



Russian forest industry

Update on policies and production and trade of selected forest products

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General state of the economy

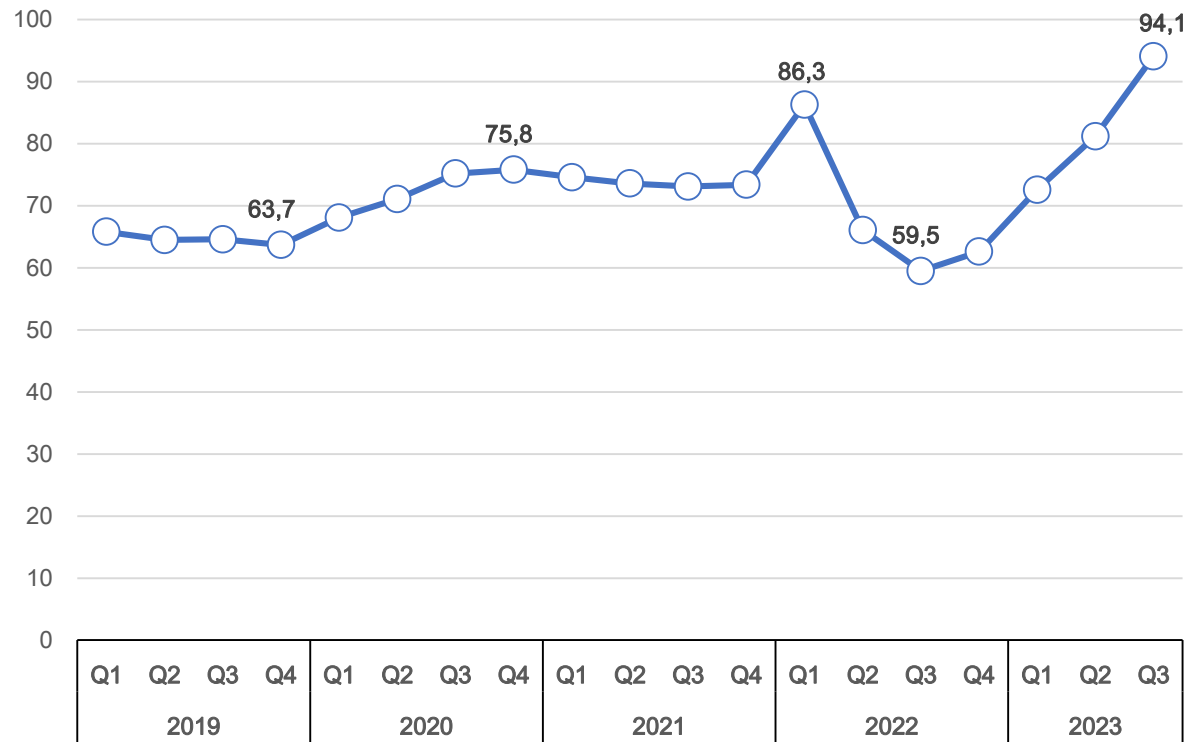
2021-2023

| Indicators | 2021 | 2022 | 2023 |
|---|--------|--------|--------|
| Gross domestic product, trillion rubles | 135,30 | 153,44 | 157,27 |
| GDP index, % of the previous year | 4,7 | -2,1 | 2,5 |
| Core consumer price index, % | 6,7 | 13,8 | 5,9 |
| Industrial production index, % compared to the previous year | 106,3 | 99,4 | 99,6 |
| Housing construction - total commissioned, million m2 total area | 92,6 | 102,7 | 104 |
| Individual housing construction commissioned, million m2 total area | 49,1 | 57,2 | 57,5 |

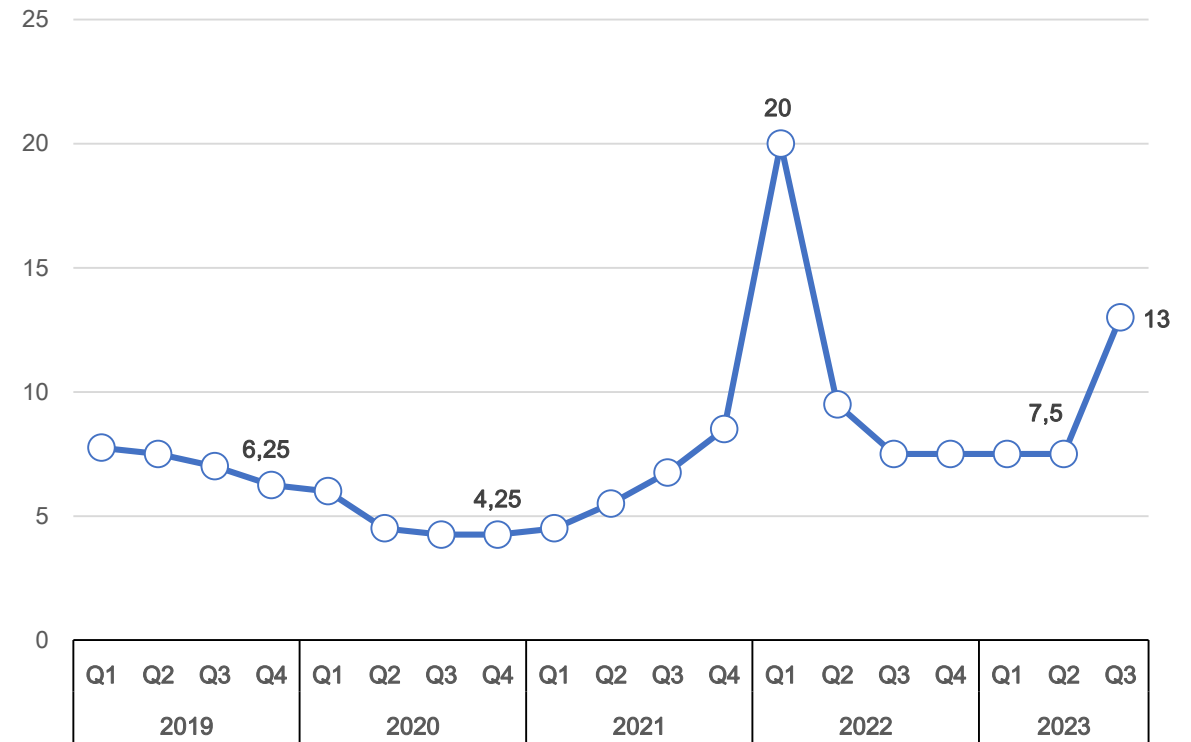
Sources: Rosstat, Ministry of Economic Development, Central Bank of the Russian Federation

