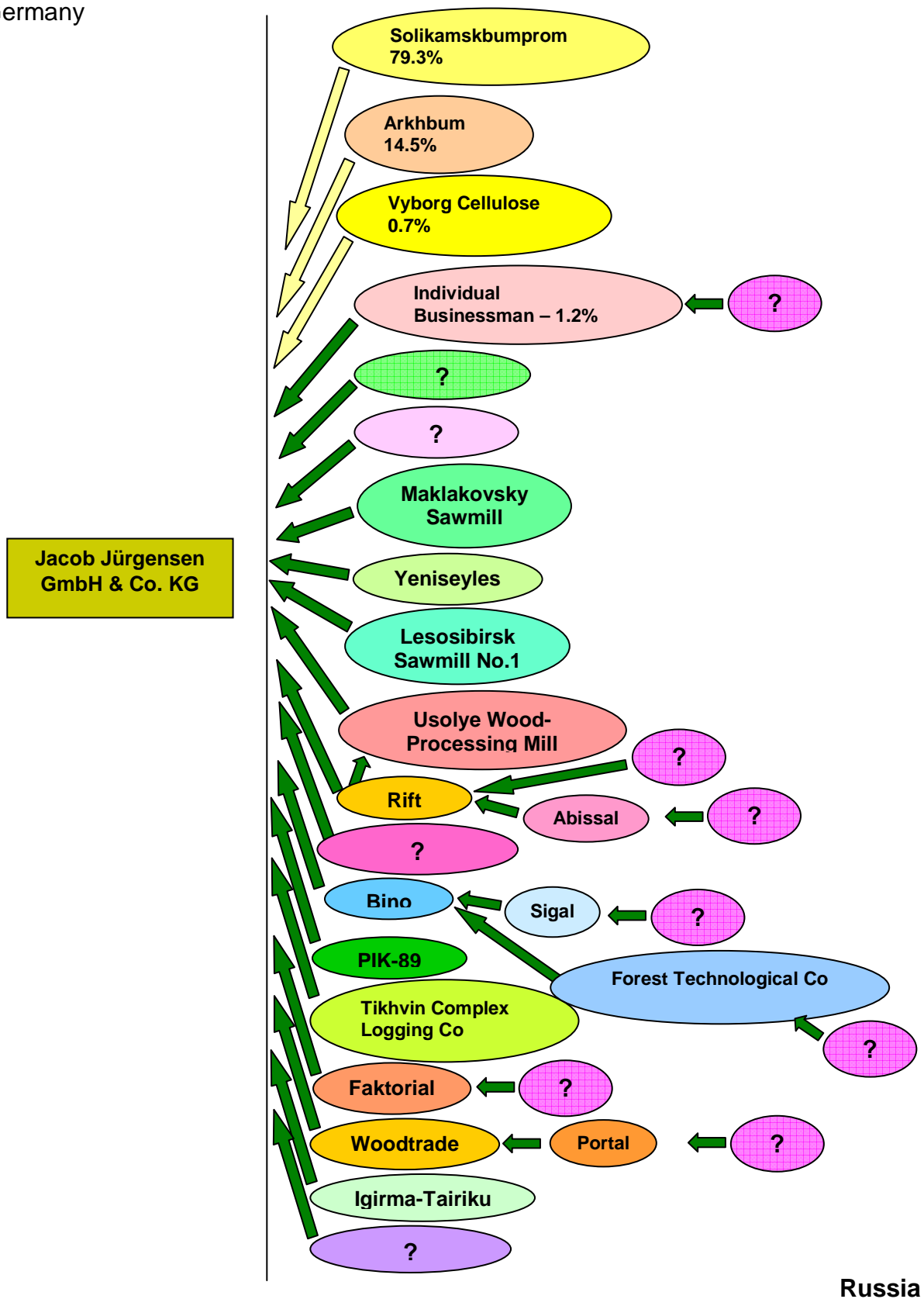


Figure 33. Supply chain of *Jacob Jürgensen GmbH & Co. KG*

7.1.17 HPPV Hamburger Pressepapier Vertriebs GmbH

The *HPPV Hamburger Pressepapiere Vertriebs GmbH* imports newsprint from the *Volga* company (Fig. 34).

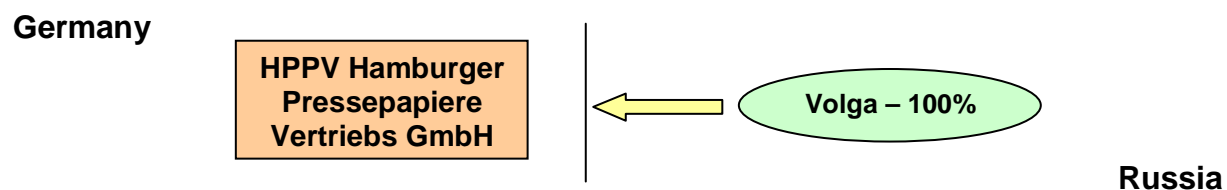


Figure 34. Supply Chain of *HPPV Hamburger Pressepapiere Vertriebs GmbH*

7.1.18 HIT International Trading AG

The *HIT International Trading AG* (Fig. 35) also imports newsprint from the *Volga* company to a couple of different German newspapers.

