

## PARTNERS IN CRIME: A GREENPEACE INVESTIGATION INTO FINLAND'S ILLEGAL TIMBER TRADE WITH RUSSIA

Whilst the Finnish Government tries to assure the world that it upholds principles of sustainable forest management and forest protection, it continues to launder illegally and unsustainably logged Russian timber through its border into the European market and beyond. Between June and August 2006, Greenpeace documented widespread illegal logging in the Russian Karelian Republic and the subsequent transport of illegally logged timber into Finland.

### KEY FINDINGS

- The majority of timber harvested in the Russian Republic of Karelia is logged in violation of the Federal Law obligation to make all forest management plans subject to an Environmental Impact Assessment (see Appendix A). Despite this, the Government of Karelia continues to hand out logging permits. It is estimated that Finland imports at least 3 million m<sup>3</sup> of timber from Karelia every year.
- Russian timber is big business in Finland. In 2004, Finland imported 14 million m<sup>3</sup> of timber from Russia, representing around eighty per cent of Finnish timber imports and around twenty per cent of the total requirements of the Finnish timber industry<sup>1</sup>. Estimates of illegality in the Russian timber industry vary greatly. However, illegal logging is widely acknowledged as a serious social, economic and environmental problem.
- Russian timber imports include both softwood and hardwood to supply sawmills and pulp mills in Finland. Much of the resulting pulp, paper and timber products are exported to the rest of the EU and beyond.
- Illegal logging for the Finnish market causes environmental damage in Russia, resulting in over-harvesting<sup>2</sup> and increasing pressure on remaining ancient forests, as well as further fragmenting the forests of north-west Russia.
- The economic losses caused by illegal logging in Russia are high and depress timber prices in both Russia and Finland. This has the knock-on effect of reducing the value of the forest assets owned by small forest owners in Europe.
- In the EU, Finland has been advocating industry-led mechanisms to control imports of illegal timber.
- The Finnish Government has to date left the control of illegal timber from Russia to its forest industry. The Finnish Forest Industry Federation and the big Finnish timber companies rely on and lobby for industry led chain of custody schemes.
- Greenpeace documented the importing of illegal timber directly into mills located close to the Russian border by Finnish timber industry giants Stora Enso and UPM. Liquid packaging producers such as Tetrapak, Elopak and SIG Combibloc are supplied by Stora Enso mills.



Stora Enso truck loaded with illegally logged timber entering Finland, June 2006. ©Greenpeace

- The illegal timber entered facilities belonging to Stora Enso and UPM, both of which are certified by the PEFC (Programme for the Endorsement of Forest Certification) Chain of Custody certification systems.

### FINLAND: EU PRESIDENT AND PARTNER IN FOREST CRIMES

Finland holds the European Union (EU) presidency until December 2006. The holder is responsible for leading the EU political agenda.

Finland has built up a reputation in Brussels for fiercely defending the vested interests of its forest sectors. This is reflected in a Finnish Government statement in relation to the Commission proposal for bilateral Voluntary Partnership Agreements to control illegal timber trade:

*Implementation of this decree could have significant economic impact on Finnish forest industry if, on the basis of the draft decree and mandate, trade policy measures are used in timber trade between EU and Russia.*

Memorandum of Finnish Ministry of Foreign Affairs 20 January 2005

In March 2005, Finland's Ministry of Environment stated that its policy on the EU's illegal logging programme was to:

*...participate in the EU Forest Law Enforcement Governance and Trade [FLEGT] initiative to prevent illegal logging and timber trade*

<sup>1</sup> Finnish Statistical Yearbook of Forestry 2005. Finnish Forest Research Institute.

<sup>2</sup> This harvesting is unsustainable within the existing Russian forest management system, where 'frontier' style harvesting occurs in natural forests.

*Although 'legal' logging is not the same thing as 'sustainable forest management', there is a strong correlation between illegal logging and unsustainable practices. By its very nature, unregulated logging in violation of laws undermines efforts at sustainable forest management and forest protection.*

*and ensure that EU FLEGT actions are realistic and do not cause unnecessary bureaucracy or costs and are directed at the actual players causing harm.<sup>3</sup>*

The Finnish Government stance is clearly aimed at ensuring that Finnish industry feels minimal impact on their business, rather than ensuring that the demand from its own industries in Finland does not promote illegal and destructive logging in timber producing countries.

Finland also considers itself a 'forestry heavyweight' with the ability to directly influence the industry across Europe, apparent in the following statement:

*Finland is the superpower of forests. If we on a larger scale start using FSC, [environmental] organisations will roll it [FSC] to all European forests.<sup>4</sup>*

Unless the Finnish Government takes substantial action to address the import and laundering of illegally logged timber into the European market, it will undermine not only its own credibility, but that of the Finnish timber industry and the EU itself.



Finnish and EU Flag ©Greenpeace

By contrast, Russian president Vladimir Putin takes a much more robust approach to the problem of illegally logged timber exports:

*"Unfortunately, today's forest is not used effectively and smuggling constitutes fifty per cent of the exported volumes. I think that methods based on economic principles - increase of export taxes, other economic methods - now cannot work. We have to use administrative tools and implement a law that will ban roundwood export. Only that can really change the situation."<sup>5</sup>*

## WHAT IS FLEGT?

In 2003 the European Commission announced a programme to address illegal logging and the trade in illegal timber entering the European market. FLEGT, Forest Law Enforcement Governance and Trade, relies largely on voluntary, bilateral agreements with a handful of tropical, timber-producing countries. These agreements aim to help the signatory countries improve their forest governance and management and to implement a licensing system ensuring that they only export legal timber.

