

# CIREC

## MONTHLY NEWS

Chemical Industry News for Central Europe, South East Europe and Eurasia

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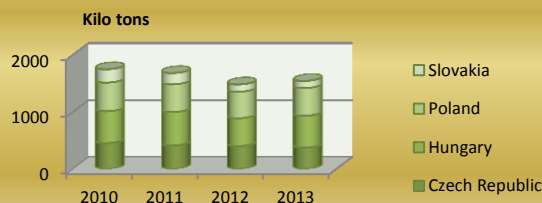
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## CENTRAL & SOUTH EAST EUROPE

### Central European Ethylene Production



### Central European ethylene production 2013

Ethylene production in the Central European region totalled 1.545 million tons in 2013, against 1.484 million tons in 2012. An improvement in production was seen last year in part due to lower maintenance downtime, and in part due to better margins. However, ethylene production is still considerably down from the regional record of 1.846 million tons in 2007. The reasons for lower utilisation are to some extent market-influenced and to some extent due to technical factors such as for example at Slovnaft. A major investment is underway at Bratislava regarding the cracker and the LDPE which

will help Slovnaft revive production.

### Czech Monomer Trade (Kc 000)

Product	2010	Exports			
		2011	2012	2013	
Ethylene	1,070,395	982,181	925,146	687,781	
Propylene	666,113	475,675	542,551	400,115	
Butadiene	1,157,628	1,259,630	632,105	240,037	
Product	2010	Imports			
		2011	2012	2013	
Ethylene	58,464	319,920	169,516	135,295	
Propylene	388,965	674,280	629,117	737,273	
Butadiene	10	804	503,871	432,339	

### Czech monomer trade

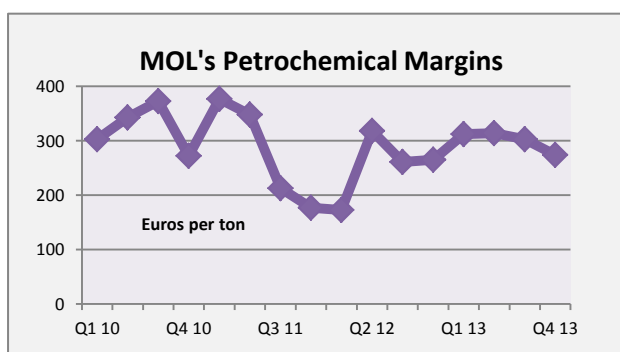
Czech monomer trade balances have changed direction in recent years indicating the need for higher utilisation rates or possible investment into capacity expansion. Ethylene exports are still significant, but as with propylene and butadiene have been in decline since 2010.

Both propylene and butadiene are net import monomers and the difference between exports and imports has been

moving in only one direction. The surplus for butadiene from the Butadien JV at Kralupy has tended to fall as Synthos has increased its consumption in the production of synthetic rubber.

### MOL 2013

MOL's overall EBITDA for 2013 was Ft 516 billion, 9% lower than 2012. The operating profit was hindered by Syrian and Croatian asset write-downs, the latter due to the loss making INA downstream operation and items associated with the conversion of the Mantova refinery. The decline in the upstream division's performance was mainly attributable to lower hydrocarbon prices and reduced production both by around 10%. Production was down by 10% due to the natural decline of matured fields impacted by Northern-Adriatic off-shore gas production and also the divestiture of the Russian ZMB field.



Petrochemical margins for the MOL Group, including TVK and Slovnaft, improved in 2013 over 2012, but still remain lower than levels achieved in 2010. The EBITDA from the petrochemical division amounted to Ft 13 billion, against a loss of Ft 12 billion in 2012. The integrated petrochemical margin increased by 22% over 2012 to €295/ton.

MOL's capacity utilisation rate increased in all plants in 2013, rising by 5.3% over 2012 to 83.4%. Ethylene production for the MOL Group totalled 504,000 tons in 2013 against 444,000 tons in 2012, whilst propylene rose from 229,000 tons to 256,000 tons. The main reason for the higher utilisation was less maintenance in 2012, although there was an accident at the LDPE-2 unit in the first half of 2013 at Tiszaújváros which affected LDPE supply. Polymer production for MOL increased by 4%, while sales were higher by 8%.

### TVK 2013

The Ft 10.7 billion operating profit recorded in 2013 for TVK represented a major improvement of Ft billion over 2012. The main factors supporting the increase were higher production and sales volumes, better margins and the better price ratio of olefin by-products and feedstock. Performance did tail off, however, in the fourth quarter when the operating profit was only Ft 411 million.

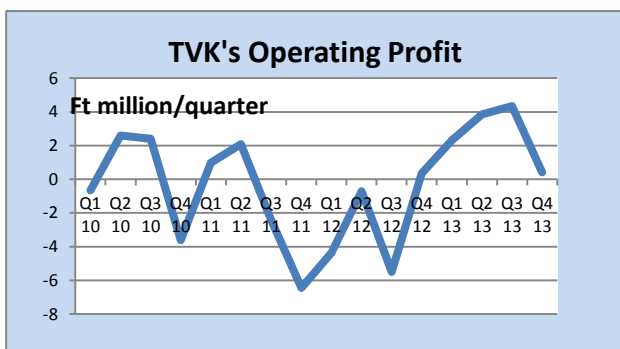
**TVK's Sales' Revenues (Ft million)**

Exports	Jan-Dec 2013	Jan-Dec 2012
Olefin	12,981	17,979
LDPE	7,799	10,662
HDPE	119,545	101,618
PP	56,415	49,184
Domestic	Jan-Dec 2013	Jan-Dec 2012
Olefin	134,628	120,307
LDPE	6,487	10,303
HDPE	12,112	12,575
PP	44,247	43,189
Total Sales	Jan-Dec 2013	Jan-Dec 2012
Olefin	147,609	138,286
LDPE	14,286	20,965
HDPE	131,657	114,193
PP	100,662	92,373
Total	394,214	365,817

TVK's consolidated net sales amounted to Ft 402,492 million in 2013, 8% higher over 2012 mainly due to the higher sales volumes. Other operating income was down by Ft 1,484 million (68%), mainly as a result of the income from CO2 quota sale. TVK achieved 48% of its sales revenues in 2013 from exports, the main destinations including Italy (15%), Poland (15%), Germany (14%), Ukraine (8%), Czech Republic (5%), Romania (4%), Austria (4%) and Slovakia (3%).

Petrochemical margins for TVK rose almost 20% in 2013 whilst the company also benefited from internal efficiency improvement programmes which were started in 2012. Raw material costs showed a 1% increase in 2013. The higher volume of used olefin feedstock increased costs, while the lower purchase prices provided some offset. At the same time the value of merchant propylene, which TVK purchases from Slovnaft and other sources, also dropped significantly. Energy costs increased due to the higher feedstock processed.

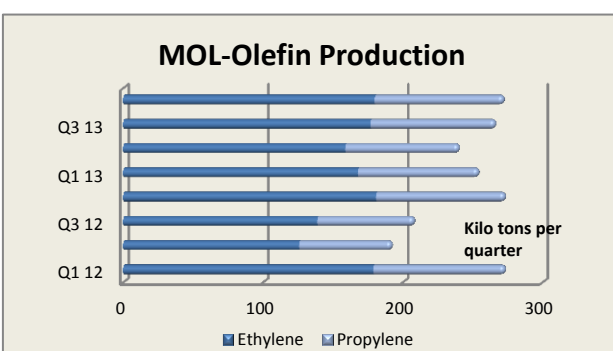
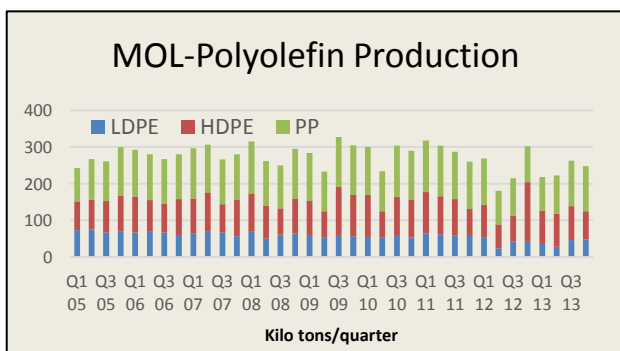
In the fourth quarter of 2013, the operating profit (EBIT) was Ft 3.9 billion lower than in the previous quarter. The drop in operating profit in the last quarter was due primarily to unfavourable changes in feedstock and polymer product prices. At the same time the lower price of used energy sources and the strengthening of Euro against US dollar had a positive influence on the operating profit.



The construction of the new butadiene plant at Tiszaujvaros represents TVK's main investment project, which is to be followed by the construction of a synthetic rubber plant. The butadiene project is expected to finish construction of the base and infrastructure for the plant by the end of March 2014. After this has been completed the construction of the

butadiene extraction plant will begin which TVK hopes to have completed by the end of May 2015.

The total capital expenditure of the TVK Group amounted to Ft 12,129 million in 2013, including Ft 5,535 million spent on the butadiene extraction Unit. In the frame of the related investments sub-projects the C4/C5 fraction separation unit was built, the railway feeding and hobber unit was reconstructed, and now the trial run is going on. The building of pipeline and engineering sub projects are in the final stage.

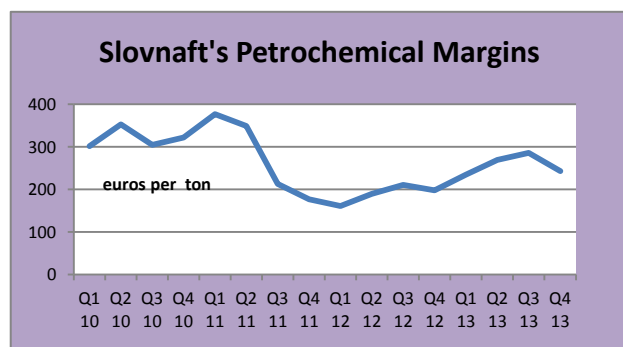


**Slovnaft 2013**

MOL's second largest petrochemical producer the Slovnaft Group achieved net sales of €4.73 billion in 2013, 2% more than in 2012 whilst the group's net profit fell by 27% to €38 million. Predominantly based on refining, Slovnaft's revenues from petrochemicals constitute around 12-13% of total revenues although it has reached around 20% in the past.

In 2013 Slovnaft faced the same factors as the rest of the European refinery industry regarding weak external conditions, especially for pricing conditions for oil products, persistent decline in consumption and increasing competitive tenders from outside refineries.

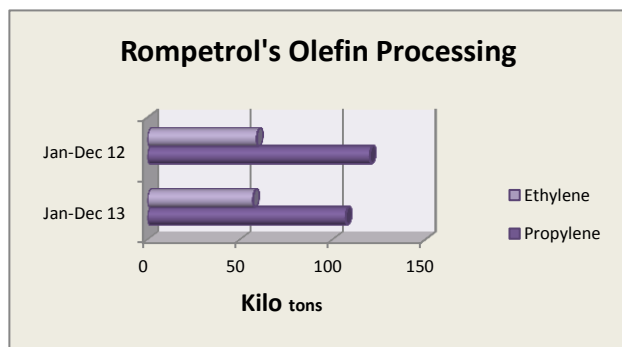
In 2013 overall Slovnaft processed 5.79 million tons of oil, 7% more than in 2012. Motor gasoline increased 1% to 1.42 million tons. Diesel production grew by 6% to 3.03 million tons and petrochemicals by 7% to 333,000 tons. Q4 refined oil at the Slovnaft refinery totalled 1,344 tons, 5% down on the same quarter in 2012. Due to lower processed volumes in Q4 2013, influenced by shutdowns, gasoline and diesel production fell by 9% to 334,000 tons and motor diesel production dropped by 9% to 727,000 tons.



In Q4 2013 the petrochemical margin for Slovnaft increased by 23% to €243/ton, due mostly to lower naphtha quoted prices. Slovnaft's monomer and polymer production dropped by 4% in the fourth quarter and reached 90,000 tons. Reduced production and lower demand resulted in 2% lower total product sales volumes. The trend in margins declined in 2011 and 2012 due to a combination of economic factors.

