Dear Friends!

Kymenlaakso University of Applied Science took a crucial and practical step in developing business relations between Finland and the Russian regions. The bulletin you are holding in your hands, will offer you information on social and economic development of the Russian regions, its investment programmes and growth perspectives. Due to the financial and economic crisis, it is essential to estimate profoundly the efficiency of interaction between business partners as to define more precisely further cooperation activities. This bulletin serves as an important information tool addressing these problems. Leningrad region is an old and reliable business partner of Finland. In the first nine months of 2009 capital investments from Finland exceeded 8% as a share of the total investments of the region. This is a very good indicator. Leningrad region carries out trade operations with more than 130 countries and Finland has one of the highest shares in the total volume of regional foreign trade. The main items Leningrad region imports from Finland are state of the art machinery, products of ferrous metals and paper. In turn, Leningrad region companies export to Finland forestry products, petrochemicals, organic compounds and tyres.

I am confident that the bilateral trade potential between Finland and Leningrad region is far from being fulfilled. There is a number of ongoing projects in Leningrad region for the active development of ports and industrial zones as well as technoparks. In addition there are several projects for complex development of land areas, which contributes for a growth in the construction volumes. Therefore the selection of choices for cooperation is rather wide. Many of the projects require significant investments but also promise high returns.

We invite the Finnish business community to take even more active role in the implementation of prospective projects in Leningrad region.

Valery Serdyukov, Governor of Leningrad Region, Russia
The good ecological status of the Baltic marine environment requires goal-orientation in all nine riparian countries. We need active implementation and political commitment both nationally and in co-operation in Baltic Sea region. The existing platform for the co-operation is the Helsinki Commission (HELCOM), which is the governing body of the Convention on the Protection of the Marine Environment of the Baltic Sea Area.

The HELCOM Baltic Sea Action Plan opens a new era in marine environment protection and it has momentum to bring variety of stakeholder together. The long list of actions and commitments are needed to improve the Baltic environment. We need to call a wide range of small and large players into the game in balanced and transparent way.

The main challenge of the Baltic Sea is twofold. On the one hand eutrophication and nutrient substances worsen the condition of the sea constantly and on the other hand maritime activities, including the growing maritime transport brings closer the risk of the ultimate threat, a major oil spill. With regard to the eutrophication the Action Plan proposes country-wide annual nutrient input reduction targets for nitrogen and phosphorus. For the other challenge, particularly maritime safety, we need effective cooperation of the riparian countries.

The transport of oil and chemicals which has increased so dramatically and is still increasing in the Gulf of Finland and the Baltic Sea is heightening the risk of oil spills. If a major oil disaster occurs, the resources we have at present in the Gulf of Finland for tackling the problem would not necessary be sufficient to bring the situation under control satisfactorily.

We surely have challenges. However, I believe that even the minor actions can generate a major effect. It would be too easy to renounce that we have tried our best. I believe that meeting today’s challenges, can also present a window of opportunities for innovations and technological development. In many cases solutions to problems can turn out to be win-win situations.

There is no better time than present to pledge a concrete commitment for the Baltic Sea. The Baltic Sea Action Summit will convene in Helsinki on February 10th, 2010. The region’s states and corporations and organizations will make concrete commitments, which can be interlinked with HELCOM’s Baltic Sea Action Plan.

Regardless of all challenges I believe that the countries of the Baltic Sea region can look toward the future with confidence and optimism.

Dr Peter Zashev
Exclusively for the Russian Regional Business Review Deputy Governor of Leningrad region, Mr. Grigorij Dvas shares his opinion on how the global financial crisis affected the economy of Leningrad region and what is the outlook of its industries for 2010.

- Grigorij Viktorovich, did the economic crisis affect the investment climate of Leningrad region? Did the amount of investments decrease? Which branches are the most vulnerable in an economic crisis?

The global economic crisis, of course, influenced the economic growth of Leningrad region. Many companies had difficulties because of the market situation. But not all branches were affected and the prospects for some even improved.

As to the investments in real the economy, we expect them to remain on the level of 2008. It is hard to confirm the trend as the accuracy of data depends on the speed with which companies report their annual data. For instance sometimes investments are done in 2009 but reported in the company statistics of 2010.

At present we speak more or less of preserving the momentum in the investment space of Leningrad region rather than speaking of some concrete figures. Leningrad region maintains its high position in the investment attractiveness rankings among Russian regions. It stems from the fact that in 2009 we did not only work on finishing projects that were started earlier, but also launched new investment projects.

At present we are in process of negotiations about several investment projects, which makes us look with a modest optimism on 2010. Based on the analysis of ongoing projects and the projects that must start in 2010, the preliminary outlook is quite promising. We assume that the total level of investments in 2010 must be not lower than the figure for 2009. We do not see any reasons for reaching lower figures.

- Were there many investors who cancelled their projects since the crisis begun?

None of the investors who already started the realisation of their project (even at most earlier stages) did not quit or announce about changing plans. As for new investors the intensity of their interest may be somewhat decreased but still they actively arrive in the region.

- How did you manage to maintain the interest of investors?

The investor’s objectives do not really change depending is there a crisis or not - they are making profits and increasing production. One of the ingredients of such policy is to gain market share, conquer new markets both in terms of geography and modern products. Investors make decisions on implementation of a given project based on the specifics of their concrete business field. Each business segment (for instance food processing or car manufacturing) has its own tendencies and they do not depend entirely on the financial circumstances. On their background there might be downturns but they are not indicative about the long term tendency. As before, companies are interested in their development, which means that investments will not be downsized.

It is different story that during the crisis the proportions of various cost change. As a result some regions may increase their investment attractiveness while others loose it. For instance in the current conditions when the costs for infrastructure and construction remain unchanged, the price of land can vary significantly. This in itself is a serious factor in the competitiveness of certain investment site.

- How did the past year affect investment structure? What happened with the large long term projects being realised in Leningrad region? What about the pace of their development?

I cannot recall any projects whose technical, financial or time parameters have changed. The large investment projects are proceeding according to the original plan. These are projects such as Slantsy cement plant and Tikhvin railcar building plant - there are many such examples. The implementation pace remains unchanged also for tangible projects in the field of pipelines such as Baltic Pipeline System II. As well as all projects related to the construction and development of new port facilities in Ust-Luga. I assume that it will be possible to compensate the temporary delay in the investment programme on building substitute capacities for the Leningrad Nuclear Power Plant and the October Railways. All in all I want to emphasize that the pace of work is not decreasing and therefore we do not see any reason for having these projects frozen or prolonged. The project is also proceeding as planned, as well as projects
to increase the capacity of Ust-Luga harbour terminals. We expect the investment in the Leningrad region nuclear power plant and Octyabrskaya railroads to pay back. Thus the schedules have not changed, and we see no reason why major projects under way should be stalled.

- **Which branches seem to attract investors right now?**
  Right now we are negotiating with potential investors especially in the engineering field. Other interesting branches are food industry, manufacturing components for mobile phone car kits, and wood processing. Wood harvesting and processing are balanced at the moment – the companies have understood that they make money only by processing wood into products. For this reason, Vyborg Cellulose and Paper Mill plans to start producing energy pellets alongside with its traditional products.

- **Since 1997, the Leningrad region has enforced an investment law granting some privileges for investors. Don’t you think such an old-fashioned law would need updating?**
  We made some changes in the law over a year ago, allowing us to limit these privileges. We are not going to change the whole system, we are just limiting the areas in which privileges are given. During the first half of 2010 we will probably initiate new legislation, redefining the industries and the areas where privileges are granted.

- **Have you already made a list of these areas?**
  They need to be carefully considered. Our practices and the practices of the regional authorities must comply. There is no point in granting support money to areas where the regional government applies taxes to collect the money for themselves. If the municipal authorities are interested in developing their area and backing up investors, we are ready to cooperate.

- **To complete this interview, would you have any wishes for foreign companies and investors, especially the Nordic ones, concerning the Leningrad region?**
  There is no point in expecting any significant growth figures before 2011. Even at the cost of investing activity, we should already now be creating a “springboard” of our own to use when the economy starts rising again. We gladly accept all new investment in our projects, both global and smaller scale.

The regional authorities do not force their ideas on investors. We do, however, guarantee an environment where projects can be successfully realised and good results achieved. In the first half of 2009, the economy of the Leningrad region attracted investments of RUB 73.5 billion, which represents a 115.3 per cent growth on the previous year. The amount of foreign investment should be noted: in the first half of 2009, foreign investment in the area economy was USD 928.6 million, over twice as much as in the previous year. This means that, considering the economic situation, Leningrad region has all that it takes for a stable economy in the near future.

Gregory Dvas, Vice-governor of Leningrad region
LENINGRAD REGION: BASIC DATA

Geography
Leningrad region is located in the northwestern part of European Russia. It borders Finland in the northwest, Estonia in the west, as well as five federal subjects of Russia: Republic of Karelia in the northeast, Vologda Region in the east, Novgorod Region in the south, Pskov Region in the southwest, and Saint Petersburg to the west. The region covers 85,000 square km.

