



GREEN BUSINESS

Can eco-friendliness be economically beneficial? A talk with **Lev Gorilovsky**, President of the POLYPLASTIC Group.

Nowadays, environmentalism is a key opportunity for successful business. What does this mean for POLYPLASTIC and how are you implementing this in practice?

As Russia's largest producer of polymer pipes and engineering systems, it is crucial for us to think about the environment and what exactly we will be leaving behind for future generations. We are implementing our strategy in several different ways.



LEV GORILOVSKY

President of the POLYPLASTIC Group

Firstly, there is the use of treatment facilities during production thanks to which we do almost no harm to the environment. Secondly, our product is itself environmentally friendly. A polymer pipe in the ground has a much longer service life than that of a metal pipe. Modern polyethylene grades, which we use to manufacture our products, ensure that our pipes have a useful life of up to 100 years. Service life considerations are among the key features of an environmentally friendly approach. The operational lifespan of one polymer pipe is equivalent to that of 10 metal pipes. In addition, the production of metal pipes entails both higher consumption of resources and a higher level of CO₂ emissions. Furthermore, over time, various sediments and rust form on metal pipes, which greatly reduces water quality for the end user.



Various sediments and rust form on metal pipes.

MODERN POLYETHYLENE GRADES ENSURE A SERVICE LIFE OF UP TO 100 YEARS.

The POLYPLASTIC Group is actively adopting recycling technologies. For certain non-pressure pipeline solutions, where the addition of recycled polymer materials is permitted, we search for and buy such materials (usually canisters, bottles) and process them into finished products. Reusing hundreds of tonnes of plastic allows us to minimise waste.

Throughout our company we operate an integrated management system. We successfully continue to manufacture products of a very high standard, however, as with any kind of production, there are a number of rejects. We completely recycle these rejects and use them for non-pressure pipeline solutions.

Do you encounter any difficulties when implementing these measures?

We can process up to 500 tonnes of recycled materials each month. That is a huge amount! Unfortunately, at the moment there is not enough supply in the market. In the past, many landfill operators did not want to collect and sell recyclables. The government has become aware of this problem, and now some new more transparent mechanisms have started to develop throughout the waste processing market. We know that SIBUR is taking steps to restructure this market through its partner projects. With this in mind, we aim to increase the amount of recycling.

Can eco-friendly solutions be beneficial? How difficult is it to balance ecological and economic considerations?

Yes, they can. Recycling plastic is not only environmentally the right thing to do, but it is actually beneficial from an economic standpoint as recycled plastic is cheaper. Of course, if the government subsidised polymer recycling, the advantages would be even greater. However, at the moment, this process is not moving forward as quickly as one might hope.



Recycled plastic is cheaper, making recycling also economically beneficial.

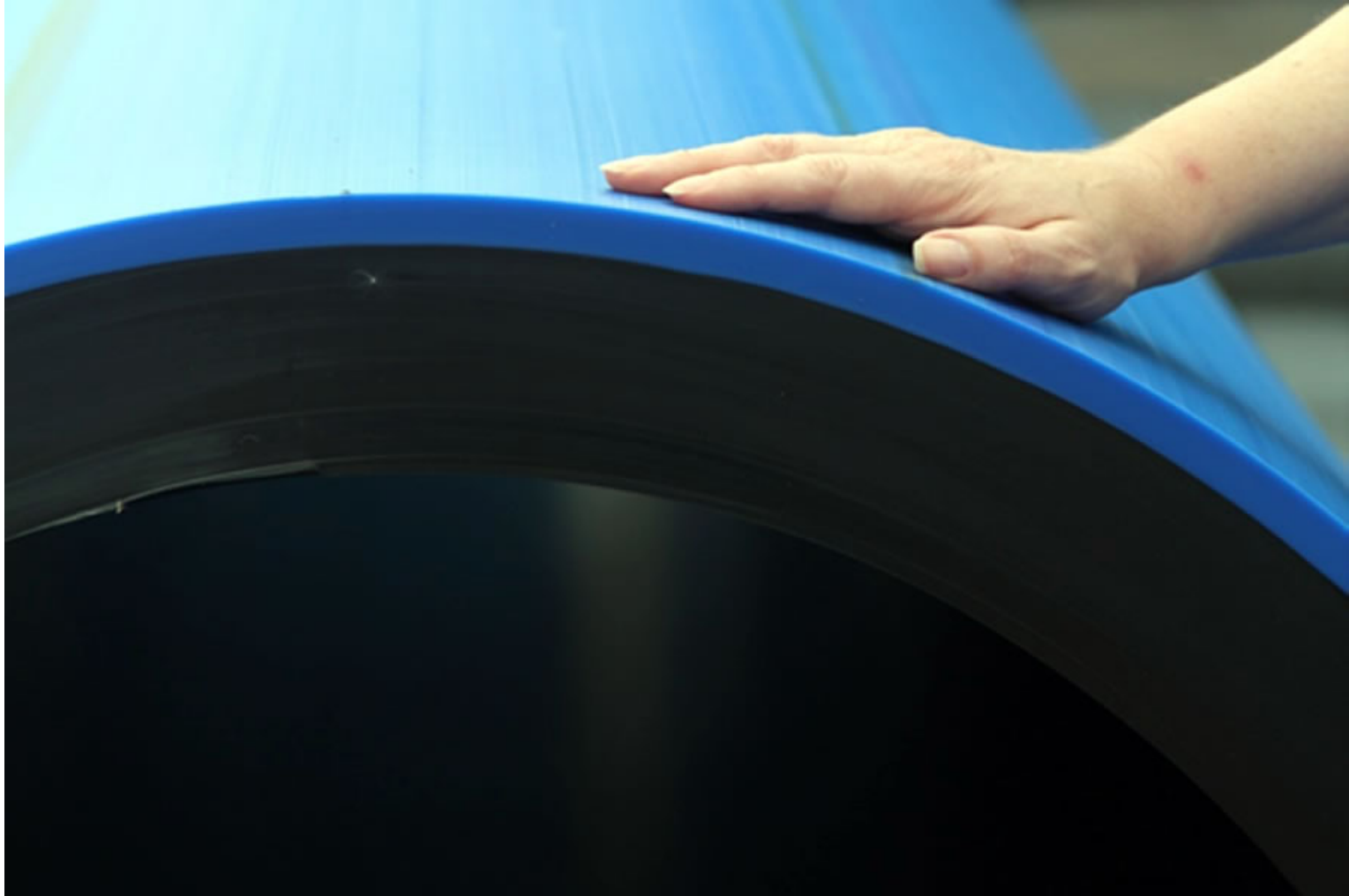
THE OPERATIONAL LIFESPAN OF ONE POLYMER PIPE IS EQUIVALENT TO THAT OF 10 METAL PIPES.