However, a voluntary approach to legality has serious loopholes and weaknesses. These include the failure to include key timber producer countries, such as Russia and Brazil, for example, as well as the world's leading processor of timber products, China.

## THE FINNISH TIMBER INDUSTRY DICTATING GOVERNMENT POLICY?

While the Finnish timber industry likes to portray itself as a sustainable and responsible business partner, Greenpeace investigations have shown that this 'squeaky-clean' image is not quite as industry would have it appear. The Finnish Forest Industries Federation (FFIF) has actively lobbied for light governance when it comes to curbing imports of illegal timber from Russia.



Timber stockpile at Imatra-Svetorgorsk crossing, Finnish-Russian border. ©Greenpeace

<sup>3</sup> 'Implementation of Johannesburg action plan on sustainable development'. Memorandum of the Secretariat of Sustainable Development. Ministry of Environment, November 2005

<sup>4</sup> Statement of Ari Vatanen, member of the European Parliament, 14 April 2005.

<sup>5</sup> President Putin. Speech to Duma, 30 June 2006.



Russian clearcut logged in violation of Russian Federal law, June 2006 ©Greenpeace Russia



Truck loaded with illegally logged timber entering UPM-Kymmene Kaukas mill, Lappeenranta. ©Greenpeace

This 'advocacy' appears to have succeeded, resulting in a hands-off policy in Finland. Recent FFIF statements do recognize that illegal logging is a problem, but continue to advocate voluntary industry initiatives. The Government position clearly reflects the interests of the industry when it states:

*With regard to timber imported by Finland (especially from Russia) the existing ISO and/or EMAS-certified systems to trace the origin of Finnish company timber are the most efficient solution to prevent illegal logging and international trade in illegally logged timber.<sup>6</sup>*

Finland promotes importer specific licenses based on existing chain of custody systems as the basis of FLEGT regulation. This will merely commit Finnish companies importing timber from Russia to do nothing more than extra paperwork.



Truck with illegally logged Russian timber entering Stora Enso Kitee sawmill, August 2006. ©Greenpeace

*Finnish authorities should make sure that the bureaucracy related to imported wood is as light as possible. (...) the fight against illegal logging may create unnecessary and expensive bureaucracy on Finland's eastern border. Finnish companies already verify the sustainable origin of their imported wood credibly.*

Jouko Jaakkola, former chairman of the Finnish Forest Industries Federation, 26 August 2004.

## IMPORTANCE OF RUSSIAN FORESTS FOR THE FINNISH TIMBER INDUSTRY

Finland is one of the largest exporters of printing and writing papers in the world. Three of the four largest forest industry companies in Europe are based in Finland: Stora Enso, UPM-Kymmene and Metsäliitto. Stora Enso and UPM-Kymmene are among the three largest producers of paper and paperboard in the world.<sup>7</sup> They also produce timber products for the Finnish, European and international markets. The demand for raw materials from these timber industry giants is far greater than Finnish forests can supply and almost one fifth of the total requirement of the Finnish industry is imported from Russia.<sup>8</sup> Of all timber imported into Finland, eighty per cent originates in Russia.<sup>9</sup>

Most of the logs exported from Russia to the European Union originate in north-west Russia and the majority of this is exported directly to Finland.<sup>10</sup> In 2004, Finland officially imported 14 million m<sup>3</sup> of timber from Russia.<sup>11</sup>

6 Ministry of Foreign Affairs memorandum attached to a letter from the State Council to the Parliament, 20th January 2005.

7 'Main Companies' Finnish Forest Industries Federation website, <http://english.forestindustries.fi/companies/main/> viewed 14/7/06

8 Finnish Statistical Yearbook of Forestry 2005. Finnish Forest Research Institute.

9 Finnish Statistical Yearbook of Forestry 2005. Finnish Forest Research Institute.

10 Forest Resources, Production and Exports of Roundwood and Sawnwood from Russia. Mutanen, Viitanen, Toppinen, Hänninen and Holopainen. Finnish Forest Research Institute, 2005

11 Finnish Statistical Yearbook of Forestry 2005. Finnish Forest Research Institute.

*"So far, unfortunately, our forest management plans have not undergone environmental impact assessments. We have informed them of this. However, the companies make their logging plans based on these [management plans] and then harvest in accordance with these plans."*

Alexander Ivanovich Shirlin, Head of the Federal Supervisory Natural Resources Management Service Karelia 2006.

In this context it is not particularly surprising that Finnish timber companies would oppose any policy or law that would temporarily interrupt or curb their timber supply. However, these companies cannot have it both ways. They cannot claim to be good corporate citizens while procuring illegally and unsustainably logged timber. Neither can they claim to be 'sustainable' while opposing robust political action to address the problem.

