Autonomous Nonprofit Organization Far East Investment and Export Agency, the subordinated structure of the Ministry for the Development of the Russian Far East, has a wide range of necessary competencies in the forest industry, implements a large-scale portfolio of projects and is in constant contact with investors, state authorities supervising the forest industry and industry associations. Thanks to this, the Agency is able to support investors in the forest industry of the Far East, which has all the factors for successful implementation of projects.

**Raw materials base: 51% of the APAC region forest reserves are in the Far East**

The Far East has a rich forest resource base, the largest in the Asia-Pacific region (APAC). About 43% of the forest area of the Russian Federation is concentrated in the Far East. On the first place on reserves of standing wood is the Sakha (Yakutia) Republic - 8.8 billion m³, then Khabarovsky Territory - 5.5 billion m³, Amur Region - 2.1 billion m³ and Primorye Region - 1.9 billion m³. The species composition varies depending on the region - so in the Sakha (Yakutia) Republic Dahurian larch makes about 50-80%. In the Khabarovsky Territory the prevailing species are birch and larch, about 15-20% is occupied by spruce. Valuable species (cedar, oak, maple, etc.) are spread in the Primorye Territory - from 15% to 80% in various areas. Various species composition allows to produce lumber, veneer, plywood, furniture, plates, pellets, pulp and paper products.

**Sales markets: growth in Russia and abroad**

**Domestic market.** The wood processing sector in Russia grew by 3% in 2016, by 2.2% in 2017. Production of pellets from wood waste increased by almost 30%, sawmill production showed an increase of 5.7%, production of chipboard in the whole of Russia increased by 8%, production of MDF - by more than 6%. In the housing construction sector, the production of wooden windows increased by 11%. Almost 90% of sawn timber, produced in 2017, fell on coniferous wood - about 23.2 million m³, with growth of volumes by 6.2%.

**Export.** Export shipments show positive dynamics, and the APAC countries remain as the main market for timber products from the Far Eastern Federal District. The exports volume from Russia to China for the 2000 - 2016 period has increased by more than 4.5 times, to India - by more than 5 times. Key growth factors are: demand for construction materials in Asia, reduction of timber exports from countries of South-East Asia, need for raw materials and wood semi-finished products in China production facilities, demand for pellets due to development of alternative energy in Japan.

**Logistics.** The most attractive from the logistics point of view is the South of the Far Eastern Federal District. Timber and wood products are delivered by railway and river transport to Vladivostok, Sovetskaya Gavan, Vanino, Olga seaports, from where they are sent to the seaports of the importing countries.
Investment environment: state support, benefits

The development of the Russian Far East, including the forest industry complex, was announced the national priority for the 21st century by V. V. Putin, the President of the Russian Federation. In this regard, a wide range of measures to support investors are applied in the Far Eastern Federal District, including:

- preferential tax and administrative regimes for ASEZ and Free Port of Vladivostok residents 1;
- 50% allowance for payment for use of forest areas and a mechanism for obtaining forest plots for priority forest development projects (Decree of the Government of the Russian Federation of February 23, 2018 No. 190);
- subsidizing up to 90% of forest raw materials transportation costs to processing sites, partial cost recovery (Decree of the Government of the Russian Federation of December 5, 2014 No. 1319);
- possibility of co-financing the infrastructure necessary for the implementation of the project, at the budget expense in the amount of up to 10% of the project investments;
- assistance in search of partners and attraction of financing for projects, rendered by the Ministry for the Development of the Russian Far East and Autonomous Nonprofit Organization Far East Investment and Export Agency.

Projects for investment: 10 projects of Autonomous Nonprofit Organization Far East Investment and Export Agency, as well as own projects of applicants

In the forest industry, Autonomous Nonprofit Organization Far East Investment and Export Agency offers investors to consider 4 major projects in the Sakha (Yakutia) Republic and Amur Region, the P&P project in Khabarovsk Territory, 5 medium-scale projects in Sakhalin Region, Khabarovsk Territory, Amur Region, Primorye Territory. Autonomous Nonprofit Organization Far East Investment and Export Agency will also consider initiative projects of investors on forest exploitation.

Map of prospective projects in the forest industry offered by Autonomous Nonprofit Organization Far East Investment and Export Agency

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2 Federal law of July 13, 2015 № 212-FZ “On the Free Port of Vladivostok”
The southern part of the Far Eastern Federal District may be of the greatest interest to investors. More developed infrastructure in comparison with the northern part, the availability of valuable wood species and the access to the sea form attractive conditions for the creation of a wood and paper facility in selected areas.

Procedure and criteria of applications selection for projects implementation

Selection of applications for forest development projects in the Russian Far East to be supported and supervised by Autonomous Nonprofit Organization Far East Investment and Export Agency is carried out on a competitive basis. Selection criteria include: amount of investments, applicant’s ability to implement the project, technological depth of raw materials processing, social value of the project and other criteria. Detailed information about the procedure, terms of submission and criteria for selection of applications is available on the Autonomous Nonprofit Organization Far East Investment and Export Agency website www.investvostok.ru in the "For Investor" section.

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