Population
The total population of Leningrad region is 1,63 million people. The most populous town of the oblast is Gatchina, with 89,9 thousand inhabitants and Vyborg with 77,6 thousand people. Urban population of the region is about 66%.

Natural resources
The natural landscapes of the Leningrad Region are extremely diverse. Here it is possible to see the shores of the Vyborg gulf and northern Ladoga, huge marshes on southern coast, mountain valleys with granite boulders on the Karelian isthmus, canyons of the rivers and waterfalls, as well as plains with hilly heights to the South of the Neva river. The originality of the geological structure of this territory is a result of the fact that the current of Neva river forms a boundary of sorts which divides the territory into two different zones. The Northern zone, with its granite, belongs to Phenoscandia and is in the process of rising above sea level. The southern zone, the Russian plate of the East Europe platform, on the other hand is falling. Accordingly, the two coasts of the Neva move in opposite directions: the right bank moves upwards, and the left one, downwards. This explains the seismic activity that from time to time is felt in the northern capital - an unusual occurrence in this part of the continent. The Neva itself is rather a young river: it appeared about 2-3 thousand years ago as a result of a break of the waters of Ladoga Lake into the valley of the river Tosno. Geographically the territory of the region lies in a strip of southern taiga. The original landscape was composed of dense forests broken by stretches of fenny bogs. Even nowadays, after many centuries of economic development, the forest still occupies about half of the territory of the region, and bogs approximately 12%.

Among the many mineral resources, the most commercially important ones are bauxite (Tikhviniskoye deposit), oil shale (Leningradskoye deposit), and phosphorite (Kingiseppskoye deposit). Peat reserves are estimated at 1.8 billion tonnes and oil shale reserves, at 5 billion tonnes. There are granite beds in the northern part of the region, and manganese ores have been discovered in the Gulf of Finland not far from St. Petersburg. Forests of mainly pine and spruce cover about 40% of the region. The animal and plant life is rich and varied, with 60 species of mammals and 330 species of birds making their habitat here. However, future development of the forest industry is tied to renewal of the forest lands and improvement of the region’s environmental conditions.

The region’s greatest wealth is its water resources, consisting of the Gulf of Finland in the eastern part of the Baltic Sea, Lakes Ladoga and Onega, natural and artificial reservoirs, rivers, canals, and bogs. Water covers about 13% of the region, not counting the Gulf of Finland and Lake Ladoga, in which about 80 species of fish are found. The largest areas covered by surface waters are found in Priozersk (14%), Vyborg (7%), and Slantsy (6%) districts, and the smallest areas (0.6%) in Volosovo and Tosno districts. The Gulf of Finland, which occupies 7% of the area of the Baltic Sea, is Leningrad Region’s largest body of water.

Economy
Industry in the Leningrad Region is made up of several sectors: non-ferrous metals, the pulp and paper sector, the chemical industry, engineering, and the construction materials industry etc. The industrial enterprises of the Leningrad region produce a wide assortment of industrial and technological products including petrol, diesel fuel, mineral fertilizers, aluminum, industrial wood, cellulose, paper, cardboard, machines, devices, and construction materials. In addition, there is a wide assortment of consumer goods, such as furniture, fabrics, clothing, and food.

Transport and communication
Leningrad region’s location benefits from its role as a transport hub that allows the region to successfully promote the development of port and transportation infrastructure.

The length of the region’s railways exceeds 3 thousand km,
30% of which are electrified. The density of railroad networks is 32 km per 1000 sq. km. The turnover of goods has reached more than 100 million tons per year. The length of the region’s motorways is more than 13 thousand km. The density of the road network is 108 km per 1000 sq. km. The length of navigable waterways is 1908 km. The turnover of goods exceeds 15 million tons per year. River ports: Leningradsky, Podporozhsky and Sviritsky. The Leningrad region has four seaports:

- Vyborg
- Vysotsk
- Primorsk
- Ust-Luga

According to the general scheme the capacity of the port in Ust-Luga will exceed 35 million tons of cargoes per year and includes construction of terminals for mineral fertilizers, ore, containers and timber under construction.
**INNOVATIONS & TECHNOLOGY**

**NOVOSIBIRSK** State corporation Rusnano has announced plans to invest €21.7 million in construction of a plant to produce lithium-ion batteries in Novosibirsk. The project was initiated by Chinese Thunder Sky, in cooperation with nuclear fuel producer TVEL and Novosibirsk plant of chemical concentrates NZKhK (www.nzkh.ru). Under plans, production is to be located at premises of NZKhK plant. Further project parameters, including its timeframes, have yet to be disclosed. Source: rusnanonet.ru

**IRKUTSK REGION** Chemical company Nitol, in cooperation with state corporation Rusnano, intends to build a €288.8 million plant to produce titanium dioxide in Irkutsk region. Rusnano’s contribution into the project has yet to be defined. The plant will be located in the town of Usoye-Sibirskoye. The project is scheduled to be carried out in 2010-2015. Titanium dioxide is used in production of solar batteries, paint materials, laminated paper and plastic. Source: Interfax

**SIBERIA** Budget financing of Siberian branch of Russian Academy of Sciences in 2010 is to amount for €333.5 million, down 11% on 2009. Source: RIA news

**MOSCOW** The Russian government will allocate RUB500 million (€12 million) in 2010 on a project to build a spaceship with a nuclear engine. In line with an order issued by the Cabinet on December 29, a total of RUB430 million (€10.3 million) will be given to the Rosatom state nuclear corporation, and the rest to the Federal Space Agency Roscosmos. Roscosmos head Anatoly Perminov said in late December that Russia would launch research into nuclear engines for spaceships this year. He said nuclear engines for spaceships were a very promising area and should be created to make flights to Mars and other planets. Perminov had previously said the development of Megawatt-class nuclear space power systems (MCNSPS) for manned spacecraft was crucial if Russia wanted to maintain a competitive edge in the space race, including the exploration of the Moon and Mars. Perminov said the draft design of a spacecraft powered by a nuclear propulsion system would be finalized by 2012, and the financing for further development in the next nine years would require an investment of at least RUB17 billion (over €408.5 million). Anatoly Koroteyev, president of the Russian Academy of Cosmonautics and head of the Keldysh research center, earlier said that the key scientific and technical problem in sending manned missions to the Moon and Mars was the development of new propulsion systems and energy supplies with a high degree of energy-mass efficiency. Source: RIA news

**VLADIMIR REGION** Vladimir-based polymer membranes producer Vladipor, in cooperation with state corporation Rusnano, intends to build a €46.9 million plant to produce nano-structured membranes and dividing modules for water filtering in Vladimir. Rusnano is to invest into the project €19.9 million, including €8.7 million contribution into the project’s capital and €11.2 million loan. The project is also co-financed by an as-yet-unnamed outside investor. Under plans, the plant is to manufacture membrane canvas and membrane roll modules, used in water filtration and reverse osmosis processes. The plant is scheduled to be put into commission in 2012. Source: RIA news

**ALL REGIONS** Rosatom receives RUB1.1 billion (approx. €25.8 million) for developing supercomputers and Grid technology. Grid technology represents IBM network that unites computers with several programming systems for solving complicated scientific and mathematical problems. Computing performance of a supercomputer is measured by one trillion floating point operations per second or teraFLOPS that describes how many multiplications can be performed within one second. There are 500 (non-distributed) most powerful known computer systems in the world TOP500. As of November 2009, the world’s fastest computer with a peak performance of more than 1750 teraflops (1.75 petaflops) was Jaguar at Oak Ridge National Laboratory, USA. Active work on supercomputer infrastructure started in Russia after the year of 2000. Until mid 2004 the most powerful supercomputer in Russia was 768-processor supercomputer with peak performance of 1 teraflops in the Russian Academy of Sciences. Today the most powerful Russian supercomputer “Lomonosov” is at the Moscow state university. Its peak performance is 420 teraFLOPS and it is at the 12th place in the TOP500 ranking. Source: RIA news

**STAVROPOL REGION** Stavropol-based producer of infusion solutions Eskom is about to start the second phase of development programme of building an antibiotics production. During the first phase of the development programme the company has spent RUB700 million (approx. €16.5 million) to purchase new production line that will increase the plant’s monthly capacity by 30% – to 13 million bottles. Total cost of the development programme is estimated at RUB1,116 billion (approx. €26.3 million). Source: Interfax
YAMALO NENETS REGION Power generating company OGC-1 has received the first €25 million tranche of Vnesheconombank's (VEB) €196.3 million loan. The loan terms and interest rate have yet to be disclosed. Under plans, the funds are to be invested in construction of 450 MW combined cycle gas turbine (CCGT) unit at Urengoy GRES power station in Yamalo-Nenets Autonomous District. OGC-1 is controlled by Inter RAO. Source: InterRAOUES, company news