Dollar exchange rate and key rate of the Bank of Russia

Average official US dollar exchange rate for the period, rub. /\$



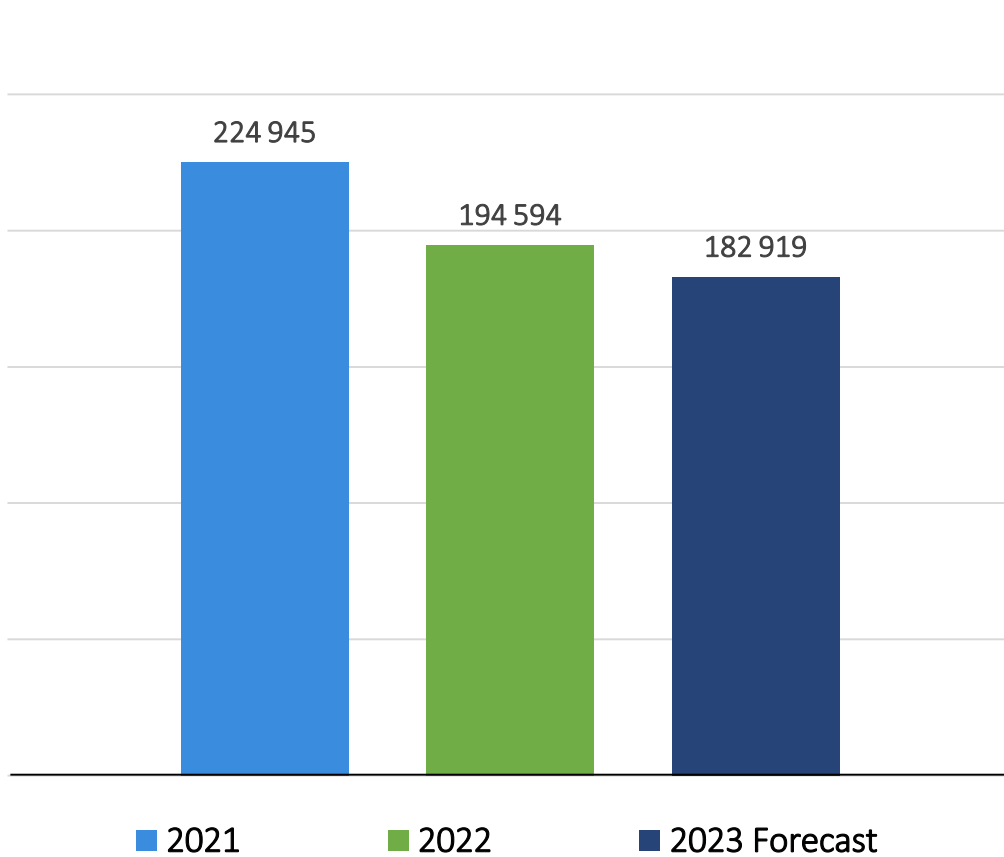
Key rate of the Bank of Russia at the end of the period, %



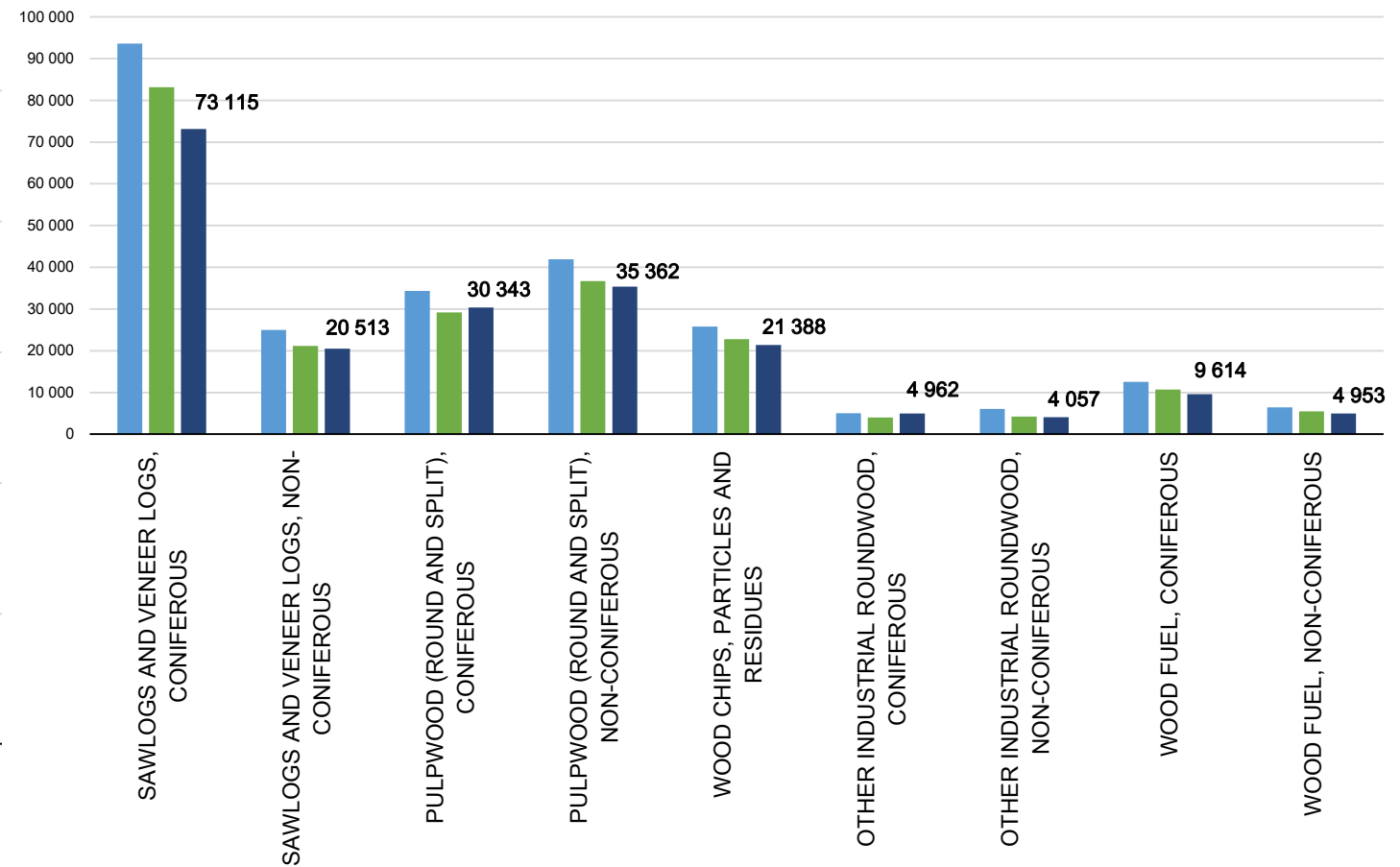
Sources: Rosstat, Ministry of Economic Development, Central Bank of the Russian Federation

Raw materials supply for the forestry industry: roundwood

Removals, Russia, 2021-2023, in 1000 m3



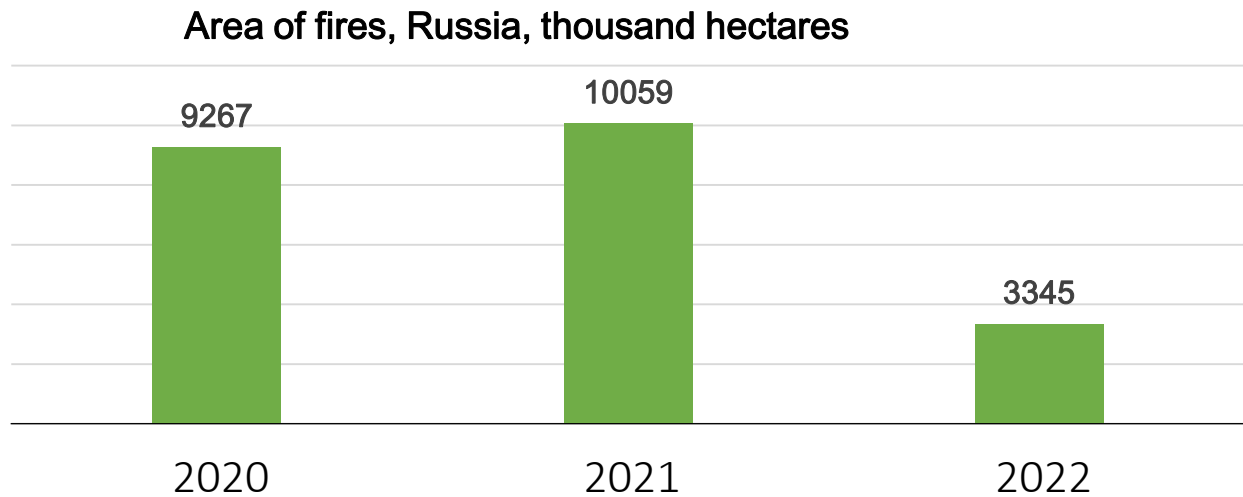
Removals by product, Russia, 2021-2023, in 1000 m3



Sources: Rosstat, LesEGAIS, WhatWood

Raw materials supply for the forest industry: conservation and reproduction of forests

| Indicator, Russia | % |
|-------------------|------|
| Commercial forest | 51,9 |
| Protective forest | 24,9 |
| Reserve forest | 23,2 |