Slovnaft's investments in 2013 totalled €93 million, of which €49.1 million was spent in the fourth quarter. A significant part of investments, €29.4 million, was directed into efficiency improvement projects in production whilst investments in energy division were higher by €4.7 million compared to Q4 2012 as a result of the final performance phase of project Edison. Investments in petrochemical division were higher by €14.4 million, focusing on the reconstruction of the steam cracker and construction of the new LDPE-4 production unit.

Slovnaft, owned by MOL signed an agreement with eight banks in December to facilitate the construction of the new polyethylene plant and the modernisation of the ethylene cracker. A loan of €200 million has been agreed, whilst the costs of construction for the total project is estimated at approximately €300 million. The loan, for general corporate purposes, was coordinated by Czech KBC unit CSOB, with UniCredit is the agent.



### Romp petrol Rafinare 2013

Romp petrol Rafinare, a member of the Romp petrol Group, improved its net result by 40% in 2013, reducing its overall loss to \$99 million. Revenues from petrochemicals for Romp petrol Rafinare totalled \$251 million in 2013, 2% up on 2012. Although lower quantities of polyolefins were sold in 2013, margins were improved helping to transform the net loss of \$21.5 million in 2012 to a net profit \$37.9 million. The results were positively influenced by a one-off transaction from the integration of Romp petrol Petrochemicals into Romp petrol Rafinare.

Romp petrol Rafinare- Petrochemicals Division (\$mil)		
	2013	2012
Revenues	251.1	247.3
EBITDA	1.8	-8.2
EBIT	40.9	-20.2
Net Profit	37.9	-21.5

The Petromidia refinery improved consolidated financial results of Romp petrol Rafinare, as refining margins decreased by 30% from \$35/ton in 2012 to \$24/ton in 2013. Concurrently with the increase of Petromidia refinery's capacity from 3.8 million tpa to 5 million tpa of raw materials the Romp petrol Group also developed other side projects, such as building an off-shore oil terminal on the Black Sea and a threefold increase of the petroleum transit capacity through the Midia Port. Romp petrol Rafinare has recently allocated \$130 million to build a co-generation plant at Petromidia.

The Romp petrol Group is fully owned by KazMunaiGaz.

### Petrohemija-NIS

Starting in March the Serbian government intends to seek a buyer for Petrohemija, which it hopes will be NIS in order to further integration but if not will try to seek another investor. Petrohemija is of strategic importance for Serbia as the company exports products worth around €240 million per annum. Negotiations over Petrohemija will start on 10 March with the aim of creating a successful and profitable company.

Although there seems natural synergy between Petrohemija and NIS, capacities of both companies are located at Pancevo, north-east of Belgrade, NIS appears reluctant to take over Petrohemija in full. At the



same time without a functional connection with the Pancevo refinery it is thought that HIP-Petrohemija does not have much of a future.

NIS delivered around 450,000 tons of naphtha to Petrohemija in 2013, at around \$35/ton lower than the market average for European petrochemical producers. To compound problems further as Petrohemija was not able to pay for the deliveries its debts to NIS have grown. To date as a shareholder NIS has helped finance the first phase of modernisation of production capacity of Petrohemija, namely the HDPE plant, which is now one of the most profitable parts of the Pancevo petrochemical complex.

**Lotos-Petrochemical Feedstock Production (unit-kilo tons)**

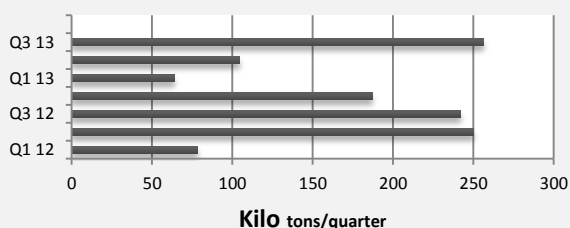
Product	Jan-Sep 13	Jan-Sep 12
Naphtha	205.1	250.9
Xylenes	56.5	10.9

the investment in petrochemical projects in partnership with Grupa Azoty.

**Lotos refinery expansion**

Lotos intends to invest around zł 400 million in development of the Gdansk refinery over the next few years, the result of which will increase the production of fuels, but will lead to less bitumen production. The aim is to double refining capacity to 10.5 million tpa, which amongst other goals will help to support

**Lotos' Bitumen Production**



More details of the investment plans in petrochemicals are expected to become available in the next month or two, including the intentions towards the bitumen department. The reorganisation of the business is forced by the construction of the so-called coke ovens, which will allow Lotos to produce more oil products, which are sold at a high profit margin. At the same time Lotos will have less raw materials for the production of bitumen. Some concerns have been raised over the supply of bitumen in Poland, particularly as there are large-scale road programmes planned with EU support. Orlen-Asfalt does produce bitumen but additional imports may be required.

**Polish Chemical Production (unit-kilo tons)**

Product	Jan-14	Jan-13
Caustic Soda Liquid	28.5	26.9
Caustic Soda Solid	9.7	6.4
Soda Ash	90.8	88.5
Ethylene	46.3	44.6
Propylene	33.0	30.4
Butadiene	5.5	5.5
Toluene	1.4	0.9
Phenol	2.5	2.7
Caprolactam	14.4	14.7
Acetic Acid	0.5	0.8
Polyethylene	32.9	33.3
Polystyrene	5.1	4.6
EPS	6.7	2.6
PVC	28.3	21.8
Polypropylene	24.8	23.8
Synthetic Rubber	17.3	16.0
Ammonia (Gaseous)	117.0	113.0
Ammonia (Liquid)	126.0	122.0
Pesticides	3.0	2.2
Nitric Acid	216.0	218.0
Nitrogen Fertilisers	177.0	170.0
Phosphate Fertilisers	28.6	38.6
Potassium Fertilisers	21.7	27.0

**Grupa Azoty 2013 & polyamide project**

Grupa Azoty announced preliminary data for 2013, showing total sales of zł 9.82 billion, an EBIT of zł 702 million and a net profit of zł 713 million. Grupa Azoty is the second largest producer of fertilisers in Europe after the Norwegian company Yara. The company recently noted a downturn in the market for polyoxymethylene, which is produced at Tarnow.

Grupa Azoty is considering the construction of a new polyamide plant with a capacity of 120,000 tpa. The new installation is to be located on a 130,000-square-metre site, but a decision has yet to be taken. The proposal is that Grupa Azoty's parent company ZA Tarnow produces polyamide-6 using in-house caprolactam.

**BASF increases turnover in Poland by 10% in 2013**

BASF increased its turnover in Poland by 10% in 2013 over 2012, raising revenues from €649 million to €722 million. On the one hand this is due to the rapidly growing demand in Poland and on the other hand the increase in the product range offered by BASF. Currently, BASF employs approximately 350 employees in Poland, working in a wide range of industries.

As a result of the transaction in 2010, Ciba Poland was integrated into BASF whilst in 2012 the TDI business at Bydgoszcz was acquired from Ciech. This year BASF aims to open a new catalyst plant which will employ around 400 people. In 2013 Germany's total trade with Poland exceeded total trade with Russia.

# RUSSIA

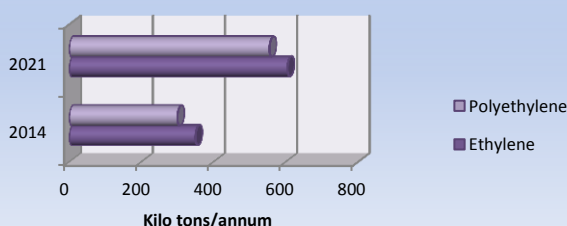
## Russian petrochemical projects

### Russian Chemical Production (unit-kilo tons)

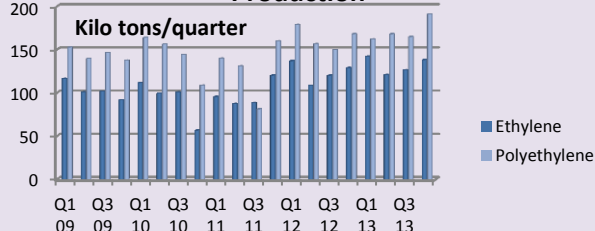
Product	Jan-14	Jan-13
Caustic Soda	89.7	94.5
Soda Ash	225.0	227.0
Ethylene	229.0	220.0
Propylene	130.8	123.6
Benzene	109.0	107.0
Xylenes	50.4	40.7
Styrene	58.0	49.9
Phenol	25.7	25.3
Ammonia	1,400.0	1,300.0
Nitrogen Fertilisers	800.0	745.0
Phosphate Fertilisers	300.0	276.0
Potash Fertilisers	700.0	445.0
Plastics in Bulk	555.0	466.0
Polyethylene	170.0	140.0
Polystyrene	42.1	34.3
PVC	58.7	60.3
Polypropylene	79.7	52.3
Polyamide	12.6	10.7
Synthetic Rubber	125.0	143.0
Synthetic Fibres	0.0	0.0

2021 LUKoil plans to introduce the second stage of the chemical complex at Budyennovsk, bringing its total capacity up to 6 billion cubic metres per annum of associated gas.

### Stavrolen Ethylene-PE Capacity Forecast



### Kazanorgsintez-Ethylene & PE Production



### Rosneft in talks to sell stake in VNKH to Chinese investors

Rosneft is considering selling a 30% stake in the Eastern Petrochemical Company (VNKH) project to CNPC. Rosneft has two working partners from China, including CNPC and Sinopec, whilst Rosneft itself is involved in the construction of the Tianjin refinery in Russia. Last year Rosneft and Mitsui signed an agreement to jointly develop the VNKH olefin complex at Nakhodka in the Russian Far East. FEPCO, a subsidiary of Rosneft, is partly involved in the development of the project which comprises processing capacity of 3.4 million tpa of hydrocarbon feedstock, predominantly naphtha. The capacity of ethylene and propylene production unit at Nakhodka is planned at 2 million tpa, and ecological approvals have been given by the relevant authorities. More details regarding this project can be found online at CIREC's Search Engine.

### Stavropol-LUKoil agreement, Caspian complex

On 12 February the government of the Stavropol Territory and LUKoil signed a cooperation agreement with an investment of 143 billion roubles to support the development of the gas-chemical industry in the region. These funds are intended for the construction of high-pressure gas pipelines, the construction of new power plants and the modernisation of petrochemical facilities at Budyennovsk.

The agreement involves initially the creation of the complex processing of the Northern Caspian gas into ethylene, polyethylene and polypropylene at the Stavrolen complex. By

The first phase capacity of 2 billion cubic metres per annum is scheduled for 2015. By 2021 LUKoil plans to put into operation the GPU-2 capacity of 4 billion cubic metres per annum, as well as the installation of additional ethylene capacity of 255,000 tpa and additional installation of polyethylene capacity of 255,000 tpa. The North Caspian petrochemical project is slow-moving; start-up dates have been put back as LUKoil is taking longer than it expected to build pipelines, etc.

### Kazanorgsintez reduces debt to Sberbank

Kazanorgsintez in 2013 reduced the arrears to the main creditor Sberbank by 22.4%, or 4.4 billion roubles. The total amount of debt KOS to Sberbank for 2013 decreased from 19.5 billion roubles to 15.133 billion roubles. In 2008-2009, the company was in dire financial straits due to problems with debt service, resulting from the implementation of development programmes.

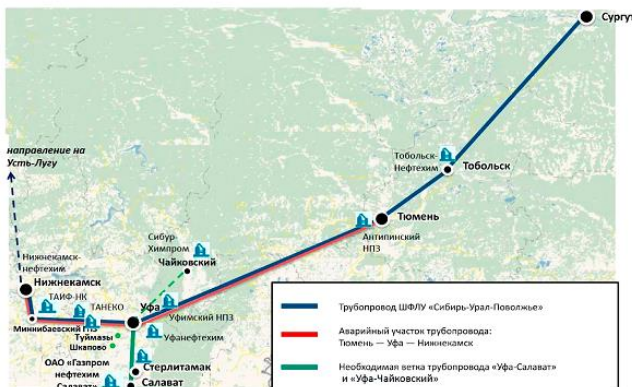
### Kazanorgsintez-Technip contract for new furnace

Technip has signed a contract with Kazanorgsintez to provide technology and services to create a two-chamber furnace pyrolysis. Kazanorgsintez is seeking to increase

its ethylene production to correspond with polyethylene production (see *opposite*) and to reduce the need for merchant ethylene purchases. The project with Technip consists of the engineering and procurement of an SMK double-cell cracking furnace. This is preferred for cracking high-capacity, low-cost ethane and propane gas feedstock.