NOVOSIBIRSK Interregional electricity grid company MES Siberia has announced plans to spend about €44 million on repairs of its electricity grids in Siberia in 2010. Under the repairs campaign, the company is to fix 26 power machinery units, two reactors, 457 circuit breakers, 682 disconnect switches, 36 compressors and other equipment. MES Siberia is a part of national grid operator FSK-UES. Source: Energyland.info

STAVROPOL REGION National hydro power operator RusHydro has announced plans to spend €14.4 million in 2010 to finish the construction of Yegorlyksky GES-2 hydro power station in Stavropol region. Total investment into the project is estimated at about €26 million. In 2009 the company invested in the station construction €8.7 million, in 2008 – €2.9 million, the firm said. Source: RIA news

ALL REGIONS According to RIA Novosti among the top environmental and scientific events that had greatest impact in Russia during 2009 were:

A. Russian authorities have continued their efforts to make the economy more energy efficient. President Dmitry Medvedev tasked the government to reduce GDP's energy intensity by 40% in 2020. As a result, the first to be axed are common filament lamps. In November, the State Duma adopted a law on energy efficiency and energy saving planning to stop the production and sales of 100W and higher-powered lamps in 2011, 75W and higher lamps in 2013, and 25W lamps in 2014. At the same time, the government is going to introduce rules for recycling used energy-saving lamps.

B. A decision to ban the hunting of harp seal pups up to one month old (whitecoats) and adult harp seals all over the White Sea was welcomed in the outgoing year by all nature conservationists. The ban also covers cubs up to one year old (greycoats) and shedding or molting seals. A total of 20,000 to 30,000 whitecoats were killed for their fur on the White Sea and sold to Norway every year. Environmentalists, pop stars and charities have often campaigned for a ban on the industry, saying the killing of defenseless animals could not be described as “hunting.”

C. Alexander Bedritsky, former head of the Federal Service for Hydrometeorology and Environmental Monitoring (Rosgidromet), has been promoted to the post of presidential adviser on climate. This is a new post in Russia. The adviser will be responsible for formulating and promoting the country’s position on climate change at international and multi-format meetings, including G8 and G20, and represent the president in talks.

D. The Greens and the Moscow authorities battled all year long over the construction of new incinerators in the Russian capital. Moscow had adopted a programme for the construction of incinerators to cut the amount of waste buried in landfills from the present 82% to 37%. Mayor Yury Luzhkov said the incinerators’ treatment facilities matched European standards and their discharges were harmless. Astonished environmentalists spent the whole year bombarding the municipal authorities with requests to stop the programme. Ultimately, Luzhkov promised to cancel the programme of incinerator construction.

E. In the outgoing year Russia became one of the world leaders in cutting greenhouse gas emissions. President Medvedev has said that between 1990 and 2020 the country will reduce the discharge of gases by 30 billion tons or by 25%. On the other hand, Russian authorities have often stressed that they do not intend to restrict economic growth in order to reduce greenhouse emissions.

F. In March Natural Resources Minister Yury Trutnev drew Prime Minister Vladimir Putin’s attention to the fact that Olympic construction sites in Sochi “look terrible.” Following that, the Ministry of Natural Resources and Environment started monitoring the observance of environmental standards during the construction of sports facilities in Sochi, penalizing careless builders and filing lawsuits against them with the Prosecutor-General’s Office. Source: RIA Novosti

SARATOV REGION RF Ministry of Industry and Trade has announced plans to spend €15.6 million to process industrial waste at chemical weapons (CW) elimination facility in Saratov region’s village of Gorny. All works are scheduled to be carried out in 2010. Source: saratovnews.ru
**INDUSTRIAL MODERNISATION & INVESTMENTS**

**SVERDLOVSK REGION** Sverdlovsk region-based Nizhny Tagil Iron and Steel Works (NTMK- [www.ntmk.ru](http://www.ntmk.ru)) has announced plans to increase its 2010 investment program by 67% on 2009 – to €122.9 million. Under plans, specifically, the funds are to be used to complete reconstruction of the fourth convertor and continuous steel casting machine. Nizhny Tagil Iron and Steel Works is a part of Evraz Group. Source: [Ria news](http://ria-news.ru)

**KAMCHATKA** According to Regional Ministry of Fishing Vladimir Galitsyn Kamchatka will put as much as €84.6 million over the next three years into its fishing and seafood sectors. The funding will come from regional coffers and non-budgetary sources between now and 2012 under a special three-year regional program. According to Mr. Galitsyn, the fishing and seafood sectors account for more than 50% of Kamchatka’s GDP and over 90% of regional exports. There are more than 350 companies currently operating in the sectors, of which 215 have their own fishing fleets, the minister said. Fleet depreciation is very high as 89% of all ships are more than 15 years old. As Mr. Galitsyn explained, the program aims at boosting fishing to 850 thousand tons a year by 2012; increasing the fishing and seafood sectors’ share in the regional GDP to 60%; and augmenting seafood production to 775 thousand tons a year. Source: [Ria news](http://ria-news.ru)

**NIZHNY NOVGOROD** Nizhny Novgorod region gypsum plant Décor-1 ([www.pgz-dekor.ru](http://www.pgz-dekor.ru)) has announced €10,8 million plans to launch production of gypsum strand boards. The project was started in October 2006. Source: [Company press-centre](http://www.pgz-dekor.ru)

**VORONEZH REGION** Sugar maker Prodimex intends to invest €50 million building a molasses desugaring complex in Voronezh region, Kommersant reports. The complex is to be launched at premises of Olkhvatsky Sugar Factory. The complex’s projected daily capacity is 300 tons of processed molasses. The facility is scheduled to be put into commission by the end of 2010. It will be the first molasses desugaring facility in Russia. Molasses is a waste product from sugar processing. Source: [conditer.ru](http://conditer.ru)

**CHELYABINSK REGION** Authorities in Chelyabinsk region have announced plans to spend €130 million on repairs of the regional health facilities in the next five years. Under the program, the funds are to be spent on reconstruction and modernization of all the hospital institutions in the region. Source: Chelyabinsk regional administration, press-release

**SVERDLOVSK REGION** Urals Mining and Metallurgic Company (UMMC) has completed US$405 million reconstruction of a chemical and steel complex at its Sverdlovsk region-based Sredneuralsky Copper Smelter Plant (SUMZ). Specifically, €220.3 million was invested into sulfuric acid production facilities, €39.7 million was invested into reconstruction of copper smelter workshop and US$45 million was spent on construction of oxygen-compressor workshop. As a result of the investment, the plant’s annual output of black copper is to increase by 50% – to 150,000 tons, and annual production of sulfuric acid is to triple – to 1.14 million tons. Also, the plant’s air emission of polluting substances is to be reduced significantly. Reconstruction was started in 2004. Source: [UMMC company news](http://www.vsmpo.ru)

**YAROSLAVL REGION** Italian company Prysmian Cables and Systems ([www.prysmian.com](http://www.prysmian.com)) has purchased electric cables manufacturer Rybinskelektrokabel, based in the town of Rybinsk, Yaroslavl region, for €1,16 million. This is the company’s first direct investment in Russia. Source: [Energyland.info](http://energyland.info)

**KALININGRAD** Yantar shipyard ([www.shipyard-yantar.ru](http://www.shipyard-yantar.ru)) will float out the last two of three frigates for India’s Navy by the end of the year. The first of three Project 11356 frigates was taken out of dry dock at the end of November. The warships will become modified Krivak III class (also known as Talwar class) guided missile frigates for the Indian Navy under a US$1.6 billion contract signed in July 2006. Indian President Pratibha Patil has named the new ships the Teg (Hindi for Saber), the Tarkash (Quiver), and the Trikand (Bow). The new frigates will be armed with eight BrahMos supersonic cruise missiles. They will be also equipped with a 100-mm gun, a Shil system-to-air missile system, two Kashtan air-defense gun/misile systems, two twin 533-mm torpedo launchers, and an anti-submarine warfare helicopter. In an interview with RIA Novosti last year, Yantar director Igor Orlov said the shipyard was in talks with Russia’s Vnesheconombank on "a US$60 million loan to complete the construction of the three frigates for the Indian Navy." Russia has previously built three Talwar-class frigates for India - INS Talwar (Sword), INS Trishul (Trident), and INS Tabar (Axe). Source: [Ria news](http://ria-news.ru)

**RASTAPOPOVICH** The Russian company Rasta has announced plans to invest RUB4,5 billion (approx. €106,5 million) in its production facilities in 2010. The project is financed with €216.7 million credit line with Sberbank, opened last year. Under plans, the funds are to be used to launch several industrial facilities, including chlorine evaporation station, Kosmos substation, new segment of forging and stamping machine and thermo-processing facility. The company plans to produce 21,000 tons of titanium products in 2010, up 10% on 2009 output. Source: [Ria news](http://ria-news.ru)
**FOREST, PULP AND PAPER**

**REPUBLIC OF KARELIA** The annual turnover of Karelian companies from pulp and paper, publishing and poly-graphic industries in 2009 reached 20.8 billion rubles that is 6% less compared to 2008. The production of paper in December 2009 reached 84.2 thousand tons, cardboard 912 tons, newspapers 2.8 million, books and booklets 1.9 million pages. The pulp and paper production of the republic is based mainly on the capacities of Segezha pulp and paper factory while the biggest poly-graphic company is State Typography “P.F. Anyutin”.