## LAWLESSNESS IN THE RUSSIAN FOREST SECTOR

*Although the actual volumes of unreported fellings, as well as the definitions of illegal logging, vary substantially, illegal logging is an officially recognized problem in Russia...*<sup>12</sup>

Finnish Forest Research Institute 2005

*"An Environmental Impact Assessment must be conducted on the materials for logging licenses. After all, only experts – ecologists, forest scientists and other specialists -can evaluate this territory."*

Dr. Andrey Gromtsev, Deputy Science Director of the Karelian Research Centre of the Russian Academy of Sciences

## REPUBLIC OF KARELIA – RIFE WITH ILLEGAL AND DESTRUCTIVE LOGGING

One of the most important regions of north-west Russia for Finnish and EU timber procurement is the Republic of Karelia (Karelia), due to its close proximity to Finland and the intensity of logging taking place there. It is estimated that around 3million m<sup>3</sup> of Karelian timber<sup>13</sup> is exported to Finland from a total felling of around 6.7 million m<sup>3</sup>.<sup>14</sup>

The majority of logging in Karelia is illegal. Karelia's forest management plans have not undergone an Environmental Impact Assessment (EIA) as required by Federal law.<sup>15</sup> The Environmental Impact Assessment is not simply a 'paper' illegality. It is a fundamental process where experts give input into the forest management plans for a region, including assessing volume of timber that can be logged (annual allowable cut) and ensuring that it is not carried out in areas which should be set aside for protection. The Deputy Science Director of the Karelian Research Centre of Russian Academy of Sciences, Dr. Andrey Nikolaevich Gromtsev, confirmed this, stating that:

*"An Environmental Impact Assessment must be conducted on the materials for forest management plans. After all, only experts – ecologists, forest scientists and other specialists can evaluate this territory."*<sup>16</sup>

Furthermore, the EIA process is the only mechanism by which civil society has a legal right to be involved in deciding how forests should be managed. Without this, local communities who rely on the forests for their livelihoods have no say in the future of these forests.

Greenpeace was easily able to verify non-compliance with this federal law in Karelia, simply by speaking to Alexander Ivanovich Shirlin, Head of the Federal Supervisory Natural Resources Management Service Karelia 2006. He stated:

*"So far, unfortunately, our forest management plans have not undergone Environmental Impact Assessments. We have informed them of this. However, the companies make their logging plans based on these [management plans] and then harvest in accordance with these plans."*<sup>17</sup>

In other regions of Russia, for example Novgorod and in the Far East, where EIA's were not conducted, the Federal Supervisory Natural Resources Management Service suspended logging. This has not occurred in Karelia.

12 Forest Resources, Production and Exports of Roundwood and Sawwood from Russia. Mutanen, Viitanen, Toppinen, Hänninen and Hlopainen. Finnish Forest Research Institute, 2005

13 An Analysis of Logging Companies in the Republic of Karelia. Working Paper of the Finnish Forest Institute 16, 16 2005. Gerasimov, Siounev, Chikulaev, Pechorin, Dyakonov, Komkov, Sikanen & Karjalainen.

14 Russian Federal Forest Agency database showing actual logging volumes. www.roslesinforg.ru

15 Article 12, Federal Law regarding Environmental Impact Assessments #174-, 23.11.1995

16 Pers. comm. Dr. Andrey Gromtsev (Nikolaevich), Karelian Research Centre of the Russian Academy of Science 19/6/06.

17 Pers. comm. Alexander Shirlin, Head of the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor) for Karelian Republic 18/6/06.



Truck loaded with illegally logged timber on its way to UPM-Kymmene mill. ©Greenpeace

Illegal logging is a well-recognised phenomenon in Russia, yet Finland continues to source around twenty per cent of its timber resources there, taking legality and sustainability on trust from the industry. Estimated rates of illegality vary greatly. In 2003, Greenpeace estimated that seventy-five per cent of the Russian timber imported into Finland was produced in violation of the law.<sup>18</sup> In Russia overall, Government sources estimate that up to ninety per cent of logging could violate forest laws.<sup>19</sup> However, lower estimates also exist. One report puts 'timber of unknown origin' at around ten to fifteen per cent.<sup>20</sup> Another industry commissioned report puts a figure of twenty-five per cent on logs imported into the EU from illegal Russian sources.<sup>21</sup>

In this context of rampant illegality and lack of law enforcement in Russia, the onus must fall on the Finnish Government to combat illegal Russian logging by making it illegal to import illegally logged timber across its borders.

## ENVIRONMENTAL, SOCIAL AND ECONOMIC IMPACTS

Illegal and unsustainable logging results in over-harvesting, increasing pressure and fragmentation of the last remaining ancient forests of north-west Russia. These large tracts of continuous forest have an important environmental value in that they rarely occur elsewhere in Europe.

Thirty thousand people rely on the timber resources of the forests in Karelia.<sup>22</sup> If the forests currently available for timber production are exhausted, there will be considerable pressure to harvest the last ancient forests.

Local residents and specialists consider that the logging sector in Karelia is not operating sustainably, threatening long-term prospects for the environment and society alike.

