

# Polluting Baikal Paper Mill Finally Shuts Down

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IRKUTSK — Having polluted the world's largest fresh water reservoir for almost half a century, the huge tattered buildings of the Baikalsk Pulp and Paper Mill now stand silent and abandoned.

But the potential threat to the region's unique natural environment remains, hidden in the surrounding pine woods.

The shutdown of the reputedly toxic production site, which has been smoking on the southern bank of Lake Baikal since 1966, began in September and was finished last week as journalists were invited to witness the empty halls of this enormous, 750-hectare complex.

Hundreds of workers have lost their jobs. A whole town of nearly 14,000 inhabitants, Baikalsk, on the lake's southern tip, has lost its *raison d'être*.

The government has long conceded that the mill emits pollution. But fear of the social fallout kept it alive for decades, in the teeth of environmental outrage and evidence of plummeting water purity.

Even now, it was not pressure from environmentalists that broke the political will to keep the machinery running. The official grounds for closing Baikalsk Pulp and Paper Mill, or BPPM, were not ecological but financial.

Though Prime Minister Dmitry Medvedev trumpeted a resolution to close the facility during his visit to the Irkutsk region in June, "the decision to stop production at BPPM was made by its creditors," said Vladimir Pashkov, first deputy head of the Irkutsk region government. They launched the bankruptcy procedure.

By 2010 the mill had accumulated debt totaling 1.7 billion rubles (\$52 million), about equal to the value of all its assets at the time. An insolvency administrator was appointed to manage the business.

In 2012, state-owned Vneshekonombank, or VEB, became BPPM's main creditor, buying its debt from Alfa Bank. A 3.6 billion ruble loan was issued to refinance the debt, fund the running costs and pay out salaries to the plant's 800 remaining workers.

The decision was transparently political — in the short term VEB faced certain losses. It will take years and a transformation of the area for the bank to break even.

## **The Monster**

In its heyday, the mill employed more than 2,000 people. A comprehensive program to bring new industry to Baikalsk was long promised to the community. Used as a delaying device against closure by the authorities, the program has failed to materialize in time. There are, so far, no investors ready to set up business on the former production site anytime soon. But it could be used as the setting for an apocalyptic film.

Dimly lit buildings devoid of people, house rows of silent, rust-stained machinery; the only sound is of your own footsteps and water, dripping on dirty concrete floor from a high, dark ceiling. There is an occasional hissing of ventilation.

An acrid aroma still hangs in the air, hinting at the nauseating stench that must have penetrated everywhere when the complex, capable of producing 100,000 tons of bleached pulp per year, was in full motion.

The mill today resembles a sleeping or dying monster. Ecologists can begin to celebrate. Former workers, whose union for a long time fought the closure of the Baikalsk's main employer, will have to find new jobs elsewhere.

But the victory over pollution is far from complete.

Thirteen reservoirs are spread among the pine trees around the mill and the town. Each the size of two football fields, they are filled with sludge amounting to about 6.2 million tons of toxic waste.

"Over the years, they have been dumping who knows what along with the sludge. I would not be surprised if we found a mammoth if we dug deep enough," said Dmitry Sheibe, head of VEB-Engineering, a subsidiary of VEB that will now, with government support, work out a feasibility study to re-cultivate the area.

Estimates on the cost of the cleanup vary from 8 billion rubles to 42 billion rubles (\$248 million to \$1.3 billion), depending on the technology used.

"We hope that the money will come from the federal program aimed at cleaning the territory around Baikal," Sheibe said.

That program has a budget of 58 billion rubles, but of this sum only 2.9 billion has so far been allocated to the area in and around the mill. And no money has been distributed.

In his June visit, Medvedev said the cost of shutting down BPPM and cleaning the area will be 40 billion rubles, and that 26 billion rubles would have to come from the federal budget. He also said the plan of development for Baikalsk should be ready by summer's end.

## **The Life Story**

Construction of the Baikalsk Pulp and Paper Mill was started at the end of the 1950s by the military and aerospace industry, which were in a desperate need of high-quality bleached pulp for the production of tires for aircraft.

A production site was chosen near Baikal for a reason: Vast quantities of water are essential in the pulp production cycle. Taken from Lake Baikal, the water was so pure that it required minimal treatment to make a product of the highest standard.

Used water was dumped back into the lake after going through what, at the time, were state-of-the-art treatment facilities.

"The outgoing water was actually cleaner than what went in from the lake," said Alexander Ivanov, an insolvency administrator for BPPM.

But pollution of Lake Baikal, the lion's share of which came from the mill, was acknowledged by ecologists from at least 1998, when UNESCO observers warned the Russian government that the lake may be included in the List of World Heritage in Danger.

In 2008, the mill went into a closed production cycle, greatly reducing the amount of emissions dumped into the lake.

But in 2011, a state report on the ecology of Irkutsk region said the waters of Lake Baikal in the vicinity of the mill had dangerously high levels of sulphates and chlorides.

A 2012 report by the Natural Resources and Environment Ministry said the quality of water in Lake Baikal had declined over the previous year. It blamed, among other causes, the mill.

Baikal has its own, very efficient, cleaning facilities: the numerous microorganisms that live in the lake and filter the water. But toxic sludge, left over in the course of the production process, is nonetheless capable of wreaking havoc. It has to be cleaned out before any new

investors will come to the area.

The precise value of BPPM's assets is unknown, as are the possible investors who could start a new, clean, business on its grounds. Vladimir Pashkov, of the Irkutsk region government, said Chinese and South Korean businessmen were eyeing the territory as possible production sites. The Chinese could manufacture lighting equipment, he said. The Koreans have no concrete plans. Ecological issues are a major barrier to interest.

Dmitry Medvedev said previously that a tourism-recreational free economic zone would be created around Baikalsk to attract investment.

All of BPPM's former employees will be offered jobs in this tourist mecca, the Prime Minister said. But the mill is now closed, and the zone has not been established. Eight hundred workers will likely have to leave to find employment.

About 100 new jobs will be created in Baikalsk for the former mill workers in water bottling, tourist and food industries. Other employees can transfer to other places, including Moscow and the Moscow Region, or work in shifts at other production sites in other cities, Vladimir Pashkov said, though there is no program in place to help them do so. The Irkutsk region is ranked 20th among Russia's 83 regions by GDP, and may be able to absorb some of these who leave.

Workers made redundant will receive five salaries upfront, which is standard practice according to the Labor Code, Alexander Ivanov said.

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