

# ***EAST Europe & C.I.S CHEMICALS BRIEFING***

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## **CENTRAL EUROPE**

### ***Olefins***

In the context of modest expectations for 1999 the major petrochemical producers and oil refiners in Central Europe are focusing more attentively on reduction of variable costs, primarily for raw materials. Softening price levels for olefin derivatives do not bode well for the year. From a strategic perspective, the cyclical nature of commodities and the subsequent impact on profitability, is helping to encourage greater interest in areas such as downstream processing.

In Hungary, TVK is making an effort to increase the share of plastics' processing in the company's total turnover (currently about 9%), and this strategy has been enhanced by recent acquisitions and joint ventures. However, it is difficult to see how the company could dislodge itself from being essentially a supplier of polyolefins and thus being exposed to the market cycles of these products. TVK's gross turnover fell in 1998 by 3.5% to Ft 85.8 billion, with net profits falling by 31.5% to Ft 11.7 billion. This fall in profits was due in part the level of investments implemented and in part to the downturn in chemical pricing.

For the whole year TVK's olefin plant produced 310,400 tons of ethylene and 164,100 tons of propylene. Feedstocks processed included 827,000 tons of naphtha and 170,100 tons of gas oil. The processed quantity of naphtha was 1% higher, and gas oil 7% higher, than in 1997. Furthermore, ethylene output was 4% higher whilst propylene output was 3% lower than last year's figures. The capacity utilisation of the ethylene unit last year was 107%. The average foreign currency price for naphtha purchased from MOL Rt was \$136 per ton, 32% lower than in 1997.

In 1998, TVK bought 47,000 tons of ethylene from Oriana at Kalush at an average price of DM822 per ton, representing a 1% decrease in quantity and a 16% decrease in price compared to 1997. TVK sold 58,100 tons of ethylene to BorsodChem at an average price of Ft 104,400 per ton compared to 64,300 tons at Ft 116,700 per ton in 1997 (a 10% and 11% decrease respectively). In addition to the fall in the West European ethylene contract price the lower price charged to BorsodChem was due partly to the devaluation of the forint. The purchased quantity of ethylene from Oriana corresponded approximately to the demand of BorsodChem. TVK's net sales' revenue from olefin products in 1998 was Ft 12,822 million, contributing a 14.9% share to the total sales revenues of the Group.

The imposition of export duties on Russian crude exports has led Petrochemia Plock to start considering alternative forms of supply. Russia set a crude oil export tariff from January 27 for a period of six months, with a basic rate of 2.5 euros per ton when the price of Russian Urals blend crude is between \$9.80 and \$12.3 per barrel CIF Rotterdam or CIF Mediterranean. At present, Petrochemia depends on Russian crude for about 75% of its total requirements. The Czech refineries are less dependent on Russian supply, with the IKL pipeline providing an alternative source, but would still be affected. Slovnaft is almost 100% dependent on Russian deliveries. Russia will be supplying 6 million tpa of crude to Slovakia for the next 15 years, whilst also extended agreements for gas supplies have been reached between the two countries.

For 1998, Nafta Polska group posted a net profit of PLN 1.0137 billion, an increase of 13.7% from 1997. Petrochemia achieved net profits of PLN 607.3 million last year, with the second half of the year proving less

successful than the first. Petrochemia Plock SA posted a PLN 353.769 million net profit in the January-June 1998 period. Petrochemia's net income was 5.8% below the full year 1997 result, which was caused by cheap foreign imports of fuel and a fall in world oil prices. Regarding privatisation, the government is currently seeking to appoint a nine person management team for Koncern Naftowy which will emerge from the merger of Petrochemia Plock and CPN. However, this merger is not expected to be ready until the second half of the year. Even then, there is underlying scepticism about an early result on Polish privatisation due to the depressed state of the global oil industry.

In the Czech Republic structural changes appear to be in process in Unipetrol. The majority owner, the National Property Fund (FNM), recalled all members of the petrochemical conglomerate's board and supervisory board who were not elected by employees at the end of January. The Industry and Trade Ministry has acknowledged that the State is seeking to expand its influence in Unipetrol with the admission of new members to the board.

Unipetrol has changed the boards of directors of its subsidiaries Chemopetrol a.s. and Kaucuk a.s. reducing them from seven to five members and simultaneously replacing most of the members. However, Unipetrol does not plan changes on the two companies' managements or changes at any of its other subsidiaries.

**Polyolefins** In 1998, TVK produced 109,600 tons of LDPE, 186,800 tons of HDPE and 142,600 tons of polypropylene. These production volumes amounted to respective increases of 4%, 6% and 0.5% against 1997. The capacity utilisation rates were 95.3% in the LDPE plants, 98.3% in the HDPE plant and 101.9% in the polypropylene plants. The increase of the capacity utilisation for both olefins and polymers was attributable to the revamping of the cracker, which was completed in 1997. As a result, in 1998 there were no maintenance shutdowns, compared to a three-week shutdown the previous year. Sale revenues of polymers contributed 66.2% to the total sales of the TVK Group.