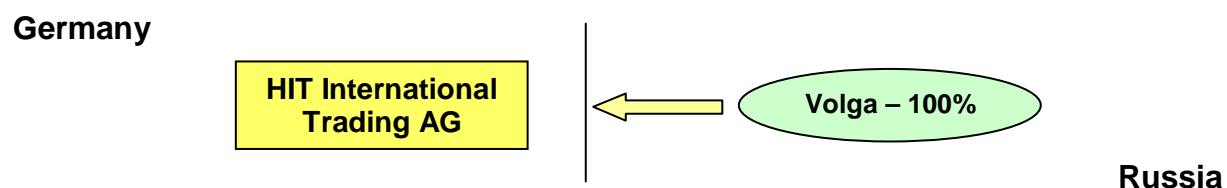


Figure 35. Supply Chain of *HPPV HIT International Trading AG*

7.1.19 Wilfried Heinzel

The Austria-based company *Wilfried Heinzel* imports pulp (94%) from Kaliningradskaya Oblast (*Tseprus*) and Karelia (*Pitkyaranta PM*) and kraft-liner and paper (6%) from Arkhangelskaya Oblast (Fig. 36).

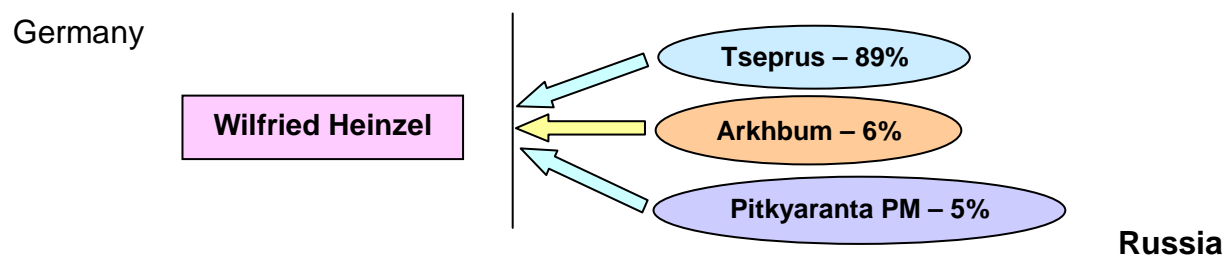


Figure 36. Supply chain of *Wilfried Heinzel*

7.2 Grouping

By the analysis of supply chains German importers can be classified into three groups as follows:

- Companies with one supplier or a limited number of suppliers:
Atlas Forest OY, Bestland, Firmman Trading Ltd., Conrad Jacobson GmbH, GNS Trading LLC, HIT International Trading AG, HPPV Hamburger Pressepapier Vertriebs GmbH, Interpulp Trading Ltd., JCH Pulp & Paper Inc., Kondopoga International Trading GmbH, P.P.I. Pulp & Paper Sales Ltd., Wilfried Heinzel (mostly pulp & paper importers)

Companies of this group can quite easily establish a reliable system of tracing wood origin, taking into account that *Conrad Jacobson GmbH* and *Wilfried Heinzel* have shares in Russian mills.

- Companies with a large number of suppliers which contract mainly more reliable producing companies, but also employ some trading agents using non-transparent trading practices:

Cordes GmbH & Co., Neva Handels und Beteiligungs GmbH and Gusco Handel G. Schurfeld & Co. GmbH

These companies need a reliable system of tracing wood origin to establish effective control of their operations.

- Companies with a large supply chain with many suppliers, including trading agents using non-transparent trading practices and employing unknown subcontractors:

Klausner Nordic Timber GmbH & Co. KG, Ost-West Holzhandels GmbH, Puderbach Holzhandel GmbH & Co. KG, and Jacob Jürgensen GmbH & Co. KG

These companies need to optimise their supply chains and establish a reliable system of tracing wood origin.

8. SOLUTIONS

8.1 Background

The precondition for improving the current situation is that all actors accept that they have to take over responsibility for the environmentally sound use of Russian forests. The reduction of illegal activities within Russian forests should be of interest to every trading partner.

German importers should feel responsible about the origin of raw material and care for transparency. Thus, they should avoid buying wood from illegal sources and/or from high conservation value forests.

By doing so they can be sure of the support of NGO's in order to further develop their trading contacts on a solid basis.