The project is planned for completion in 2015. This is part of the investment programme for Kazanorgsintez for the period 2013-2016, part of which envisages the construction of a new kiln for ethane feedstock. Kazanorgsintez expects that the project will significantly reduce consumption rates of ethane feedstock for ethylene production and provide an increase in the total output of ethylene. The capacity of the new furnace will comprise 36 tons per hour. The project follows the successful start-up and operation of a Technip SMK double-cell cracking furnace supplied in 2007. Technip has

widened its range of services and has reinforced its leadership in the downstream business since the acquisition of Stone & Webster process technologies in 2012.



### Yamal-Volga pipeline

Tatarstan and Bashkortostan continue to maintain the possibility of constructing an NGL pipeline between the Yamal region in West Siberia and Volga-Urals region, in order to support the petrochemical industry. Latest indications from Tatarstan and Bashkortostan suggest that the pipeline could start construction in the 2018-2020 period.

### Rosneft-petrochemicals 2013

Proceeds of Rosneft from the sale of petroleum and chemical products in 2013 amounted to 2.196 trillion roubles, 46.6% more than in 2012. Proceeds from sales of petrochemical products in the past year increased by 12% to 92 billion roubles. Of the total products worth 82 billion roubles were exported, representing 12.3% growth, and domestic sales 12 billion roubles, representing 9.1% growth. In physical terms, the company sold 3.1 million tons of petrochemical products, which is 6.9% more than in 2012. 2.3 million tons were exported.

### LUKoil's sales from petrochemicals 2013

LUKoil increased sales revenues of petrochemicals by 29.2% in 2013 to \$1.822 billion. Domestic sales increased 2.1 times to \$886 million. Most of the rise was attributed to the restart of Stavrolen. At the same time, exports and sales on international markets fell by 5.6% up to \$936 million. This was due to deterioration in a temporary plant shutdown at Karpatneftekhim due to weak economics.

behind the weaker results for 2013.

The company stated that the main reduction in turnover resulted from lower prices in the domestic market where the revenues dropped 7.4% to 57.5 billion roubles. Export revenues for Nizhnekauskneftekhim dropped 1.9% to 59.9 billion roubles.

### Gazprom Neftekhim Salavat 2013

Gazprom Neftekhim Salavat refined 7.4 million tons of crude in 2013, 10% more than in 2012. Gas condensate processing rose 35% to 2.5 million tons. Ammonia production increased by 4.1% to 480,180 tons and ethylene production by 25% to 277,148 tons. LDPE increased production by 4.9% to 36,087 tons, and HDPE by 52.2% to 73,412 tons. Production of petrochemicals has been aided by large-scale overhauls.

A feasibility study for construction of the product pipeline Yamal-Volga is underway, entailing economic calculations regarding the availability of raw materials, cost, the cost of transportation, and the predicted shortage of raw materials in the Volga Federal District. In 2012, Bashkortostan, Tatarstan and YaNAO signed a letter of intent in the field of transportation of hydrocarbons, including natural gas liquids and gas condensate on the Yamal-Volga region. The project has been under question since SIBUR took the decision to build a petrochemical complex at Tobolsk and feedstock pipeline between Purovsky and Tobolsk.

## Russian petrochemical producers & markets

### Nizhnekauskneftekhim 2013

Nizhnekauskneftekhim reduced turnover by 4.3% in 2013 against 2012 to 119.826 billion roubles. By contrast, Total costs rose 1.4% to 98.1 billion roubles. As a result the net profit fell 2.8 times to 6.089 billion roubles. The problems in the global synthetic rubber market were the main cause

Nizhnekauskneftekhim Petrochemical Production (unit-kilo tons)				
	2010	2011	2012	2013
Ethylene	592.0	601.0	605.2	605.7
Propylene	283.4	299.9	299.6	301.6
Polystyrene	184.4	187.0	191.5	211.1
Polypropylene	200.0	210.8	210.0	208.7
Polyethylene	160.0	195.0	201.8	183.8
Styrene	201.0	198.7	200.9	248.6

Gazprom Neftekhim Salavat Petrochemical Production (unit-kilo tons)				
Product	2010	2011	2012	2013
Ammonia	429.9	496.4	427.9	480.1
Benzene	102.7	107	103.3	143.5
Butanol totals	137.6	82	129.3	87.2
Ethylbenzene	116.1	111.1	145.9	153.1
Ethylhexanol	44	50.6	46	39.7
Ethylene	229.9	259.9	205.5	268.8
HDPE	19.8	55.2	55.9	73.4
LDPE	40.6	26	26.4	36
Phthalic Anhydride	13.3	7.7	10.4	8.6
Propylene	79.2	97.8	89.2	112.8
Styrene	131.9	132.8	136.6	168.5

tons), Italy (57,200 tons) and Belgium (88,400 tons).

Russian Petrochemical Exports (unit-kilo tons)		
Product	Jan-14	Jan-13
Propylene	0.0	5.7
Orthoxylene	7.8	3.5
Paraxylene	13.4	5.5
Methanol	130	99
Butanols	2.4	1
Isobutanols	3.2	5.5
Styrene	3.7	9.9
Phthalic Anhydride	2.1	8.2
Phenol	2.3	1.4
Caprolactam	6.8	4.9
Vinyl Acetate	2.1	0

26 February which depending on the extent of the outage could have an impact on the petrochemical industry in Russia. The company Stavrolen at Budyennovsk is one of the largest Russian producers of HDPE whilst also producing polypropylene and vinyl acetate.

The accident took place in the workshop of the gas separation plant for the production of ethylene and benzene. Up to 15 people were injured as a result of the accident. LUKoil reports accidents more often than any of the

Russian Propylene Production (unit-kilo tons)		
Producer	Jan-14	Jan-13
Angarsk Polymer Plant	10.7	10.5
Kazanorgsintez	4.1	3.8
LUKoil-NNOS	14.7	15.0
Stavrolen	12.4	12.1
Nizhnekamskneftekhim	28.4	26.3
Omsk Kaucuk	0.0	3.9
Polyom	13.9	1.5
Gazprom Neftekhim Salavat	9.5	10.3
SIBUR Kstovo	1.7	10.1
SIBUR-Khimprom	8.6	4.3
Tomskneftekhim	12.3	12.1
Ufaorgsintez	14.6	13.8
Total	130.8	123.6

January to 3,600 tons. Kazanorgsintez also reduced ethylene production by 8% to 48,100 tons and Angarsk Polymer Plant by reduced 7% to 19,100 tons.

### Russian naphtha, Jan 2014

Domestic merchant sales of naphtha amounted to 172,800 tons in January, 18% up on December. Petrochemical plants accounted for 109,200 tons of shipments, 36% up the previous month. Lower purchases of natural gas liquids pushed up naphtha deliveries. Stavrolen purchased 8,200 tons of naphtha, SIBUR-Kstovo 8,900 tons, and Tomskneftekhim 36,100 tons.

Exports of naphtha from Russia amounted to 1.03 million tons in January, unchanged from December. LUKoil-NNOS exported 86,900 tons of naphtha in January, 33,900 tons up. Rises in naphtha exports from LUKoil-NNOS was caused by the drop in domestic pipeline deliveries to SIBUR-Kstovo where the cracker was down for repairs. Exports of naphtha by Gazprom Neft at the Omsk refinery dropped by 33,600 tons, due to increased production of motor gasoline. In January, the main destinations for Russian naphtha exports were the Netherlands (848,700

### Russian NGLs-propane, Jan 14

NGL shipments to the Russian market declined 7% in January against December to 324,470 tons whilst production totalled 671,300 tons. Petrochemical plants accounted for 116,470 tons of shipments, 15% down on December due mainly to production problems at SIBUR-Kstovo.

Propane supplies to the Russian market totalled 59,490 tons in January, 3% up on December. Uralorgsintez increased deliveries 2.1 times over December to 10,560 tons, whilst Tobolsk-Neftekhim reduced shipments of propane 2.6 times to 1,910 tons. Petrochemical producers accounted for 15,200 tons in January, almost doubling over December, with Kazanorgsintez the main buyer.

### Stavrolen accident and Russian olefin production

A fire at the Budyennovsk olefin complex (owned by LUKoil) took place on 26 February which depending on the extent of the outage could have an impact on the petrochemical industry in Russia. The company Stavrolen at Budyennovsk is one of the largest Russian producers of HDPE whilst also producing polypropylene and vinyl acetate.

The accident took place in the workshop of the gas separation plant for the production of ethylene and benzene. Up to 15 people were injured as a result of the accident. LUKoil reports accidents more often than any of the other Russian olefin producers. The last major accident at Stavrolen took place relatively recently on 15 December 2011. The cost of repairs amounted to 812 million roubles and production was only resumed nine months later in September 2012. LUKoil hopes to avoid a repeat of this episode and restore production as quickly as possible.

Propylene production totalled 130,800 tons in January, up 7,200 tons in the same month last year. Due to increased propane purchases Kazanorgsintez increased propylene production by 17% to 4,100 million tons and LUKoil-NNOS by 9% to 14,700 thousand tons. Propane-propylene fraction sales amounted to 19,500 tons in January, 7% up on December.

Russian ethylene production amounted to 229,500 tons in January, 5% lower than December. The main reason for the fall in production was due to the temporary problems at SIBUR-Kstovo, which have since been resolved. Production at Kstovo dropped 3.1 times in



Russian Propylene Domestic Sales (unit-kilo tons)		
Producer	Jan-14	Jan-13
Angarsk Polymer Plant	7.3	3.9
Omsk Kaucuk	0.0	1.8
SIBUR-Neftekhim	1.0	9.7
Akriat	0.0	0.0
LUKoil-NNOS	14.7	14.0
Tomskneftekhim	0.0	0.0
Gazprom Neftekhim Salavat	1.6	0.0
SIBUR-Khimprom	0.5	0.0
Stavrolen	0.0	0.3
Total	25.0	29.6

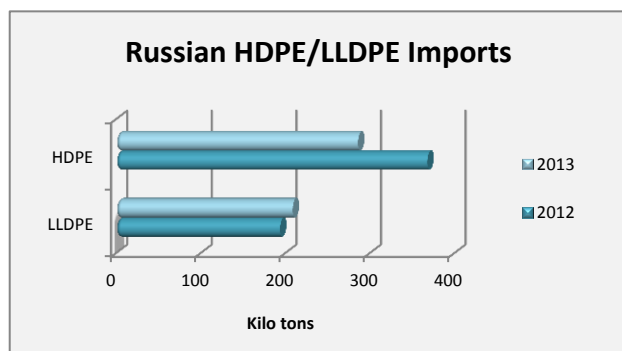
Plants where increases took place in January included Ufaorgsintez which increased ethylene production by 9% to 11,700 tons. Production levels in February had been stable until the Budyennovsk incident at the end of the month, and thus March volumes are likely to be affected.

Similarly to ethylene, Russian propylene production was affected in January by the outage at SIBUR-Kstovo where volumes dropped 3.7 times to 1,700 tons. Also in January to Gazprom Neftekhim Salavat reduced monomer production by 15% to 9,500 tons.

#### Russian styrene, Jan 2014

Domestic sales of styrene amounted to 6,700 tons in January, the same as the previous month. Exports of styrene dropped slightly to 3,880 tons in January, of which 2,100 tons were shipped by Gazprom Neftekhim Salavat which was 11.8 times down on December. Russian styrene production rose 9% in January to 58,000 tons. Gazprom Neftekhim Salavat increased monomer production by 40%, to 16,200 tons, whilst SIBUR-Khimprom increased by 10% to 11,200 tons. At the same time Angarsk Polymer Plant reduced production by 10% to 3,100 tons.

### Bulk Polymers



#### Russian HDPE market & Stavrolen

Stavrolen incurred an accident again at its ethylene plant at Budyennovsk on 26 February, forcing the stoppage of production at the HDPE plant. It is not clear how long the plant will be inactive, but LUKoil in the past has been associated with long term outages. The most recent example is from December 2011 when ethylene and polyethylene production were suspended for a period of nine months.