**PVC** The movement towards higher added value products and integration taking place at TVK is also being mirrored at BorsodChem where business strategy in 1998 underwent a switch in orientation towards less cyclical products such as MDI. Whilst in the mid 1990s it was considered viable to focus on the production of PVC films, sheets and window profiles, there is now emphasis on developing other product areas. Even so, BorsodChem's product base remains dominated by the VCM/PVC chain.

The increased level of production and sales against 1997 figures contributed substantially to the continued growth of BorsodChem's sales' revenue and operating profit in 1998. The sales' revenues of Ft 70,173.8 represented an increase of 16.2%, while the operating profit of Ft 9,910 million is 18.6% higher than the respective figures in 1997.

During the third quarter substantial outlays were spent on investment projects by BorsodChem, including a further 40,000 tpa of PVC capacity and an additional 7,500 tpa of MDI. In the third quarter BorsodChem reported a significant increase of sales' revenues against base figures, and also profitability in percentage of sales remained high. The company's operation and sales growth was not directly affected by the Asian or Russian economic crises. BorsodChem's sales into the Far East, as a constituent of total sales, is only 1.1%. Also, there is practically no direct product sales into the Russian market, although BorsodChem buys materials from Russia. Thus, since devaluation the company has benefited considerably.

Profitability was affected in the fourth quarter by stable ethylene pricing at levels of DM760 per ton, whilst simultaneously PVC prices were falling due to weak demand. In December, prices in the piping sector fell to a historic low. The price of the product from the September level of DM1.1 per kg decreased to the list price of DM1.0 per kg, whilst actual contracts were done at pricing levels of DM0.9-0.95 per kg.

The first quarter of 1999 is expected by BorsodChem to show better financial performance, with lower ethylene prices having been introduced from the start of January. As for the markets of PVC compounds, the decline of prices has followed the downward trend of PVC resin prices.

<b>BorsodChem's Production (unit-kilo tons)</b>			
	<b>MDI</b>	<b>PVC</b>	<b>VCM</b>
1997	32	241	178
1998	35	249	189
Growth (%)	9.4	3.4	6.2

BorsodChem's production capacity for PVC is in the process of further expansion to a total of 290,000 tpa. BorsodChem's problem, however, is insufficient VCM production. There is a shortfall in VCM requirements at Kazincbarcika of about 60,000 tpa under the present configuration which puts the company to an extent at the mercy of other suppliers. Oriana is proving to represent an unreliable source of additional VCM whilst suppliers in Germany have shown reluctance in the past to sell product to Hungary.

BorsodChem's results for 1998 consisted of sales' revenues at Ft 70,173.8 million. Operating profit was Ft 9,910 million, pre-tax profit 10,130 million Ft, and net income Ft 9,864 million. Apart from PVC and MDI, good profits were made on caustic soda sales due to strong pricing. BorsodChem has decided to dissolve the PVC bottle venture, together with co-owners in Akropolisz Kft, due to the decline in market opportunities. The liquidation commenced on 1 October 1998. BorsodChem's stake in that company was 33.2%.

The Czech PVC producer Spolana a.s. incurred losses of Kc 310 million in 1998 against losses of Kc 492 million in 1997. Turnover fell by 5.7% in 1998 to Kc 6,960 billion.

### **Aromatic based compounds**

In the first three quarters of last year BorsodChem's sale revenue for MDI increased by 20.8%, due principally to a 9.6% rise in actual output. There was a slight decline in crude MDI prices but product profitability did not fall compared to 1997. Lower aniline prices, resulting from a sharp fall in benzene prices, helped BorsodChem to retain profitability levels. During Q4 the list prices of crude MDI were DM3.0-3.25 per kg, while those of pure MDI were in the range of DM4.65-4.85 per kg. BorsodChem also achieved cost savings through the start-up of a formaldehyde unit in October 1998, another major feedstock for MDI. The partners in the formaldehyde project are Krems Chemie and Neste Chemicals.

In the phenol sector plans continue to be evaluated for a new phenol project at Litvinov. Last year, Chemopetrol took the decision to close the old tar based phenol plant at Litvinov due partly to the age of the technology, and in part to the uncertainty of supplies of raw materials from the only raw material supplier, the gas plant Væsová. Chemopetrol is currently interested in the construction of a modern phenol plant. A \$135,000 grant was provided for a feasibility study of a cumene/phenol complex at Litvinov, undertaken by M.W.Kellogg Technology. A \$300,000 grant was also allocated to fund a study of a bisphenol A at Spolchemie, at Usti nad Labem.

