

PRIORITIES

CHANGING SCALES

REGIONAL PRODUCTS ENTER THE INTERNATIONAL STANDARD



Irkutsk province as it historically established was a point of economic relations development fulfilled by either Siberia or the whole country with Asian-eastern world. Though these relations for long had only commercial character. Today region economics looks more various and multi-aspect, so relationship of the two worlds should be brought into another surface: to implement new joint projects, create new joint enterprises, exchange experience. The “Irkutsk oblast. Siberia” edition attempted to tell in what branches collaboration may be more successful.

Siberia, a land of infinite abundance, made Irkutsk Oblast really rich, First and foremost, rich in forest resources unrivaled among the other regions in Russia. The timber volume in the forests of the Angara region is estimated at 8.9 billion cubic meters. The Irkutsk forest abounds in pine, larch, spruce, fir and birch species.

DEEP TREATMENT OF WOODSTOCK

Wood resources possible for exploitation are estimated at 2722 million cubic meters, 41% of them is the share of the most valuable pine species that are in demand with logging operators.

That is why wooden sector development – logging, treatment, protection – is priority for regional economics. “The regional government faces a highly important task – to direct wood branch to a civilized course”, – notes Irkutsk Oblast governor Dmitry Mezentsev. According to his words a lot of this turned out well. So 2010 year the regional law on log shipment posts was accepted. Developing and acceptance of programs aimed at wood reproduction and enhancement of efficiency of wood complex are in prospect now.

However competent and complex forest

resources development is only possible if the problem is fully understood from the both sides – not only authority but also business. Both sides try to find mutual understanding having meetings, during working tours round territories. Thus from June 20 to 21 2011 Irkutsk Oblast was visited by a delegation from Federation of the Forest Industry of Aquitaine (FIBA), France. Potential investors visited enterprises that are involved in wood treatment in Angara Region: Closed Corporation “Gosstroy” (t. Homutovo) and “New-Len-Oil” Ltd. (Irkutsk).

In the end of June Angara Region was also visited by one more workgroup. Within the bounds of Permanent Russian-Chinese workgroup for development and using of forest resources established at Minprom RF, a RPC government delegation came. It was headed by a commercial adviser of Department of external investment and economical collaboration of RPC Commercial Department, senior secretary of Chinese part Chen Lin.

Among major projects which allowed Wood Processing Plant become basic for region economics we may mark out Ilim Group initiative. The company has started realization of the major project in timber industry in latest 30 years – construction of a new pulp mill in Bratsk.





The project was presented at the beginning of September 2010 in Irkutsk, on 6th Baikal Economics Forum. Modernization of Bratsk mill is being held within the framework of the project. Zakhar Smushkin, chairman of board of directors of Ilim Group, says that total investments volume for building a new pulp line in Bratsk will make up 670 million dollars, in 2010 – about 90 million. Maximum expense – almost 400 million – is foreseen for 2011 year.

Chief executive director of Ilim Group Paul Herbert notes that power of a new pulp production line will be 720 thousand ton a year. Thus Bratsk mill will produce more than a million ton output a year. New technologies will allow to improve efficiency of wood treatment: proceeds of one cubic meter will increase one third. In 2012 the production will start up. In 2014 the mill will ramp up. It is mentioned that the mill is being built oriented to Chinese trade area: about 80% of the production scope will be destined to China.

Irkutsk Oblast government says that taxes to consoled region budget after new powers start up will be more than 2

billion rubles. More than 400 of working places will emerge, 1,5 thousand more people will be provided with temporary job.

INNOVATIVE BREAKTHROUGH

What is a dream for some regions is reality for Irkutsk Oblast. We are speaking of investment economics development. The regional University – Irkutsk State Polytechnic University lately – in 2010 – had to change its status to more reputable – National Research (NR IrSPU). Years of work, making plans and projects connected with innovative activities, creating of a scientific and technological park “Techno Park IrSPU” (includes 19 enterprises of science intensive business, 12 IT-structures, business-incubator, transfer technologies centre etc.) preceded this.

And then, on the Russian competition the university confirmed its intellectual resource and got an opportunity not only change its status but also get a “green light” for realization of the first-rate prospective projects at governmental support.

The commercial timber resources in Irkutsk Oblast add up to 2722 mil cubic meters, with 41% corresponding to the most valuable pine trees enjoying the greatest demand among logging operations. That is the reason why for the regional economy the advancement of the forestry sector: tree harvesting, processing and protection, has become a priority.