Russian production of HDPE increased by 6% in January 2014 against January 2013 and totalled 97,500 tons.

Despite low seasonal demand Russian producers maintained a high level of capacity utilisation. Kazanorgsintez produced 45,300 tons of HDPE which was almost the same as in December, whilst both Nizhnekamskneftekhim and Gazprom Neftekhim Salavat production amounted to 16,500 tons and 9,000 tons respectively. Stavrolen produced 26,700 tons in January.

Russian HDPE Production (unit-kilo tons)		
Producer	Jan-14	Jan-13
Kazanorgsintez	45.3	41.0
Stavrolen	26.7	23.0
Nizhnekamskneftekhim	16.5	18.5
Gazprom Neftekhim Salavat	9.0	2.2
Total	97.5	84.7

The market had been stable in February, but the Stavrolen accident has thrown open speculation over the extent of the downtime and the subsequent impact on prices. In the short term, imports may rise to meet the shortfall from the Budyennovsk outage.

#### Russian LLDPE imports affected by currency factors

The devaluation of the Russian rouble and the high level of prices in foreign markets led to a serious reduction in the volume of external supplies of linear polyethylene (LLDPE) since the start of

the year. Imports in Russia decreased by 18% compared with January 2013, from 14,300 tons to 11,800 tons. For 2013 overall the supply of LLDPE in Russia in 2013 increased by 9% compared to 2012, totalling 209,000 tons.

#### Russian polypropylene production, Jan 2014

Due mostly to the introduction of new capacity Russian polypropylene production totalled 79,700 tons in January against 52,300 tons in the same month last year. Volumes may be down in February due to outages. Stavrolen was idle from 31 January to 6 February and then again from 26 February. Whereas the outage in early February was due to weather reasons, the extent of the outage at the end of the month is harder to predict.

#### Russian PET, Jan 14

Imports of PET in Russia increased by 68% in January over December and amounted to 25,500 tons, which is abnormally high for the market of imported PET at this time of year. Traditionally the supply of PET is significantly lower in January, explained by long New Year holidays and sluggish buying activity in the market of finished products.

However, this year supply has been affected by the downtime experienced in the latter part of 2013 which has limited inventory levels. Alko-Naphtha and Senezh both faced problems in 2013, which helped imports in January. China supplied 19,500 tons whilst Neopet from Lithuania provided 2,200 tons.

However, unlike HDPE where Russia is still a net importer polypropylene is less affected due to the increase in domestic capacity last year. This means that the share of Budyennovsk polypropylene plant in total Russian capacity has dropped from around 20% at the end of 2011 (the last time a major incident took place at Budyennovsk) to 9% from the start of 2014.

Polyom (part of Titan) stopped production on 9 February to 17 February due to technical problems. In January Polyom produced 13,400 tons of polypropylene. Besides domestic sales Polyom exports to wide range of countries, including Ukraine, Uzbekistan, Kazakhstan, Lithuania, Finland, etc.

The major domestic consumers include Biakspen and a number of other processors. The polypropylene plant at Omsk is linked to the installation for propane-propylene fractions with a capacity of 250,000 tpa.

#### Russian PVC Imports (unit-kilo tons)

Region	Jan-14	Jan-13
US	6.1	27.5
China	5.0	6.6
Others	0.5	3.0
Total	11.6	37.2

#### Russian PVC imports, Jan 2014

PVC imports into Russia mounted to 11,600 tons in January, the lowest level since February 2010. Low seasonal demand for finished products and high prices of imports were the main factors behind reduced imports, prices have been affected by the gradual devaluation of the rouble. Imports of PVC from the US fell to 6,100 tons versus 7,100 tons in December last year. For the whole of 2013 the US supplied 179,200 tons. Deliveries acetylene PVC from China in January fell to 5,000 tons. For 2013 China exported 136,300 tons to Russia. Total imports rose

11% in 2013 to 367,000 tons.

#### Russian Benzene Domestic Sales (unit-kilo tons)

Producer	Jan-14	Jan-13
Altay-Koks	2.6	3.2
Angarsk Polymer Plant	5.6	5.7
Gazprom Neft	7.0	8.4
Zapsib	4.9	5.3
Kinef, Kirishi	3.3	6.1
Moskoks	0.6	0.6
Stavrolen	7.2	0.0
Koks	2.7	2.9
Magnitogorsk MK	3.5	5.1
Nizhniy Tagil MK	1.1	1.0
Novokuznetsk MK	0.3	0.5
Novolipetsk MK	3.0	2.4
Ryazan NPZ	3.3	2.4
Severstal	3.5	4.0
SIBUR-Kstovo	0.0	8.1
Uralorgsintez	7.7	5.1
Ural Steel	0.2	0.2
Chelyabinsk MK	1.3	1.3
Slavneft-Yaroslavlorgsintez	6.4	6.0
Bashneft	1.6	0.0
Gazprom Neftekhim Salavat	6.8	0.8
Others	0.0	0.5
Total	72.7	69.8

#### Russian polycarbonate, Jan 2014

Exports of polycarbonate in January totalled 174 tons, 83% below December. At the same time, imports of polycarbonate increased by 72% to 4,400 tons. The share of extrusion grade in imports amounted to 3,300 tons in January. The growth in demand for polycarbonate in the Russian market has stimulated the influx of imports and a reduction in exports.

### Aromatics & derivatives

#### Russian benzene production, Jan 14

Russian benzene production amounted to 104,900 tons in January for synthesis and nitration, unchanged from December. Due to maintenance work SIBUR-Kstovo produced only 118 tons in January against 2,800 tons in December. In January 2014 at the West Siberian MK reduced the production of benzene by 18% to 4,500 tons and to Stavrolen by 10% to 6,500 tons. At the same time, Gazprom Neftekhim Salavat increased production by 22% to 8,100 tons and Severstal by 17% to 3,100 tons.

Benzene sales to the domestic market were unchanged in January from December, amounting to 72,700 tons. SIBUR-Kstovo did not sell benzene in January due to an enforced plant shutdown, whilst Gazprom Neftekhim Salavat doubled sales to 6,800 tons and Uralorgsintez by 19% to 7,700 tons. Severstal increased shipments by 16% to 3,500 tons. Imports of benzene from ArselorMittalTemirtau in January

amounted to 360 tons, of which 181 tons went to Kuibyshevazot and 179 tons to Kazanorgsintez. Russian exports of benzene amounted to 982 tons in January, all of which was supplied by Kirishinefteorgsintez and all of which went to Finland.

Russian Benzene Production (unit-kilo tons)		
Producer	Jan-14	Jan-13
Angarsk Polymer Plant	8.4	8.0
Chelyabinsk MK	1.2	1.2
Gazprom Neft	8.7	15.6
LUKoil-Neftekhim	6.5	0.0
LUKoil-Permnefteorgsintez	3.7	4.5
Magnitogorsk MK	5.6	5.5
Nizhnekamskneftekhim	18.4	18.1
Novolipetsk MK	2.8	2.5
Gazprom Neftekhim Salavat	14.5	8.2
Severstal	3.1	3.2
SIBUR-Kstovo	0.1	8.1
Slavneft-Yaroslavlorgsintez	6.2	5.8
Surgutneftegaz	5.0	5.9
TNK-BP	3.0	2.4
Ufaneftekhim	8.1	6.5
Ural Steel	0.9	0.0
Uralorgsintez	7.7	5.3
Zapsib	4.5	5.3
Others	2.6	2.0
Total	111.1	108.1

#### Russian benzene market 2013

Benzene supply in Russia improved in 2013, but the market is still susceptible to potential large-scale outages. The resumption of production by Stavrolen was the major factor helping the market in 2013, whilst also Gazprom Neftekhim Salavat recorded a large increase. Modernisation of the catalytic reforming installation and the pyrolysis complex at Salavat resulted in more benzene production and reduce the need to purchase crude benzene.

The increase in supply reduced the need for imports into Russia, particularly from Ukraine which has slowed in recent months. In the current confusion in Ukraine, imports may cease for a while. Thus, the only foreign supplier at present is the Kazakh company ArselorMittalTemirtau. The Russian market rarely stays in a state of surplus too long and the emergence of Nizhnekamskneftekhim at the end of 2013 as a new buyer on the market has helped tighten supply.

#### Russian phenol, Jan 14

Samaraorgsintez increased phenol exports in January by 55% over December to 2,940 tons due in part to higher export prices and in part to lower domestic demand. Another 100 tons was exported, bringing the total for January to 3,000 tons or 43% up on December. Over January the average price of exported

phenol was around \$40 per ton higher than in December to \$1520 per ton DAF Russian border.

Russian Phenol Production (unit-kilo tons)		
Producer	Jan 14	Jan 13
Ufaorgsintez	6.1	6.5
Kazanorgsintez	6.6	6.2
SANORS	7.5	7.6
Omsk Kaucuk	5.5	5.0
Total	25.7	25.3

Almost 70% of phenol exported by Samaraorgsintez in the first month of 2014 was delivered to Poland, followed by Turkey and Slovakia. Regarding imports Borealis supplied 777 tons to the Russian market in January, against 1,422 tons in December. The average cost of phenol shipped by Borealis in January compared to December increased by 3% and amounted to \$1555 per ton DAF border Russia. The largest domestic consumer of Finnish phenol supplied by Borealis remained NPK Astat with 75% of the total imports. The other 25% was imported by Shchekinoazot.

Phenol production in Russia amounted to 25,700 tons in January, 1% less than in December. Omsk Kaucuk recorded an increase of 28% to 5,500 tons, whilst Kazanorgsintez remained unchanged at 6,600 tons. Samaraorgsintez and Ufaorgsintez reduced production volumes by 12% and 4% respectively, or 7,500 tons and 6,000 tons.

Russian Orthoxylene Domestic Sales (unit-kilo tons)		
Consumer	Jan-14	Jan-13
Kamteks-Khimprom	7.4	6.8
Gazprom Neftekhim Salavat	0.8	0
TD Laki Kraski	0.1	0
TD Alkyd	0.0	0
Inter	0.2	0.1
Yaroslavl Lakokraska	0.0	0.2
Russkie Kraski	0.0	0.1
ZLKZ	0.0	0.4
Others	0.0	2.0
Total	8.5	9.671

#### Russian orthoxylene, Jan 2014

Domestic sales of orthoxylene in Russia amounted to 11,300 tons in January, 4% lower than in December but 17% higher than in January last year. Gazprom Neft sold 4,990 tons, or 44% of shipments, Kirishinefteorgsintez 28% (3,180 tons), and Ufaneftekhim 28% (3,130 tons).

Kamteks Khimprom purchased 7,370 tons of orthoxylene (65% of Russia's total consumption), whilst Gazprom Neftekhim Salavat bought 840 (7%). Another 2,280 tons (20% of consumption) was bought manufacturers of paints and varnishes, including 920 tons to the Zagorsky Paint Plant and 380 tons to Russian Paint Industries. .

Russian orthoxylene exports amounted to 7,840 tons in January, 5% more than in December and 2.2 times more than in January last year. Kirishinefteorgsintez shipped 3,500 tons of orthoxylene in January (45% of gross exports), whilst Gazprom-Neft supplied 3,300 tons (42%), and Ufaneftekhim 1,000 tons (13%). Almost all of orthoxylene exports went to Finland. Paraxylene exports totalled 13,400 tons in January, of which 7,400 tons was supplied from Kirishinefteorgsintez.

**Russian toluene, Jan 2014**

Russian toluene shipments by rail to domestic consumers totalled 10,740 tons, from 32,000 tons of production. Both domestic rail shipments and production dropped 10% against December, but were still 88% and 13% respectively up on January 2013.

From the total sales 27% (2,930 tons) were shipped to manufacturers of fuels and lubricants and additives for motor fuels. Another 2,090 tons (19%) was sold to plants for the production of paints, 1,840 tons (17%) for industrial explosives, and 480 tons a solvent for synthetic rubber production., 1.2 00 tons (11%) - producers of other types of products and 2.21 million tons (21%) - trading companies. Gazprom-Neft accounted for 35% of deliveries to the domestic market in January, and accounted for 36% of production.