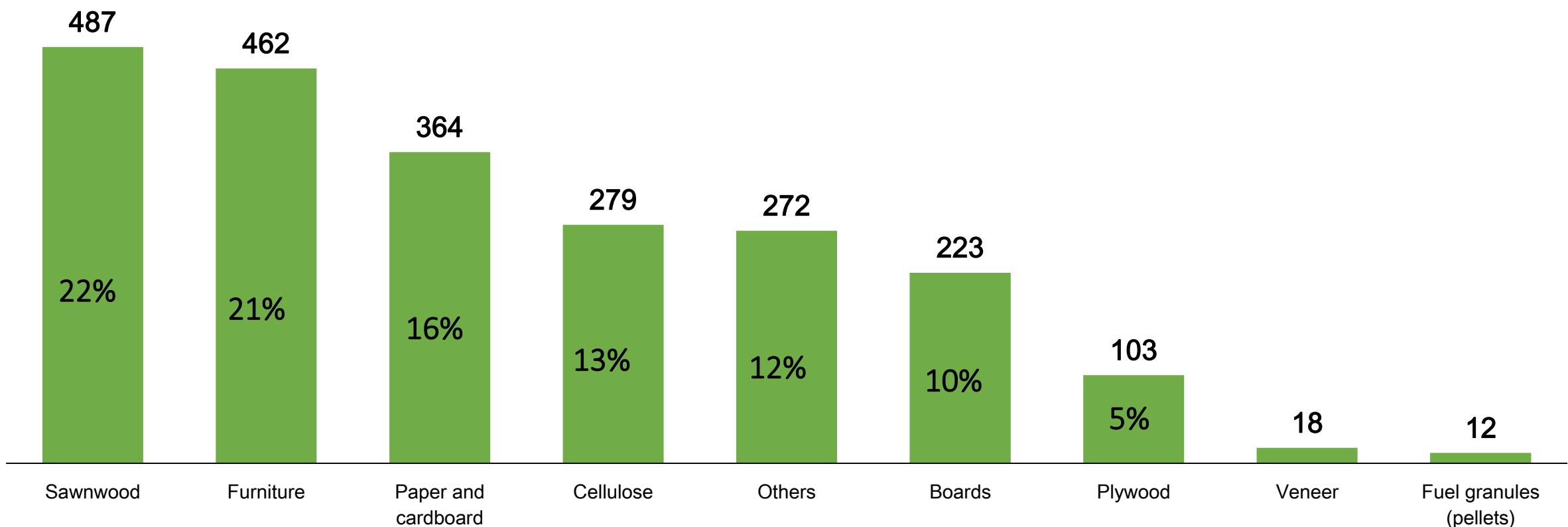


Source: Union of Timber Industrialists and Timber Exporters of Russia



Structure of production of the main types of timber industry products in Russia

2023 (January - September), 2220 billion rubles

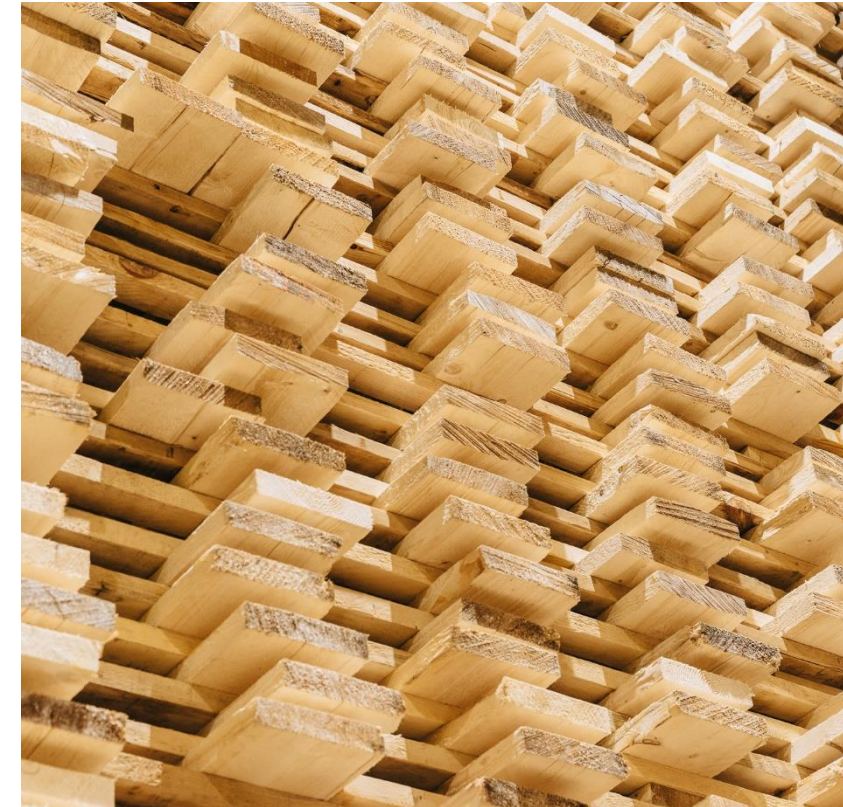
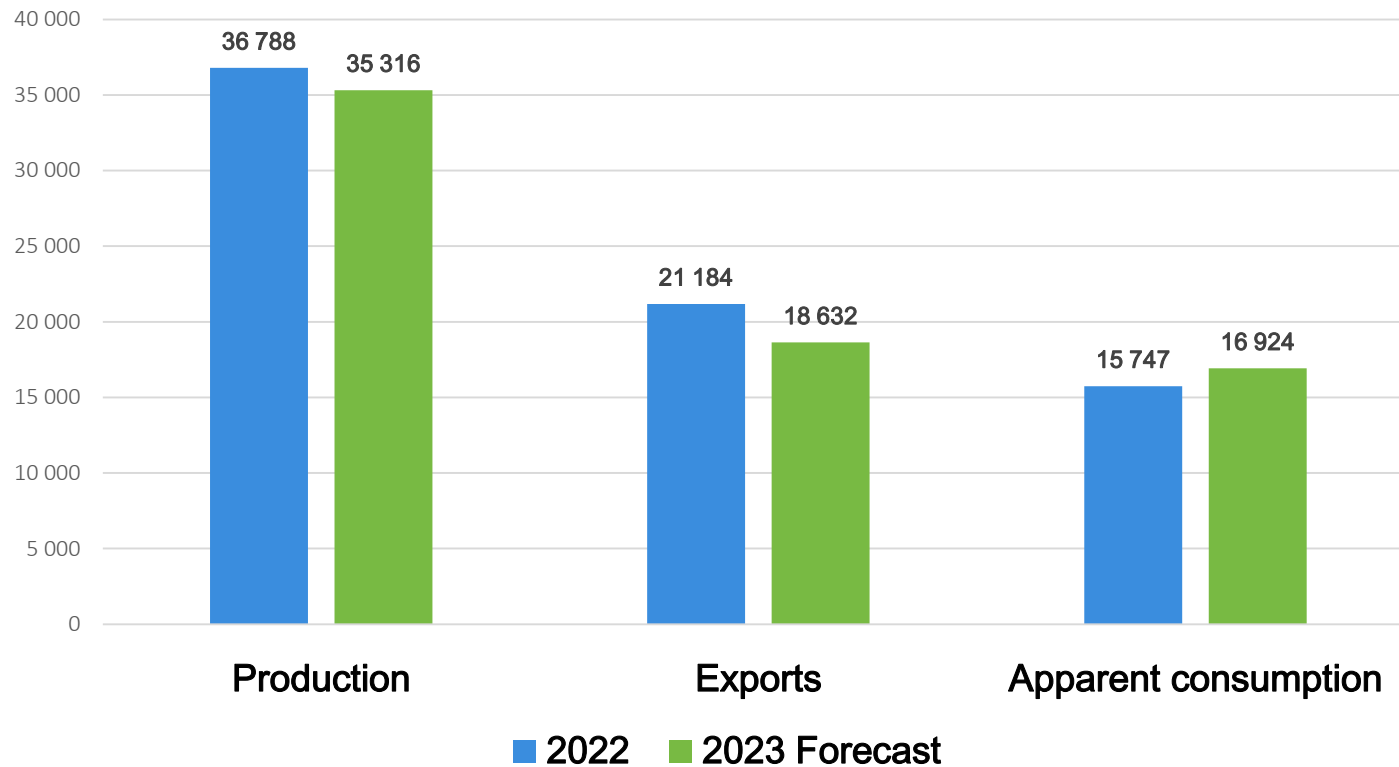


