

Recycling and Waste Management in Russia

April 2020

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Russian Market Overview

- 2019 GDP: USD 1.661 trillion
- Economic growth 2019: 1.2%
- Doing Business Global rating: 28th in 2020
- Population: 146.5 mn people
- 17 mn sq km (15% of the world land)



- Oil prices fell sharply in January 2020 and remained very low during the 1st quarter of the year.
- The coronavirus outbreak has dampened global activity of almost every country and every sector of the economy. The OPEC+ deal to cut global oil production by 10% will not compensate the drop in global demand during lockdown. Lockdowns are expected to continue during April and May.
- Russia has accumulated a considerable amount of international reserves during the last decade, which will help to overcome the crisis. Currency depreciation helps to support Russian exporters and gives them additional advantages in the form of competitive prices on the global market.

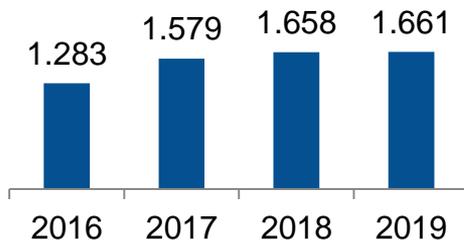
Sources: World Bank; Federal State Statistic Service

Key Economic Indicators

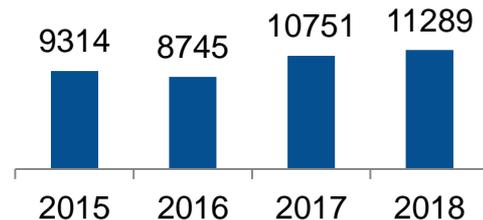
Ease of Doing Business 2020 in Russian Federation

Category	2019	2020
Starting a Business	32	40
Trading Across Borders	99	99
Paying Taxes	53	58
Enforcing Contracts	18	21
Getting Credit	22	25
Registering Property	12	12
Construction Permits	48	26
Doing Business Rank	31	28

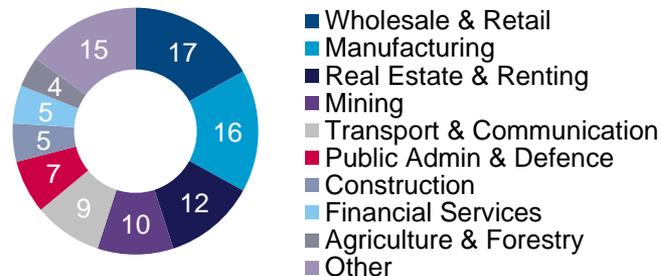
GDP (current USD), in trillions



GDP per capita, (current USD)

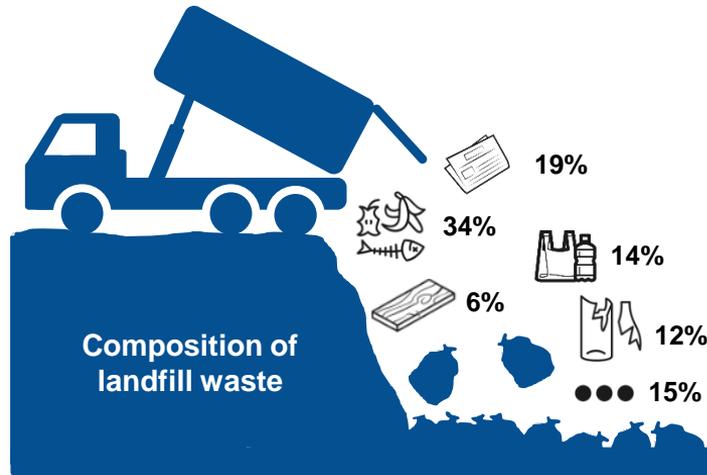


Russian Economy by Industry, in %



Sources: World Bank; Russian Investment Agency

Ecological Sector Overview



- Composition of waste at Russian landfills: 34% food, 19% paper, 14% polymers, 12% glass, 6% wood, 6% street waste, 4% metal, 3% textile.