<b>Kuibyshevazot-Production (unit-kilo tons)</b>		
<b>Product</b>	<b>Jan-Dec 13</b>	<b>Jan-Dec 12</b>
Polyamide-6	135.0	116.7
High Tenacity Tech Yarns	16.3	13.5
Tyre Cord Fabric	6.8	6.5
Caprolactam	187.2	184.6
Ammonia	657.0	569.0
Urea	348.5	308.3
Ammonium Nitrate	560.3	434.8
Ammonium Sulphate	471.4	469.0

**Kuibyshevazot 2013**

Kuibyshevazot increased production in 2013 despite the deterioration of market prices, and higher costs for gas, electricity and thermal energy, and rail transportation. The company's revenue dropped by 1.1% to 28 billion roubles, whilst the net profit decreased by 2.4% to 2.5 billion roubles.

Currently, the company is completing the construction of installations for impregnation cord fabric in producing polyamide and condensate polishing juice steam production of ammonium nitrate. The construction of new energy-efficient

production of cyclohexanone is being installed using technology from DSM (Netherlands). Construction sites for other joint ventures for ammonia with Linde and air separation products with Praxair are underway.

**Uralkhimnash supplies hexanone unit to Kuibyshevazot**

Uralkhimnash from Yekaterinburg has supplied a production unit for hexanone to Kuibyshevazot with a capacity of 140,000 tpa. The plant weighed almost 155 tons with a height of 36.5 metres. The column was supplied Kuibyshev using twelve blocks on separate road transporters.

**PTA project-Karbadino-Balkaria**

Russian petrochemical company Plan of Chemical Engineering, based at Nalchik, has started to design a plant for the production of PTA in the Kabardino-Balkaria region on behalf of Etana which is currently building PET facilities near Nalchik. A capacity of 450,000 tpa has been proposed, rising to 700,000 tpa. The PTA plant is being considered to be located in the polymer cluster industrial park in Kabardino-Balkaria. A number of foreign companies have already agreed to participate in the industrial park. The PTA plant at this stage is being targeted for a 2018 start-up date.

**Russian Synthetic Rubber Exports 2013**

<b>Country</b>	<b>Quantity (tons)</b>
Belgium	168.831
Poland	91.656
China	86.695
Hungary	77.379
Belarus	63.854
USA	52.755
Latvia	39.975
Turkey	36.709
Romania	30.679
Czech R	30.362
Others	264.605
Total	943.5

Kuibyshevazot's main subsidiary Kurskhhimvolokno is planning to increase production by 7% in 2014. The increase complies with the strategic programme of import substitution and increased recycling of caprolactam and polyamide in Russia. The company has allocated significant funds for reinvestment. Kurskhhimvolokno was founded in 1960, and produces synthetic (nylon, polyester and polypropylene) fibres and textile yarns, resins, and consumer goods. Kuibyshevazot owns 67% of Kurskhhimvolokno.

**Synthetic Rubber****Russian C4s, Jan 14**

C4 sales on the Russian domestic market amounted to 27,200 tons in January, 10% down on December. The stoppage at SIBUR-Kstovo affected supply, but at

the same time imports dropped 6% to 7,500 tons. Omsk Kaucuk reduced imports of C4s by four times to 1,100 tons. For the first time since September 2012 Sterlitamak Petrochemical Plant imported 1,200 tons of C4s in January, which were bought from Naftan in Belarus. The main importer in January was Nizhnekamskneftekhim which increased imports by 44% to 5,300 tons.

**Russian synthetic rubber market 2013**

Russian exports of synthetic rubber increased by 8.3% in 2013 by volume, but revenues declined due to weak global market conditions. Russia exported a total of 943,500 tons of synthetic rubber in 2013 against 871,000 tons in 2012. Revenues declined by 11.2% to \$2.373 billion. Export of synthetic rubber from Russia in the last few years is has moved ahead of Japan and Germany, but still remains after the US and South Korea.

Imports of synthetic rubber into Russia totalled 87,466 tons in 2013,



the main suppliers of which were Germany, South Korea and Finland. Despite the global market weakness the production of synthetic rubber in Russia rose 2.7% in 2013 over 2012 to 1.48 million tons.

### Russian synthetic rubber producers

Togliattikaucuk included in SIBUR Holding, has been reorganising its staff levels in connection with the market downturn. In the process of optimisation of the plant the company aims to eliminate the duplication of functions and employees who occupy similar positions, who will be invited to transfer to other positions

available in the company. Voronezhskintezkavuk is following the same course of action. Despite the downturn in markets Voronezhskintezkavuk's turnover for 2013 remained unchanged from 2012 at 7.88 billion roubles.

Russian Tyre Production (unit-mil pieces)		
Product	Jan-14	Jan-13
Car Tyres	1.8	2.3
Motorcycle Tyres	0.1	0.0
Lorry tyres	0.3	0.6
Agricultural tyres	1.2	1.2
Total	3.4	4.1

Russian GDP prospects represent a key concern for Nizhnekamskneftekhim, with around half of all sales directed to the domestic market. Another major factor revolves around the price of natural rubber, which to a large extent dictates the price of synthetic rubber. In 2013, the average price of natural rubber fell by 20%, and

butadiene fell by 38-39%. Nizhnekamskneftekhim expects that in 2014 prices will stabilise with a tendency towards growth in the second half of the year.

### Russian tyre news

Russian production of rubber products fell by 21.8% in January 2014 compared to January 2013. In particular, the production of tyres for passenger cars fell by 20.2% to 1.8 million units, for agricultural machinery by 2.9% to 1.2 million tyres, whilst the production of tyres for trucks, buses and trolley buses decreased by 41.1% to 325,000 units. Through Nizhnekamskshina Tatneft accounted for 42% of Russian tyre production in 2013, dropping from

Russian Chemical Commodity Exports				
Product	Jan-Dec 13 Kilo tons	Jan-Dec 13 USD Mil	Jan-Dec 12 Kilo tons	Jan-Dec 12 USD Mil
Ammonia	3,390	1,581	3,061	1,495
Methanol	1,366	494	1,443	421
Nitrogen Fertilisers	11,809	3,356	11,186	3,543
Potash	6,321	2,190	8,977	3,646
Mixed Fertilisers	9,151	3,571	8,735	3,980
Synthetic Rubber	944	2,373	871	2,673

45% in 2012. Kordiant accounted for 26% overall in 2013, and Amtel 20.4%. Tatneft produced 12.5 million tyres in 2013, against 13 million tyres in 2012. Yokohama intends this year to increase production at its Russian plant in the Lipetsk region by 14.3% from 1.4 million to 1.6 million tyres per annum.

### Methanol

### Russian chemical trade 2013

Methanol exports dropped by 5% in volume in 2013, but increased by 17% in value. The opposite applied to synthetic rubber exports where the global market has been under extreme pressure. For 2013, the average export price for methanol increased 24% to \$362.02 per ton from \$291.8 per ton in 2012.

### Russian methanol, Jan 14

Sales of methanol on the domestic market amounted to 123,000 tons in January, 4% down on December. Metafrax, Sibmetakhim and Tomet accounted for 87% of domestic sales. MTBE was the main outlet for Russian methanol sales in January, accounting for 33% of shipments or 40,600 tons. Smaller amounts of methanol in January were purchased by rubber producers (15%, or 18,000 tons), formaldehyde and its derivatives (14%, or 18,000 tons) and gas companies (23%, or 29,000 tons).

Russian Methanol Domestic Sales (unit-kilo tons)		
Producer	Jan-14	Jan-13
Azot Nevinomyssk	1.9	3.1
Azot Novomoskovsk	12.8	9.6
Metafrax	30.6	34.5
Sibmetakhim	37.0	38.7
Togliattiazot	38.5	37.9
Shchekinoazot	1.0	2.5
Others	1.3	2.0
Total	123.2	128.4

Exports of methanol rose by 4% in January over December to 130,500 tons. Sibmetakhim, Metafrax, Shchekinoazot and Tomet accounted for 90% of exports. Metafrax increased exports by 30%, to 30,700 tons, whilst Finland accounted for 50% of exports or 65,500 tons.

One of the smallest producers in Russia Novatek used 77 million cubic metres of natural gas in 2013 as feedstock for methanol production compared to 75 million in 2012. A significant portion of the methanol produced by Novatek is used for internal purposes to prevent hydrate formation during the production, preparation and transportation of hydrocarbons.

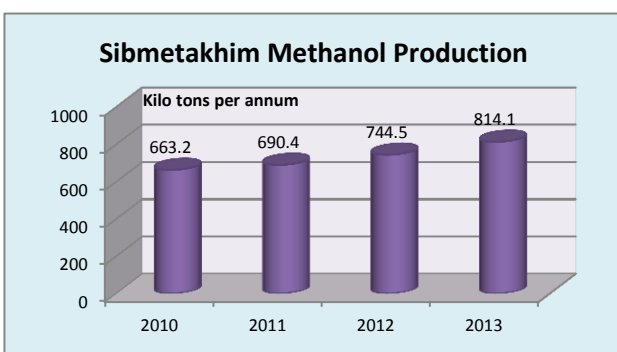
Russian Methanol Production (unit-kilo tons)		
Producer	Jan-14	Jan-13
Shchekinoazot	39.6	23.9
Sibmetakhim	76.9	71.9
Metafrax	92.0	92.5
Akron	8.2	6.6
Azot, Novomoskovsk	29.5	25.4
Azot, Nevnomysk	11.4	11.3
Togliattiazot	70.9	76.5
Totals	328.3	309.0

Revenues from methanol sales for Novatek on the domestic market amounted to 61 million roubles in 2013 from 100 million roubles in 2012 due to a decrease in volumes sold. In 2012, Novatek sold methanol produced at the Yurkharovskoye field to the joint venture and third parties. In 2013 the produced methanol was primarily used for internal purposes.

In January 2014 methanol production in Russia amounted to 328,400 tons, 400 tons more than in December. Metafrax, Sibmetakhim and Tomet accounted for 73% of the methanol produced in Russia. Sibmetakhim increased production by 2% in December to 77,000 tons. Shchekinoazot increased production by 4% to 39,600 tons.

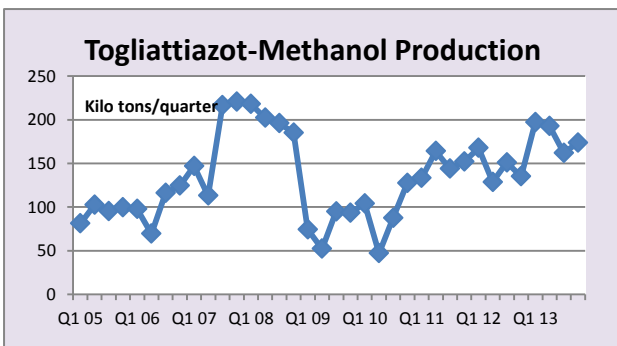
#### Sibmetakhim-methanol production

Sibmetakhim at Tomsk produced 814,050 tons of methanol in 2013, a record for the company. The previous high was in 2006 when methanol production amounted to 805,600 tons. Production in 2013 was helped by improved gas processing, whilst the company has continued to overhaul worn equipment. The plant was shut for maintenance for three weeks in 2013.



production of other products. Sibmetakhim currently occupies second place in terms of Russian methanol production, accounting for 30% of the market.

In November 2013 Sibmetakhim launched an investment project for the reconstruction and technical re-equipment for the production of formaldehyde and urea-formaldehyde resins. The project will consist of three important directions to expand production and will produce up to 15,000 tpa of formaldehyde and 65,000 tpa of urea-formaldehyde concentrate. The remaining two areas of investment include the expansion of synthesis gas and methanol at 25%, as well as exploring the possibility of alternative use of synthesis gas for the



#### Togliattiazot 2014

Togliattiazot increased its net profit by 1.5% in 2013 compared to 2012, up to 9.259 billion roubles. Revenue grew by 7.3% to 37.716 billion roubles, and costs by 25.8% to 18.312 billion roubles. The gross profit decreased by 5.8% to 19.404 billion roubles. Togliattiazot produced 725,000 tons of methanol in 2013 against 582,000 tons in 2012.