Source: Union of Timber Industry of Russia

XX% - share in the production structure

Forest products market overview: sawnwood, coniferous

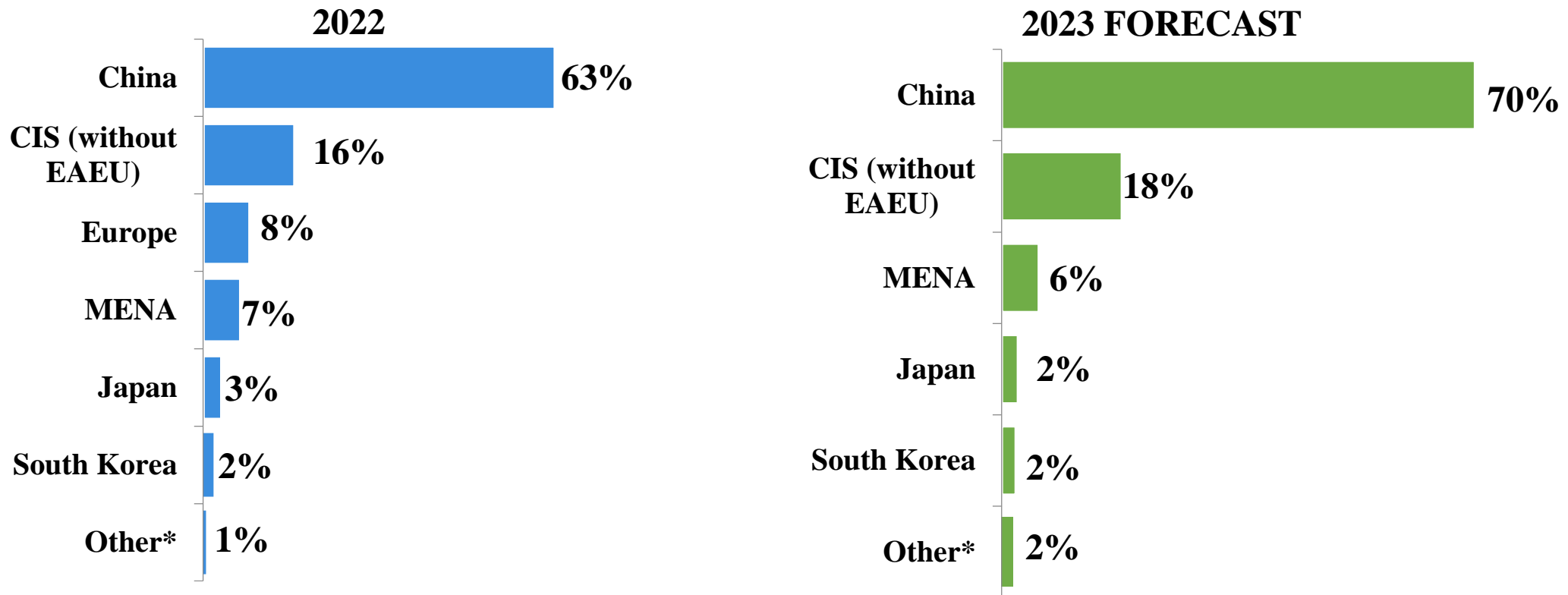
Sawnwood, coniferous, Russia, 2022-2023, per 1000 m3



Sources: Rosstat, LesEGAIS, WhatWood

Russian sawnwood on export markets: markets

Structure of exports of sawnwood, coniferous, 2022 – 2023 (forecast), share

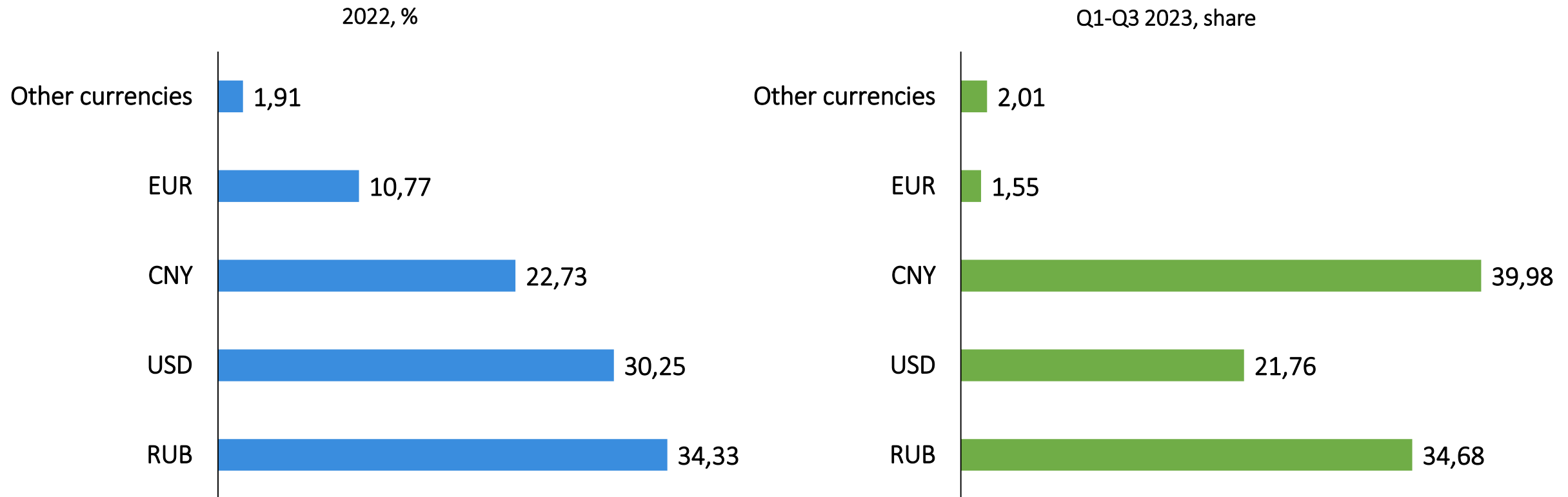


Sources: expert assessment of the Union of Timber Industrialists and Timber Exporters of Russia, excluding EAEU countries (Kazakhstan, Belarus, Armenia, Kyrgyzstan)

*Others: India, Australia, Philippines, Mongolia, Vietnam, Afghanistan, etc.