*Source: Prime Tass*

**MOSCOW** Wooden Houses Exhibition, 2010 will be held in Moscow on March 10-13, 2010. Organiser of the Exhibition is World Expo Group, Ltd./ Expocentr Exhibition Center, Krasnaya Presnya. Contact information: Phone: +7 (909) 650-62-55, 650-62-57, Email: weg@weg.ru.

More information at: [www.weg.ru](http://www.weg.ru)

*Source: Russian Forestry Review*

**SIBERIA** With a decree of the government the Lake Baikal Paper Mill was allowed to resume making pulp, paper and cardboard in the area surrounding the lake, about 5,000 km east of Moscow. Controlled by indebted the Russian tycoon Oleg Deripaska, the Soviet-era plant on the southern tip of Baikal was mothballed in 2008 amid a row over pollution of the lake. Environmental groups have long attacked the mill, saying it threatens the lake which harbors 1,500 species of animals and plants, including a unique type of freshwater seal. Greenpeace said it was deeply concerned by the plans and that it would ask President Dmitry Medvedev to overturn Putin’s decision. “The Baikal Pulp and Paper plant is an ecologically dangerous enterprise,” Greenpeace said in a statement. “It simply has no place on the shores of the sacred lake.” Prime Minister Valdimir Putin, after personally inspecting the bed of Baikal last year, said that scientists had told him the mill does not harm the lake, which holds one fifth of the world’s total surface fresh water and is revered as sacred by Siberian tribes. The mill employs about 2,000 people and is the main employer in the town of Baikalsk.

*Source: Reuters*

**VOLOGDA REGION** In January-November 2009 saw-timber production in Vologda region deducted by 15,3 % in comparison with January-November 2008, up to 910 000 cub m, informs Rosstat. There has also been a decrease in production of wood-fiber plates (by 24.5 %, up to 19.6 million sq m), plywood ( by 9.6 %, up to 194 000 cub m).. At the same time production of woodchip board has grown by 13 %, up to 388 000 cub m. *Source: lesprom.ru*

**LENINGRAD REGION** In January-November 2009, production of commodity cellulose in Leningrad region has declined by 15.9 % in comparison with January-November 2008 up to 39.6 000 tons, informs Rosstat. There is also a decrease in cardboard production (by 3.4 %, up to 439 000 tons) and papers (by 10.1 %, up to 441 000 tons). *Source: lesprom.ru*

**CENTRAL FEDERAL DISTRICT** In January-November 2009 saw-timber production in the Central federal district has declined by 40.1 % up to 1097 000 cub m, in comparison with January-November 2008, informs Rosstat. Commercial wood production has also declined by 30.2% in 11 months, and made up to 4.3 million cub m, plywood by 23.8%, up to 399 000 cub m and wood-fiber board by 20%, up to 81 million sq m. *Source: bumprom.ru*


LOGISTICS AND RETAIL

NOVOSIBIRSK Russian Post intends to invest RUB1,3 billion (approx. €30,6 million) building automated distribution center in the Novosibirsk region. The complex will be located in industrial and logistics park outside Novosibirsk, is reportedly to service mailings in Krasnoyarsk, Tomsk, Kemerovo and Novosibirsk regions. The complex is to create 400 new jobs, the agency said. Construction is scheduled to begin in 2010, further timeframes for the project have yet to be disclosed. It will be the third Russian Post’s distribution center in Russia, the first two are working in Moscow and St. Petersburg. Source: RIA news

MOSCOW Burger King has opened its first outlet in Russia this week, part of the company’s expansion strategy in the EMEA region. The first location is in the Metropolis shopping centre in Moscow, and will be followed by a second in Europeysky shopping centre next week. “Russia is an exciting, active market with a vibrant economy and the cosmopolitan city of Moscow will embrace the Burger King experience” Kevin Higgins, President of Burger King Europe, said in a statement. “It is part of our overall plan growth to increase our brand presence in existing European markets as well as in strategic new ones,” he added. Burger King’s franchise partner in Russia is Burger Rus LLC, owned by investors who operate Shokoladnitsa, a Russian coffee shop chain. The company has not yet revealed any other specific growth plans for Russia. Source: retail.ru

SOUTHERN FEDERAL DISTRICT Mobile retailer Euroset has announced plans to open 40 retail outlets in the Southern Federal District in 2010. Investment in the project has yet to be disclosed. As a result of expansion, the number of the company’s outlets in the Southern regions is to reach 500 – pre-crisis level of 2008, the firm said. Source: RIA news

LENINGRAD REGION Developer company YIT Lentek made an agreement with Finnish Dermoshop on office and logistics centre construction in 2010. The construction area will cover 1300 sq m in the technological part ‘Gorelovo’. Leningrad region. Investments into the project amounts to €3 million, recoupment period – 7-8 years. According to the company Manager in Russia Ksenya Shirokovo, 150 sq m of the Dermoshop area will be used for manufacturing and packaging of perfumeries by Peter Pack and Grad Comfort. Russian operation of online-shop will start in 2010. Source: retail.ru

NOVGOROD, ASTRAKHAN The two regions are developing a project to build reefer terminals in Veliky Novgorod. The terminals will be used for perishable cargo, especially for agriculture products and food stuff that are transported from Astrakhan and its neighbouring regions to North-west Russia. In return Novgorod will send construction material and fertilizers to the regions. According to the Governor of Novgorod Sergey Mityn the project will be financed by Rosselkhozbank (Russian Agricultural bank- www.rshb.ru). The bank agreed to open a credit line of RUB1 billion (approx. €23,5 million) for the investors. The plan is to build a large reefer terminal in Veliky Novgorod and a few smaller terminals in other metropolitan areas. The project’s potential investors are Novgorod timber industry and manufacturer of mineral fertilizer Holding Acron (www.acron.ru). Source: Expert

IRKUTSK REGION During 2010-2015, Irkutsk region tourist operator Grand Baikal (http://grandbaikal.ru/) is to invest RUB950 million (approx. €22,4 million) in its Gora Sobolinyaya (Sobolinya Mountain) ski resort, informs the company General Director Victor Grigorov. Of the total funding, RUB130 million (approx. €3,06 million) is hoped to be invested by the RF Investment Fund. The Sberbank Russia is ready to consider question of credit allocation for project implementation. The investment will be used in development of the Sobolinya mountain Western ski-circus. As a result of the investment, the resort daily capacity is to grow from 3,500 to 10,000 tourists, the firm says. Source: Interfax

VORONEZH REGION National retailer X5 Retail Group intends to open 35 discounter stores under korzinka brand in Voronezh. Approximate investment into the project amounts to RUB1 billion (approx. €23,6 million). The company is currently looking for 35 places with area of 400-700 square meters to rent or to buy. The first store is scheduled to be opened in March in residential complex Tri Bogatyrya. Under plans, in 2010 the company is to open 15-17 stores. Source: Kommersant

ALL REGIONS the Ministry of the industry and trade of the Russian Federation prepared the list of the cars that received grant under the program of recycling of old cars. In total the list included 66 models of new cars of the domestic production. These cars are production of AUTOVAZ (total 17 models), UAZ- 9 models (including off-road cars Hunter, Patriot, Pickup), GAS – 7 models (Volga Siber), LzAvto – 3 models (Kia Spectra, Kia Sorento), TagAZ 6 models (Hyundai Sonata, Hyundai Accent, Hyundai Santa Fe), “Sollers – Dalny Vostok” (www.sollers-auto.com) 4 models (Ssang Yong Actyon, Ssang Yong Kyron, Ssang Yong Rexton, Ssang Yong Actyon Sports), “Sollers-Naberezhnye Chelny” 2 models (Fiat Doblo Panorama and Fiat Albea). The list also includes cars assembled in the Russian Federation: Nissan Teana and X-Trail, Toyota Camry, Volkswagen Tiguan, Isuzu NLR85, Chevrolet Niva, Chevrolet Captiva and Chevrolet Cruze, Opel Antara and Astra, Fiat Ducato, Ford Focus and Mondeo, Renault Logan and Sandero, Skoda Fabia and Octavia. The program ona recycling of old cars will be started in March, 8th 2010. The programme will accept more than 10 years old domestic and imported cars for recycling that have been registered to its latest owner not less than one year. At car delivery consumer will receive a certificate RUB50 thousand par value, which can be used for obtaining a new car. The total financing of the program amounts to RUB11 billionl. Source: RBC.RU