### **Plastics**

Central European plastics' markets are expected this year to feel some side-effects of the Russian economic situation, with some processors having been quite dependent on Russia as a market outlet. Polish consumption of plastics will continue to be the most dynamic market in the region with recent estimates having placed growth at levels of 15-20% per annum. With domestic production unable to satisfy local demand, imports are playing a significant role in the market. Domestic Polish processors have been expanding production facilities and undertaking modernisation programmes but not at a pace sufficient to keep up with investment in plastics' consuming industries. In an effort to replace imported products a number of foreign companies are investing in sheet extrusion and thermoforming facilities.

<b>Polish Chemical Output 1998</b>				
<b>(unit-kilo tons)</b>				
<i>Product</i>	<i>Nov-98</i>	<i>Nov-97</i>	<i>Jan-Nov 98</i>	<i>Jan-Nov 97</i>
Plastics	68.5	72.0	825.2	773.8
PVC	18.2	25.8	247.3	257.0
LDPE	13.8	15.1	156.3	142.3
Caustic Soda	25.5	35.9	333.2	327.9
Pesticides	1.5	0.8	24.7	25.9
Lacquers	13.5	12.3	286.9	239.8
Detergents	22.5	25.1	314.7	289.4
Nitrogen Fertilisers	95.4	135.0	1,278.2	1,466.0
Phosphate Fertilisers	36.2	42.6	586.1	553.1
Synthetic Fibres	5.2	10.2	84.9	100.5
Synthetic Rubber	7.5	9.9	87.6	93.2
Total Oil Processed	1,455	1,230	14,576	13,637

In Hungary, the building materials' company Graboplast has not yet seen a recovery in the Russian market since last August's sudden fall in demand but is still maintaining a presence. The problem is not physical demand but payment, in Graboplast's case a lot of bills are outstanding which is prohibiting further deliveries. Graboplast recorded losses of Ft 4.3 billion in 1998 against profits of Ft 2.28 billion in 1997. Turnover for Graboplast fell by 12% to Ft 16.8 billion. The Hungarian government in January offered Russia a loan of \$750

million to finance payment of Hungarian products, in an effort to try and revive trade. However, the Russian government has expressed concern over Hungary tightening trade relations, in particular the imposition of a 45% import duty on Russian nitrogen fertilisers.

On January 27, the Czech company Spolek pro chemickou a hutní výrobu a.s. (Spolchemie), at Ústí nad Labem, and Reichhold (USA) signed a fifteen year agreement. This strengthens their manufacturing, sales and technical support of unsaturated polyester resins through the new Reichhold-Spolchemie a.s. company. Under the agreement, Reichhold assumes 100% ownership of Spolchemie. Part of the long-term agreement includes plans for further technical co-operation between the two companies. In addition, Reichhold will develop sales and marketing opportunities for unsaturated polyester, gelcoat and other products in the Czech Republic and Central Europe.

Reichhold Inc., with headquarters in Research Triangle Park, North Carolina (USA), is a subsidiary of Dainippon Ink and Chemicals (Tokyo, Japan). The company is a major producer of unsaturated polyester,

adhesives and other polymer systems. In 1997, Reichhold acquired Jotun Polymer AS, thus becoming a partner with Spolchemie in the Czech Republic. Spolchemie is a leading producer of synthetic resins in the Czech Republic and Central Europe, particularly epoxies and polyesters. The new agreement with Reichhold provides the company with access to exclusive technology, products and research with the Reichhold organisation.

The Hungarian plastics' processing company Pannonplast achieved group sales' revenues in 1998 of Ft 17,653 million, an increase of Ft 3,134 million, or 21.6%, from 1997. Even so, 1998 sales fell below expectations, due partly to the impact of the gradual decline in raw material prices which affected Pannonplast's product prices. Also the performance of individual packaging companies (i.e., Pannunion or Almand) was below average due to a slowdown in demand from large customers. The joint venture Pannon-Mobil could not compensate for the declining demand for battery cases, while Multicard also underperformed in terms of plastic card turnover. Notwithstanding, export revenues grew dynamically and reached Ft 6,559 million, up 41.4% from 1997. The group focused heavily on investment during 1998, with capital expenditure exceeding Ft 5 billion.