Russian sawnwood on export markets: contract currencies

Currency of contracts* for export supplies of Russian sawnwood, 2022 – Jan-Oct. 2023 (actual), share

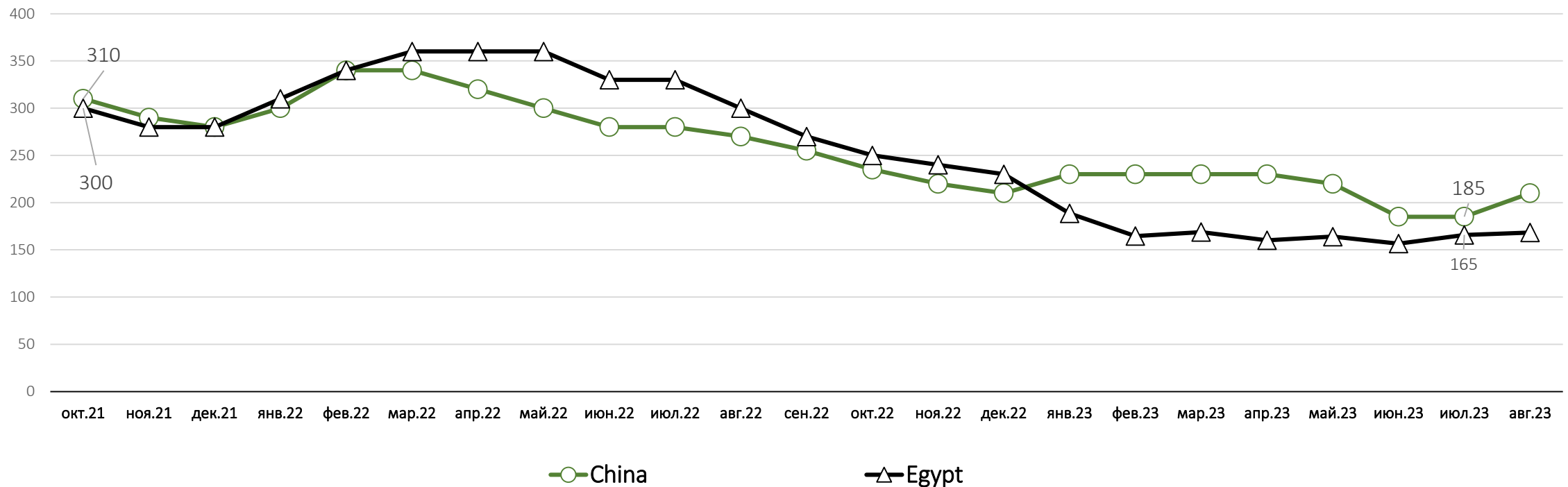


Source: WhatWood

*to calculate the share, the statistical value of exports was taken, converted into USD at the weighted average rate for the period

Russian sawnwood on export markets: prices

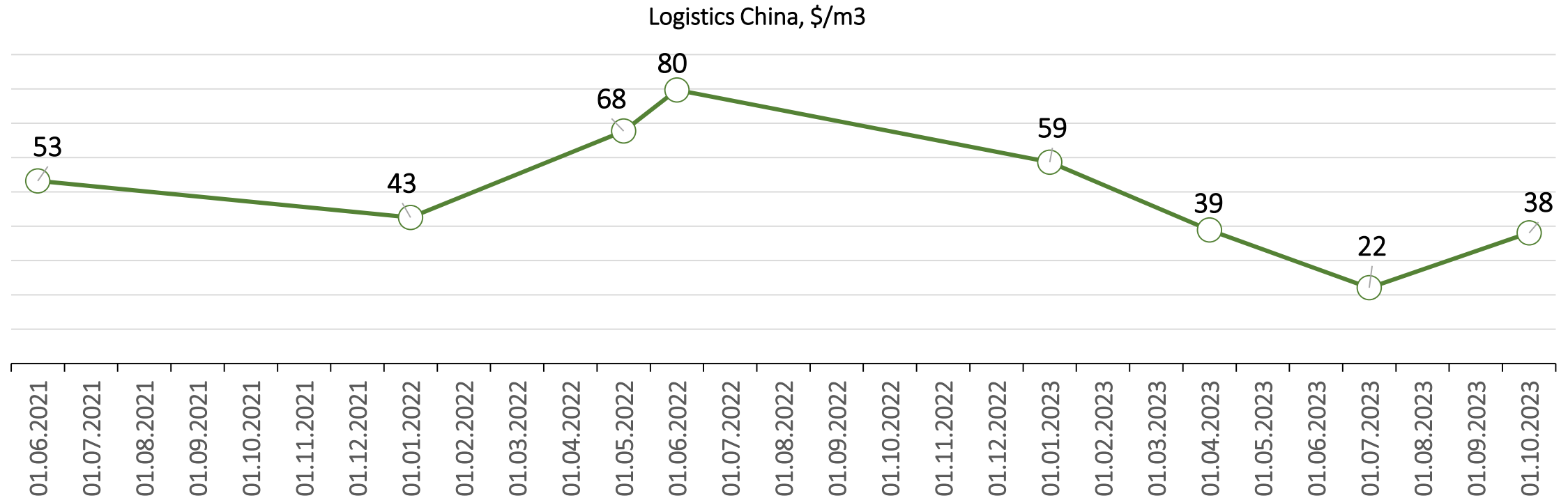
Prices for Russian sawnwood on export markets, October 2021 – August 2023, USD



Source: WhatWood, expert assessment of the Union of Timber Industrialists and Timber Exporters of Russia

Russian sawnwood on export markets: logistics costs

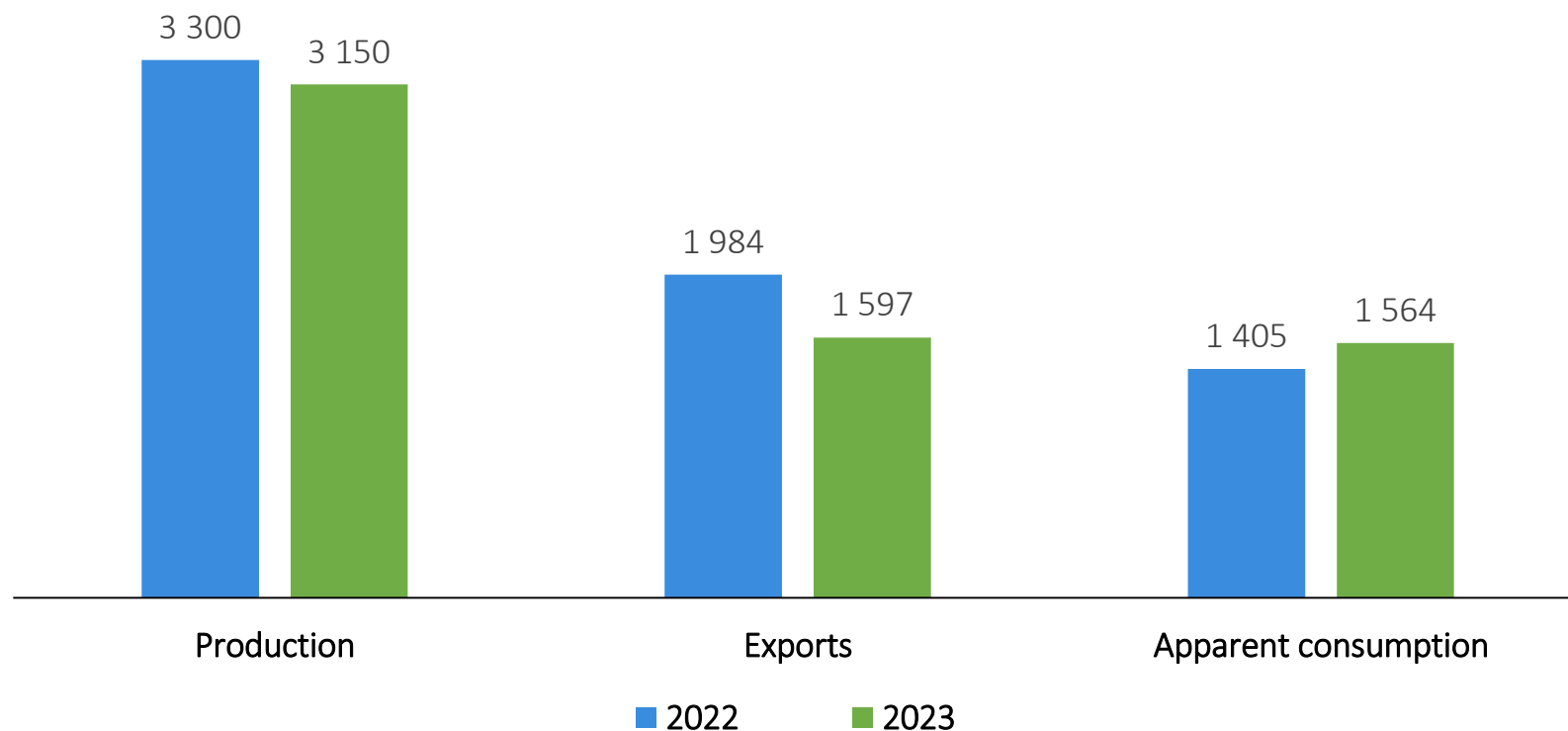
The value of logistics costs in China, June 2021 – October 2023, \$/m3