*"Many species that are classified as threatened in Finland, are actually still relatively common in north-western Russia. The reason is simply that the amount of natural and semi-natural forest is still much greater on that side of the border. However, as those forests have been fragmented at a very high rate during the past decades, this actually poses quite a threat to the biodiversity in the boreal zone."*

Dr Otso Ovaskainen, University of Helsinki, June 2006

Alexander Taliya, Karelian resident, farmer and botanist who lives close to Ladoga Lake, regarding the forest around Ladoga, states:

*"Here in general, there should be no logging. Our loggers don't know how to do thinning. They cut everything. But this should not happen, I would say. As a Karelian citizen I am against it because we are practically left without forest..... If people say that these are the last lungs of Europe, well, there is not much left of these lungs."*

Forest specialist, Dr Andrey Gromtsev of the Karelian Research Centre of the Russian Academy of Science warns that lawlessness and illegality in Karelia threatens the long-term welfare of the people in the region. He says:

*"A little less than three-quarters of our export income comes from forests. Three-quarters. We live by this export. If we do not follow the rules, we will simply undermine our own welfare."*

### Economic impact

The World Bank estimates that illegal logging costs timber producing countries US\$10-15 billion per year. The European Forest Institute estimates that financial losses, related to illegal logging in Russia,

*...[a]s long as the [illegal logging] situation prevails, the financial loss to Russian authorities and legal operators in north-western Russia is substantial*

European Forest Institute, 2005

<sup>18</sup> Greenpeace estimate based on interviews with the State Forest Service from several regions, with anonymous company specialists and other experts. The most common violations of the Federal law on Environmental Impact Assessments, the Federal Water Code and logging rules.

<sup>19</sup> 'Today between six and nine out of every ten logs are exported from Russia illegally.' S. Mironov, Chairman of the Federal Council of the Russian Federation, Speech at the international conference: 'Responsible Use of Nature', September 2005.

<sup>20</sup> 'Impact of Reduction of Illegal Logging in European Russia on the EU and European Russia Forest Sector and Trade.' Ottitsch A, Moiseyev A, Burdin N, Kazusa L. European Forest Institute, EFI Technical Report 2005.

<sup>21</sup> Forest Industries Intelligence. An Independent Assessment of WWF "Failing the Forests" report. November 2005. <http://www.illegal-logging.info/papers/wwffailingforestassessment.pdf#search=%22Forest%20Industries%20Intelligence.%20%20An%20Independent%20Assessment%20of%20WWF%20%E2%80%9Cfailing%20the%20Forests%E2%80%9D%20report.%20November%202005%22>

<sup>22</sup> The number is much higher taking into account the reliance on non-timber forest resources and eco-tourism.



Clearcut in water protection zone, Republic of Karelia, Russia. ©Greenpeace Russia

are in the range of \$US200–270 million as a result of lower market prices.<sup>23</sup> In 2004, the United States Department of Agriculture taking a more global approach, stated:

*Today illegal logging is commonly acknowledged as leading to billions of dollars of lost tariff and tax revenue, lost jobs, corruption, and environmental damage throughout Russia.*<sup>24</sup>

Illegal logging distorts the market and undermines the efforts of companies who do the right thing. The European Forest Institute claimed that:

*[[I]llegal logging activities could be decreasing the current market prices of roundwood – from legal as well as illegal sources – 5-10% in both Russian and EU markets and thus reducing the income possibilities for forest owners and logging and transport operators.*<sup>25</sup>

Sixty per cent of Finnish forests are privately owned, much of this in small holdings. Thus, while the companies procuring timber from

*If we are unable to continue importing wood from Russia and the Baltic countries, we may be forced to pay higher prices for this key raw material or alter our manufacturing operations.*

Stora Enso SEC filing 2005,p6.

Russia may benefit from cheaper timber prices, local communities in Russia, the Russian State, other segments of the forest sector and the small forest owners in Europe are the financial losers.<sup>26</sup>

## FINNISH TIMBER INDUSTRY GIANTS – DRIVING DEMAND FOR RUSSIAN TIMBER

Three companies procure the majority of Russian timber imported into Finland: Stora Enso, UPM-Kymmene and Metsäliitto<sup>27</sup>

### Stora Enso

Stora Enso procured around 7.7 million m<sup>3</sup> of timber from Russia in 2005, accounting for about thirteen per cent of its total timber procurement.<sup>28</sup> Stora Enso's imports from Russia are mostly used by mills close to the border in East Finland,<sup>29</sup> although some is also taken to Stora Enso's mills in Sweden and the Baltic states.

Stora Enso's self declaration on its website states:

*'Does Stora Enso buy wood that has been illegally logged? No. Stora Enso's traceability systems are in place to verify the origin of wood and give assurance of their legality. Purchasing wood logged without the permission of the landowner or in violation of national or state laws would be against the Group's wood procurement principles. ...We co-operate with the authorities to prevent illegal wood from entering our system.'*<sup>30</sup>

### UPM-Kymmene

UPM buys about 5 million m<sup>3</sup> of timber from Russia each year. The majority of this is used in Finnish UPM mills.<sup>31</sup> The remainder goes to the company mills inside Russia, one in Novgorod, the other at Otepää in Estonia.<sup>32</sup> Russian timber accounts for fifteen per cent of that used by UPM and forms a key part of the company's overall fibre flow.<sup>33</sup>

Regarding its procurement policy, UPM on its website states:

*In forest management, UPM requires that timber suppliers comply with the forestry guidelines of each country, national legislation and the requirements of the authorities<sup>34</sup> ...UPM requires a statement of origin for all loads of wood and does not accept illegally logged wood.*<sup>35</sup>

<sup>23</sup> Study on the issues of illegal logging and related trade of timber and other forest products issues in Europe. European Forest Institute. Final Report.