<b>BorsodChem's Product Income</b>		
<b>Product</b>	<b>1997 Ft million</b>	<b>1998 Ft million</b>
<b>PVC resin</b>		
Domestic	7,196.1	5,754.2
Export	20,431.6	23,709.9
<b>Total</b>	<b>27,627.7</b>	<b>29,464.1</b>
<b>PVC compounds</b>		
Domestic	2,844.2	2,259.7
Export	2,156.7	3,052.2
<b>Total</b>	<b>5,000.9</b>	<b>5,311.9</b>
<b>MDI products</b>		
Domestic	214.0	233.3
Export	10,716.8	12,748.6
<b>Total</b>	<b>10,930.8</b>	<b>12,981.9</b>
<b>Caustic soda</b>		
Domestic	1,730.0	2,518.5
Export	1,819.2	2,124.2
<b>Total</b>	<b>3,549.2</b>	<b>642.7</b>
<b>Plastic finished and semi-finished products</b>		
Domestic	2,099.4	3,795.7
Export	2,156.7	3,289.2
<b>Total</b>	<b>4,256.1</b>	<b>7,084.9</b>
<b>Other products (including formaldehyde)</b>		
Domestic	3,785.8	4,418.4
Export	5,257.5	6,269.9
<b>Total</b>	<b>9,043.3</b>	<b>10,688.3</b>
<b>Total sales</b>	<b>60,408.0</b>	<b>70,173.8</b>
Total domestic	17,869.5	18,979.8
Total export	42,538.5	51,194.0

Pannonplast's 1998 net income totalled Ft 2,314 million against Ft 2,136.6 million in 1997. An important direction for Pannonplast in 1998 involved the introduction of the active capital expenditure programme, which was oriented towards stimulating the future growth of the group. This investment is expected to start showing profits in 1999. At the beginning of the year Pannonplast went into injection moulding by launching the Ft 1.3 billion greenfield investment at Moldin Ltd. Production started last October. In the packaging sector, the Ft 1.1 billion greenfield investment at Tu-Plast facilitated the modernisation of the tube product range, and also a substantial expansion of capacity. The second phase of the project will be launched during this year.

The investment programme continued at Pannunion with the increasing production in Pannunion's Romanian subsidiary. The Ukrainian joint venture Interagropack started to produce margarine containers. In 1998 about Ft 480 million was spent on Pannonpipes's plastic pipe and pipe fitting technology development and capacity expansion. The company started to produce twin wall pipes, and the products are marketed in new fields (electric cable protection, floor heating, etc.) as well.

The production of PVC and polyethylene pipes in Panonpipe's Romanian subsidiary was started during 1998, whilst simultaneously the number of sales outlets increased to four in Romania. There was a maintenance and quality improvement capital expenditure budget spent at LG Pannon. The joint

venture partner LG Chemical announced that it was not going to participate in any major capital increase and wants to sell its 50% stake in LG Pannon.

BorsodChem increased sales revenue from plastic finished and semi-finished products in 1998 by 66.5%. This was due mainly to the inclusion into the consolidation group of plastic processing subsidiaries Panoráma Kft and BC Ablakprofil Kft for the full year. By contrast, in 1997 they were included only for the fourth quarter.

For TVK in 1998, the four plastic processing divisions at Tiszaújváros produced 25,600 tons of finished plastic products at a capacity utilisation rate of 52.3%, compared to 26,500 tons at a capacity utilisation rate of 44.4% in 1997. The decrease of the capacity base is due to the increase in the multi-phased higher value added finished products. In 1998, revenue of the four plastic processing divisions amounted to a 9.4% share of company's total sales at corporate level, compared to 8.5% in 1997.

#### **Fibres**

Representatives of Elana SA at Torun protested in mid February against plans by Unifi of the US to settle in the Lodz special economic zone. Elana stated that Unifi would enjoy tax reliefs in the

zone to which Elana was not entitled and that this would have consequences for the future of the Polish company. The appearance of Unifi in the Lodz economic zone is feared by Elana that it might lead to the withdrawal of the Indonesian Texmaco group from partnership talks that have been underway. In 1998, Elana encountered losses of around PLN 24.5 million. This year's loss is forecast to be in the range of PLN 21 million.

### **End use markets**

As 1998 results have started to be published, the full effects of the Russian economic crisis are showing to have had a noticeable influence on the performance of a number of companies. Hungarian pharmaceutical manufacturers have felt the reverberations of lost business in Russia where companies such as Chinoir Rt have been forced to lay off workers. Until the crisis, Russian exports made up 35% of Chinoir's sales and the company has consequently been badly affected by the fall in demand. Richter Gedeon in February reported weaker profits for 1998 due to sharply reduced sales in the CIS, its main export market. Sales to the CIS declined 18% to \$78.9 million in 1998, as compared to \$96.2 million in 1997. The second half of the year was very disappointing, with sales reported at \$26.3 million, a reduction of 45.7% compared with the same period in 1997.

### **Central Europe-currencies Feb 22<sup>nd</sup> 1999**

Country	Currency	\$1=	EURO =
Czech Republic	Koruna	34.0970	37.8257
Hungary	Forint	226.450	251.258
Poland	Zloty	3.8440	4.2880
Slovakia	Koruna	39.3150	43.8220

Richter's calculated net profit fell to Ft 17.567 billion in 1998 from Ft 18.655 billion in 1997, while its sales rose to Ft 55.063 billion from Ft 52.016 billion in 1997. Richter is exploring certain forms of barter agreements in the CIS, but no formal agreements have been signed to date. In Central Europe, Poland remains Richter's largest market, with revenues rising 16.5% to \$14.7

million in 1998, boosted by increased sales of the muscle relaxant Mydeton and oral contraceptives.