BIZNESS NEWS/ LOGISTICS AND RETAIL

BUSINESS NEWS/ LOGISTICS AND RETAIL

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CONSTRUCTION AND INFRASTRUCTURE

NOVOSIBIRSK REGION Sibirsky Stroitel (Siberian Developer- www.stroitel.ru) is investing RUB1,76 billion (approx. €41,2 million) into a plant to produce autoclave gas concrete structures, used to assemble low-rise housing, in Novosibirsk region. The plant is to be built on a six-hectare land site in the region’s Iskitimsky district, owned by the company. The plant’s projected annual capacity is 470,000 cubic meters of materials and 72,000 tons of dry mixtures. The plant is to manufacture various materials – from foundation to roofing coatings. The plant’s capacities are to be sufficient to build about 300,000 square meters of low-rise housing annually. Construction is scheduled to begin in 2010 and the plant to be put into operation in mid-2011. Source: Interfax

REPUBLIC OF ADYGEYA Developer Kavkaz-Region-Stroy is investing €13 million to build a business-center in the city of Maykop, Republic of Adygeya. The 20,000-square-meter business-center is to be located in the city’s business district, at the place of a two-storey musical school. Under the project, the ten-storey complex is to have retail shops, offices, hotel and an underground parking lot. Construction is scheduled to start in late 2010. The business-center is to open by February 1, 2013. Source: City administration

NOVOSIBIRSK REGION Developer Borvikha and private entrepreneur Golubev intend to build an economy-class residential complex in the city of Berdsk, Novosibirsk region. The 1.3-hectare complex is to be built next to hotel complex, named Borvikha. Under the project, the complex is to have five three-storey apartment blocks. Construction is scheduled to last nine months. Source: Kommersant

VORONEZH REGION In 2010 the Sugar Holding Company Prodimex will invest €50 million to build a molasses desugaring complex in Voronezh region. The complex is to be launched at premises of Olkhvatsky Sugar Factory. The complex’s projected daily capacity is 300 tons of processed molasses. The facility will be operating by the end of 2010. It will be the first molasses desugaring facility in Russia. Molasses is a waste product from sugar processing. Source: Kommersant

SOCHI A total of €1,7 billion is to be invested in construction of road facilities for Winter Olympics-2014 in Sochi in 2010. Of the total funding, €1,4 billion is to be assigned from the federal budget, and €303 millions to be invested by national rail operator Russian Railways. Under plans, most of the funds – €1,4 billion – is to be spent on construction of a combined – railway and motorway – road from Adler to Alpika-Service mountain ski resort. The funds are also to be used to build railways and auto roads in the region. Source: RIA Novosti

THE FAR EAST The RF government has plans to allocate as much as US$5 billion by 2020 for civilian shipbuilding in Russia’s Far East, RF Prime Minister Vladimir Putin said. According to Mr. Putin, Russia’s United Shipbuilding Corporation (USC) will receive orders from the country’s largest companies controlled by the government, such as Gazprom, Rosneft, Sovkomflot, as well as a number of fishing firms. Putin also reminds about other two US$700 million investment projects in the Primorsk region. A shipyard construction project in the town of Kamen. The new shipyard construction project is being carried out in cooperation with South Korean company DaeWoo. The shipyard will be built near the ship repair factory Zvezda. The other project is in cooperation with Singapore company Yantai-Raffles Shipyard Limited for building ‘Raffles shipyard’ in Primorsk region. Source: ITAR-TASS

SAMARA, KRASNOYARSK, KALININGRAD, YAROSLAVL A project, involving financing of the development, construction and operation of five mid-market hotels in the cities of Samara, Krasnoyarsk, Kaliningrad and Yaroslavl is being sponsored by Turkish company Akfen Holding and Anonim Sirketi and the principals of Kayi Group and Insa Group of Turkey. The hotels will be managed by Accor, a leading international hotel group, under the Ibis and Novotel brands. Total cost of the project amounts to €98,5 million, out of which EBRD is financing with €27,1 million senior loan to the Borrowers and an equity investment of up to €6.6 million in the Investee Company. Company contact: Mr. Cuneyt Baltaoglu, General Director, Rusakovskaya Street 13/1, Borodino Plaza, 10th floor, 107140, Moscow, Russia, E-mail: cuneyt.baltaoglu@kasa-akfen.com, Tel: +7 495 987 4809, Fax: +7 495 987 4865. Source: EBRD.com

VLASOVO Company Zagorodny Project in investing €7,2 million for construction of a cottage complex ‘Chrnichnye Poly’. The project will cover 14,05 hectares of land in Naro-Fominsky area near Vlasovo, 20 km from Moscow. Project will be completed by the end of 2011. Source: Prime-TASS

ALL REGIONS Construction company Renova-Stroy Group (www.renova-sg.ru) received RUB8,17 billion (approx. €204,8 million) credit from Sberbank Russia for financing construction of real estate “Academichesky” in Ekaterinburg. The first credit line amounts to RUB5,2 billion (approx. €125 million) and the second – RUB2,97 billion (approx. €71,2 million). The term of Credit is until 2012. The investment will be spent on 254 00 sq m building construction, 16 000 sq m business area and a parking area for about 2000 cars. On 30 December 2010 the company received the first tranche for the project. Renova -Story Group belongs to the developers’ group of companies ‘Renova’ (www.renova.ru). Source: RIA news
WELLBEING OF THE BALTIC SEA DEPENDS ON ALL OF US

The main problem of the Baltic Sea is actually people. People long time thoughtlessly acted to the environment, especially to the Baltic Sea. We did not trouble ourselves with the thought that the nature is not a bottomless pantry from which we could endlessly scoop out resources. We wished to bathe in the clean sea, catch good fish and breathe fresh sea air – and at the same time spoil the sea water with wastes of our everyday lives. There is a saying in Russia: “Unless the thunder strikes, a man won’t cross himself.” Now it’s the time, the thunder is about to strike. The Baltic Sea is not feeling very good, nor the people living along the coastal area. Finally the awareness has reached us – to rescue the sea, it is necessary to change our behaviour and way of thinking.

Today the word Eutrophication is used in number of conferences as one of the main threats to the Baltic Sea and which is a direct consequence of our irresponsible behaviour. Blue-green seaweed, the follower of nitrogen and the phosphorus arriving to Baltic Sea water with waste water. It actively absorbs oxygen from water – and by doing so deprives life expectancy of all other inhabitants of the sea. Not long ago there was an exhibition held in the museum section of St Petersburg Vodokanal with pictures taken by the famous Finnish photographer Jukka Nurminen. The exhibition was dedicated to the underwater world of the Baltic Sea. Next to the bright and colourful photographs, there were some truly tragic photos as well - photos of lifeless inanimate bottom of the sea. So, that is why, our main task and our common purpose today is to do everything to make sure that the Baltic Sea never has to be transformed into that lifeless picture.

When I say "Our" – I do not mean only the Administrative bodies or companies like St Petersburg Vodokanal. This problem has to be solved at every level of the society- Globally and locally. Today the Baltic countries have a serious international responsibility to save the Baltic Sea. This is good, but these responsibilities will not be carried out by themselves. It is necessary that every individual understands – health of the Baltic Sea depends on their personal behaviour as well, it depends on how responsible he feels towards the environment. A responsible owner of an industrial or agricultural enterprise will not cut down expenses on cleaning the drains for gaining a short-term profit. A responsible person, regardless place of work or designation, will not wash his car in the river or think twice before turning on the washing machine, if he has two T-shirts to wash.

Where do we find the responsible adults? In the St Petersburg Vodokanal it is considered that people are tend to learn this responsibility towards the environment in their childhood. That is why we organised Children’s ecological centre is already seven years ago. Hundreds of thousands of children have studied in the centre. These children have learned how our personal behaviour affects the environment and in future as grown-ups these children will continue to respect the nature. They are now teaching their parents and grandparents and it has been proved very effective. Children are the best teachers for their parents. St Petersburg Vodokanal considers supporting this process as its social responsibility.

First of all even before the new specification of the HELCOM (Helsinki commission on protection of Baltic sea) concerning maintenances of nitrogen and phosphorus in the cleared sewers (0,5 mg/l on phosphorus and 10 mg/l on nitrogen), came into force, St Petersburg Vodokanal has already began to carry out the norm. Vodokanal has established even more rigid specification on nitrogen- 8mg/l. Now in the framework of “Termination of wastewater dump into the reservoirs of Petersburg” we are modernising two large treatment facilities- Northern and Central stations of aeration, to soundly achieve this indicator. Secondly, during the last years Petersburg has made a huge step ahead by raising the quality of city sewage treatment. As of the end of 2009, 91% sewage of St Pete were cleaned before they reached any reservoir, in 1978 waste water dumped in Neva or other reservoir of Leningrad did not go through sewage treatment at all.