Source: Union of Timber Industrialists and Timber Exporters of Russia

Forest products market overview: plywood

Birch plywood, Russia, 2022-2023, 1000 m3

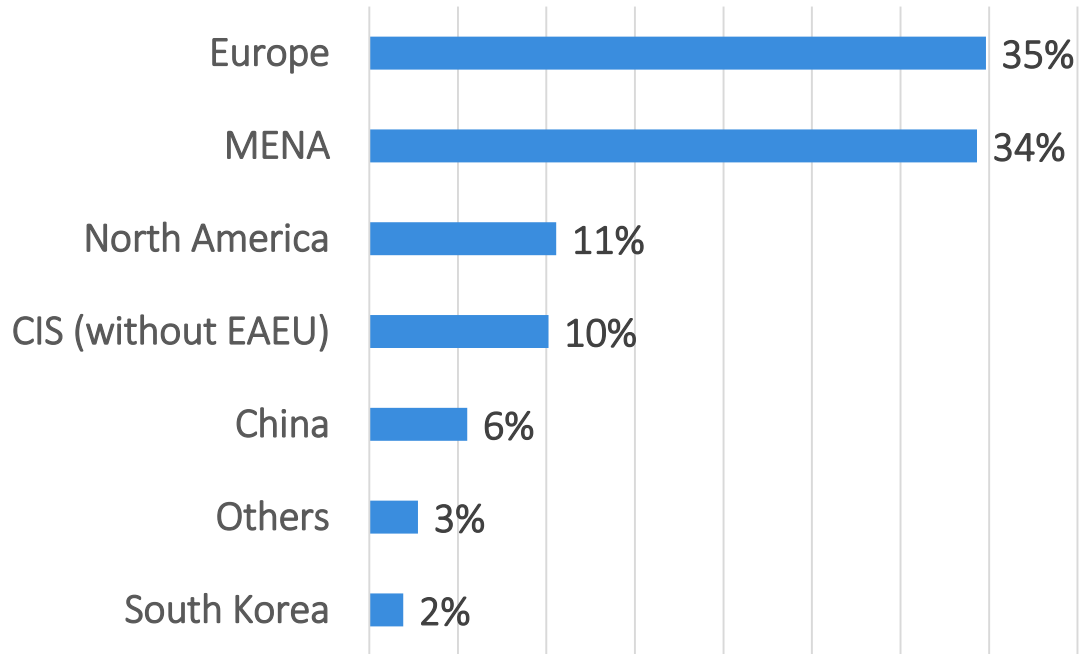


Sources: Rosstat, LesEGAIS, WhatWood

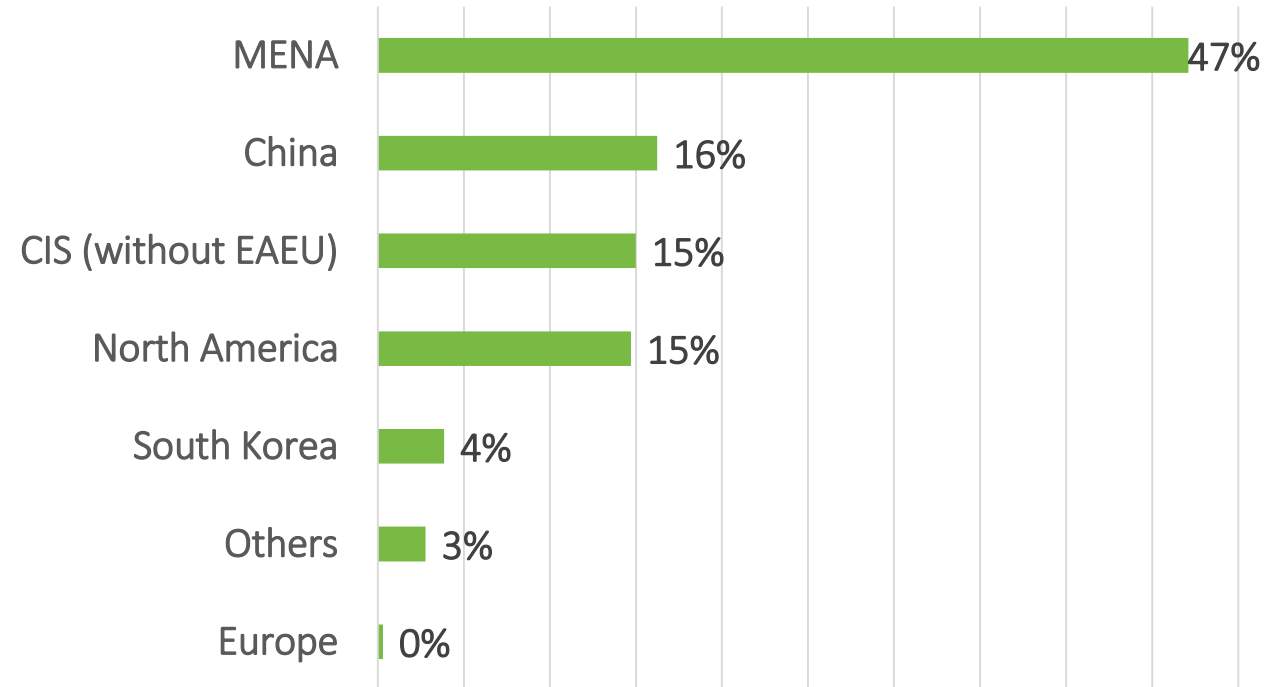
Russian plywood on export markets: markets