Three investors have been selected by the treasury ministry to take part in another stage of the privatisation of the pharmaceutical firm Polpharma SA at Stargard Gdanski. Prospective investors, due to examine Polpharma's financial standing in February and March, are required to submit binding proposals of the terms of agreement by the middle of April. Negotiations on the sale of at least 10% of Polpharma SA to a prospective buyer are being held for the second time after the first invitation to talks was cancelled by the ministry in July 1998. Polpharma SA, set up in 1935, was part of the German Bayer group during World War Two.

In the paint sector developments have been taking place recently in both Hungary and Poland. Toyo Ink of Japan has bought a majority stake in Budacolor in Hungary, a local ink producer. Toyo Ink plans to produce 2,000 tpa of printing inks at Budacolor. In Poland, the Kalon group has obtained a controlling stake in Polifarb Cieszyn-Wroclaw (C-W) after purchasing 63.4% of the shares. In February, Kalon issued a second call to investors, which if successful could lead to Kalon holding 100% of shares in Polifarb C-W. Polifarb already had a strong position in the decorative paint sector in Poland but has been seeking a partner with experience in paints for the automotive industry, or furniture.

The Polish paint market is expected to grow 7-8% annually over the next few years, against a 2-3% growth rate in West Europe. Polifarb's earnings and sales last year are expected to benefit from the 1997 merger of Polifarb Wroclaw and Polifarb Cieszyn. Kalon, in which TOTAL holds 65.9%, ranks second in Europe's decorative paints' market. Kalon holds particularly strong positions in the United Kingdom, where the company markets its brands Leyland, Johnstone's and Manders and ranks among the top 3 producers.

### **Company news**

Efforts have been underway to secure further loans for AliaChem to refinance existing operations, jeopardised by its links with Chemapol Group (ChG). Several Czech banks have shown willing in support of AliaChem and a syndicate approach is being adopted. Whether a strategic investor will be found to buy AliaChem could be vital for the long term future of the group.

## **SOUTH EAST EUROPE**

### **South East Europe-currencies Feb 22<sup>nd</sup> 1999**

Country	Currency	\$1=	EURO =
Bulgaria	Lev	1755.50	1947.82
Croatia	Kunar	6.7007	7.5229
Macedonia	Dinar	33.9586	58.9326
Romania	Lei	12407.5	13766.7
Slovenia	Tolar	169.898	188.510
Yugoslavia	New Dinar	10.4179	11.5023

On February 12, the management of Neftochim and sale agents Arthur Andersen, together with Kreditanstalt, signed an information memorandum on the financial state of the plant which opened the way for launching its privatisation. The memorandum describes in detail the plant's capacity at Bourgas broken down into individual units, the financial condition, participation in joint ventures, number of jobs, etc. The

intermediaries will insist on the state's preserving its right to control the fulfilment of the owner's commitments without interfering in the operation process.

LUKoil is not ruling out the possibility of its participation in a privatisation tender for an acquisition of a major stake in Neftochim. It would serve to strengthen the company's interests in South East Europe, not only in oil refining but also petrochemicals where it is assuming a more active role. In the second half of February, LUKoil-Petrol, an affiliated company of LUKoil, submitted its bid to participate in a privatisation tender to acquire a 51% stake of the state Bulgarian company Petrol AD. Petrol AD includes 456 gas filling stations, 61 oil farms, a port on the Dona and a port on the Black sea near Varna. The 51% stake is estimated at \$45-50 million.