There are different ways of reaching this goal. The following chapters list some examples of efforts that have been made already.

8.2 Certification

There are some certification systems in use which have been established to promote sustainable forest management and give buyers of wood and paper products the possibility to prove that they are purchasing their products from certified forest areas through a transparent Chain of Custody.

Here the so-called "FSC"- Label of the Forest Stewardship Council, a worldwide acting charitable, non-profit organisation, is of outstanding significance. The FSC-Label is acknowledged by the most important international environmental protecting organisations. WWF is very much engaged in this process.

FSC is a worldwide proven system. It ensures that social, economical and ecological criteria are implemented in forestry (FM-certificate). An annual assessment ensures the compliance with ten ambitious principles and criteria. There is also an annual audit of every company in the chain of custody (CoC-certificate) to ensure that there is no blending of certified wood with uncertified wood. Through the annual audits and the broad stakeholder process FSC has become a far reaching democratic system and a tool against the use of illegally harvested wood and other illegal actions.



In 58 countries more than 43 million ha (approx. 3 times the total German forest area) of forest have been certified based on FSC.

The area of FSC-certified forest in Russia is still small, although gradually increasing.

Russian FSC-certified Forests	
Kosikhinskiy Forest Enterprise	32,712 ha
Holz Dammers GmbH Arkhangelsk/ HDM Holz-Dammers Moers GmbH	65,905 ha
Madok GmbH	31,200 ha
Koverninskiy Leskhoz	116,368 ha
Priluzje Leskhoz Model Forest	794,409 ha
JSP Maloshuykales	336,445 ha
STF Strug in Pskov Model Forest	18,440 ha
<hr/>	
Total (June 2004)	1,395,479 ha

The first certificate in Russia was awarded to Kosikhinskiy Forest Enterprise in Altayskiy Kray in 2000. It is a supplier of British Pricebatch Ltd., purchasing FSC-certified forest products in Russia for The Body Shop International plc.

The second FSC certificate was awarded to the logging companies and sawmills of German Holz-Dammers Moers GmbH (a supplier of OBI and Praktiker stores in Germany) in Arkhangelskaya Oblast in 2001. The certificates were initially issued for 232 thousand ha but IMO (certification company) suspended one of them as a result of the annual monitoring. The third certificate was awarded to the Malovisherskiy Sawmill of Austrian Madok GmbH in Novgorodskaya Oblast at the end of 2001.

The fourth certificate was awarded to Koverninskiy Leskhoz in Nizhegorodskaya Oblast in 2002. The company is a wood supplier of Volga, one of the biggest Russian newsprint producers, which initiated the certification. It was a first and very important step of the Volga Company towards establishing a network of suppliers producing wood according to the FSC standards. More than 70 percent of the Volga production are exported. Some European consumers are already interested in buying certified newsprint, so Volga intends to increase the volume of products manufactured from FSC-certified wood.

In 2003, certificates were awarded to the WWF-initiated Priluzje Model Forest in the Republic of Komi and JSC Maloshuykales in Arkhangelskaya Oblast, which belonged to the Orimi holding company.

The last certificate was awarded in September 2003 to StoraEnso's STF Strug, which operates in the Pskov Model Forest initiated by WWF Russia.

Nowadays some more Russian companies are in the process of FSC certification, including Motyginskiy Leskhoz (Noviyeniseysk FCC), Terneyles, Zelennikovskoye Logging Company; other companies show interest in FSC certification, including Ilim Pulp Enterprise, Arkhangelsk PPM, Solombala Sawmill, Lesosibirsk Sawmill No. 1, Maklakovskiy Sawmill and Swedwood.

8.3 WWF Initiatives and Activities

The WWF "Global Forest and Trade Network" (GFTN) was set up to develop and support more responsible behaviour of companies in the wood sector. Roughly there are two important tools to reach this goal: buyers groups and producer groups.

8.3.1 Buyers Groups / WWF WOOD GROUP

Buyers groups are WWF co-operations with companies with the target to implement responsible purchasing policies for wood and action-plans.

In order to stop forest degradation WWF Germany together with ten companies launched the WWF WOOD GROUP in the beginning of 2003. Partner companies committed themselves to buy more and more FSC certified wood. An action-plan was set up to exclude illegal wood and wood from HCVF from the not yet certified production range. Companies like OBI, Hornbach or Bahr Baumarkt started to trace back their wood sources also in Russia.

The overall target is to purchase FSC-certified wood. Worldwide WWF co-operates in about 20 countries with about 500 companies organised in buyers groups.