- More than 90% of waste in Russia is brought to landfills. In total, about 70mn tons of waste are brought to landfills every year.
- In Russia there are a total of about 1000 municipal solid waste landfills, 5500 authorized landfills and 17000 unauthorized landfills.
- Waste disposal sites cover 4 mn hectares and grow by 10% annually.
- Until recently, Russia did not have a concept for waste management, recycling, or the incineration of waste.
- Most landfills are outdated and pose challenges to the environment and the surrounding population. Therefore, the Russian government has established the Russian Ecological Operator (REO) in Jan 2019 to organize and develop an ecological industry within Russia.

Ecological Sector Overview

Waste by Region mn m³/year

Moscow Oblast	27.5
Moscow City	24.1
Krasnodar Region	17.4
Rep. of Bashkortostan	12.7
Sverdlovsk Region	11.1
St. Petersburg	11.1
Rostov Region	10.5
Rep. of Tatarstan	9.6
Nizhny Novgorod Reg.	8.9
Samara Oblast	7.6

Major Challenges

- lack of new waste treatment and disposal facilities
- lack of high-tech solutions at existing facilities
- lack of harmony in regulatory legal acts
- secondary raw materials are not involved in economic circulation
- lack of safe disposal of waste and landfill reclamation
- no unified approach to the disposal of Hazard Class 1-2 waste
- tariffs do not take into account the interests of market participants
- the tariff policy of the subjects of the Russian Federation does not allow the creation of high-tech infrastructure

Successful Foreign Market Players

REMONDIS®

WORKING FOR THE FUTURE



- According to a 2019 survey by the Association of European Businesses and GfK (Gesellschaft für Konsumforschung), 66% of the asked businesses increased company turnover in 2018. Although 45% of businesses see growth potential in the short run, 80% see significant growth potential in the long term. Besides agriculture, the ecological industry is considered one of the most vibrant sectors for foreign businesses.
- Remondis entered the Russian market in the city of Saransk with waste collection, sorting, and distribution of recycled goods. In 2018, Remondis became the regional operator for the Russian Republic of Mordovia. The firm announced investment plans of 14mn EUR for a new facility to process 80% of the region's garbage. Remondis has become a successful showcase project and is advising the Russian government on the development on the transition towards a circular economy.

Successful Foreign Market Players

Hitachi Zosen INOVA



- A consortium consisting of the Swiss clean-tech firm Hitachi Zosen Inova and the Russian technology company ZiO-Podolsk was awarded the contract to build four energy-from-waste plants in the Moscow Region.
- The plants will make a substantial contribution toward reducing the number of landfill sites by treating the residual waste of around 5 million inhabitants, while at the same time delivering electricity for around 1.5 million people.

Successful Foreign Market Players

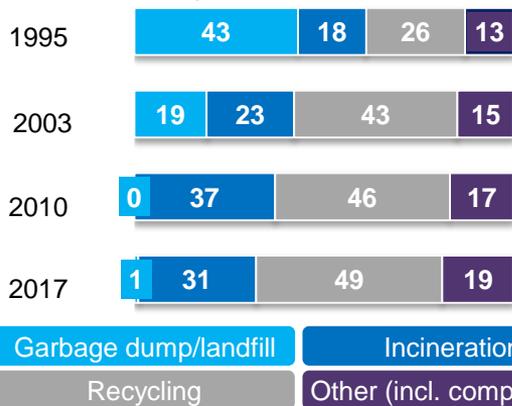
Husmann[®]
Umwelt-Technik



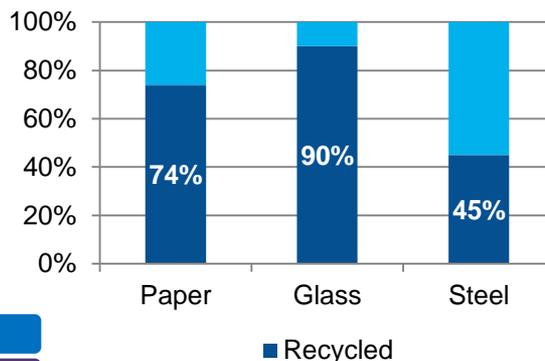
- Since 2017, Husmann has produced garbage sorting systems in Russia to adjust better to the fast changing environment and needs of clients.
- By now, Russia has become Husmann's second biggest market besides Germany. Overall the company has been active in Russia for 15 years and realized over 230 projects.
- It has provided conveyer belt and compactor systems with a capacity of 250,000 tons per year in the Ivanovo region. Since 2017 the system has reduced the local landfill by 530,000 m³