<sup>24</sup> USDA Gain Report Foreign Agriculture Service, GAIN report No.RS4058, November 2004

<sup>25</sup> 'Illegal logging in Russia distorts roundwood markets in Russia and in the EU' European Forest Institute, Press Release 3/11/05. <http://www.efi.fi/news/latest/500>

<sup>26</sup> Ibid

<sup>27</sup> The discrepancies between the Finnish statistics on imports of Russian timber and the volumes procured by these large companies exist due to differences in reporting years and that some procured timber is exported to Sweden or Baltic states.

<sup>28</sup> 'Sustainability 2005, Economic, Environmental, Social Responsibility.' Stora Enso website. <http://www.storaenso.com/CDAvgn/showDocument/0,,3877,00.pdf>

<sup>29</sup> For example Imatra pulp and paper mills import around 2 million m<sup>3</sup> of hardwood directly from Russia.

<sup>30</sup> Stora Enso Fact Sheet on Illegal logging. <http://www.storaenso.com/CDAvgn/showDocument/0,,3069,00.pdf> viewed 28/6/06

<sup>31</sup> 'Production Units in Finland' UPM-Kymmene website [http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/\\$all/DFD06746AEF40E5BC2256E6D004BB2FC?OpenDocument&qm=menu,7,5,0&smtitle=Finland](http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/$all/DFD06746AEF40E5BC2256E6D004BB2FC?OpenDocument&qm=menu,7,5,0&smtitle=Finland) viewed 21/7/06 Although there are mills that claim to use only Finnish timber, it is probable that almost all of UPM's mills at some time or other receive pulp from timber sourced from Russia if they purchase pulp from Botnia mills using made from Russian timber or chips.

<sup>32</sup> 'Tracing Russian Wood – Forestry and wood sourcing' UPM Kymmene website [http://w3.upm-kymmene.com/for/internet/upm\\_tracing\\_russia\\_wood.nsf?Open&cid=Content0AED7](http://w3.upm-kymmene.com/for/internet/upm_tracing_russia_wood.nsf?Open&cid=Content0AED7) viewed 21/7/06

<sup>33</sup> Upm-kymmene.com (may 2006-05-24) 'Tracing Russian Wood – Forestry and wood sourcing' UPM Kymmene website [http://w3.upm-kymmene.com/for/internet/upm\\_tracing\\_russia\\_wood.nsf/sp?Open&cid=Content0AED7](http://w3.upm-kymmene.com/for/internet/upm_tracing_russia_wood.nsf/sp?Open&cid=Content0AED7) viewed 21/7/06



Russian logs waiting to be unloaded at UPM-Kymmene mill, Lappeenranta ©Greenpeace



UPM timber transfer depot Finland ©Greenpeace

## Metsäliitto Group

Metsäliitto Group imports 3.5 million m<sup>3</sup> of timber from Russia.<sup>36</sup> The Group's subsidiaries Metsä-Botnia, M-Real and Finnforest process the timber. Metsä-Botnia is owned by the Metsäliitto Group (53 %) and UPM-Kymmene Corporation (47 %) and produces pulp for the parent companies' paper mills. Metsäliitto's most important procurement areas in Russia are Leningrad, Karelia, Novgorod and Vologda.

Metsäliitto on its website states:

*We only purchase wood from reliable business partners who carry out logging operations in accordance with local legislation and who guarantee not to deliver wood from conservation areas or areas designated for protection.*<sup>37</sup>

## FOREST CRIME EXPOSED

Despite the Finnish timber industries' statements regarding their sustainability, and despite assurances that they do not buy illegally logged timber, Greenpeace researchers documented illegal timber entering the supplies of two out of the big three companies – Stora Enso and UPM-Kymmene. Greenpeace observed many instances of violations of Russian law in logging operations in the region around Sortavala in Karelia, close to the Finnish border where very intensive logging is taking place.<sup>38</sup> The illegality common to all of the following cases is that the forest management plans are not subject to an EIA, a Federal legal requirement.

All relevant law for the following Forest Crimes are listed in Appendix A.



Map showing timber trade flows ©Greenpeace

## Stora Enso

### Forest Crime Case 1: Illegally logged Russian timber to Stora Enso Kitee Sawmill

In June 2006, Greenpeace field researchers observed a logging site in Myulyukyulya, Russia, where timber was stockpiled awaiting transport from the site.<sup>39</sup> This logging was undertaken in a Forest Group I area, where final felling is prohibited. The logging undertaken here was approved as 'renovation' or 'maintenance' logging, which is intended to keep the forest healthy by cutting only small and unhealthy trees. However, observing the logging site and the stockpiled timber, it was clear that timber extracted was not from damaged, small and unhealthy trees. The logs loaded from the stockpile onto the Stora Enso truck were predominantly large, healthy and undamaged specimens.