Please find information about buyers groups on the web:

- www.panda.org/about_wwf/what_we_do/forests/what_we_do/management/gftn
- German WWF WOOD GROUP: www.wwf.de/woodgroup

8.3.2 Producer Groups

Another WWF co-operation with companies are the so called producer groups. WWF is setting up co-operations in export oriented countries to help develop responsible wood suppliers. This happens at the forest management level and the first wood processing level like sawmills. Like the buyers groups producer groups are setting up an action-plan to approach FSC-certification in different steps. The first step is to exclude illegal wood and wood from HCVF (4.2.3). The development is proven by a yearly check of the group members. Producer groups are very important for countries in which FSC-certification is not easy to realise like in Russia.

The Russian Producer Group is named “Association of Environmentally Responsible Timber Producers of Russia” and was founded in April 2000 as part of the GFTN. The purpose of the Russian producer group is to develop certified products through a stepwise approach plan. Special Russian conditions and regional distinctions are considered. to give Russian companies encouragement .

The producer group concept is a very promising tool to link companies from buyers groups to WWF escorted producer group companies in Regions with complex and risky circumstances like Russia.

In April 2004; the Do-It-Yourself stores of Bahr Baumarkt, Hornbach AG and OBI (all members of the German buyers group WWF WOOD GROUP) together with a couple of their suppliers, WWF and Greenpeace travelled to Archangelsk (Northwest Russia) to meet members of the Russian Producer Group and to talk to different companies about the exclusion of illegal wood and wood coming from the primeval forest Dvinsky. The meeting was considered to be a great success by all parties. German buyers found credible sources and Russian members of the Producer Group were encouraged that their work to develop towards credible certification is positively recognised abroad. WWF will continue to work with the producer group in Russia and set up market links between WWF partners in exporting and importing countries. The meeting in Archangelsk was a very encouraging start.

8.3.3 Other Initiatives

There are some more future-oriented initiatives which try to co-ordinate environmental protection and the usage of wood. One example was given in 1996 when NGO's initiated a **moratorium** supported by a number of foreign companies on purchasing wood from primeval forests of Karelia and Murmanskaya Oblast.

In another case the forest authorities of the Republic of Komi established a regional moratorium on leasing new areas in primeval forests.

A good example for sustainable forest management is the **Pskov Model Forest**, initiated by WWF Russia (Annex 4).

The Pskov Model forest has a size of 46,000 ha and is located near Strugi Krasnye, between St. Petersburg and Pskov.

The overall goal of the project is to develop and demonstrate methods of sustainable forest management, using the model area in Pskovskaya Oblast as a pattern.

Project objectives are:

1. To provide economic sustainability of forestry and local communities
2. To involve local communities in forest activities
3. To maintain ecological functions of forest, including biodiversity
4. To establish tools of sustainable forest management in the Model Forest
5. To disseminate positive outcomes of the project to Northwest Russia

Another example is the **European Platform for Ecological Russian Timber**, established by six European companies operating in Arkhangelskaya Oblast. Among these companies are the following:

- German *Cordes GmbH & Co.*
- Belgian *Van Hoorebeke NV*
- Dutch *Jansen Nielsen Pilkes BV*, *Satim BV* / *Halba Houtimport BV* and *Lubox BV*
- British *Jansen Nielsen Pilkes Ltd.*

These firms, in co-operation with NGOs and in particular Greenpeace agreed upon the following goals for 2004:

PROPOSED TARGETS / OBJECTIVES OF EPERT TO BE ACHIEVED IN 2004:

1. Maintain and improve good and productive communication with interest groups, like Greenpeace and WWF.
2. Develop closer cooperation with the Russian NGO's, especially with projects concerning the Russian saw mills and/or European buyer groups.
3. Finalize the FSC certification of Zelenikovskoye forestry farm.
4. Guide and support the transition of the forestry farms presently in the process of FSC certification:
 - Velskoe LPP;
 - Shalakusha Les;
 - Ust-Poshinksoye, and

- Svjetlozerskiy.
- 5. Establish the start of the FSC certification process with 3 more forestry farms in Russia.
- 6. Prepare a standard document for the Russian mills, in which they declare to operate in a legal way.
- 7. Present the declaration of legality to all the Russian mills and obtain as many as possible, signed and stamped for all the group members.
- 8. stay informed & focused on the developments of the pristine forests.
- 9. Bob Hoekstra will have to be available for any activities regarding ecological policies/questions that arise with any of the members at any given moment.