Plywood export structure, 2022 – 2023 (forecast), share

2022



2023 FORECAST

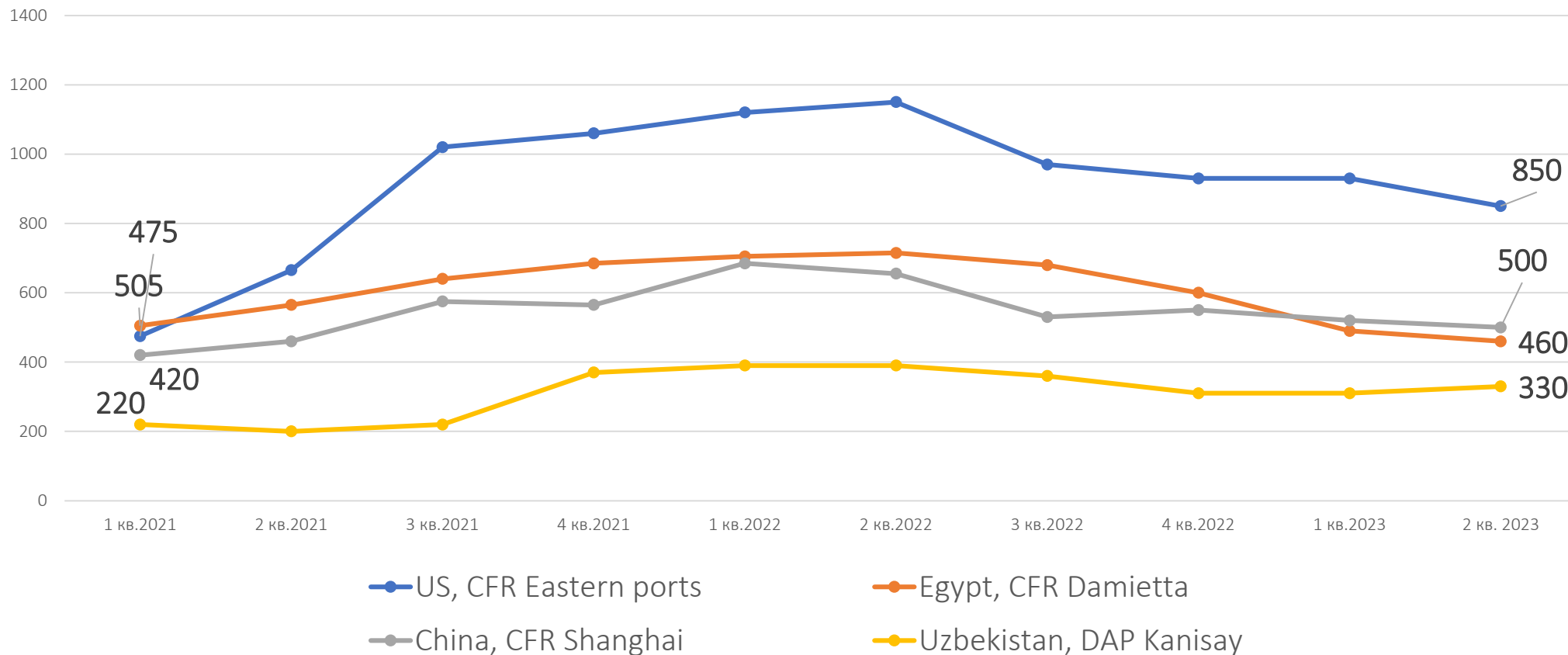


Sources: FaoStat, expert assessment of the Union of Timber Industrialists and Timber Exporters of Russia, excluding EAEU countries (Kazakhstan, Belarus, Armenia, Kyrgyzstan)

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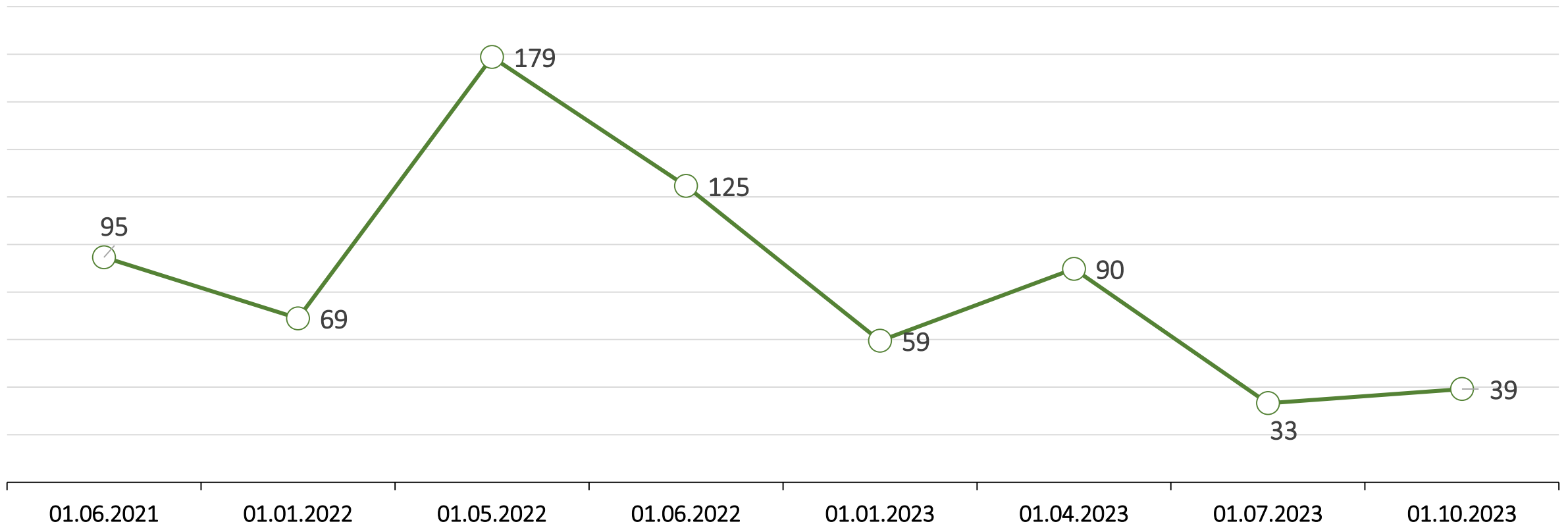
Russian plywood on export markets: prices

Prices for Russian plywood on export markets, Q1 2021 – Q2 2023, USD



Russian plywood on export markets: logistics costs

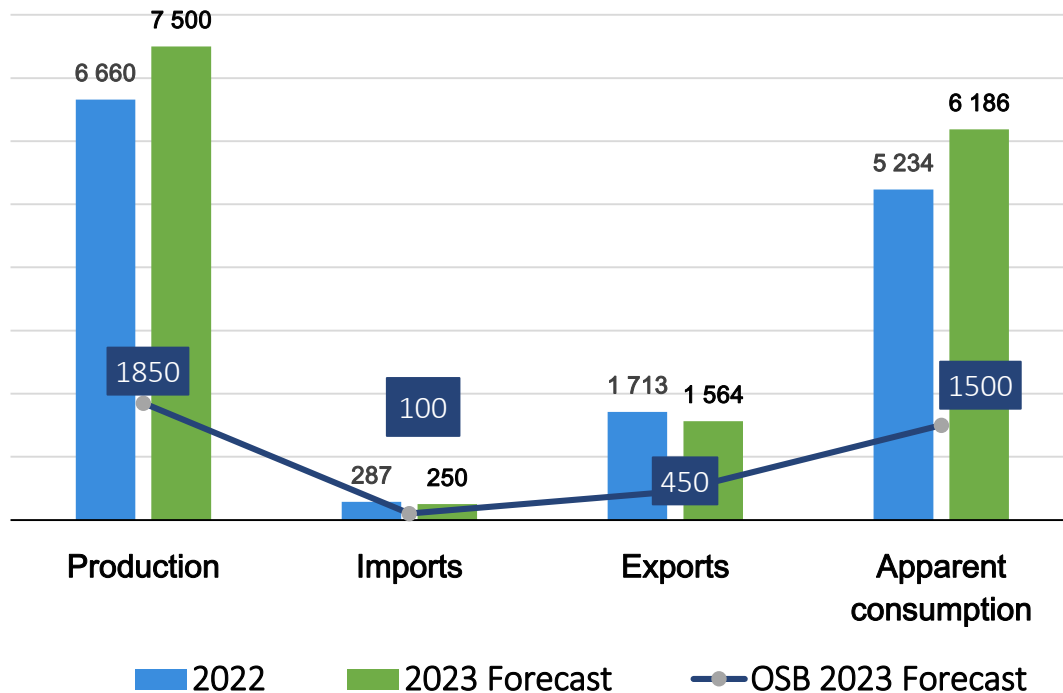
Logistics cost rate at China port, June 2021 – October 2023, \$/m3