#### Fosagro 2013

Fosagro increased the production of nitrogen fertilisers by 19.3% in 2013 to 1.309 million tons, whilst sales rose by 15.3% to 1.262 million tons. Urea production increased by 28.4% to 903,100 tons following the introduction of the new plant in 2012. Total fertiliser production enterprises of the group in the past year increased by 9% to 5.930 million tons, while sales rose by 11.2% to 5.934 million tons.

Fosagro Production (unit-kilo tons)		
Product	Jan-Dec 13	Jan-Dec 12
Ammonia	1,048.1	1,095.6
Urea	903.1	703.1
Phosphate fertilisers	4,620.1	2,170.6
Nitrogen fertilisers	1,309.6	1,098.0
Ammonium nitrate	297.4	314.6
Aluminium fluoride	27.1	24.1
Phosphoric acid	1,764.6	1,608.1
Sulphuric acid	4,338.4	4,379.7
Sodium Tripolyphosphate	123.2	0.0

#### Evrokhim 2013

The net profit for Evrokhim for 2013 amounted to 12.26 billion roubles; 2.6 times lower than in 2012. Group revenue amounted to 176.9 billion roubles, 6.3% higher whilst the EBITDA dropped by 12.6% and amounted to 42.960 billion roubles. The operating profit fell 21% to 31.743 billion roubles. Sales in the nitrogen and phosphate divisions rose 8% to 10.6 million tons.

Evrokhim's nitrogen division revenues for 2013 totalled 100.1 billion roubles, showing an increase of 8%. The contribution of gas company Severneft Urengoy to Evrokhim's revenues amounted to 5.1 billion roubles. Compared with the previous year the volume of natural gas production

**Evrokhim Non-Fertiliser Sales (mil roubles)**

	2009	2010	2011	2012	2013
Melamine	0	0	0	58	1,180
Acetic Acid	1,851	1,754	1,993	1,595	1,870
Methanol	1,633	2,627	3,199	3,582	4,505

increased by 27% to 830 million cubic metres. The entire volume of marketable gas was supplied to Azot at Novomoskovsk. The cost of sales for the Evrokhim group for 2013 amounted to 112.8 billion roubles, 15% higher than last year.

**Uralkhim Production  
(unit-kilo tons)**

Product	Jan-Dec 13	Jan-Dec 12
Ammonium nitrate	2605.0	2789.0
Ammonia	412.0	409.9
Urea	1164.0	1138.0
Complex fertilisers	293.2	290.2
Phosphate fertilisers	245.1	253.2
Other fertilisers	8.0	7.2
Other chemical	141.2	151.1
<b>Total</b>	<b>4868.5</b>	<b>5038.5</b>

**Uralkhim 2013**

Uralkhim sold a total of 6.039 million tons of products in 2013. Production of ammonia increased by 1.3% up to 2.819 million tons, a record for one producer in Russia. The increased production was achieved through stable work of the units during the year, including an increase in the daily production at the units in the group's locations in the Perm region and in Kirov-Chipetskiy. Production of ammonium nitrate and its derivatives was 2.789 million tons, an increase compared to the same period last year by 7%. Urea production decreased by 2% to 1.138 million tons.

**Russian ammonia & related product projects**

**Fosagro-ammonia project**

Fosagro has signed a loan agreement for its ammonia project at Cherepovets with Japan Bank for International Cooperation (JBIC) and a group of banks consisting of Bank of Tokyo-Mitsubishi (BTMU), Citibank Japan and Mizuho Ban. The loan totals \$440.6 million under the guarantee of the Japan Agency for Export Insurance and investment (NEXI). JBIC will provide funds amounting to \$264.4 million (60% of the total loan amount) for a period of 13 years, whilst a group of banks BTMU, Citibank Japan and Mizuho Bank \$176.2 million for the period of 7 years.

Fosagro plans to use the funds to finance the construction of the ammonia unit at Cherepovets with a capacity of 760,000 tpa, which it has already started. The contract for its construction was concluded in 2013 with an international consortium of companies led by Mitsubishi Heavy Industries. The licensor of technology is Haldor Topsoe (Denmark); the new unit is scheduled for start-up the first half of 2017.

**Ammonium Chemical Project, Mendelevsk  
(unit-kilo tons)**

Product	Option 1	Option 2
Ammonia	717.5	455
Methanol	0	238
Urea	717.5	717.5

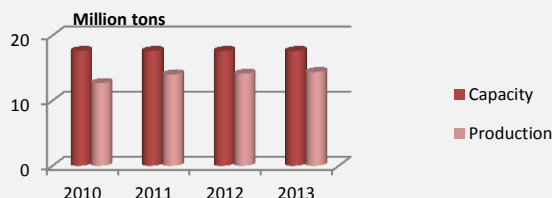
**Ammonium-Mendelevsk, ammonia & methanol project**

The Ammonium project at Mendelevsk in Tatarstan is expected to see the first stage of commissioning in May-June this year.

The project is planned to be completed by the end of 2014, with the beginning of industrial activity in the first quarter in 2015. Full capacity is reached in the fourth quarter in 2015. The complex will include a combined unit of ammonia / methanol, or an annual capacity of 717,500 tpa of ammonia (without production of methanol), or 455,000 tpa of ammonia and 238,000 tpa of methanol and granulated urea unit with a capacity 717,500 tpa. Capital investment in construction is estimated to be worth up to \$1.6 billion.

The complex will include a combined unit of ammonia / methanol, or an annual capacity of 717,500 tpa of ammonia (without production of methanol), or 455,000 tpa of ammonia and 238,000 tpa of methanol and granulated urea unit with a capacity 717,500 tpa. Capital investment in construction is estimated to be worth up to \$1.6 billion.

**Russian Ammonia Production & Capacity**



**Kuibyshevazot-Linde ammonia project**

Dzerzhinsk based institute NIIK has signed an EPC contract with Linde engineering for the design, supply and construction of a new ammonia plant at Kuibyshevazot. Linde Engineering plans to begin the first stages of construction in February 2014 in order to meet a fairly tight deadline. Investment in the ammonia plant equates to around €250 million, involving a planned capacity of 480,000 tpa or 1,340 tons per day. Kuibyshevazot wants to complete the project by the end of 2016.

**Urea project at Ust Luga to be moved**

The urea project planned by ICT near the port of Ust Luga could be moved to another location in the Leningrad region. In November 2013 the government of the Leningrad region and Baltic urea plant signed an agreement for

the construction of a urea plant near the port of Ust-Luga. The company planned to complete the plant for the production of ammonia and urea by 2017.

The plant's capacity was originally set out at 350,000 tpa of ammonia and 1.2 million tpa of urea. Investment in the construction of the plant was estimated at \$1.5 billion. East is also planning to build in the commercial seaport of Ust-Luga terminal for general cargo and fertiliser capacity of more than 4 million tpa.

## Organic Chemicals

### Russian Butanol Exports (unit-kilo tons)

	Jan-14	Jan-13
<b>Normal Butanol</b>	<b>2.4</b>	<b>1.0</b>
Gazprom Neftekhim Salavat	2.3	0.9
SIBUR-Khimprom	0.0	0.1
<b>Isobutanols</b>	<b>3.2</b>	<b>5.5</b>
Gazprom Neftekhim Salavat	0.8	0.8
SIBUR-Khimprom	2.4	3.5
Angarsk Petrochemical	0.0	1.2

21% up on December. The resumption of

### Russian Butanol Production (unit-kilo tons)

N-Butanol		
Producer	Jan-14	Jan-13
Angarsk Petrochemical	3.5	3.5
Evrokhim	1.6	1.4
Gazprom Neftekhim Salavat	4.6	10.6
SIBUR-Holding	1.8	2.4
Total	11.6	17.9
Isobutanol		
Producer	Jan-14	Jan-13
Angarsk Petrochemical	1.7	1.9
Gazprom Neftekhim Salavat	2.3	4.3
SIBUR-Holding	3.4	4.0
Total	7.4	10.3

Kamteks Khimprom (43%) and Ural Plant of Plasticizers (7%).

### Russian butanol exports, Jan 2014

Exports of butanols from Russia amounted to 5,660 tons in January, 53% less than in December and 13% lower than in January last year. The decline was due mainly to lower demand in China. Isobutanols accounted for 57% of exports in January, whilst the main exporters were Gazprom Neftekhim Salavat (56% of exports) and SIBUR-Khimprom (43%).

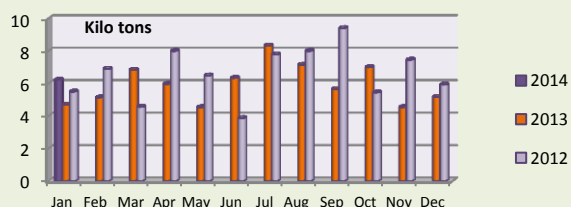
### Russian DOP, Jan 2014

DOP production in Russia amounted to 6,230 tons in January, production at Roshalsky Plant of Plasticizers helped volumes, producing 913 tons. Production of DOP by Kamteks-Khimprom and Gazprom Neftekhim Salavat also rose slightly. These companies produced 2,600 tons and 2,720 tons respectively, 4% and 2% up. The Ural Plant of Plasticizers resumed production of DOTF in January, producing 257 tons.

DOP exports rose 5 times in January over December to 336 tons. The main reasons for the increase of export activities were the decline in domestic demand at the same time as production increased. The main direction of Russian DOP exports in January was Ukraine, accounting for 220 tons. The remaining volume of 116 tons of DOP) was shipped by Gazprom Neftekhim Salavat to Uzbekistan.

DOP exports amounted to 810 tons in 2013, 63% higher than in 2012. The rise in exports was due to a decline in demand in the domestic market. The main directions of supplies of Russian DOP in 2013 were Uzbekistan (51%) and Ukraine (49%). The largest suppliers included Roshalsky (49%), Kamteks Khimprom (43%) and Ural Plant of Plasticizers (7%).

### Russian DOP Production



### Russian phthalic anhydride, Jan 2014

Exports of phthalic anhydride from Russia amounted to 6,780 tons in January, 16% more than in December and 39% higher than in January last year. Low demand in the domestic market helped free up product for export, 56% of which went to India.

## Other Products

### Tomskneftekhim-polymer terminal

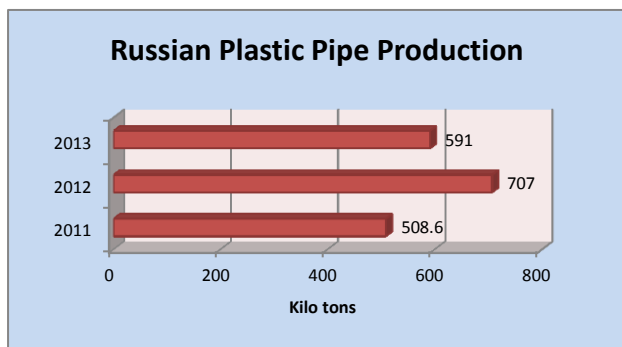
Tomskneftekhim has arranged with rail transport company Transgarant to construct a container terminal for storage of polymers, which it will operate for a period of 12 years. The start of construction is planned for the second quarter of 2014 with completion projected for the fourth quarter of this year. The container yard area allocated for storage for polyethylene and polypropylene is 10,000 square metres. The company notes that the project will strengthen the position in relation to processing and transportation of containers in the West Siberian region. This partnership helps to ensure a synergy in all divisions FESCO transport group and an increase in container traffic.



**Ust-Luga terminal investment**

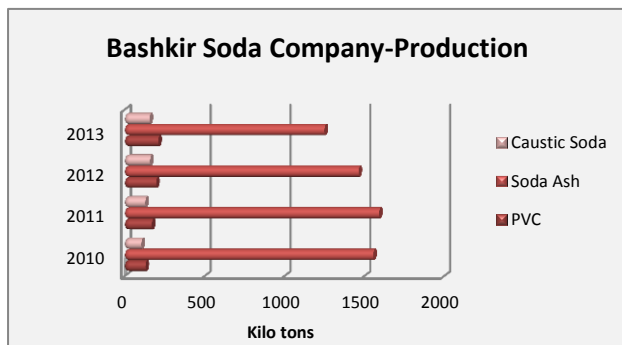
Fosagro has become one of the founders of OOO Smart Bulk Terminal, which will be engaged in the transshipment of mineral fertilisers from the port of Ust-Luga in north-west Russia. Fosagro has received 70% of shares in the company. Creating its own operator could reduce transportation costs for Fosagro associated with handling of fertilisers. Currently, the construction of another terminal for the transshipment of mineral fertilisers at Ust-Luga is underway by Evrokhim.