<b>Latest update on offers provided by the State Ownership Fund, Romania</b>				
<b>Company : RAFO, Town : Onesti</b>				
<b>Manufacturing activities</b> Chemicals, synthetic fibres				
<b>Financial Data (Romanian Lei)</b>				
	1995	1996	1997	
Share Capital	207,602,500	207,602,500	207,602,500	
Turnover	651,524,384	762,479,210	2,881,489,522	
Gross Profit	8,462,235	n/a	74,112,052	
Employees	3,792	3,834	3,650	
<b>Company : Fibrex, Town : Savinesti</b>				
<b>Manufacturing activities</b> Polyamide yarns, caprolactam, adipic acid, ammonium sulphate, etc				
<b>Financial Data (Romanian Lei)</b>				
	1995	1996	1997	
Share Capital	193,611,400	193,329,300	193,332,300	
Turnover	164,478,810	235,040,767	577,100,000	
Gross Profit	1,436,847	1,068,486	7,500,000	
Employees	7,625	7,235	6,800	
<b>Company : Doljchim, Town : Craiova, Shares for sale : 51%</b>				
<b>Manufacturing activities.</b> Fertilisers, methanol, oxygenated solvents (i.e., acetates, alcohols)				
<b>Financial Data (Romanian Lei)</b>				
	1995	1996	1997	
Share Capital	301,938,200	332,213,650	332,213,650	
Turnover	178,987,792	289,070,376	283,334,118	
Gross Profit	5,304,919	11,388,112	0	
Employees	n/a	4,061	3,336	
<b>Company: Olchim Town : Rimnicu Vilcea, Shares for sale : 51%</b>				
<b>Manufacturing activities.</b> OXO-alcohols, PVC, chloralkalis, propylene oxide/propylene glycol, chlorinated solvents				
<b>Financial Data (Romanian Lei)</b>				
	1995	1996	1997	
Share Capital	266,311,050	267,103,700	313,814,075	
Turnover	460,948,000	704,323,000	1,838,282,000	
Gross Profit	41,166,000	29,347,000	84,000,000	
Employees	7,467	7,687	7,800	
<b>For further information please contact Marketing and International Relations Division, SOF, 6 Stavropoleos St, Bucharest, Sector 1, Romania, Tel + 40 1 303 63 54, Fax + 40 1 312 18 41, E-mail: dri_fps@starnets.ro</b>				

LUKoil considers the Balkan region as a promising market. To implement a strategy towards the region LUKoil is actively developing the distribution network by means of constructing gas filling stations with the company brand in a number of countries of the region. Following the same strategic development plan LUKoil acquired a 51% stake of the Petrotel refinery in Romania last year. Plans are to revive ethylene production at the complex.

The Romanian government in February launched a plan to upgrade Romania's transport, communications and energy sectors. However the programme, launched amid a welter of poor economic indicators, faced immediate criticism. A long list of projects was presented, including the improvement of road and rail links, to make better use of oil refining capacity and to launch Black Sea passenger and freight links to make Romania more attractive as a transit point for Caspian oil. Two pipeline routes for Caspian oil already exist.

The future direction of the Romanian petrochemical industry is seen in some quarters as dependent heavily, if not exclusively, on foreign investment. It is hoped that the deal signed with the Turkish oil company Akmaya for the Petromidia complex will help the revival of production. The location of the Petromidia complex was one factor which encouraged Akmaya to consider investment.

However, it is not yet clear the degree of emphasis by Akmaya on petrochemicals at Petromidia. The petrochemical division at Petromidia uses the refinery products such as naphtha,

propane, butane, kerosene and gas oil as feedstock for the pyrolysis unit, thus for ethylene and propylene. The butene fraction is sold to synthetic rubber producers. Propylene is polymerised at low pressure in the polypropylene unit. The polypropylene unit produces a total of 30,000 tpa with half being sold on

international markets.

Of longer term significance to the refineries in South East Europe involves a plan by ENI for a crude pipeline to be constructed between Constanta and Trieste. The pipeline is to run from Romania through Hungary, Croatia, Slovenia and Italy, supplying all the local refineries. ENI signed an agreement on January 18 with Petrol of Slovenia concerning technical participation in the SEEL project. At present studies are being undertaken, and it is possible that construction could start in 2000 with completion as early as 2002. At the end of 1998 INA signed three agreement with Petrol, including the supply of 120,000 tons of gas condensate to Nafta Lendava from INA's fields in north east Croatia.

<b>Romanian Oil and Processing Output (unit-kilo tons)</b>		
<i>Product</i>	<i>Jan-Nov 98</i>	<i>Jan-Nov 97</i>
Oil Extracted	5,763.05	5,971.30
Total Oil Processed	11,259.20	11,425.00
Gasoline	2,990.73	3,348.70
Gas Oil	2,672.54	3,651.20

  

<b>Romanian Chemical Output (unit-tons)</b>		
<i>Product</i>	<i>Jan-Nov 98</i>	<i>Jan-Nov 97</i>
Organic dyes and Pigments	654	691
Synthetic Pigments	4,309	1,125
Zinc Oxide	1,684	2,584
Hydrochloric Acid	159,366	168,271
Sulphuric Acid	213,123	299,520
Soda Ash	444,026	500,076
Caustic Soda	277,885	294,486
Nitrogen Fertilisers	382,074	636,400
Phosphate Fertilisers	96,380	123,500
Synthetic Rubber	20,067	25,925
Ethylene	138,656	133,313
Propylene	124,710	136,210
Pesticides	5,170	7,895
PVC	113,496	119,288
Polyethylene	73,277	64,277
Varnishes and Paints	31,152	31,615
Detergents	54,779	28,235
Synthetic Fibres	21,010	15,610

Nafta Lendava, in northern Slovenia, consists of several divisions including refinery, petrochemicals, plant construction and research, and acquisition of petroleum and gas sections. The refinery section produces various gasoline, gas and heating oils. The petrochemicals' section is engaged in the production of methanol, formaldehyde, various adhesives, thermal insulation materials, etc. Plant construction, which is the most successful section of the company, manufactures and assembles plants and equipment for the petroleum industry. The research and acquisition of petroleum and gas section is specialised in drilling oil and gas and, more recently, geothermal boreholes. Petrol's equity stake in Nafta Lendava guarantees the parent company's own refining capacity, whilst also providing access to the Adria crude pipeline.