<sup>34</sup> 'Taking responsibility together - UPM Wood Suppliers Guide in Russia.' UPM Kymmene website [http://w3.upm-kymmene.com/for/internet/upm\\_tracing\\_russia\\_wood.nsf/images/Supplier\\_Guide.pdf](http://w3.upm-kymmene.com/for/internet/upm_tracing_russia_wood.nsf/images/Supplier_Guide.pdf) viewed 21/7/06

<sup>35</sup> 'Taking responsibility together - UPM Wood Suppliers Guide in Russia.' UPM Kymmene website [http://w3.upm-kymmene.com/for/internet/upm\\_tracing\\_russia\\_wood.nsf/images/Supplier\\_Guide.pdf](http://w3.upm-kymmene.com/for/internet/upm_tracing_russia_wood.nsf/images/Supplier_Guide.pdf) viewed 21/7/06

<sup>36</sup> 'Wood supply - Russia' on Metsäliitto website <http://www.metsaliitto.com/page.asp?path=1;2785;2800;2895;2911> viewed 29/6/06

<sup>37</sup> 'Tracking the origin of wood/other wood supply areas' Metsäliitto website <http://www.metsaliitto.com/page.asp?path=1;2785;3370;2908;3121;3522> viewed 21/7/06

<sup>38</sup> The Greenpeace investigation team also observed further instances of illegal logging in Karelia which were not included in this report.

<sup>39</sup> The Finnish name is Myllykylä. Co-ordinates 61°44'15.0"N, 30°37'45.0"E.



Stora Enso truck loaded with 'so called' renovation thinnings ©Greenpeace



Soil damage in 'renovation' logging site.



PEFC Chain of Custody certificate for Stora Enso Kitee sawmill, from the Stora Enso website.

Here, the driver loaded more timber from a timber storage depot. The truck proceeded to Stora Enso's Kitee sawmill in eastern Finland. Woodchips from this sawmill are used in the Stora Enso pulp and paper mills at Imatra in eastern Finland.<sup>41</sup>

### Renovation or maintenance logging explained

Renovation logging is often used as a cover for illegal commercial logging, where the best trees are logged instead of small and diseased trees. By 'creaming' off the biggest and healthiest trees, forests become vulnerable to disease and death as a result of the changed conditions (thinning of the forest, damaged roots, settlement of soil, etc.). This repeated 'selective' logging is the cause of dying forests and mass distribution of pests and diseases.

Therefore this logging was illegal commercial logging under the guise of renovation or maintenance logging. Renovation logging is allocated under Forest Management Plans, therefore the absence of the EIA in the planning process renders the logging license illegal. An additional illegality at this site was excessive soil damage on the skidding roads.<sup>40</sup>

The spruce logs from this logging site were loaded onto a red Volvo truck, [registration front: TKG-266, trailer WKY-999] and the truck was tracked to the Russian border and documented arriving in Finland.

*"...from the forestry perspective, this logging is harmful. It does not fulfill its function. This is not maintenance logging, but in practice is commercial logging. The goal should be only to raise the quality of the forest, take out the worst trees."*

Dr Andrey Gromtsev, Karelian Research Centre of the Russian Academy of Science, June 2006.



Stora Enso truck TKG-266 loading at logging site



Excessive soil damage at logging site



Arrival of trucks at Stora Enso Kitee mill



Woodchips from Kitee mill go to Imatra pulp and paper mill



Stora Enso Imatra mills

*We co-operate with the authorities to prevent illegal wood from entering our system.*

Stora Enso

### Forest Crime Case 2: Illegally logged Russian timber to Stora Enso Kitee mill

As in all other cases documented in Karelia, this clearcut logging was undertaken without the mandatory EIA, rendering the logging license and subsequent logging illegal. The site is a Forest Group III area, just north of Vyartsila, an area is set aside for commercial

logging.<sup>42</sup> The Spruce logs were loaded onto a Stora Enso truck [registration front: CYT 987 trailer:PKY 346] on 24 August 2006 and transported to Finland. More timber was added to the truck at a storage depot in Finland and transported to the Stora Enso Kitee sawmill.



Clearcut at logging site



Spruce logs loaded onto Stora Enso truck PKY-346



Stora Enso truck PKY-346 entering Kitee Sawmill

### UPM-Kymmene

### Forest Crime Case 3: Illegally logged Russian timber to the UPM Kymmene Mill, Lappeenranta

The logging site is located just north of Soanjärvi Lake in mixed pine dominated forest.<sup>43</sup> The logging site consisted of two large clear-cuts in a Forest Group III area of commercial forest. As in all the other documented cases, logging is undertaken without legally approved management plans. Additional violations documented included the poor marking of borders and destruction of regenerating forest beyond the legal limits.<sup>45</sup>

Birch timber was loaded on 16 June 2006 onto a yellow Scania truck [registration front UUI-779, trailer WIS-529] . Part of the load was emptied in Vyartsila and the truck proceeded across the border, where it added more timber to the load from a storage site in Finland. The following day the truck continued to the UPM-Kymmene paper mill at Lappeenranta, in eastern Finland.



Clearcut at the logging site



Truck WIS-529 loaded on logging site



Truck WIS-529 crossing border into Finland



Truck WIS-529 entering UPM-Kymmene pulp and paper mill, Lappeenranta



PEFC certificate for UPM-Kymmene pulp and paper mill, Lappeenranta, from the UPM website.