9. RECOMMENDATIONS

Based on the findings of this report WWF calls for the following actions to be implemented by the corporate sector, the public sector and the financial sector:

9.1 Corporate sector:

Exporters, importers, forest managers, retailers as well as the forest products industry should commit to the following actions:

- Join the Global Forest and Trade Network and sign up to their charter for responsible forestry and procurement Contact list on the web:
<http://www.panda.org/downloads/forests/gftncontactdetails.doc>
- Trace back the origin of wood
- Set up a procurement policy which allows to develop from known and legal sources towards credibly certified sources such as the Forest Stewardship Council (FSC)
- Be transparent
- Please also use information from WWF Russia:
WWF Russia - Eco-rating: http://www.wwf.ru/about/what_we_do/forests/ratings/eng/
General information about wood import from Russia: <http://www.ruswoodorigin.ru>

9.2 Public sector:

- Set up a procurement policy and promote credible, independent monitoring and auditing schemes, capable of guaranteeing legality and good forest management such as the Forest Stewardship Council (FSC).
- Draft new legislation banning trade with illegal timber and wood products.
- Develop partnership agreements with producer countries, in conjunction with a wide consultation of NGOs and local communities, based on a regulation setting up a voluntary licensing scheme for identifying legal timber.
- Proceed against illegal timber traders using existing legislation on money laundering, public procurement and stolen goods.
- Require that Export Credit Agencies and Development Banks adopt appropriate safeguards for the financing of investments impacting upon forests.
- Support Global Forest and Trade Networks, linking producers, buyers and consumers committed to the production and purchase of credibly certified forest products.

9.3 Financial sector:

As the financial sector through credits and other financial services has a huge impact on forward-looking and sustainable planning and establishment of forest industry WWF also asks this sector to adopt a transparent forest policy as basis of the investment screening process to ensure investments support responsible forestry (legal and sustainable) avoiding the support of investments resulting in forest destruction. Positive examples with already established forest policies are HSBC (UK), ABN AMRO (NL), FORTYS (NL), Rabobank (NL), ING, Bank of America (USA), CitiGroup (USA)

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11. ANNEXES

11.1 Illegal Logging and Forest Crime – WWF Definition

WWF believes that illegal logging and other forms of forest crimes are part of a larger problem that includes issues of forest governance and corruption. They extend far beyond some individuals violating resource-management laws. WWF uses the term “illegal logging and forest crime” to include both large and small-scale timber theft and a variety of issues such as transfer pricing, breaching tax rules, any illegal aspects of timber sourcing and circumvention of concession agreements through bribery or deception. There is also a whole range of corrupt activities which has the cumulative effect of reducing effectiveness of governance even if the precise letter of the law is not breached. Up to 65 per cent of WWF’s Global 200 forested ecoregions are threatened by illegal logging. WWF believes that illegal logging and forest crime are best stopped using a combination of existing tools and the development of new policies.

