The bioenergy development in Russia: biomass production, Russian-Finish cooperation opportunities

Presented by

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Cooperation opportunities

• The export duty on fuel chips and sawdust is reduced from 2,5% to 1, 25% from 1st of September

• It is one of the main milestones in the development of biomass trading between Finland and Russia

• Finland is the main consumer of Russia fuel chips.

• The main export companies are UPM Kymmene and Stora Enso.
The pellet and briquette production is developing faster than chip production

- Briquette production is increasing
- RUF is the main briquette type
- The number of briquette plants is more than 150 in Russia.
- The number of pellet mills is increasing as well
The pellet production in Russia
The main opportunities

- The pellet production is increasing in Russia but we can’t compare it with the same in the USA or Canada.
- Russian pellet export increases for 10-15% every year.
- Pellet production becomes profitable in Siberia in the middle of Russia in 2014-2015.
The Russian pellet production is developing

4 new plants with annual pellet production capacity from 30 000 till 120 000 tons are opened in Irkutsk region in 2014-2015.

The new big pellet producer LDK-3 started pellet production in Archangelsk region (North-West of Russia) in 2014.

The main goal of Archangelsk region is to produce 250 000 tpa of pellets.

Russian annual export is about 1 000 000 tons of pellets to the European Union and it increases for 10-15% annually.

South Korean market is the second but not as big as EU market for Russian producers.
Irkutsk region is located in Siberia in the center of Russia.

Irkutsk pellets are exported to Europe and South Korea. Pellets plants are certified EN-Plus.

About 500,000 tpa of pellets will be produced here in next year.
The main markets

- Europe is the main market for Russian pellet producers (97%)
- South Korea is the second attractive market for Russians (2%)
- Other markets are under research so far (1%)
The Russian export in EU, S.Korea and other countries in Jan-June 2014

- Russian export to the USA, Ukraine, Moldova and other non-EU countries tons for January-June 2014: 1%
- Russian export to South Korea, tons for January-June 2014: 2%
- Russian export to EU and United Kindom, tons for January-June 2014: 97%
6 EU countries are the main Russian pellet consumers

<table>
<thead>
<tr>
<th>Country</th>
<th>2014, tpa</th>
<th>2013, tpa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>388394</td>
<td>333964</td>
</tr>
<tr>
<td>Sweden</td>
<td>220702</td>
<td>236265</td>
</tr>
<tr>
<td>Italy</td>
<td>55434</td>
<td>20550</td>
</tr>
<tr>
<td>Finland</td>
<td>45073</td>
<td>37943</td>
</tr>
<tr>
<td>Germany</td>
<td>39147</td>
<td>15396</td>
</tr>
<tr>
<td>Latvia</td>
<td>29081</td>
<td>12130</td>
</tr>
<tr>
<td><strong>Total EU</strong></td>
<td><strong>825252</strong></td>
<td><strong>701754</strong></td>
</tr>
</tbody>
</table>
EU and Finland is consumed more Russian pellets in 2014 than in 2013

Export of wood pellets from Russia to Finland in 2013-2014

Volume, tpa
The currency which is used for export contracts with Russian pellets

- Russian rubbles: 2%
- USA dollars: 3%
- Euros: 95%
# The main Russian pellet export plants

<table>
<thead>
<tr>
<th>Company name, region</th>
<th>Annual pellet export, tpa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vyborg forest corporation, Leningrad region</td>
<td>300 000</td>
</tr>
<tr>
<td>SP Arkaim, Khabarovsk region</td>
<td>70 000</td>
</tr>
<tr>
<td>Novoeniseisky LHK, Krasnoyarsk region</td>
<td>50 000</td>
</tr>
<tr>
<td>Mir granul, Leningrad region</td>
<td>45 000</td>
</tr>
<tr>
<td>Lesozavod-25, Archangelsk region</td>
<td>45 000</td>
</tr>
<tr>
<td>DOK Enisey, Krasnoyarsk region</td>
<td>45 000</td>
</tr>
<tr>
<td>Severo-Zapadny holding, Leningrad region</td>
<td>40 000</td>
</tr>
<tr>
<td>Svedwood Tikhvin, Leningrad region</td>
<td>35 000</td>
</tr>
<tr>
<td>Russian Pellet Alliance, Karelia</td>
<td>30 000</td>
</tr>
<tr>
<td>Setnovo, Novgorod region</td>
<td>20 000</td>
</tr>
<tr>
<td>STOD, Tver region</td>
<td>20 000</td>
</tr>
<tr>
<td>Russian Pellets, Mary El</td>
<td>20 000</td>
</tr>
</tbody>
</table>

Data for July 2013-June 2014
The map of 10 big pellet produces which export about 70% of pellets:

- **Arkaim** from FE exports to S. Korea/ North-West
- **company SZH** started pellet export in containers from North-West to South Korea in 2013

**NORTH-WEST**, 7 plants

- **Siberia (Krasnojarsk)**, 2 plants
- **Far East, Khabarovsk**, 1 plant

9 plants export to Europe to Denmark, Sweden, Finland, Germany, Italy mostly from North-West. Even Siberian companies export from NW.

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New big plants in Russia 2014

- **DOTS Plus**, Bryansk region, 80 000 tpa
- **LDK-3 (Rusforest)**, Archangelsk region, 100 000 tpa
- **Lesresurs**, Irkutsk region, 30 000 tpa
- **Bionet**, lignum pellets, Archangelsk region, 150 000 pta
Big projects 2015

• **Russian pellet group** constructs 2 pellet plants in Irkutsk region (150000 tpa)

• **German pellets** has a project to construct a plant with annual pellet production of 500 000 tons in Nizhniy Novgorod

• **GS Group** announced 90 000 tpa plant in Pskov
The main export points in Russia in 2014

Data for Jan-June 2014, t
Ust-Luga is opened the first pellet warehouse in the Russian harbor

The special pellet warehouse is opened in the port of Ust-Luga in September 2014.

It is the first special warehouse in the Russian port which is constructed specially for pellets.
South Korean market

- SP Arkaim is the main company which sells pellets to South Korea

  but...

- North-West and Central Russian companies have started to sell pellets to South Korea from Baltic ports as well in 2013-2014
Main points of 2014

Politics
1) There are no sanctions in the bioenergy sector hopefully
2) We expect the new law which would prohibit wood burning in the forest and wood waste landfills in 2018

Ecocomics
1) The devaluation of the Russian Rubble attracts more companies in pellet production which is oriented on export of pellets to EU and Korea
2) Thanks to the increase of Euro rate to Rubble, export of pellets in more profitable now
3) Russian producers of machinery became more competitive thanks to law costs
4) Export of pellets from Siberia became profitable both ways – Europe and South Korea
THANK YOU FOR YOUR ATTENTION!

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