The hydrocarbon resources – Are they a wealth or a misfortune of Siberia? Any analyst or expert with self-respect specializing in the gas and oil market would ask himself such a question – with a faint note of skepticism. Scepticism seems to be understandable: development of deposits with the world's largest reserves (one glowing example in this regard is the Kovykta Gas Condensate Field with natural gas proved reserves of 2 trillion cubic meters) was repeatedly put over for a variety of reasons.

Now the University has serious plans – the chancellor Ivan Golovnykh says that they are going to obtain more than 15 billion rubles to Irkutsk Oblast economics for account of 25 major science intensive projects.

One of the projects of the center within the framework of innovative activity is planar heating nanoconstructive elements or “smart heaters” designing. In comparison with traditional heating elements it saves to 35% of energy. One more advantage is that the installation is fireproof.

“We have already found investors for this project. It is a South Korean company with which we signed an agreement on Russian-Korean enterprise creation. We plan to build mills either in Russia or in South Korea”, - the chancellor says. The first year of realization the Korean side is going to invest to \$1,2 million.

The product has already aroused interest of major corporations, like “Rostekhnologii”, RZHD, “Almaz-Antej” concern, “Irkutskenergo”. In 2010 on order of Pusan

University (South Korea) a number of prototypes with the help of these technologies was designed – warm floors, wall panels. There is a possibility to use heaters in motor industry for cases, filters, seats.

One more innovative project which is realized by Irkutsk University is a manufacturing plant for diagnostics, cleaning and restoration of piping. This plant will be in demand in the area of housing and communal services, gas and petro chemistry as it will allow to reduce costs of pipe repair and prolong its shelf life from 5 to 10 years.

This year on the basis of Research University one more new enterprise was created – laser production for oncological diseases curing. This equipment is 1,5-2 times cheaper than similar import.





The plan is to start mass production in 5-6 years. "Laser for photodynamic therapy of oncological diseases makes selective removal of malignant tumors without damaging of surrounding healthy tissues. For 3 years laser goes through technical tests in oncological hospital in Irkutsk. For expansion of clinical tests new devices are needed so today we made an enterprise that directly produces them", – Ivan Golovnykh shares the information.

Irkutsk University together with "Nitol" company create a new manufacturing – highly clean spherical quartz granules for electronic component base. Its power by a tentative forecast will be to 4 thousand tons a year – is 15% of the world demand for the production. "By 2013 year we will build an enterprise. Total budget of the project is 403 million rubles. We were assigned 198 million rubles from the Federal budget for research and development works" – IrSTU chancellor informed us.

However Irkutsk scientists are not going to stop here. Their plans are to create about 25 more small innovation enterprises on

basis of NR IrSTU to 2015 year. In this period technical park will fulfill works by volume of investments more 3 billion rubles.

AGRICULTURE

Hardly anybody will dispute a thought that rural areas and their population feed us. The feed safety and at competent development of all agriculture business – region economics depend on that people.

Today agriculture becomes supporting point for Angara region that was denied in priority in 90-s. One of the major economic projects that is staked on is building of a powerful agricultural cluster on agricultural-oriented territories. The head of Irkutsk Oblast Dmitry Mezentsev says that for creating agritechnical park science, educational and production areas and also areas for implementation of new technologies and competitive recovery, agricultural clusters formation, export potential recovery, development of scientific-educational complex, personnel issue solving and attraction of investments efforts should be combined.

According to calculations by the ministry of Regional Development of the Russian Federation, Siberia will be visited by at least one million tourists by 2020 every year. So far it is an open question whether or not such forecasts are valid and which one of the regions will hold the statistical lead by 2020 as regards the number of guests that will be hosted. However, Irkutsk Oblast has a priori every prospect of success. The proximity to Lake Baikal that attracts real connoisseurs of nature, is a pledge of success



However, after a long «gas intermission» there emerged a new tendency, namely interest is being shown precisely in this kind of energy resources by (primarily Russia-based) investors. The recent problems with exports of raw materials facing Russia are further evidence in favor of the fact that deep processing is best suited for a further development of this sector of the economy. It is this strategy that gives rise to ideas gradually evolving into major investment projects of the construction of gas chemical complexes, including on the territory of Irkutsk Oblast, a region abounding in hydrocarbons.

The head office of technical park is supposed to be opened in Irkutsk area. Scientific department with universities, institutes and laboratories included will devote itself to studying of agricultural organizations needs, form stock of orders, develop technologies and fulfill their transfer to farm production. Production and technical department will be engaged in commercialization of scientific research, testing of innovative technologies, demonstration results of using technological innovations and producing of farm production. Sector of service will provide interaction between organizations and institutions of scientific and production and technical department and also will provide consult services to agricultural

producers.