*In forest management, UPM requires that timber suppliers comply with the forestry guidelines of each country, national legislation and the requirements of the authorities.*

UPM-Kymmene website

40 Skid tracks were measured to almost one metre in depth, allowable depth of skid tracks are 3-5 cm.

41 Stora Enso website [http://www.storaenso.com/CDAvgn/main/0,,1\\_-3731-4302-,00.html](http://www.storaenso.com/CDAvgn/main/0,,1_-3731-4302-,00.html)

42 The logging was undertaken in cutblock 55/1. Co-ordinates N 62°06'46.6"E031°03'38.3" at the loading point of the truck on the site.

43 Co-ordinates 62°09'56.8"N, 31°04'18.3"E

44 The investigation team documented the that no boundaries along the side of the forest block were marked.

45 Loggers are required to leave not less than 70% of the regenerating stand, whereas the investigation team assessed the destruction of the regenerating stand at 50%.

## Forest Crime Case 4: Illegally logged Russian timber to the UPM Kymmene Mill, Lappeenranta

This logging site is located again north of Soanjärvi Lake in spruce dominated area of Forest Group III.<sup>46</sup> As in the previous cases, the lack of an EIA process renders subsequent logging illegal. Further illegalities were documented at this site, including clear-cutting in a water protection zone, skidding timber across the watercourse and littering the watercourse with timber. On 19 June 2006, timber was loaded onto two trucks: a red Scania [registration front: KEY-157,

trailer PYZ-625]; a dark red Scania [registration front: AAF-650, trailer PUI-573]. The trucks were documented partly unloading at a storage point in Vyartsila and then crossing the Russian border. The trucks were documented coming across the Finnish border and unloading at a storage point, where a third truck [trailer registration WOC-369] loaded from the collection point. The drivers slept overnight and the third truck proceeded to UPM-Kymmene mill at Lappeenranta the following day.



Clearcut in water protection zone



Trucks loading on site



Truck KEY-157 crossing the border into Finland



Truck AAF-650 crossing the border into Finland



Truck AAF-650 unloading at storage depot in Finland



Truck WOC-369 loading at the same depot



Truck WOC-369 arriving at UPM-Kymmene Lappeenranta mill

## Forest Crime case 5: Illegally logged Russian timber to the UPM Kymmene Mill, Lappeenranta

Clear-cut logging had taken place in a Forest Group III area east of Vyartsila on two adjacent forest blocks [forest block 188/2 and 189].<sup>47</sup> Several trucks were loaded and transported from this site into Finland over several days. The clear-cut on block 189 extended into a water protection zone around an adjacent lake, although there was no log storage on that site at the time of the investigation.

On 21 August 2006 a blue Mercedes truck [registration front: YBV917; trailer PSL751] loaded spruce logs from both forest blocks. These were transported to a storage depot in Kangasniementie, Finland. On 25 August a white Mercedes truck [registration Front:

JFU994; trailer WHX745] was loaded with birch logs from forest block 188/2 and once again transported to the same storage depot in Finland. The driver informed the Greenpeace investigator that the destination of the timber was the UPM mill in Lappeenranta.

On 23 August a yellow Scania truck [registration front: UUI-779; trailer WIS-529] loaded birch logs from forest block 189. This truck proceeded across the border and offloaded the logs at a storage depot in Niirala. The driver informed the investigator that he was returning to the same logging site the next day to reload the truck and then would proceed to the UPM-Kymmene Lappeenranta mill. On 24 August the same truck returned to the depot, added more logs to the load and went to the UPM-Kymmene mill in Lappeenranta.



Clearcut in cutblock 189



Clearcut adjacent to cutblock 189 in water protection zone



Truck WIS-529 loading logs on site



Truck WIS-529 adding logs from storage site at Niirala



Truck WIS-529 entering UPM-Kymmene mill, Lappeenranta

## THE EXPORT MARKET: FUELLING ILLEGAL AND DESTRUCTIVE LOGGING

Finland exports almost ninety-five per cent of its forest products, with the European Union as the largest market followed by Asia, other European countries and North America.<sup>48</sup>

The UPM pulp and paper mill in Lappeenranta produces magazine papers and pulp, with a sawmill and plywood mill also on site.<sup>49</sup>

Products from the Stora Enso sawmill in Kitee include construction and joinery products. The largest single market for timber from the Kitee sawmill is Japan, taking forty-seven per cent of its products, with Finland the second largest market, at thirty-four per cent. Products shipped to Japan are marketed through Stora Enso Japan K.K in Tokyo. Puumerkki, a chain of dealers owned by Stora Enso Timber, sells and markets timber products in Finland.<sup>50</sup>

Products from the Imatra pulp mills include liquid packaging boards (used for milk and juice cartons), food and tobacco containers,<sup>51</sup> and packaging paper brands, supplying customers throughout Europe. The Imatra mill supplies the large liquid packaging producers such as Tetra Pak and Elopak.

## CONCLUSIONS:

Illegal and destructive logging is rife throughout Russia and has been clearly documented in the Republic of Karelia. Karelian forest management and exploitation is based on management plans that have not been assessed by forestry and environmental experts or by civil society through public hearings, a clear violation of Russian Federal law. In addition to the absence of an EIA, further violations were documented in the field. Finnish companies cannot credibly claim that timber procured from Karelia is legal, much less sustainable.

The demand on forests of Karelia and other regions of northwestern Russia from Finland is high. The Finnish industry is failing to effectively address illegally logged timber entering their supply chains. This together with the evident lack of rule of law within the Russian logging industry, places the onus on the Finnish Government to combat the trade in illegal and destructive timber.