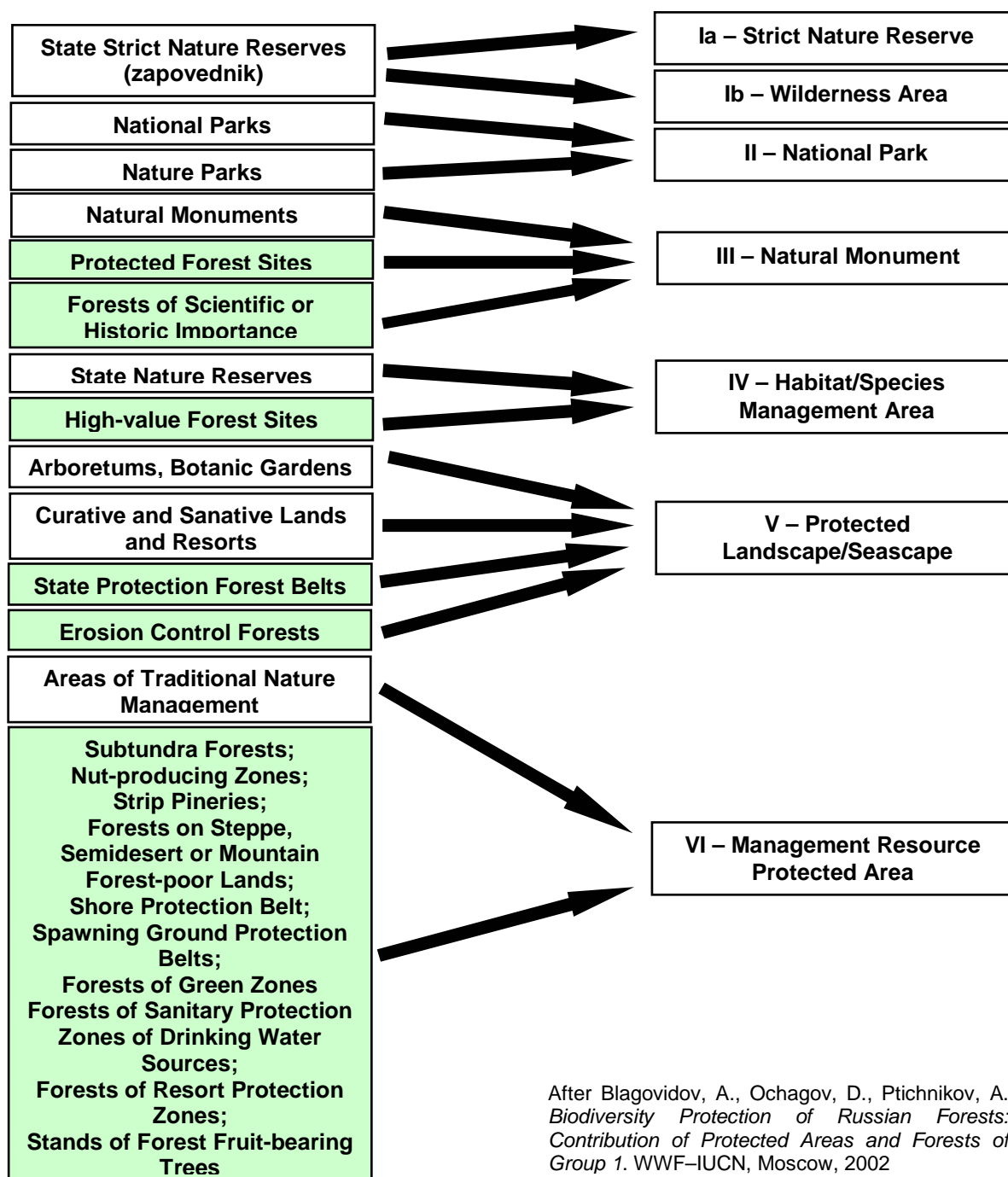
WWF Position Paper

Illegal Logging – Decision of the Supreme Court of the Russian Federation

Illegal logging is harvesting of trees, shrubs, and lianas without a felling licence, order or logging with a felling licence, order issued with violation of the standing felling rules as well as logging in other (than allowed) areas or outside their boundaries, over allowed volume, logging of other (than allowed) species or trees, shrubs, and lianas prohibited for harvesting...

Ruling of the Plenum of the Supreme Court of the Russian Federation “On Court Application Practice of Laws Concerning Liability for Environmental Offences,” No. 14 of 5.11.98

11.2 Russian Specially Protected Natural Areas and Other Main Categories of Protected Areas and their Relation to IUCN Protected Area Categories



After Blagovidov, A., Ochagov, D., Ptichnikov, A. *Biodiversity Protection of Russian Forests: Contribution of Protected Areas and Forests of Group 1*. WWF–IUCN, Moscow, 2002

Note: Categories of Forests of Group I other than specially protected natural areas are green-coloured

The List of Specially Protected Natural Areas of the Russian Federation (VNIITslesprom, Moscow, 2001) totals more than 250 categories of various levels and statuses. Most of them are established by regional and local authorities.

11.3 FSC Principle 9 – Maintenance of High Conservation Value Forests

PRINCIPLE 9: MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS

Management activities in high conservation value forests shall maintain or enhance the attributes, which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach.

High Conservation Value Forests: *High Conservation Value Forests are those that possess one or more of the following attributes:*

Forest areas containing globally, regionally or nationally significant: concentrations of biodiversity values (e.g. endemism, endangered species, refugia); and/or large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance

Forest areas that are in or contain rare, threatened or endangered ecosystems

Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control)

Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health) and/or critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)

Assessment to determine the presence of the attributes consistent with High Conservation Value Forests will be completed, appropriate to scale and intensity of forest management.

The consultative portion of the certification process must place emphasis on the identified conservation attributes, and options for the maintenance thereof.

The management plan shall include and implement specific measures that ensure the maintenance and/or enhancement of the applicable conservation attributes consistent with the precautionary approach. These measures shall be specifically included in the publicly available management plan summary.

Annual monitoring shall be conducted to assess the effectiveness of the measures employed to maintain or enhance the applicable conservation attributes.

FSC Principles and Criteria (Document 1.2)

11.4 Pskov Model Forest – a case study

The Pskov Model Forest of 46,000 hectares, located in Strugi Krasnye between St. Petersburg and Pskov, is established to introduce environmentally appropriate, socially beneficial, and economically viable forest management for Russia's huge forests, which are still state-owned. As the current legislation provides clear cutting and traditions of economically viable thinning are poor, the forest productivity in Russia is one-third to one-fourth and income per 1 ha of forest is one-tenth to one-fifteenth as many as in Sweden. This makes it the most urgent problem of the Russian forestry, considering the low income opportunities local people engaged in forest activities.

Overall goal

The overall goal of the project is to develop and demonstrate methods of sustainable forest management, using the model area in Pskovskaya Oblast as a pattern. The model of sustainable management of boreal secondary forests with highly intensive use in an area close to the European forest market has been generated and discussed with stakeholders and decision makers. Now the demonstration and education process in the Model Forest is launched.