It is planned that basic farms of agricultural technical park in Irkutsk Oblast will be working in 8 agro-climatic zones, for each adopted production technologies will be developed, sorts will be defined, equipment recommended.

The project prospective are quite real – local market experts assuring, because for today there are major farms working, and on their basis such cluster may be built. Among them Agriculture OJSC «Belorechenskoye», Agricultural Production Cooperative «Okinskoye», LLC «Sayansky Broiler», OJSC «Irkutsk Refinery», producing 36% grains, 31% potatoes, 30% vegetables, 40% milk, 46% meat and 99,7% eggs of the whole production of farm organizations. On pork

**TODAY AGRICULTURE OF THE
REGION IS A PRIORITY DIRECTION
OF INVESTMENT POLICY OF
REGIONAL AUTHORITIES**

production Agricultural Production Cooperative «Usolsky Pig Complex» may be marked out (90% of the volume of farm organizations).

Nevertheless there are things to develop in agricultural branch. Thus, own customer demand in Irkutsk Oblast is fully provided with eggs and potatoes, vegetables – for 98%, milk – 95%. Besides, Oblast provides Buryatia, Chita Oblast with eggs, exports it to Mongolia. However, Oblast has provision of meat only for 56,6%.

CHEMISTRY GAS TREND

Hydrocarbon resources – is it wealth or misfortune of Siberia? Every self-respecting oil and gas market analyst or expert at least once asked himself this question with a faint note of skepticism. The sceptis is easy to understand: launching of oilfields with world first-rate oil resources (for a striking example, Kovykta gas deposit with reserves 2 trillion cubic meters) was delayed on different causes. There was no investors, no consumers, something else...

However, after long “gas pause” a new tendency emerged: investors – first of all Russian – show their interest to this kind of energetic resource. Problems with raw stock appearing lately in Russia, also confirm that most right variant of the branch development is a deep processing. From here arise ideas growing up to large invest-projects of gas chemistry complexes building, among them – on the territory of

the richest with hydrocarbon region – Irkutsk Oblast.

By latest calculations of regional experts, the gas chemistry branch of Irkutsk Oblast may become a major alternative fuel consumer – to 2.4 billion cubic meters a year of dry reduced gas. Building such gas chemistry complex now is now actively being lobbied by regional government. The project has already been discussed by the Governor Dmitry Mezentsev on his meeting with RF Energy Secretary Sergey Shmatko. Let us remind that earlier in Irkutsk Oblast energetic objects were the main gas consumers. By different estimations, 1.8 billion cubic meters of gas a year should fall to their share after southern gas-extraction center of Angara Region. However, regional government offers a new trend – to consider gas chemistry enterprises as basic consumers. The governor himself tells about reasonability and necessity of such an approach of developing gas chemistry. “Because in conditions of fuel competition conversion generating supply oriented to using coal from local deposits to gas is economically unreasonable” – he confirms. General volume of trade production made on gas chemistry enterprises complex will make up more than 50 billion rubles a year that will increase contribution of oil and gas enterprises of Angara region to Russian GDP. A social part is also highly important – realization of the project for building a gas chemistry complex in Angara Region will allow creating to 3 thousand extra

For some regions it is only a dream, but for Irkutsk Oblast it has become a reality. More specifically we speak here of the investment-based development of the economy. Quite recently, in 2010, Irkutsk State Technical University, a region-level higher educational establishment, underwent a genuine change in its status to acquire a higher, more reputable standing: National Research University «IrSTU». This remarkable event was predated by years of arduous work involving the drawing-up of its own plans and prospects relating to the deployment of innovative activities, and the setting up of the scientific-technological park, «Technical park of IrSTU» (that includes 19 science-intensive businesses, 12 IT facilities, the Business Incubator, and the technology Transfer Center).





UNDERSTANDING OF DEEP PROCESSING OF RAW HYDROCARBONS BEING PRODUCED AS A FACTOR OF COMPETITIVITY, MAKES RUSSIAN INVESTORS TO PUT UP TO CONSTRUCTION OF NEW GAS CHEMICAL COMPLEXES.

workplaces.

The main “character” which may influence to the future of such ambitious projects is major subsoil users. For Irkutsk Oblast it is Gazprom, it owns oil and gas assets in the region and recently became the owner of Kovykta. The company also doesn’t expect emergence of new prior for them projects in Angara region.

The chairman of the company Alexey Miller at the annual meeting of stockholders said that building of gas chemistry production may be realized in Sayansk. “Irkutsk Oblast may become a serious subject of RF from the point of view of gas supply to other regions” – he said. That means that after estimation of

possible demand of gas in Irkutsk Oblast, “Gazprom” will decide what gas volume will be transferred from Kovykta.