The terminal capacity in this case is being designed at 5 million tpa, which is scheduled to enter activity in 2015. Investment in the project is estimated at \$229 million. In addition, the ICT group plans to invest \$140 million in the construction of a terminal for transshipment of general cargo and fertilisers at Ust-Luga, with a capacity of more than 4 million tpa. This project is being created under the title Baltic Fertiliser Terminal.

**Russian plastic pipes 2013**

Plastics pipe production in Russia dropped in 2013 to 591,000 tons from 707,000 tons in 2012. An increase of 39% took place in 2012 and 2011 which was instrumental in encouraging Russian companies to double investment in capacity expansion during 2013. Around \$69 million was estimated to have been spent in 2013 on new equipment for the production of plastic pipes. Traditionally, most investment is aimed at equipment for production of polyethylene pipes which consumed \$43.8 million of expenditure in 2013 versus \$21 million a year earlier.

The largest purchases of equipment last year was taken up by industry leaders such as Polyplastik, Tehstroj, Pipelife Rus, etc. Investment in the production of pipes from PVC in the past year, on the contrary, decreased to \$7.8 million. New investments in 2014 are expected to be much more modest than in 2013, although Polyplastic continues to actively invest in the expansion of PVC pipe capacity.

**Bashkir Soda Company-modernisation**

Bashkir Soda Company (BSK) has announced its intention to invest 2.7 billion roubles (\$77 million) in the modernisation of production facilities, primarily at Sterlitamak. BSK plans to invest in the construction of air separation plant nitrogen-oxygen plant, retooling project in filling line for packing of solid caustic soda to increase the competitiveness of Sterlitamak caustic and meet the demands of consumers.

The main tasks of modernisation and development of Bashkir Soda Company are aimed at maintaining market leadership in soda ash, PVC and organo-chlorine products. In 2013, capital expenditures for investment projects amounted to about 1.6 billion roubles and this year investment will rise to 2.7 billion roubles. Some are long-term projects that are being implemented over several years, and are particularly important for BSK.

**Khimprom Novocheboksarsk 2013**

Khimprom's revenues totalled 5.7 billion roubles in 2013, 2% down on 2012. Gross profit amounted to 1.39 billion roubles against 1.5 billion roubles in 2012. The company was affected by the slowdown in related industries and the decline in market prices for some products in the foreign market. Notwithstanding, Khimprom managed to conquer new markets for products such as acetanilide and diphenyl guanidine, having signed contracts with the world's largest tyre manufacturers. Group Orgsintez controls 96.2% of share capital in Khimprom.

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**Belarus**

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**Novopolotsk petrochemical production**

Naftan at Novopolotsk produced 12,300 tons of benzene in January, 35% up on December. Naftan expects uninterrupted production until the second half of the summer when it plans to conduct routine maintenance from

**Belarussian Chemical Output  
(unit-kilo tons)**

<b>Fertilisers</b>	<b>Jan-14</b>	<b>Jan-13</b>
Potassium Fertilisers	371.7	398.0
Nitrogen Fertilisers	76.5	75.2
Phosphate Fertilisers	13.5	18.1
Ammonia	96.7	96.7
Sulphuric Acid	77.9	83.9
<b>Petrochemicals</b>	<b>Jan-14</b>	<b>Jan-13</b>
Ethylene	17.0	19.0
Benzene	12.3	14.0
Caprolactam	11.8	11.8
Phthalic Anhydride	0.0	0.0
Polyethylene	11.4	12.7
PET	13.7	14.0

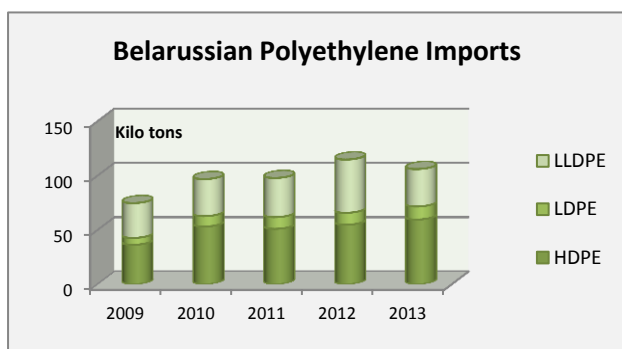
15 August to 15 September 2014. A similar maintenance shutdown for neighbouring Polymir has not yet been approved. In October 2013 Polimир stopped production of polyethylene (LDPE) on the second line for maintenance work. Planned preventive maintenance on the first stage of the plant was carried out in April 2013.

Polymir produced 127,800 tons of polyethylene (LDPE), against 140,700 tons in 2012. During 20143 Polymir processed 529,000 tons of hydrocarbons, 59,000 tons of acrylic fibre and 21,000 tons of acrylonitrile. The company exported products worth \$447 million. For 2014 Polymir plans to run plants at 97.4% of capacity and process around 538,000 tons of hydrocarbons.

**Belarussian polyethylene imports 2013**

Belarus reduced imports of polyethylene in 2013 to 106,000 tons against 114,800 tons in 2012. Demand grew only for HDPE, while LDPE and LLDPE markets showed negative results. Imports of LDPE and LLDPE decreased to 46,400 tons, from 60,000 tons in 2012. Key suppliers of LDPE and LLDPE to Belarus last year were Saudi Arabia and Russia, with 25,800 tons and 7,000 tons delivered respectively.

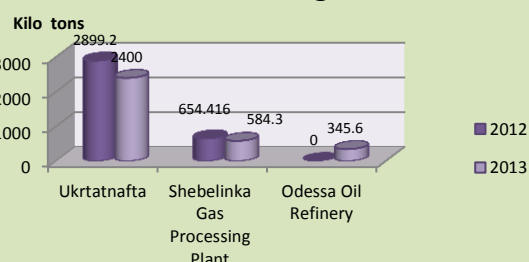
Belarussian imports of HDPE rose to 59,700 tons in 2013, from 54,900 tons in 2012 due to stronger demand in all sectors of consumption. Key HDPE suppliers to Belarus last year were Russia and Saudi Arabia, with 32,000 tons and 10,000 tons respectively delivered respectively.

**Other Belarussian polymer imports 2013**

Imports of polypropylene to Belarus decreased to 83,100 tons in 2013 from 86,800 tons in 2012. Demand for homopolymer PP weakened, while conversely the demand for propylene copolymers became stronger. Imports of homopolymer were reduced to 60,000 tons in 2013 against 64,600 tons in 2012. Demand for homopolymer was affected by the reduction of BOPP films in Belarus. Russia supplied 33,900 tons of homopolymer and Poland 6,800 tons in 2013. Imports of propylene copolymers totalled 23,100 tons in 2013, the main supplies coming from Germany (15,600 tons)

and the Czech Republic (3,000 tons).

PVC imports into Belarus grew to 43,700 tons in 2013 from 40,700 tons in 2012. Producers from Germany and Poland are the main suppliers of unmixed PVC to Belarus. PVC shipments from these countries amounted to 21,900 tons and 14,300 tons, respectively in 2013.

**Ukraine****Ukrainian Oil Refining Volumes****New government in Ukraine may not prevent default**

Aside other issues Ukraine is facing the serious possibility of default with the new interim government inheriting a disastrous financial situation from the previous regime. The economy has been in sharp decline since 2012, many industrial plants have been under-used due to rising costs and a lack of demand.

The new government recognises the need to make some very unpopular reforms to comply with the harsh conditions being imposed by the IMF and EU.

The prospect of default threatens production levels across the country, such as oil refining and coke production. Ukraine exported coke in 2013 worth \$404.99 million and imported coke worth \$190.29 million. The association Ukrkoks predicts total coke production of 17.6 million tons in 2014. In 2013 coke production decreased by

7%, or 1,338 tons to 17,596 tons. This followed 2012 when production fell by 3.8%, or by 718,000 tons to 18,426 tons.

Oil refining in Ukraine totalled 3.4 million tons in 2013, 26.1% down on 2012. The Kremenchug refinery (Ukrtatnafta) processed 2.4 million tons, 20.8% lower than in 2012, whilst Shebelinka Gas Processing Plant reduced processing by 12% to 584,300 tons.

The Odessa refinery reopened in September 2013 and processed 345,600 tons by the end of the year, whilst the other refineries at Lisichansk, Nadvirna, Drogobych and Kherson did not work in 2013. This year was expected to see an improvement through the Odessa refinery and if the Lisichansk refinery is restarted, as indicated by Rosneft. However, there are now questions over oil supply to these refineries.

#### Ukrainian Petrochemical Imports (unit-kilo tons)

Product/Consumer	Q1 13	Q2 13	Q3 13	Q4 13	Total
<b>Methanol</b>	0.443	3.286	4.102	5.966	13.797
Ukrtatnafta	0.276	0.501	0.114	0.423	1.314
Azon-2	0.166	0.809	0.968	0.838	2.781
KarpatSmol	0	1.859	3.017	3.675	8.551
Dniproazot	0	0.061	0	0.054	0.115
Other	0.001	0.055	0.003	0.975	1.034
<b>Styrene</b>	4.278	5.116	5.123	1.954	16.471
Stirol	4.178	4.784	4.807	1.723	15.492
GP Smol	0	0.126	0.131	0.092	0.349
Khimpostavshik	0.085	0.064	0.066	0.046	0.261
Other	0.015	0.142	0.118	0.092	0.367
<b>Phthalic Anhydride</b>	1.635	3.065	2.188	2.143	9.031
Lizinvest	0.5	0.6	0.3	0.24	1.64
Impress	0.7	0.5	0.44	1.36	3
Impulse	0.18	0.36	0.24	0.12	0.9
Khimteks	0.1	0.42	0.729	0.252	1.501
Polikem	0.145	0.878	0.399	0.05	1.472
LKB	0	0.1	0.02	0.1	0.22
Other	0	0.207	0.06	0.121	0.388
<b>VAM</b>	0	0.35	0.328	0.693	1.371
Omega	0	0.307	0.308	0.494	1.109
YuSK	0	0.043	0.021	0.063	0.127
Concord	0	0	0.036	0.073	0.109
Other	0	0.043	0	0.043	0.086

#### Ukrainian petrochemical supply

Karpatneftekhim's petrochemical complex at Kalush is currently idle, LUKoil has suggested some possibility of a restart soon but it would need to have discussions with the new interim government.

Due to cover losses incurred on Karpatneftekhim over the last two years LUKoil has been forced to write off assets in West Siberia worth \$411 million.

Ukraine exported 63,400 tons of benzene in 2013, 23% higher than in 2012. The resumption of shipments from the Kremenchug refinery, under Ukrtatnafta, was the main reason for the rise in export shipments coupled with a lack of domestic demand. For example the production of caprolactam decreased by 49.5% in 2013, or to 12,464 tons against 25,156 tons in 2012. Adipic acid was not produced at all in 2013.

Benzene production in Ukraine amounted to 7,900 tons in January, 10% down on December. Yasinovsky Coke and Zaporozhkoks reduced exports respectively by 31% to 2,300 tons and 26% to 791 tons.

#### Ukrainian methanol, Jan 14

Azot at Severodonetsk resumed methanol production in January after fairly extensive renovation. The company produced 10,100 tons in January and continues to operate normally despite the political confusion. Methanol imports from Russia into Ukraine amounted to 1,450 tons in January, 30% down on December due to the restart of production by Azot at Severodonetsk. The average price of imports into Ukraine increased slightly in January to \$445 per ton DAF border.

The largest Ukrainian consumer of methanol imports was KarpatSmol at Kalush for the production of resins. Over January the company purchased 725 tons of Russian methanol, but that was 55% down on December. Ukrtatnafta also purchased 166 tons, which was up 30% on December, whilst Azon-2 bought 456 tons against zero in the previous month. The main supplier to the Ukrainian market in January was Azot at Novomoskovsk with 1,100 tons.