Project objectives

The main objectives of the Model Forest Project are:

- To provide economic sustainability of forestry and local communities
- To involve local communities in forest activities
- To maintain ecological functions of forest, including biodiversity
- To disseminate positive outcomes of the project to Northwest Russia
- To develop tools of sustainable forest management in the Model Forest

The project was initiated by StoraEnso and WWF in 1999. StoraEnso is the owner of the local STF Strug company, which is a part of the Model forest operations. The project is supported by SIDA, StoraEnso and WWF Germany.

As the Pskov Model Forest Project is now at the end of phase. (some key results have already been obtained). There is a number of demonstration areas established in the forest to show advantages of forest landscape planning. Cutting and reforestation instructions are developed within the project, which are new for the country. Wood quality is raised by cutting all aspen and thinning the forest on a regular basis. The emphasis shifts from clear cutting to thinning and improving silvicultural quality of forest. Currently, the output of sawn wood is as low as 20% of all trees, and new planning and silvicultural methods, based on a Scandinavian model, will allow the output of 60% of sawn wood in the future. The aspen occupy actually about 40% of productive forests, however its commercial value is very low. The new planning system foresees a decrease of aspen and an increase of spruce, pine and birch as main commercial species. That should increase net profit from one hectare approximately by 10 times during silvicultural cycle as compared to the current situation.

Clear cutting favours natural regeneration and wildlife conservation provided that a sufficient number of trees along with twigs and brushwood are left standing.. Hence local biodiversity is maintained.

The project aims at involving local population in forest relations through public hearings, scholars excursions, mass media and workshops in order to raise the public awareness of sustainable forest management and promote modernisation of the federal forest legislation.

The territory of the model forest has recently been FSC certified. This certification provides a good basis for the marketing of its production in Western market. StoraEnso has now a

country-driven policy on certification and will hold/receive FSC certificate for the operation of its Joint venture in Russia.

The project's forest planning and management tools can easily be adopted by big forest companies. All major stakeholders demonstrate considerable interest in the project findings. The activities attract new stakeholders such as the Russian Institute of Advanced Training of Senior Foresters, the Swedish National Board of Forestry, the corporate sector leading wood exporter to Sweden Lemo Concern, IKEA and others.

Other strengths of the project are as follows:

- GIS-based system of forest conservation planning
- Long-term forest planning system for an intensive forestry model based on statistical approaches, GIS technologies, and optimisation methods
- Ecological and landscape planning system
- Analysis of conditions and factors for changing forest use standards to promote intensive forestry
- GIS-based management system as a final product to a forest user
- Forest dynamics model
- Environmental education and involvement of communities in forest management decision making
- Informational support of the project, including demonstration sites
- Education and dissemination prospects of making educational films on sustainable forest management

<http://www.wwf.ru/pskov>

11.5 Main Policy Elements (Recommendation by GFTN)

Responsible purchasers should develop an environmental policy or set of policies which make reference to the following:

- the traceability of forest products within the supply chain;
- the elimination of products made from illegally harvested timber;
- the elimination of forest products sourced from highconservation-value forests that are neither credibly certified nor a member of a WWF Producer FTN or other credible stepwise certification scheme or programme (in other words, that are not from a forest that is demonstrably committed to becoming certified within a defined time period);
- the elimination of forest products sourced from forests that are being inappropriately cleared or converted; and
- continuously raising the proportion of forest products that originate from well-managed, credibly certified forests.

The scope of the policy may vary from one organisation to the next; for example, through the inclusion or exclusion of:

- forest products intended for resale only,
- forest products sold under "own brand" or "store brand" only,
- forest products procured for service use and not for resale (for example, copier paper), and
- forest products used within the fabric of buildings (for example, wooden doors or floors in new offices or factories).

The scope of the policy therefore is flexible and can grow over time. Best practice dictates that the scope of the policy be set to apply to the largest impact area of the business; for example, a retailer should consider its products before its copier paper.

The policy should also include reference to:

- periodic review of the policy and its associated targets (possibly as part of a larger environmental or Corporate Social Responsibility reporting agenda), and
- communication to key audiences of the policy and its associated targets.

The policy and any associated documents should be the responsibility of senior management within the organisation and should have the same level of endorsement as any other of the organisation's policies (such as those on health and safety or discrimination, for example).