Benchmarking and best practices in Germany

Waste Management in Germany



Use of recycling materials in production



In 2012, the Waste Management Act (Kreislaufwirtschaftsgesetz) implemented the EU Waste Framework Directive in German law and comprehensively modernized the existing German waste law. The aim of the law is to sustainably improve environmental protection as well as resource efficiency in waste management. German know-how and experience in this field attract the interest of other nations that reach out for collaboration and the use of German products and processes.

Garbage fees in Germany in EUR

Annual fees for an average German household consisting of two adults and two kids



*under the assumption that the household requires 80l weekly.

Russian Ecological Operator

Initial Governmental Budget*

	Clean Country	124,2
	Complex System of Solid Waste	296,2
	Manage Waste of Hazard Class I and II	36,4
	Clean Air	500,1
	Clean Water	245,0
	Ecological Improvement of the Volga	205,4
	Conservation of Lake Baikal	33,9
	Conservation of Unique Water Objects	15,2
	Biological Diversity and Dev. of Ecol. Tourism	6,3
	Conservation of Forests	151,0
	Introduction of the Best Technologies	2427,3

* in Billion Ruble

The Russian Ecological Operator has been equipped with considerable budget to resolve ecological challenges in Russia and create more comfortable living conditions for Russians.

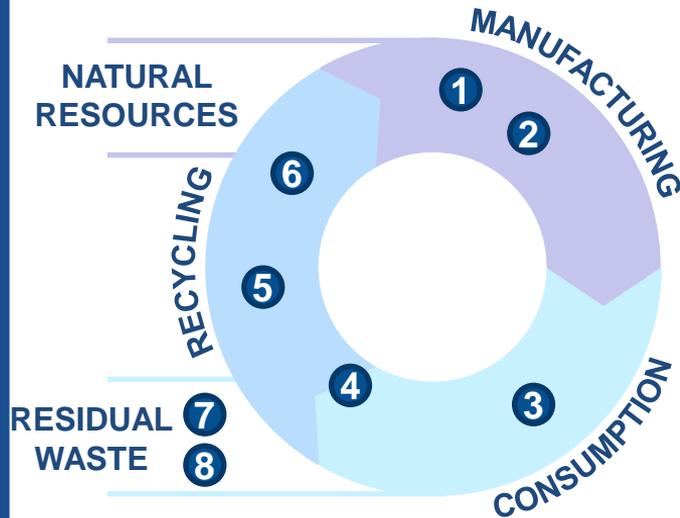
By 2024, the project aims to reduce CO²-Emissions by 20% in industrial hubs, modernize the water supply system, and develop a recycling industry. The project has been divided into 11 national projects.

Creation of a new waste management

By 2024, 200 landfills in the countryside and 75 landfills within cities are to be removed and renatured. Moreover the program foresees 200 new and modern facilities for incineration and waste sorting and 7 new treatment facilities of hazardous waste across the country.



Trending Value Chains



- 1 **Filtration:** water filters exhaust filters (plants & vehicles)
- 2 **Packaging:** sustainable packaging packaging machines
- 3 **Education:** trash separation campaigns labor trainings
- 4 **Waste Transport:** containers dump trucks sweepers loaders
- 5 **Sorting:** shredders large dryers sorting technologies
- 6 **Reclamation:** incineration composting redistribution
- 7 **Landfills:** landfill start-up renaturation drainages sealing
- 8 **Special Waste:** storage transport containers

For Russia's transition towards a circular economy, we spotted 8 branches of the ecological industry that are crucial for the success of the transition but are still heavily underdeveloped. These branches are particularly interesting for foreign businesses seeking a strong position in a growing market.

Potential for Technological Leaders

SPIC 2 as a boost for operations in Russia

Requirements

Introduce and/or develop modern technologies for production purposes in Russia. Target is to produce goods that are competitive on the world market. A definition on what technologies are considered modern and competitive is updated by the Russian government quarterly.