The Finnish Government must face up to its responsibilities as a member, and current president, of the EU. It must take action to stop the import of illegal and destructive timber into its territory and work together with other EU member states to ensure that the demand for timber and timber products in Europe does not continue fueling illegal and destructive logging. There is an urgent need for the EU to address the flow of illegal and destructive timber into its markets by implementing legislation to ban illegal timber and ensure that all timber products on the market are both legal and from responsibly managed forests.

## CALL TO ACTION:

### Finnish Government and the European Union must:

- Immediately investigate these cases of illegal logging and take appropriate action to halt imports of illegal timber
- Support the development of EU wide legislation to ban illegal timber and ensure that all timber products on the market are legal and from responsibly managed forests

### Russian Government must:

- Immediately suspend logging in Karelia and other regions where the full Environmental Impact Assessment process is not undertaken
- Ensure that its newly proposed Forest Code upholds principles of environmentally and socially sustainable forest management such as those adopted by the Forest Stewardship Council

### Companies must:

- Support the development of EU wide legislation to ban illegal timber and ensure that all timber products on the market are legal and from responsibly managed forests

46 Co-ordinates 62°09'35.1"N: 31°04'28.8"E

47 In forest blocks 188/2 and 189 co-ordinates N 62°13'50.2" E 030°94'36.9"

48 Finnish Statistical Yearbook of Forestry. Finnish Forest Research Institute, 2005

49 UPM Website: [http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/\\$all/0eedcf087560e843c2256d94003e320f?OpenDocument&qm=menu,7,5,0&smtitle=Finland](http://w3.upm-kymmene.com/upm/internet/cms/upmcms.nsf/$all/0eedcf087560e843c2256d94003e320f?OpenDocument&qm=menu,7,5,0&smtitle=Finland)

50 Stora Enso Timber Finnish Sawmills. EMAS statement 2004. <http://www.storaenso.com/CDAvgn/showDocument/0,,3713,00.pdf> viewed 21/7/06

51 Only two mills produce liquid packaging boards – Imatra in Finland and Skoghall in Sweden. Stora Enso Annual Report - Financials 2005, p110. <http://www.storaenso.com/CDAvgn/showDocument/0,,3881,00.pdf>

## APPENDIX A: RUSSIAN LAW RELEVANT TO FINNISH FOREST CRIME IN KARELIA

### **No environmental impact assessment for forest management plans**

Under Russian Federal Law it is mandatory that the regional representative of the Federal Supervisory Natural Resources Management Service (Rosprirodnadzor) carry out an environmental impact assessment for all forest management projects. Article 12, Federal Law regarding Environmental Impact Assessments #174, 23.11.1995 requires:

The state environmental impact assessment at the regional level, carried out by the federal executive body and its territorial bodies for environmental impact assessment, is obligatory for:

*Projects or schemes for conservation and exploitation of water, forest, land and other natural resources under the jurisdiction of the constituent entities of the Russian Federation, as well as other related project documentation, including forest management plans, land use, game management;*

### **Commercial logging under the guise of renovation cutting in forests where final felling is not allowed**

In the thinning rules for the forests of European Russia, paragraph 2.1.2 states:

*In forests where final felling is not allowed, a renovation cut can be done after the age of regular commercial thinning has passed.*

While 'renovation' cutting (also termed maintenance logging) is permitted, it is intended to improve the health and stability of the forest and allows the removal of damaged and unhealthy trees, not commercial timber.

### **Damage to soil beyond permitted level in certain forest stands:<sup>52</sup>**

During some kinds of stand improvement activities on even ground, damaging soil (more than 3-5 cm deep) and disturbing the microrelief is only allowed as an exception, and then not more than three per cent of the length of small skidding traces, and not more than five per cent of the length of major skidding traces.

### **Leave not less than 70 per cent of the regenerating forest on the logging site**

The Rules for Commercial Logging in European Russia, article 9.14, order 226 of Federal Forestry Service, 31.08.93 are very strict, requiring loggers:

*To leave not less than 70% of regeneration stand.*

### **Commercial logging or final felling in water protection zones and around water bodies**

Article 113 of the Water Code of the Russian Federation states:

*In forests of water protection zones and protective forest strips along banks, final fellings are forbidden.*

Federal Government Regulation 1404, 23.11.1996, final fellings along banks of rivers and streams and establishes water protection zones along all streams.

### **Not marking the logging area**

Order 155 of the Federal Forestry Agency (Rosleshoz) of 15.06.1993 requires certain procedures in allocating logging sites, including:

- a) opening/cutting visual corridors, except along edges which run along boundary lines, forest inventory corridors and non-forest grounds;
- b) establishing posts in each corner of the logging site;
- c) marking off those parts of the logging site that are not to be logged

### **Logging in a non-designated site and logging beyond boundaries.**

Resolution No 14 of the plenary session of the Higher Court of the Russian Federation of 05.11.98 states that:

*Logging on sites not designated for logging and beyond logging boundaries is considered illegal*

### **Skidding (dragging) timber through watercourses and littering watercourses**

The Russian Rule for Timber Distribution from Stump in Russian State Forests states:

*The logger is obliged not to use stream bed or sides for wood transportation.*

<sup>52</sup> Thinning Rules for the Forests of European Russia, article 2.6.26