A key role of the policy is to establish the framework upon which a culture of responsible purchasing can be built. A good policy will define exactly all of the issues that it seeks to address and will identify what is and what is not acceptable to the purchaser. It should convey clearly the values of the organisation and show how these values will be upheld. Key Points

Download: "GFTN - Responsible Purchasing of Forest Products":
<http://www.panda.org/downloads/forests/220rpg.pdf>

11.6 Key Biotopes, Microlocalities, and Microbiotopes Other than Protected Areas Designated for Protection as High Conservation Value Forests in the Pskov Model Forest

Case Study

Habitats of rare and protected species
Stream valleys and lake shores
Forest sites with prevailing broad-leaved species
Old-growth black alder forests with broad-leaved species
Old-growth mixed forests
Old-growth coniferous forests
Forest stands among woodless wetlands
Areas with high wildlife biodiversity
Small forest stands in wet depressions
Small streams, springs and quicksand
Edges of forest near lakes, meadows and wetlands
Groups of large fallen trees at the late decay stages with undergrowth, dead-wood (2 to 5 m high)
Trees with nests of large birds of prey
Old-growth trees of pine, birch, broad-leaved species (trees of other generations are over 70 years old)
Undergrowth groups

11.7 Companie's Comments

German companies, which are mentioned in this study, were contacted by WWF and were offered the opportunity to comment on the data about their company published in this study.

Below you can find the translated and partly shortened letters and statements WWF received.

Europcell GmbH

The declarations made by WWF concerning suppliers are incorrect and are in it's extend not coming up to the reality.

Concerning your subject " Illegal Logging in Northwestern Russia and export of timber products to Germany" we like to inform WWF that forest products that we export from Russia nearly exclusively are distributed outside the EU.

Klausner Nordic

Statement of Klausner Nordic Timber Ltd. & Co. (KNT) to the content of the WWF study: "Illegal Logging in Northwestern Russia and export of timber products to Germany "

- The company KNT pursues the goal to obtain their raw materials from sustainable managed forests.
- In opposition to the statement in your study KNT obtains only round wood from Russia. We do not buy sawn wood and other wooden half-finished or finished goods in Russia.
- The estimation approach with the conclusion "Nontraceability of the supply chain = purchase of timber from illegal logging" is regarded by us as an inadequate method of valuation and an inadequate conclusion.
- With the publication of our structure of suppliers you will inflict damage to our company. It is not usual in business to announce one's structure of suppliers or consumers. We do expect protection of confidence in this matter.
- When importing round timber (from Russia) we do demand from our suppliers, that they abide to the legal commandments of their countries. We do deliberately postulate special conditions/standards concerning our purchases with the "Environmental control":

Agreement clause in KNT- purchases contracts:

"Environmental control:

Existing laws and regulations in the country of origin are a minimum requirement for demands set by Klausner Nordic Timber. This means that timber may not originate from illegal loggings (without legal right or with illegal methods).

In addition, timber may not originate from uncertified High Conservation Value Forests (for instance protected areas or other areas publicly recognised as being of high ecological value), from areas where traditional or civil rights are violated or from genetically modified (GM) trees.

The seller shall at request supply a certificate of origin for the wood in question. It is the buyers right, at buyers cost, to investigate on the logging site that the given information from the seller is correct.

The buyer has a right to stop the reception of wood and terminate this contract if the regulations according to this clause have not been followed.”

- Furthermore, we want to point out that KNT is certified after FSC-regulations for about a year. At the moment we are in the process to be certified after PEFC. The company KNT does appreciate the possibility to obtain wood from certified forests (FSC/PEFC) and does actively promote the certification of its suppliers.
- The KNT company takes up the position, that the control of a sustainable use of timber in Russia is to be obtained by a partnership initiative with the Russian Federation. Therefore, we started interlocutions with the Federal Ministry of Consumer Protection, Food and Agriculture and promised our active participation on the “FLEGT”-Programme (Forest Law Enforcement, Governance and Trade).

Puderbach Holzhandel GmbH & Co. KG

concerning the issue mentioned above, you sent us an excerpt on 15.07.2004 of your intended study about the Russian forest and illegal logging. We do not agree with the publication of this excerpt and advise you, that it contains wrong allegations. We did not disclose our suppliers to you at any time. It is also wrong, that we have something to do with illegal logging as it is announced in the title of this study.

Furthermore, it does not seem justifiable for us that in the case of three of our suppliers unknown sources are symbolised by question marks. We point out to you that we plan to impose a restraining order in the case of a publication and this is also intended by our suppliers.



With several million supporters and a network of offices in more than 90 countries on five continents, WWF is one of the world's largest independent conservation organizations.

WWF's mission is to stop degradation of the planet's natural environment and to build a future in which humans live in a harmony with nature, by:

- ✓ Conserving the world's biological diversity
- ✓ Ensuring that the use of renewable natural resources is sustainable
- ✓ Promoting the reduction of pollution and wasteful consumption

Let's leave our children a leaving planet!

WWF Germany

Rebstöcker Straße 55
60326 Frankfurt am Main
Tel.: +49 (0)69 79144 0
Fax: +49 (0)69 617221
Internet: www.wwf.de

WWF Russia

109240, Moscow
Nikoloyamskaya ul. 19, bld.3
Tel.: +7 095 727 0939
Fax: +7 095 727 0938
Internet: www.wwf.ru