Meanwhile, regional authorities propose convenient from the point of view of logistics and infrastructure sites for gas chemistry, gas energy, gas treatment complexes – Angarsk and Ust-Kut in additional to Sayansk.

However, transition from ideas and plans to project realization will be possible after project of gas supplying be finished. Just then, after building of inter-regional and main infrastructure in Irkutsk Oblast, it is allowed to calculate more precise volumes of inner and outer consuming, production and transportation of gas in industrial scale.

RECENT PROBLEMS WITH RAW MATERIAL EXPORT IN RUSSIA CONFIRM THAT THE BASIC OPTION OF THE BRANCH DEVELOPMENT IS DEEP TREATMENT

DEVELOPMENT OF TOURISM ON BAJKAL LAKE AND ADJACENT TERRITORIES

By the ministry of Region development calculations, to 2020 Siberia will be visited not less than million tourists a year. Now it is hard to say if the prognosis will be correct and which of the regions will be the leader of statistics for receiving visitors to 2020 year. However, Irkutsk Oblast a priori has every prospect of success. The proximity to Baikal which attract real connoisseurs of nature provides the region with this prospect.

The main thing now – is no to lose it, provide a possibility for tourism branch development which will make a profit for region, provide people with job, and the main point, will not damage ecology.

Local authorities and regional companies working in this branch also make their calculations of touristic prognosis. Thus, Olkhon region authorities shared their data – in 2010 Baikal territory was visited by more than 100 thousand people (for comparison: population size of the region itself is 9.9 thousand people). Angara region citizens and foreigners come to visit Olkhon island, Small sea and other territories in the region. “Today tourism becomes whole-year” – appreciates

administration representatives in Olkhon region in ecological branch.

Another monitoring data given by tour operator “Baikal adventures” in April this year are also optimistic. Demand for recreation on Baikal increased to 70% for 3 months. This tendency compensated fall in demand in the 1st quarter of 2012. Then, by data of tour operators association in Russia the demand fell for 20% regarding to the same period in 2009. Tours to Baikal were requested only in April and recreation on Baikal became popular in March. It has reflected at number of calls to tour operators. “In year 2011 we observe an entirely different picture. Demand for summer tours was observed already in February, and in March and April tour operator’s sale department worked in full power” – notes sales director of “Baikal adventures” Ekaterina Masalova.

According to the company data, for 3 months 2011, 45 605 people were interested in recreation at Baikal, 16 954 people asked for tours to Baikal, 10 695 asked for hotels at Baikal. Target demand for Baikal tours in March exceeded the level of season peak – June 2010. Mostly Baikal recreation is asked by citizens of Moscow, Irkutsk, Krasnoyarsk, St. Petersburg and Novosibirsk.

LITYANKA VILLAGE.
ANGARA HEADSTREAM.
PLACE WHERE
FAMILIARISING WITH THE
LAKE STARTS FOR MOST
PART OF TOURISTS
COMING TO THE
IRKUTSK COAST OF
BAIKAL





Company experts consider that a real interest for Baikal holidays allows predicting increase of rate of organized tourism in 2011 year.

One of the major projects in Baikal region counted for increasing of tourism rate is creating of a special economic zone "Baikal Gates". The zone will be located mainly on the territory of Slyudyanka region. Private investments to the project will total 6.2 billion rubles. The basic "philosophy" of the project is to develop comprehensive tourism.

It is mentioned by members of Oblast government that for today there is about 11 companies that may be named as potential residents of a Special Economic Zone. They have already held negotiations with authorities and concluded preliminary agreements upon collaboration. However, curators try not to disclose more detailed information about residents. It is supposed

that details will be disclosed on Baikal Economic Forum where SEZ will be presented.

Meanwhile a "Grand Baikal" (manages ski resort "Gora Sobolinaya") is named by all regional experts as a real pretender for participating in the project. The company which attend at market for a long time plans to create a whole-tear touristic center, including expansion of ski infrastructure on the territory of SEZ, new hotel complex etc.

It is mentioned in the company that during the period of 2006-2010 they have invested 11.6 million rubles to ski resort. In this period three skiing track were widened, a new funicular railway was built, new zones of artificial snowing on main track were created and additional elevator for children was installed. Of course, there is associated social infrastructure – cafes and play stations for children.

Irkutsk Oblast, Siberia.

ON ACCOUNTS OF MINISTRY OF REGIONAL DEVELOPMENT BY YEAR 2020 SIBERIA WILL BE VISITED BY NOT LESS THAN MILLION TOURISTS.