Here I must mention participation of my Finnish colleagues. St Petersburg Vodokanal and Finnish Ministry of environment are working in cooperation for 20 years now. Our current achievements are a result of this cooperation. Today our Finnish colleagues help us in implementing the above mentioned programme of terminating waste water dumping. Complete implementation of this project will provide 98% sewage treatment by 2015 and will follow 100% of HELCOM’s specifications.

All these aspects are independent, although very important, steps in saving the Baltic Sea. We can not say that now we can “dot the i’s and cross the t’s”. Saving the Baltic Sea is to recover its ecosystem, which is a constant process. It is a process, as I said earlier, in which we all must be involved.
The environmental policy of St.-Petersburg intends to improve quality of life of the population and to develop region’s economy without increasing pollution to the environment. The basic tendencies in the city ecological policy of the city reflects in the new Pilot Plan of St Petersburg, which defines the structure of environmental spheres, development of transport and social infrastructure, town-planning requirements for maintenance of historical and cultural heritage and protected areas. The environmental policy of St Petersburg is planning to reduce dumping of polluting substances into the Finnish gulf of the Baltic Sea and is being carried out according to the statement of mayors of St.-Petersburg, Stockholm and Helsinki on cooperation within water resources protection and reduction of the Baltic Sea pollution, accepted in 1998 in Helsinki.

In the last thirty years the city has spent more than two billion US Dollars from the Federal budget, budget of St Petersburg and local companies on water resources protection. Economical damage caused by polluting substances from the city into the Baltic Sea has been reduced by more than six times during 1985-2007. The main problem of the Baltic Sea is the process of eutrophication, caused by biogenic substances—nitrogen and phosphorus. As a result, during the last century environment of the Baltic Sea has transformed from oligotrophic (with pure water resource) into eutrophic (overgrown with seaweeds).

In last twenty years, phosphorus dump from St Petersburg into the Baltic Sea has reduced by 3 times, from three thousand to one thousand ton and nitrogen dump has been reduced by 2 times.

Research results on nitrogen and phosphorus transport in the River Neva, carried out in 2007-2008, showed that considerable amount of polluting substances are coming to the Baltic Sea through the River Neva. Thus about 4 ton of phosphorus per day is going into the Finnish gulf from the River Neva, out of which 1 ton phosphorus per day comes from St Petersburg. Average concentration and volume of nitrogen in the River Neva are almost constant along the length of the River. Level of nitrogen transport in the River Neva makes about 125 ton per day. Role St Petersburg in nitrogen transport is not yet established.

Today the main volume of waste in the Baltic Sea comes from the River Neva. For example, only 3% of total heavy metal waste of Leningrad region, particularly copper, comes from St Petersburg, 10% of chrome, 4% if zinc, 5% of iron etc., but in biogenic substance it brings a substantial volume of 55% of phosphorus and 21% of nitrogen. These biogenic substances are the cause for eutrophication of the Baltic Sea. So the city environmental policy will deal with this particular issue of reducing nitrogen and phosphorus transport.

Due to the additional sewage cleaning and treatment facility renovation programme, carried out by the State Unitary Enterprise “Vodokanal St Petersburg”, volume of biogenic substance transport is decreasing every year. In October 2008 the St Petersburg administration approved the following programme for developing system of municipal infrastructure in St Petersburg on section of electro-, heat-, water supply, water removal and sewage treatment till 2015:

1 Preventing waste water dump into the water resources
2 Modernisation and reconstruction of local wastewater treatment facilities.
3 98% of sewage treatment for improving sanitary and epidemiologic conditions in the city according to the Helsinki Convention on the protection of the Marine environment of the Baltic Sea Area, 1992.

Investment volume for implementing these clauses during the period of 2009-2015 should make about RUB157 billion.

The problem of Baltic Sea protection can not be solved only by sewage treatment procedures. The ecosystem of the Neva basin is endangered by petroleum and mineral oil coming from the oil tanks and vessel accidents. St Petersburg has created an effective system for oil spill monitoring. During 2009 the Committee of emergency services prevented 101 oil spill situations in the reservoir of St Petersburg and collected 42,5 ton of oil-water mixture that did not flow into the Baltic Sea water.

A Russian-Finnish project called as “SPORT- St. Petersburg Oil Recovery Training Centre” has started in 2008. Implementation of this international project will help to maintain a favorable environment in the whole Baltic region. St Petersburg will continue to participate in the activities that are focused to the Baltic Sea protection.
SAVING THE BALTIC SEA: THE RUSSIAN POINT OF VIEWS

RUSSIA'S ENVIRONMENTAL POLICY IN THE BALTIC SEA

The Baltic Sea has been of strategic importance for Russia from the times of Peter the Great. Initially, it was viewed by the Russians as a ‘window’ to Europe, guaranteeing them not only security but also an access to promising European markets. Three centuries after winning the entry to the Baltic Sea, Russia’s perception of it almost has not changed. Indeed, after collapse of the Soviet Union, Russia has lost a bulk of its port facilities in the Baltic, facing once again with the challenge of establishing itself as an important actor in the area. But contrary to previous times, when hard security was a top priority in international agenda in the Baltic Sea, today we witness a radical shift in security thinking in favor of more attention to new risks and threats, and, first and foremost, related to significantly worsened environment.

Taking into account the structure of Russian export consisting primarily from mineral resources, the issue of transporting them to consumers in Western Europe and elsewhere bypassing troublesome transit states became a top priority for the country. Thus, the key problem for today’s debates over Baltic Sea is the linkage between growing economic activities in the Baltic Sea, including its use for transporting energy resources from Russia, on the one hand, and an attempt to provide environmental security for the region, on the other hand. In fact, this issue is not a new one at all. In the beginning of 1970s it became clear that extensive use of the Baltic Sea for intraregional trade, growing fishing as well as enormous economic activity in all littoral states poring huge amount of waste into the Baltic Sea might lead to irreversible development. The environmental situation in the Baltic Sea has drastically changed over recent decades. Human activities both on the sea and throughout its catchment area are placing rapidly increasing pressure on marine ecosystems. Of the many environmental challenges, the most serious and difficult to tackle with conventional approaches is the continuing eutrophication of the Baltic Sea. Inputs of hazardous substances also affect the biodiversity of the Baltic Sea and the potential for its sustainable use. As a result, a special institution to deal with ecological issues in the Baltic Sea was build. From 1974 HELCOM (the Baltic Marine Environment Protection Commission) is a major instrument to comprehensive solution of the environmental protection of the Baltic Sea. The Soviet Union (and later, Russia) have participated in the work of HELCOM from the very beginning but they record of achievements was not impressive until recently. Indeed, after the Convention was re-signed in 1992 by all Baltic States (including Russia) and the European Commission, it took Moscow about six years to fully accept in full new obligations. According to a new document, Russia had to cope with nineteen the so-called ‘hot spots’, e.g. the most dangerous sources of pollution. Most of them are concentrated in St. Petersburg, Leningrad region and the city of Kaliningrad. In 2000, the Russian Accounting Chamber has held a comprehensive evaluation of Russia’s fulfillment of its obligation under the Convention. The Chambers’ conclusions were threefold. First, the Russian environmental law is in line with highest international standards, and moreover, is even more strict than of other European counterparts. Second, severe under-financing of environmental activities on all level (federal, regional, municipal) was the key reason for serious delay in achieving milestones indicated in the Convention. Third, the major threat to the environment of the Baltic Sea have posed not growing economic activity in the area but the Nazi chemical weapons sunk by Allies after the Second World war.

Meanwhile, in 2003 the Sweden's Commission on Marine Environment has warned that the Baltic Sea was in a "critical" condition and in danger of dying unless pollution from the Russian city of St Petersburg is drastically cut. According to the Swedish data, half of the fish species in the Baltic were at levels below the critical biological level, while pregnant Swedish women were being warned not to eat herring - a staple diet - because of dioxins. "We have come to the end of the road, concerning the sea," told Hans Jonsson, chairman of the Commission. There was little dispute that St Petersburg - Russia’s second-biggest city – was the Baltic’s single biggest polluter, and behind many of the problems. Much of the city's sewage flowed untreated into the Neva, and from there directly into the Baltic.

The problems stemmed from the fact that at the time St Petersburg was still waiting for a new municipal waste water plant to be completed - a project constantly put back due to costs. The government in St Petersburg - as well as the governments in all the Russian regions, and the central government – were prioritising the economy over the envi-
ronment. And it was a story that has been repeating itself throughout the former Soviet Union, and unavoidably has led to major environmental catastrophes.

Thus, most important ‘hot spots’ on the Russian territory were located in St. Petersburg.