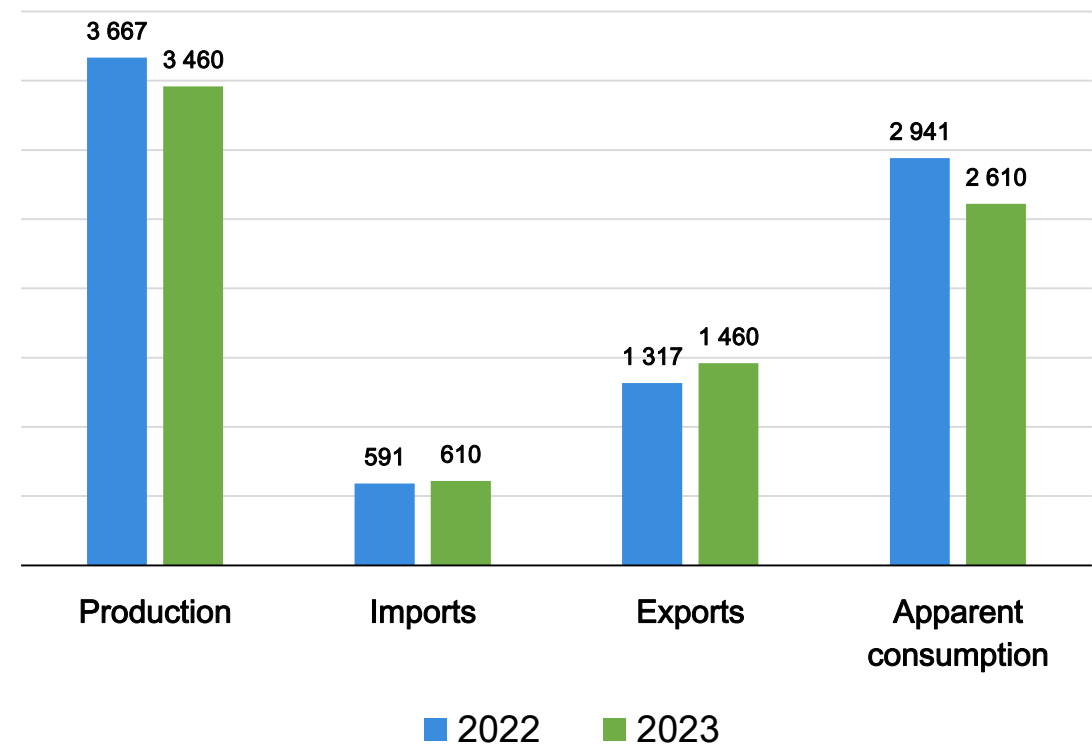
Source: Union of Timber Industrialists and Timber Exporters of Russia

Forest products market overview: boards

PARTICLE BOARD (including OSB), Russia, 2022-2023, 1000 m3



FIBREBOARD, Russia, 2022-2023, 1000 m3



Sources: Rosstat, LesEGAIS, WhatWood

Indirect impact of sanctions

- **Changing the import structure:**
 - Technological equipment
 - Raw materials and chemicals
 - Forestry equipment
 - Furniture
 - Logistics services
 - Insurance
- **Voluntary self-restraint of activities of international companies:**
 - International Paper, Mondi, UPM, Metsa, IKEA, Ponsse, John Deere, OBI, VOLVO, MAN

Regulatory Trends

- In the field of climate and sustainable development
- In the field of confirming the legality of wood
- In the field of development of wooden housing construction
- In the field of bioenergy development and circular economy

Regulatory Trends

- **In the realm of climate and sustainable development:**
 - The updated Climate Doctrine has endorsed the objective of attaining carbon neutrality in Russia by 2060.
 - One of the goals: a balance between economic efficiency and social justice, between measures to combat climate change and the need to ensure economic development
 - An initiative has been launched to restrict greenhouse gas emissions in the Sakhalin region, aiming to incentivize the adoption of technologies for emissions reduction and absorption. This includes establishing an independent verification system and creating a framework for the circulation of carbon units and quota fulfillment.
 - The legal framework governing activities accompanied by greenhouse gas emissions has been established, incorporating mandatory reporting of emissions by regulated organizations, obligatory targets for emission reduction, and voluntary participation in climate projects.
 - Infrastructure for climate projects has been developed, encompassing the establishment of a registry for carbon units, the appointment of a registry operator, and the adoption of initial methodologies.
 - Criteria for sustainable development projects and requirements for the verification system of financing instruments for sustainable development in the Russian Federation have been officially endorsed.

Regulatory Trends

- **In the domain of wood legality verification:**
 - Federal automated information systems have been implemented to oversee the entire lifecycle of wood, from its origin in the cutting area through production to consumer sale:
 - Each fact of transportation of wood or wood products is accompanied by the formation of an electronic accompanying document.
 - The transfer of ownership of wood and products made from it is recorded.
 - Automatic halting of paperwork for wood transportation or shipment if there's a discrepancy between its characteristics and the federal information system data.
 - Mandating satellite navigation systems for vehicles transporting timber cargo, effective January 1, 2025.
 - Installation of video recording systems in storage areas for wood and wood products.
 - National standards have been devised for certification systems governing supply chains and forest management, incorporating environmental considerations.

Regulatory Trends

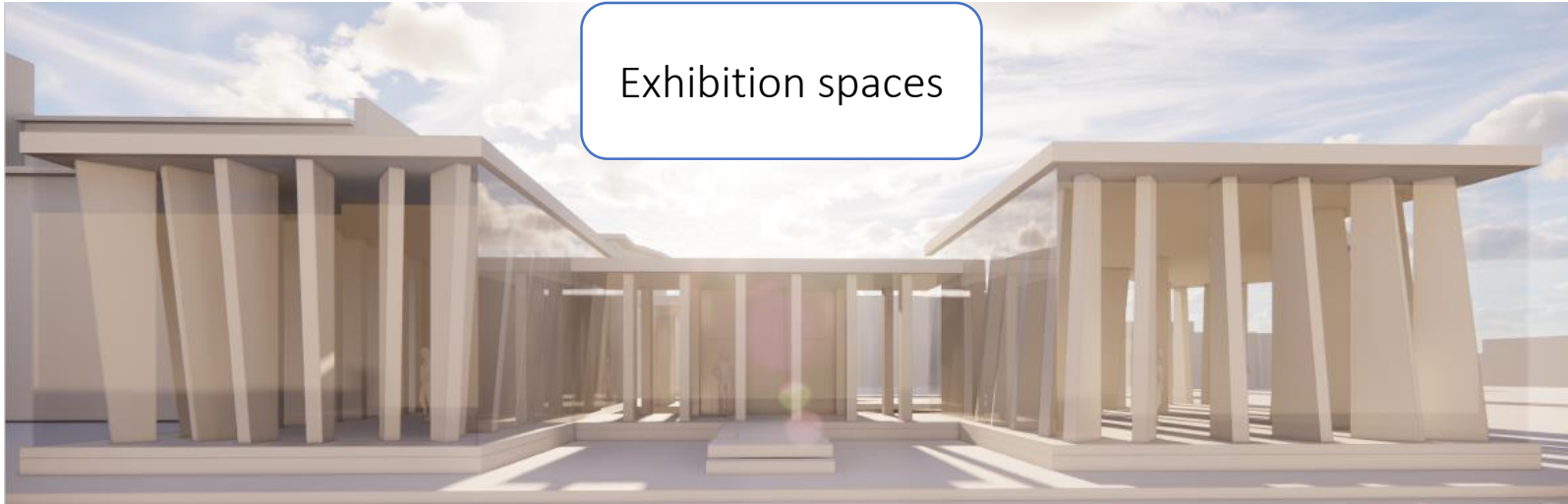
- **In the realm of advancing wooden housing construction:**
 - Initiatives are underway to address mortgage lending for citizens engaged in constructing (or purchasing) individual residential buildings using wooden structures; house kits are subsidized (10%).
 - Projects for the construction of multifunctional social and residential infrastructure facilities (using wooden structures) are being implemented.
 - As part of various government programs, annual funding for the purchase of wooden houses is provided in the amount of 10 billion rubles annually.
 - The regulatory and technical framework for wood construction has been improved, green construction standards have been developed and are being implemented, including requirements for the carbon footprint in the production, construction and operation of buildings.
- **In the field of bioenergy development and circular economy:**
 - Forestry companies, in order to increase the depth of wood processing, along with the main range of wood products, produce pellets and briquettes, the export of which is difficult; for this purpose, a system has been developed to encourage the construction of new boiler houses operating on biofuel, as well as the transfer to biofuel of existing boiler houses that are currently operate on coal and fuel oil, through their modernization, the amount of financing is 15 billion rubles annually.
 - The production of domestic boiler equipment running on biofuel is developing.

Rapid development of circular economy principles in construction



University campuses

Multi-apartment residential buildings with load-bearing structures made of CLT panels



Exhibition spaces

Rapid development of circular economy principles in construction



Individual housing construction: variety of formats and layouts

Rapid development of circular economy principles in construction



Hotels, glampings



Thank you