Other: Investing in accordance with the schedule and achievement of results such as products, taxes, and working places.

Available key benefits

Property tax incentives (profit tax rate 0%)

Property and land tax concessions

Accelerated depreciation of assets

No increase in overall tax burden

Industry specific support measures

“Made in Russia” status

“Sole supplier” appointment

Support with infrastructure

Step 1
• Analysis of local legislation

Step 2
• Check inclusion in the List of Modern Technologies

Step 3
• Approval with the municipality of the production location

Step 4
• Submission of the tender application

Step 5
• Tender

Step 6
• SPIC conclusion

Special Investment Contracts (“SPIC”) are an investment instrument aimed at attracting investments to the Russian Federation in exchange for the state support of the investment project. The concept is especially tailored for foreign technology leaders who can receive advantages compared to standard businesses.

Potential for Technological Leaders

- The business environment is completely different than the Central European or American market. Nevertheless, Russia offers many strategic advantages that can result in faster and more cost efficient business processes. A balanced and structured expansion plan allows fully utilizing the market benefits and overcoming obstacles.
- Russia has 18 SEZs. All SEZs have a special legal status from the state, which provides for a range of tax and customs preferences. SEZ residents have access to up to date engineering, logistics, and business infrastructure. The project implemented in the SEZ enables investors to save 30-40% of the initial investment compared to the average cost of starting a project in Russia.
- Russia is very attractive for investors in production capacities due to low costs for electricity, water, fuel, and internet. Labor cost much less than in EU.
- Recycling and waste management is a main ecological concern of the Russian government and population. Russian citizens prioritize waste challenges over climate change concerns.
- Positive changes towards digital administrative authorities has resulted in less bureaucracy.
- The Russian Ecological Operator has a budget of RUB 4.041 tn (around 56 billion EUR) to resolve ecological challenges in Russia.

Prospects for Foreign Investments

- According to a survey conducted by EY for FIAC* with the support of the Ministry of Economic Development, Russia has remained an important, growing market for international investor companies for many years.
- 91% of international investors regard Russia as a strategic market.
- 85% of survey participants expect their business in Russia to grow in the next three years.
- 61% of companies say the business climate has improved and give a positive assessment of the government's efforts to develop it.
- The majority of participants state that business on the Russian market is on a level with the highest global standards.
- 33% of survey participants say that productivity levels achieved at enterprises in Russia match or exceed levels in other countries.
- 55% of respondents export Russian products to other countries.
- 55% of foreign investor companies contract with small and medium-sized businesses for supplies of products, components or raw materials.

Sources: * The Foreign Investment Advisory Council (FIAC) www.fiac.ru

This survey, which was conducted in July-August 2019, involved questioning 95 foreign companies, 53 of which are FIAC members and observers.

The survey participants have been operating in Russia for an average of 28 years.

Industrial Areas



Our History



2003
Moscow
Russia



2006
Kiev
Ukraine



2009
Minsk
Belarus



2015
OWC-Publishing House Berlin
Germany



2018
Tashkent
Uzbekistan



2019
Atyrau
Kazakhstan

2004
St. Petersburg
Russia



2007
Almaty
Kazakhstan



2012
Warsaw
Poland



2016
Nur-Sultan
Kazakhstan



2018
Yerevan
Armenia



2020
Vienna
Austria



Our Solutions



Market Entry



market research



office-in-office solution



import, customs,
certification



business workshops
and training



expert recruiting und
outstaffing



communication concept

Business Setup



market research



accounting outsourcing



IT/ERP systems



import, customs,
certification



tax



office-in-office solutions



interim management



legal and compliance
services



business workshops
and training



expert recruiting and
outstaffing



due diligence and
internal audit



communication concept

Localization



localization



financial management



IT/ERP systems



import, customs,
certification



tax



legal and compliance
services



expert recruiting and
outstaffing



due diligence and
internal audit



communication concept



armenia

belarus

germany

kazakhstan

poland

russia

uzbekistan

ukraine

market entry | accounting | ERP | import | legal | tax

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