Economic recovery of Russia in 2001-2007 has changed the situation for better. By now, St. Petersburg major wastewater treatment institution - a state unitary enterprise ‘Vodokanal’ – has reported about its major achievements in reprocessing wastewater and disposal:

- Eighty-seven per cent of all wastewater was treated in Petersburg by 2009; in 2012, after completion of the Northern Sewer, the share of treated effluent will reach 98-99%;
- Petersburg has found a solution to the sludge utilization problem: there are three sludge incineration plants in operation in the city;
- The treatment plants in Petersburg have implemented the enhanced nutrient (nitrogen and phosphorus) removal process to meet the HELCOM requirements.

Among the major projects being implemented by “Vodokanal of St. Petersburg” is “The Neva Untreated Wastewater Discharge Closure Programme”. This Programme aims to complete by 2012 the Northern Sewer – the main sewer in the northern part of the city, thus providing treatment of 98-99% of all city wastewater, and to upgrade the Northern WWTP and the Central WWTP for the purpose of complying with the new HELCOM requirements regarding enhanced phosphorus and nitrogen removal from wastewater.

The Programme is financed from the municipal and federal budgets, Vodokanal’s own funds and raised, off-budget funds. In May-June 2009 Vodokanal signed loan agreements with the European Bank for reconstruction and Development, the European Investment Bank and the Nordic Investment Bank, for the loans in the total amount of 60 million Euro. Moreover, Vodokanal has received another 40 million Euro as grants provided by international organizations for the Programme. In general, Russia actively participates in HELCOM. Being now a chair-state in the Commission, it aims at not only meeting in full all requirements related to the national Action Plan regarding protection of the Baltic Sea elaborated in 2007 in Krakov (Poland) but also to involve as many states as possible to this activity.

Major concern of the Russian side was, in words of the Ministry of foreign affairs, ‘artificial politicization’ of ecological problems so vividly exposed during debates about the “Nord Stream” which is one of the biggest pipe-line projects going through the Baltic Sea in order to deliver about 55 billion cm of natural gas from Russian to Germany and other European states. By the end of 2009, the project received support from all key states in the Baltics, including Sweden, Finland, Denmark, Germany and Russia. One of the most important features of this project is the fact that though Russian did not ratify the Espoo Convention on Environmental Impact Assessment in a Transboundary Context (1991), it fully respected the norms of this document in the process of ecological expertise of “Nord Stream” taking into account concerns of all affected parties. Thus, this project has closer linked Russia and Europe not only in terms of energy security but also environmental cooperation.
1. What are the biggest CONCRETE problems with the ecological situation of the Baltic Sea region?

The main problem areas in the Baltic Sea are: eutrophication caused by increasing nutrient loads, bioaccumulation of harmful substances in organisms (e.g. fish, birds and seals), increased maritime transport and a subsequent risk of more chemical or oil spills, and the spreading of invasive (i.e. alien) species. Over-fishing endangers several Baltic Sea fish stocks.

2. Who are the biggest sources of pollution and polluters of the Baltic Sea?

(I comment here only nutrients on the country level)

Yet in the early 21st century, approximately 900,000 tons of nitrogen and 31,000 tons of phosphorus have still ended up in the Baltic Sea each year. The largest individual source is Poland, responsible for 34% of the phosphorus and 27% of the nitrogen entering the Baltic Sea. Approximately 25% of the entire Baltic Sea nitrogen load enters the sea as a deposit from the air. This mainly comes from traffic, energy production, and agriculture.

3. What should be done by different stakeholders in the Baltic Sea region such as:

- a) individuals / consumers
- b) companies / industry & agriculture
- c) national & regional authorities

...in order to improve the ecological situation in the Baltic Sea?

a) Everyone can play their part to help to improve conditions in coastal waters and the whole of the Baltic Sea:

- Make sure your wastewater is suitably managed (in single houses and summer cottages). Use dry toilets and compost toilets wherever possible.
- Use phosphorus-free detergents and do not allow detergents to get into the seawater.
- Always empty on-board toilets into the special tanks provided at harbours.
- Reduce your meat consumption and eat more vegetables. Meat production needs a large area of fields in order to produce feed for animals and agriculture is one of the biggest sources of nutrients into the Baltic Sea.
- Eating fish is healthy, but avoid species which are endangered in the Baltic Sea: wild salmon, sea trout, eel and cod.
- Order renewable energy from your local electricity supplier. Producing energy from fossil fuel cause nitrogen emissions, and nitrogen in turn strengthens eutrophication.
- For the same reason use public communication system instead of own car when possible.
- Urge local authorities to remove phosphorus and nitrogen during wastewater treatment, even in inland regions.
- Take harmful and hazardous wastes to special collection points.
- Collecting any rubbish you see on the shore.
- Find out about the views of your MP and MEP on issues related to the Baltic Sea.

b) All waste waters (concerning also and especially municipalities) should be treated using best available technology (BAT) in order to fulfill the Recommendations given in the HELCOM Baltic Sea Action Plan (BSAP) launched in 2007.

The main objectives should be:

- reducing the nutrient loads that cause eutrophication
- reducing the risks associated with hazardous substances

Reducing of agricultural emissions has proven to be challenging in practically all Baltic Sea countries. Still the key objective should be that nutrient loads entering the Baltic Sea from agriculture should be reduced significantly in the coming years if we really want to restore the good ecological status of the Baltic marine environment by 2021 as it is stated in HELCOM BSAP.

In planning the measures needed to reach these targets, due consideration must be given to the productivity and economic viability of agriculture. Research must be intensified to help identify new cost-effective water protection measures. Water protection measures carried out by farmers on a voluntary basis should be favoured where possible.

Agri-environmental subsidies programmes (in EU member countries) should be used to promote the recovery of manure and the establishment of buffer zones and wetlands. It is important that such subsidies should be targeted as effectively as possible.

There is also an urgent need to identify new water protection measures through co-operation between different administrative sectors. Policies on water protection, agriculture, energy, climate and financial instruments must be more closely linked in future to ensure that environmental, economic and social impacts are all fully accounted for. There are also opportunities such as the cultivation of energy crops that have lower impacts on water bodies, and the use of biogas from manure in energy production. Possible improvements in legislation and financial instruments should also be assessed.

c) Regional level:
The Helsinki Convention on the protection of the Baltic marine environment was signed in 1980, establishing the Helsinki Commission (HELCOM), through which all of the coastal countries and the EU cooperate on related issues. HELCOM's international Baltic Sea Action Plan aims to restore the sea to a good state by 2021, by addressing key issues including eutrophication, hazardous substances, threats related to shipping, and the conservation of marine biodiversity. Measures include maximum limits agreed for each coastal country's emissions of nitrogen and phosphorus, aiming to curb eutrophication.

The EU works to protect all European seas. The Water Framework Directive requires protective measures and reductions in pollution loads in the catchment area of the Baltic Sea, and a wide-ranging EU marine strategy aims to ensure that all Europe's seas are in a good state by 2020. The EU has also developed a separate Baltic strategy whose aims include a clean sea and an economically thriving Baltic region.

National level (example: Finland)
Finland's national protection policies particularly strive to improve conditions in coastal waters. Finland's Programme for the Protection of the Baltic Sea, accepted in 2002, strives to reduce eutrophication and improve the state of marine waters and ecosystems, while preserving the biodiversity of marine and coastal habitats. The programme also aims to reduce risks related to hazardous substances and the transportation of oil and chemicals. The programme was subsequently supported by a new set of water protection guidelines (Finnish Government decision-in-principle on Water Protection Policy Outlines to 2015) issued by the government in 2006 for application until 2015.

The Finnish Government is committed to closer EU cooperation in the Baltic Sea region, with special emphasis on improved environmental safety and development of economic cooperation. The Government Programme contains several commitments and targets for improving the state of the Baltic Sea environment and water protection. In 2009 Prime Minister's Office gave a report: “Challenges of the Baltic Sea and Baltic Sea Policy.” The report outlines the Government's measures to improve the marine environment of the Baltic Sea, to increase the safety of marine traffic and to strengthen economic co-operation in the region.

The report concentrates on actions that, for Finland, are the most important and most urgent in terms of the Baltic Sea. The most serious problem concerning the Baltic Sea is eutrophication. In the report, the Government proposes measures that would decrease the nutrient load from Finland. The report brings forward measures to improve the safety of marine traffic, to prevent accidents in advance and to improve oil-spill response capabilities. The part on the economy, transport and energy discusses issues that are of key importance to Finland. These issues are treated more comprehensively in
SAVING THE BALTIC SEA: THE FINNISH POINT OF VIEWS

the EU Strategy for the Baltic Sea Region.
The report also briefly discusses the EU Strategy for the Baltic Sea Region and its external dimension, the Northern Dimension, which provides a functional forum for Baltic Sea cooperation with non-EU countries, particularly Russia.

