

Press release

A glimpse of hope for Siberian forests as ZJR Company removes Amazar Pulp Mill from Shenzhen Stock Exchange

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A year after the appeal of environmentalists, the placement of ZJR Company shares on the Shenzhen Exchange to raise funds for the construction of the Amazar Pulp and Saw Mill was finally canceled. If it cannot raise sufficient funds, the project proponents might not be able to complete the pulp mill project, which is expected to have large impacts. Some of these are already taking place: the Amazar River is choked by a dam built by the same company to provide water supply for the mill.

The Environmental Paper Network (EPN) welcomes the decision of the Shenzhen Stock Exchange and ZJR Company to terminate all procedures for the private placement of shares "with the aim of protecting the interests of shareholders and investors." This private placement was launched in 2015 to finance the purchase and to complete the construction of the half-built Amazar Pulp and Saw Mill (APSM).

The project proponents are claiming it as a part of the "Belt and Road Initiative" - a massive transboundary economic integration effort launched by China. The "Guidance on Promoting Green Belt and Road" issued by China in 2017 clearly requires to ensure that overseas projects of extractive industries do not exceed the carrying capacity and resilience of local ecosystems. And this is directly applicable to the Amazar Mill, which would consume more than 2 million cubic meters of wood annually - far beyond acceptable levels of sustainable logging in the area.

In May 2017, EPN and 8 Russian and international NGOs sent a [petition](#) to the Shenzhen Stock Exchange urging it to investigate potential non-compliance of the ZJR Company placement proposal with the stock-exchange rules. *"We are happy to see that 10 months into the investigation the right decisions are being taken and the Amazar project placement has been terminated. This shows that the Stock Exchange applied a strict due diligence procedure and took the potential impacts of Chinese overseas investments on fragile boreal forest ecosystems into account"*, said Mandy Haggith, coordinator of EPN International. In March 2018 the [ZJR Company Board of Directors decided](#) to apply to the China Securities Regulatory Commission for the withdrawal of the non-public offering of shares, and to terminate the relevant agreements with the equity transferors, specific investors, and intermediary agencies.

"The unfinished Amazar Pulp and Saw Mill is already causing significant environmental damage", said the international coordinator of the Rivers without Boundaries Coalition, Eugene Simonov, who has been monitoring the APSM project since 2013. *"For example, this is the first case in Russia of a foreign firm building a dam on a large river, to guarantee water supply all year round. This completely disrupted ecological processes in the basin, which has an area of more than 10,000 km². In the near future, this will deprive the population of the Mogochinsky district of the opportunity to fish. The dam on the Amazar River, which was closed at the end of 2017, was built without an Environmental Impact Assessment and without the consent of local people"* Eugene Simonov adds. *"It blocked the migration routes of most of the 26 species of local fish and endangered the key population of the Siberian taimen (Hucho taimen) - a species included both into the IUCN and regional red lists. The so-called "fish-ladder" was built to reduce payments for damage to aquatic biological resources, but its effectiveness is not confirmed by independent scientific monitoring and requires independent verification."*

However, the project proponents are still trying to raise money for the APSM elsewhere, without changing its ill design.

In February 2018, EPN sent a letter to the Russia-China Investment Fund (RCIF), which signed a MOU with the Heilongjiang Province on the joint intention to promote the "*China-Mongolia-Russia Economic Corridor*" of the "*Belt and Road Initiative*". The RCIF has been asked to consider funding the Amazar Pulp and Saw Mill. EPN wants to make sure that the RCIF has sufficient capacity to assess environmental and social aspects of potential projects and to choose only those that promote green sustainable development as stipulated in the "Guidance for promoting Green Belt and Road" and other recent documents from the Chinese Government on overseas investment.

EPN calls on the government of the Zabaikalsky Province of Russia, the China Development Bank (the principal lender) and the Heilongjiang-Xingbang Company (the project owner) not to take hasty actions in search of other sources of financing for the Amazar Pulp and Saw Mill and the Pokrovka-Logouhe border crossing, and to first proceed with a comprehensive assessment of the risks and long-term viability of the project and consider alternative options for economic development Zabaikalsky Province.

EPN Recommendations to potential financiers

As for the possibility of investment into the Amazar PSM, EPN recommends the RCIF and any other potential financiers, that they should stay away from the project until and unless:

- the APSM Plan for Wood Supply and Forest Exploitation is redeveloped in a way that cannot lead to devastation of boreal forest ecosystems. This likely means further reduction in annual figures of pulp and timber production and/or sourcing significant wood from other provinces by rail;
- the companies ensure that APSM forest leases do not include intact old growth forests, lands important for indigenous communities or areas where nature reserves have been planned;
- a new business plan is adopted with alternative transportation routes for the needs of the APSM (to prevent destructive development of the Pokrovka-Lougouhe border crossing);
- the illegally built dam is removed from the Amazar River and more sustainable water supply options (like the repair of the old dam on Chichatka River) are pursued;
- APSM develops a long-term training system and investment into local social services to enable it to meet its commitments to ensure at least half of its employees are local;
- a new plan for the APSM is subjected to a new EIA and public consultations in its entirety (as the previous EIA excluded the dam, forest leases and transportation scheme).
- Sufficient auditing and objective verification system is in place, because the project management already has long record of cheating, falsifying and concealing information, avoiding public disclosure, etc.

All potential financiers should be aware that the forest resources in the APSM vicinity are not sufficient for the sustainable operation of this enterprise. Additional information on the financial risks for potential financiers is available on the BankTrack [website](#).

Mandy Haggith, Environmental Paper Network
Eugene Simonov, Rivers without Boundaries International Coalition, Russia
Andrey Laletin, Friends of Siberian Forests, Russia
Alexey Yaroshenko, Greenpeace Russia
Monika Nolle, ARA, Germany
Sergey Gerasimovich Shapkhaev, Buryat Regional Union on Lake Baikal (BRUB), Russia
Rey Edward, Friends of the Earth

For further comments, please contact coalition@riverswithoutboundaries.org