#### Ukrainian plasticizer alcohols 2013

Ukraine imported 9,000 tons of phthalic anhydride in 2013, 5% higher than in 2012. Lakokraska provided 87% of imports and Kamteks-Khimprom 13%. The largest consumers of imported phthalic in 2013 comprised plasticizer producers Polikem (29%) and Lizinvest (28%). Other consumers included a manufacturer of paints and varnishes Impulse (11%), and trading company Khimteks-trade (32%).

DOP imports into Ukraine totalled 4,200 tons in 2013, 62% down on 2012. The main reason for reduced imports was the imposition of import duties of 6.5% on DOP from Europe. Russian DOP was in demand because it is cheaper than domestic product and may be imported duty-free, but that situation may change. The largest suppliers of plasticizer to the Ukrainian market in 2013 were Czech company Deza (47%), Polish company Boryszew with 40% and the Russian company Roshalsky Plant of Plasticizers (10%).

The main importers of DOP in Ukraine include Padana Chemical Compounds and Galich Cable. DINP is imported duty free and the difference in the prices of DOP and DINP reduced to the degree that some processors have found DINP more profitable.

**Ukrainian Polymer Imports (unit-kilo tons)**

Product	Jan-Dec 13	Jan-Dec 12
LDPE	98.5	114.3
HDPE	137.2	132.0
LLDPE	57.0	74.2
PP	133.1	113.0
PET	157.6	163.1
PVC	144.4	94.4
Polycarbonate	4.3	3.7
HIPS & GPPS	8.3	9.2
EPS	24.2	26.0
ABS	3.6	4.1
Total	768.2	734.1

**Ukrainian polypropylene 2013**

Due to under-used polyolefin capacity in Ukraine imports showed increases in 2013. Imports of polypropylene totalled 133,100 tons in 2013 against 113,000 tons in 2012. The rise was partly due to higher demand and in part due to the lack of domestic production. The sole Ukrainian plant at Lisichansk stopped production in April 2012 and did not produce at all in 2013. The ownership of the plant has transferred from TNK-BP to Rosneft and there is a possibility of the 100,000 tpa plant restarting later in 2014.

Imports of homopolymer increased by 28% in 2013 compared with the 2012 and amounted to 101,300 tons. Imports propylene block copolymers fell to 16,000 tons in 2013 versus 19,600 tons in 2012, whilst random copolymers increased by 26% to 12,000 tons. Import of other propylene copolymers decreased to 3,800 tpa from 5,000 tpa.

**Ukrainian PET market 2013**

Ukrainian PET consumption declined 3.5% in 2013 over 2012 to 157,600 tons. Demand was affected by not only sluggish economic performance but also changes in the weight of preforms. As Ukraine lacks PET production preform manufacturers are solely dependent on imports, most of which come from China. The Ukrainian PET market peaked in 2007 when imports totalled 248,000 tons but has since been in decline.

**Ukrainian Chemical Production (unit-kilo tons)**

Product	Jan-Dec 13	Jan-Dec 12
Ammonia	3607.9	5050.0
Benzene (+95%)	101.0	148.6
Caprolactam	22.8	25.2
Carbon Black	52.4	46.4
Caustic Soda	46.0	127.8
Ethylene	27.0	128.2
Methanol	128.2	168.9
Polyethylene	19.0	54.7
Polypropylene	0.0	25.5
Polystyrene	12.5	19.2
PVC	0.0	115.1
Propylene	0.0	55.2
Soda Ash	582.0	653.5
Titanium Dioxide	146.927	145.6

**Ukrainian PVC imports 2013**

PVC imports into Ukraine totalled 144,400 tons in 2013, 53% up on 2012. The significant rise was due largely to the inactivity of the sole Ukrainian PVC producer Karpatneftekhim at Kalush. The plant stopped production in September 2012 and only restarted again in November 2013. For 2013 Karpatneftekhim produced 12,200 tons. As a result of domestic inavailability imports of PVC from the US rose from 34,500 tons in 2012 to 76,400 tons in 2013. Imports from Europe last year amounted to 65,600 tons versus 57,000 tons a year earlier. BorsodChem supplied 29,300 tons to the Ukrainian market in 2013 and Anwil 24,400 tons.

**Other polymer imports 2013**

Imports of ABS into Ukraine amounted to 3,600 tons in 2013, 14% down on 2012. Imports from South Korea accounted for 65% total imports last year. Polycarbonate imports totalled 4,300 tons in 2013, 15% up on 2012. SABIC Innovative Plastics accounted for 95% of polycarbonate imports into the country. EPS imports into Ukraine decreased by 7.5% in 2013 to 24,200

tons. The share of Russian EPS increased to 89% of total polymer consumption in Ukraine in 2013. SIBUR-Khimprom supplied 21,500 tons to Ukraine last year.

Consumption of polystyrene and styrene plastics fell by 12% in 2013 to 70,400 tons. Market consumption for high impact polystyrene (HIPS) and general purpose polystyrene (GPPS) in Ukraine fell by 2% and amounted to 31,700 tons. EPS consumption fell by 15% and amounted to 30,000 tons. ABS imports dropped 14% to 3,500 tons.



## Caucasus-Central Asia

**Uzbek ammonia and urea projects**

State joint stock company Uzkimyosanoat has announced tenders on purchase of goods, works and services for the modernisation of the urea and ammonium nitrate plants at Ferganaazot. Foreign and local companies can participate in the tenders up to 10 March 2014. The cost of the project is estimated at \$62.480 million.

The project consists of an increase in capacities for the production of urea by 30,000 tpa, ammonium nitrate by 62,000 tpa, and nitric acid by 50,000 tpa. To support the project the Fund for Reconstruction and Development of Uzbekistan has agreed to provide \$24 million whilst Uzbek banks will issue \$22 million for project implementation. Ferganaazot is the largest Uzbek producer of nitrogen fertiliser and was commissioned in 1956. Currently, the plant has capacities of 350,000 tpa for ammonium nitrate and 270,000 tpa of urea.

A tender for construction of chemical complex at Navoiyazot will need to be relaunched as the first tender did not produce the necessary proposals. Navoiyazot announced a tender for construction of a complex on production of ammonia with the capacity of 900,000 tpa and urea with a capacity of 1 million tpa in May 2014. The project should be implemented in 38 months. The project with the cost of US\$961.7 million will be financed due to foreign loans and resources of the Uzbek side.

**Armenian new rubber plant-Rosneft**

Rosneft is ready to invest \$500 million in the modernisation of the Yerevan chemical plant Nairit in Armenia. Construction could start in 2014 if all the agreements are put in place. Production at Nairit stopped in April 2010 due to high costs, the plant was the sole producer of chloroprene rubber in the USSR.

In 2006, 90% of Nairit was sold to the British consortium Rhinoville Property Limited for \$40 million, the remaining 10% owned by the Government of Armenia. Legal actions are currently in process between the Armenian government and Rhinoville Property.

In late December 2013, Rosneft, Pirelli Tyre Armenia and Rosneft-Armenia signed a memorandum to establish a joint venture for the production of styrene-butadiene rubber. One of the options for recovery at Nairit includes using gas feedstock obtained by barter from Iran.

**Pavlodar polypropylene plant upgrades to granulation**

Kazakh company Neftekhim at Pavlodar intends to launch a unit for polypropylene granulation in 2014. Neftekhim was commissioned in 2009, with the plant for 30,000 tpa of polypropylene opened in 2011. As production was based on powder which cannot be used by domestic processors, the entire production until now has been exported. Total polypropylene production in Kazakhstan in 2013 was 17,800 tons against 37,700 tons in 2012. The reduction was due to an extended shutdown from April to July last year.

**Kazakh Polymer Imports  
(unit-kilo tons)**

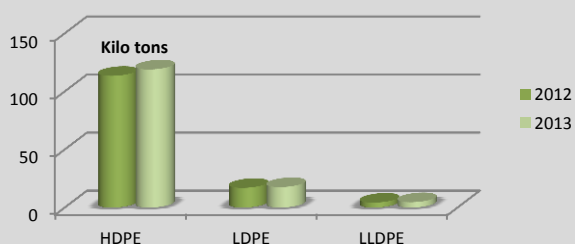
Product	2013	2012
PVC	32.0	24.8
PET	51.8	52.8
LDPE	17.7	17.0
HDPE	119.0	113.5
LLDPE	4.7	4.4

**Kazakh polymer imports 2013**

Imports of PVC into Kazakhstan grew by 29% in 2013 to 32,000 tons. Demand from local converters increased, but the main growth was largely caused by increased exports of Chinese acetylene PVC to Russia. Imports of PET to Kazakhstan declined slightly in 2013, dropping 2% to 51,800 tons. China remained the main supplier to the Kazakhstan market, rising 9% to 37,000 tons. Imports from South Korea fell by 12.4% to 14,600 tons. The delivery of Russian PET is expected to rise in 2014 in the back of the expansion of capacities in Russia. SIBUR announced its plans to increase PET exports to Kazakhstan from Polief, based at Blagoveshchensk.

Kazakh imports of PET totalled 51,800 tons of PET in 2013, which is 2% lower than in 2012. China supplied 37,000 tons, 9% higher, whilst South Korean imports fell 12.4% to 14,600 tons. This year Russian exports to Kazakhstan could increase after the completion of the Polief expansion.

**Kazakh Polyethylene Consumption**



Demand for polyethylene in Kazakhstan rose by 5% in 2013 to 141,400 tons. Local pipe producers remain the main driver behind polyethylene demand. The absence of the country's own production predetermines a strong dependence on polyethylene supplies from Russia, although that position will change when the new Atyrau complex is completed. Imports of HDPE totalled 119,000 tons in 2013 against 113,500 tons in 2012. Russian plants accounted for 49% of HDPE imports, whilst pipes manufacturers accounted for 86% of imports.

LDPE imports increased 4% in 2013 to 17,700 tons.

**Kazakh polymer processing projects**

Kazakhstan opened a new line at Uralsk in the north west at the start of 2014 for the production of polyethylene pipes of large diameter. The company Ural Commercial and Industrial Company (UTPK) has established a line based on equipment supplied by KraussMaffei. UTPK will be the first company to produce polyethylene pipes in Kazakhstan with a large diameter of 1600 mm. The capacity of the plant is 7,000 tpa, and shipments have already been made to Russian customers in Bashkortostan and Tatarstan.

Kazplast at Karaganda has launched a new line for the production of corrugated polypropylene pipes in July last year. Penoplex plans to launch a third line in 2014 for the production of insulation boards at the extruded polystyrene plant at Kapchagai in Kazakhstan. The capacity of the plant will be 300,000 cubic metres. Investment in the project will amount to 10 million €. Penoplex has operated its plant at Kapchagai since 2008; its capacity is 200,000 metres per annum of thermal insulation. Currently the company employs two lines for the production of insulation boards.

Film manufacturers accounted for more than 95% of the total imports, whilst Russian producers accounted for 94% of total imports. LLDPE rose by 8% in 2013 and totalled 4,700 tons. Producers from Asia and Uzbekistan, which accounted for more than 95% of total imports, remain the key PE suppliers to the republic.

Kazakhstan intends to launch a new petrochemical complex in Atyrau region in the next two years. The new chemical complex will be built in two phases, the first of which presupposes a polypropylene production unit with a capacity of 500,000 tpa. The second phase includes the construction of a PE plant with the annual capacity of 800,000 tpa. Investments in the project have been estimated at about \$4.15 billion.

*Relevant Currencies*

Czech crown. Kc. \$1= 20.161. €1 = 27.480: Hungarian Forint. Ft. \$1 = 220.721. €1 = 300.887: Polish zloty. zł. \$1=3.066 €1 =4.180: Bulgarian leva: \$1 = 1.434. €1= 1.955: Romanian Lei. \$1 = 3.301. €1= 4.498: Croatian Kuna HRK. \$1 = 5.597. €1= 7.628: Ukrainian hryvnia. \$1=8.225. €1 = 11.205: Rus rouble. \$1 = 35.253 €1= 45.290

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