5. How the commercial interests of companies in the Baltic Sea region can be integrated in the process of improving its ecological situation?

Hopefully the companies increasingly see the environment as part of sustainable development also from the point of view of their businesses. Taking environmental issues into account in all operations should be seen as a matter which gives competitive advantage for the companies in the market.

The business development goals should support the creation of holistic, sustainable, long term solutions. In product development, environmental considerations should form an integral part of planning and manufacturing. The companies should aim to render environmental assessments and management a natural part of their operative management, production, research and development, marketing and transportation.

6. What can be the role of Finnish-Russian business (or other) cooperation in the quest for cleaner Baltic Sea?

Finland supports many environmental projects in North-West Russia, aiming to reduce harmful impacts in Finnish marine waters and the Baltic as a whole. These projects address vital issues including wastewater treatment in St Petersburg, harmful loads from settlements and farms, risks related to oil transportation, the management of hazardous substances, and nature conservation.

Chemical phosphorus removal currently being implemented at St. Petersburg’s three largest treatment plants as a cooperation project between the Finnish John Nurminen Foundation, the Finnish Ministry of the Environment, and the St. Petersburg waterworks, Vodokanal, is the most significant individual project with regard to the condition of the Baltic Sea. Once the project has been completed, the phosphorus load usable for algae in the Gulf of Finland will be reduced by almost 30%. According to the Finnish Environment Institute (SYKE), this is the most cost-efficient and quick way to improve the condition of the open sea in the Gulf of Finland when comparing all possible water protection measures in Finland and Russia.

7. What can be added to the existing programs and initiatives that may eventually stimulate businesses to seek more proactive role in the process?

Personally I have experienced the entry of the private sector into the protection of Baltic Sea most welcomed. By closer co-operation with the scientific community, financial institutions and companies/foundations vital projects from the point of view of state of the Baltic Sea could have been put into operation much faster than in the traditional manner i.e. operating in the governmental level only. I’d hope this trend will continue and strengthen in the future. I believe there is an increasing number of business opportunities in the area of protecting the Baltic Sea, especially in Russia and the new EU member countries around the Baltic Sea.
1. What are the biggest concrete problems with the ecological situation of the Baltic Sea region?

The main problem is the pollution of the Baltic Sea, both in terms of excessive nutrient load and toxic pollutants.

2. Who are the biggest sources of pollution and polluters of the Baltic Sea?

There are still numerous cities without modern and well-functioning wastewater treatment, especially in Russia and Poland. Regarding Russia, the wastewater treatment in St. Petersburg will in the near future be up to adequate standards, thanks to extensive joint efforts by the city administration and international organizations (including the Government of Finland), but smaller cities in the Leningrad Region still wait for proper wastewater treatment. Agriculture is the other main pollution source, and the blame can be given to all countries around the Baltic Sea. It is surprising that this sector of production can almost completely neglect proper water protection actions.

3. What should be done by different stakeholders in the Baltic Sea region such as:

a) individuals / consumers
b) companies / industry & agriculture
c) national & regional authorities

...in order to improve the ecological situation in the Baltic Sea?

Normal people can decrease their individual load through prioritizing environmentally sustainable products and through safe waste management. We all affect the situation in our daily decisions when buying e.g. washing powders: do we choose the environmentally less harmful product and pay a bit more, or are we only looking at the price. Environmental responsibility should be an issue for each of us. Regarding the companies, the situation would already be much better if the environmental legislation would be implemented. In Russia, the main problem is that even though the norms and permits are strict (sometimes even too strict to be achieved with adequate treatment), the legislation is not enforced whereby the companies may pay small environmental fines without any action in environmental protection. Thereby, the companies who don’t invest to environmental protection have lower production costs than the companies managing their environmental matters properly. If legislation would be implemented, all companies would be forced to invest to environmental protection, whereby it would be possible to price the products accordingly as nobody would get price benefits from poor environmental management. Companies could also promote more actively environmentally sustainable products, whereby “eco-labeling” would be a more important marketing factor than now.

4. What are the existing programs/initiatives targeted on improving the ecological situation in the Baltic Sea?

There are many: EU has several programmes which may be used for environmental protection, HELCOM is coordinating several activities and several development banks (e.g. EBRD and NIB, NEFCO) are providing loans for environmental investments. The Government of Finland (through the Ministry of the Environment, FMoE) has an important cooperation programme with North-West Russia, whereby environmental investments have been supported. An interesting programme is also the cooperation between the Environmental Committee of St. Petersburg and Finnish cities, supported by the FMoE.

5. How the commercial interests of companies in the Baltic Sea region can be integrated in the process of improving its ecological situation?

In case the legislation would be implemented, no one would get a price advantage from poor environmental protection. Therefore, the companies investing to environmental protection should strongly lobby for strict environmental permitting and application of best available technologies (BAT).

6. What can be the role of Finnish-Russian business cooperation in the quest for cleaner Baltic Sea?

Further development of markets for clean technologies and products is one challenge. Cooperation in innovation related to environmental technologies and products also involves some potential.

7. What can be added to the existing programs and initiatives that may eventually stimulate businesses to seek more pro-active role in the process?

Like said above, presently Russian companies who do not invest to environmental protection get a price advantage. Therefore, the business stakeholders (companies, chambers of commerce, etc.) should strongly lobby against these “free riders” and try to influence the administration to require strict environmental measures from all companies. This seems to be an idea that only a few have realized.
KOTKA MARITIME RESEARCH CENTRE: A new type of research centre advancing the competitiveness of maritime-related business and sustainable logistics

Terhi Lindholm  
Executive Manager  
Merikotka

Bordered by Russia and the Baltic Sea, South-East Finland is logistically one of the most important areas in Finland. Maritime transport has grown significantly increasing threats to the unique marine environment of the Gulf of Finland. The City of Kotka established Kotka Maritime Research Centre (KMRC, www.merikotka.fi) in 2004 to develop the competitiveness of the transport and logistics sector in the area and on the other hand to improve maritime safety and minimize environmental effects of the growing traffic. Today KMRC is a 30-person and growing research centre based in Kotka.

KMRC seeks innovative approaches through interdisciplinary research. The centre was formed by combining the expertise of leading Finnish universities and research institutes in the fields of maritime transport and logistics, maritime safety and the marine environment. The centre is built around professorships from four universities: Helsinki University of Technology, Kymenlaakso University of Applied Sciences, University of Helsinki and University of Turku, Centre for Maritime Studies. Financing is provided by the City of Kotka, companies, national and EU research programmes and other sources.

Companies and organizations from the maritime sector are involved in a major role in the work of KMRC. The corporate group supports and helps focus the research. At the same time the companies take advantage of the latest research findings. An important objective is to establish a competitive environment for business. KMRC studies transport flows of maritime traffic, port operations, transit traffic and also ICT solutions, as well as safety and environmental effects of transport chains.

There is a strong focus on environmentally sustainable shipping and port operations in KMRC’s work. The centre’s research aims at improving maritime safety and preventing accidents by developing risk assessment of maritime transport and safety of winter navigation. Research includes the environmental effects of maritime transport (the effects of oil spills and hazardous substances, effects on fishing, endangered species and on recreational use, transport based emissions) and the state of the marine environment (eutrophication, multidisciplinary risk assessment).

KMRC has found its place in the research field in Finland and is broadening its international network. Collaboration with Russia and Estonia around the Gulf of Finland is regarded as the basis of the international co-operation.

Enhancing port related logistics - the Mobile Port project

An example of the many on-going projects at KMRC is the Mobile Port (MOPO) project. Mobile port is an initiative to enhance and improve port related logistics operations through new technologies. The idea is based on the internationally well-known port-community system concept that does not presently exist in Finland. This new interface (information center) connects sea ports and operators with each other and with dry ports and the border areas. The information centre increases information exchange and decreases traffic congestion, mistakes, accidents, damages and environmental harm.

The MOPO project will for the first time examine the big picture of port related operations from different perspectives. Information exchange between different bodies of the network is an essential factor for the overall efficiency of operations. Currently the multitude of port based bodies exchange information with each other without good knowledge of their partners’ operations, priorities or challenges. The information center will help port based companies in their daily operations and it can be used to inform all bodies about disturbances. In practice the information centre can also be used as a border crossing queue system. In this case information about border-bound traffic can be transmitted to the border through the info center.

Mobile port is a 2.5-year project that started in September 2009 with a total budget of 800 000 Euros. The project is funded by ERDF/Te kes, Cursor Oy and by the companies Port of Kotka, Kymen Puhelin Oy, SE Mäkinen Oy, Steveco, Suomen 3C, TransPeltola Oy and VR Cargo. The broad support gives justification to the project idea’s importance also from the business perspective. The partners of the project are University of Turku, Centre for Maritime Studies, Kymenlaakso University of Applied Sciences, North European Logistics Institute, Lappeenranta University of Technology and Kotka Maritime Research Centre. ■
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