The Bulgarian company Plasthim has been put forward for cash privatisation, at 80% of the capital. Plasthim produces wallpapers, PVC floor coverings, PVC rigid, polystyrene and furniture foil, extruder plates, enzyme preparations, amino acids and bio-additives for the food industry. Further details for Plasthim and other chemical industry sell-offs can be obtained from the marketing department of the

Bulgarian Privatisation Agency, 1000 Sofia, 29 Aksakov St, Bulgaria; Tel + 359 2 980 42 50; 987 99 80; 980 82 75, Fax + 359 2 981 62 01, E-mail: infdoc@nacid.nat.bg.

## BALTIC STATES

The Estonian city court of Kohtla-Jarve on February 5 declared the chemical producer RAS Kiviter bankrupt owing to insolvency. The company's debts, according to the balance sheet, stand at 434 million kroons. A two-man company, Erioli Ltd, bought Kiviter in December 1997. Half of the purchase price of 120 million kroons was to be paid in privatisation vouchers. However, RAS Kiviter ran into difficulties owing to a steep drop in oil prices on the world market last year. The bankruptcy petition was filed in December by Kiviter's largest supplier, Eesti Polevikivi (Estonian Oil Shale). The firm ended last year with a loss on a turnover of 650 million kroons, according to preliminary data.

<b>Baltic States-currencies Feb 22<sup>nd</sup> 1999</b>			
<b>Country</b>	<b>Currency</b>	<b>\$1=</b>	<b>EURO =</b>
Estonia	Kroon	13.993	15.5263
Latvia	Lats	0.5806	0.6442
Lithuania	Litas	4.0015	4.4398

Over the past few years there have been extensive efforts to find new markets for Kiviter's high-quality phenols and derivatives. Although joint ventures and co-operation agreements have been made, in particular with Velsicol of the US for benzoic acid and sodium benzoate, efforts to find equity investors have not proved successful.

In Lithuania, Mazeikiu Nafta has been facing feedstock shortages in recent weeks, resulting in the temporary stoppage of production between the end of January and the middle of February. The shutdown cost the refinery about 15 million litas, and the stoppages have been serious enough to have affected the national budget. The refinery needs about 500,000 tones of crude per month to operate normally. Deliveries from LUKoil had been reduced which caused the refinery to stop. Suggestions are that LUKoil was not pleased with the decision of the Lithuanian government to allow Williams International to become the strategic investor and main operator in Mazeikiu Nafta. In the meantime, Williams International has delayed the

launch of oil export via the Butinge terminal planned for February 22. The oil export timetable has been complicated by Mazeikiu Nafta's closure and the situation at the plant in recent weeks. At present, it is still unclear when exports might be started. Technically the terminal, which is part of the oil concern, is ready to export oil, but some necessary approvals need to be secured.

Williams International has also said that it may cut down on promised investments. Williams will pay less money unless the Lithuanian government manages to convince the Americans that Mazeikiu Nafta's working capital did not shrink in 1998. The Lithuanian government and Williams were expected to initial agreements on February 15, with official signing scheduled for March 8. The Lithuanian government and Williams plan to sign three agreements, on investment, management and shareholders. Their signing has been repeatedly put off since December.

## COMMONWEALTH OF INDEPENDENT STATES

### Russia

Whilst imports remain minimal Russia's domestic chemical output has been recovering step by step from the immediate post-devaluation downturn. The rouble has tended to steady over the past month which is contributing to a more stable production climate. The weakness of export markets is a problem for many producers, not so much the low prices but the lack of volume being traded.

Russian oil output is expected to decline by 5-7 million tpa over the next few years according to recent statements made by the Russian Fuel and Energy Minister. The number of idle oil wells is dramatically high and this may lead to a loss of some recoverable reserves. High production costs, non-payment, and the lack of investments are among the main problems of Russia's energy sector. Russian production of crude oil and gas condensate fell in 1998 to 303 million tons, down from 305 million tons in 1997. At its peak, oil production in the whole Soviet Union was well above 600 million tons in the late 1980's.