Last year the Company announced it was working on the development of a fully biodegradable material. How is this project going?

The Group's composite team already has ready-made solutions. Those are mostly used in the production of packaging. We also offer pipe plugs that can be buried and they will completely decompose. Further developments in this area are dependant on our partners. We are ready to work with those who are interested in creating biodegradable products.

POLYPLASTIC is taking part in the nation-wide Clean Water and Volga River Clean Up campaigns as part of the Environment national project. Tell us a little more about how this is going.

Our company faces many tasks when it comes to helping the environment. The most pressing issue at the moment is improving the quality of drinking water. Given the service life of pipes made of traditional materials, it is difficult to maintain water quality throughout the water supply. The introduction of polymer pipes can eliminate water pollution.



Polymer pipes can help maintain water quality throughout the water supply.

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POLYPLASTIC is taking part in government programmes aimed at upgrading the utilities sector's networks. Do you consider the infrastructure of the utilities sector to be a business or a social responsibility?

For our business it is an attractive market. Over the last year, utilities companies incurred a total loss of about RUB 13 bn, mainly due to tariff growth restrictions. They have no means to finance modernisation. Without special government programmes it is almost impossible to start a process of infrastructure upgrade and service quality improvement. That is why the government launched the Environment national project, which includes the Clean Water and Volga River Clean Up campaigns. But the funds for the upgrade of the utilities network through these projects are insufficient. We are using analysis and research to try to prove this, so that regulators have all the necessary information to take steps to modify these projects or create new ones.

Unfortunately, the majority of the country's water suppliers do not meet regulations simply due to a lack of funds needed for upgrade.



The objective of the Clean Water project is to provide 91% of the Russian population with quality drinking water from centralised water supply systems. In cities, the aim is for this figure to reach 99%.

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There are two possible routes, and the government needs to decide on which one to take. The first is a socially orientated approach, whereby tariff growth is limited and the problem is solved through subventions and targeted subsidies. The second is to let tariffs self-regulate, as is the case in many other countries. However, this would be a huge burden on the population.

Therefore, comprehensive tools to support and subsidise the most worn-out infrastructure are needed. It is necessary to join forces with private business and launch a programme of urban renewal through the provision of concessions or other forms of public-private partnership, offering subsidies for the missing part that is not currently included in the tariff. This is our main task – to coordinate the approach at the national government level, so as to launch a new cycle of investment into infrastructure and comprehensive renovation in order to improve the environmental situation throughout the country.

There is now a need to have an operator that will look at projects from an efficiency and environmental perspective, which involves taking into account water purity and reliability criteria. The latter is currently overlooked when it comes to infrastructure. Together with Business Russia and other organisations, we are helping the government develop a procedure for determining a technical condition index that takes into account the deterioration of utilities infrastructure. This will allow us to sort objects by their level of deterioration.



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WITHOUT SPECIAL GOVERNMENT PROGRAMMES IT IS ALMOST IMPOSSIBLE TO START A PROCESS OF INFRASTRUCTURE UPGRADE AND SERVICE QUALITY IMPROVEMENT.

Environmentally speaking, this is vital. Sewage accidents occur in cities every year. The reason for this is outdated infrastructure, which has already surpassed its working life two or three times over, but it is not being upgraded due to lack of funding. Some cities are already on the verge of a real environmental disaster. In order to prevent this, you have to think one step ahead. It is impossible to replace a part of the system all at once, this would require stopping the city and digging the whole place up. You need to gradually move step by step towards updating the system. Therefore, it is vital to introduce the technical condition index in order to determine the state and criteria of deterioration. We are supported by colleagues at operational companies. They confirm that there are currently insufficient funds for major renovations and that a comprehensive approach is needed to address this problem.

Are the company's employees taking the initiative in terms of ecology and social responsibility?

Yes, most definitely. As a company we are trying to move in the right direction applying the theory of "every little helps", initiating small gestures such as using reusable tableware and separating our waste. But this will never have the same dramatic effect that recycling does. Much more benefit would come from effective work with the government, from changing approaches to assessing the technical condition and service life of manufactured products and from the emergence of a clear market for recycled polymers. These three approaches will have a significant multiplier effect, especially if they are implemented simultaneously.