A major issue unsettling Russian oil companies is export tariffs. Russia set a crude oil export tariff from January 27 for a period of six months, with a basic rate of 2.5 euros per ton when the price of Russian Urals blend crude is between \$9.80 and \$12.3 per barrel CIF Rotterdam or CIF Mediterranean. Below this band no tariff is payable, and above the band the rate will double. A 5% export tariff was set on oil products for six months from January 16. But fuel oil exports are liable to a tariff of 10 euros in the first quarter of this year. Russian oil companies are asking that these tariffs are removed.

**Oil refining** Russian oil refining fell 13% to 163 million tons last year. LUKoil and Bashkortostan have signed a general agreement on the main principles of co-operation. This agreement is part of the further expansion of LUKoil's activities in Bashkortostan. The latest accord involves a programme for interaction in the area of production, refining, transportation and marketing of oil and petroleum products and petrochemicals. The parties have agreed to co-ordinate their efforts in implementing investment and financial projects, including those with foreign capital participation. This is in addition to establishing joint ventures to develop oil, gas and gas condensate fields within the territory of the Republic and other regions of the Russian Federation, and the 'near and far abroad'.

In 1999, LUKoil plans to participate in the construction of a product pipeline arm that links Perm and Almetyevsk and runs through the territory of Bashkortostan. LUKoil also plans to build about thirty gas filling stations between 1999 and 2001. Fourteen gas filling stations are to be built this year. In 1997 and 1998 LUKoil supplied 1,658,400 and 3,997,500 tons of crude respectively to the oil refineries in Bashkortostan. Moreover, it is planned to supply up to 150,000 tons per month of gas condensate from the Karachaganak gas condensate field in northern Kazakhstan to one of the Ufa refineries.

In February LUKoil launched a new plant for producing first-grade motor oils and lubricants at Bogandinsky, Tyumen region. The enterprise has been built by OAO BELOIL, a Tyumen-based company affiliated with LUKoil's refinery LUKoil-Permnefteorgsintez. The plant (refining capacity is 45,000 tpa) is the first oil refining unit in the territory of Tyumen region and should satisfy the needs of the region and neighbouring Tomsk, Novosibirsk, Kemerovo, Altai regions and the Republic of Yakutia (Sakha) in oil products.

In addition, BELOIL will supply motor oils and lubricants to Gazprom's enterprises located in the Tyumen region. The plant consists of an automatic oils' and additives' mixing block, polyethylene containers' manufacturing facility, and canning facility. With consumption projected to increase the plant's refining capacities could be increased to 65,000 tpa. The launch of the first plant for motor oil and lubricant production in the Tyumen region resulted from co-operation between LUKoil and the local administration.

At the end of February LUKoil signed an agreement with the Hellenic Petroleum S.A of Greece. The main goal of this co-operation is to create a joint vertically integrated oil company to pool the parties' interests in the area of



exploration, production, refining and marketing of oil and petroleum products. The parties have also agreed to commence joint foreign trade operations, and to co-ordinate their policy in South East Europe and the Black Sea region.

**Isobutylene** Volgopromkhim is seeking suppliers of hydrocarbons, concentrated isobutylene, isobutane fractions, and fractions of butylene-butadiene. Further details from V Postnikov, Deputy General Director, ZAO "Volgopromkhim", Tel +7 8462 32-26-37, Fax +7 8462 32-46-25, E-mail: yph@vis.infotel.ru.

**Polyolefins** Surplus availability is being seen for polyethylene with the weakness of export markets having an impact on volume sales of the major producers. Market prices for polyethylene are ranging between 9,200 to 10,800 roubles per ton for HDPE and 9,800 roubles to 10,000 roubles per ton for LDPE. Debt sales, a characteristic of the present Russian economy, have been circulating for AO "Stavropolpolimer" which was taken over by LUKoil last year. Further details about buying Stavropolpolimer's debts, and also LDPE purchases, can be obtained from Viktor I. Vosykin, General Director, OOO "Torgoviy Dom VMV", Tel +7 86344 6-07-61, Fax +7 86344 6-07-61, 6-97-04.

Traders OOO "SKS" are offering products produced at Salavat in Bashkortostan, from the OAO "Salavatnefteorgsintez" plant, on a cash payment or veksels basis. HDPE is quoted at 10,800 roubles per ton, LDPE at 9,800 roubles, and polystyrene at between 15,500 to 15,700 roubles. Further details from Pavel Silantyev, Director, OOO "SKS", Tel +7 347 902-2234, Fax +7 34763 33859, E-mail: pasha@salavat.bashnet.ru.

#### CIS-currencies Feb 22<sup>nd</sup> 1999

Country	Currency	\$1=	EURO =
Azerbaijan	Manat	3950	2388.72
Belarus	Rouble	220000	244101
Kazakhstan	Tenge	85.8500	.95.2549
Russia	Rouble	23.1	25.6007
Ukraine	Hryvnia	3.8850	4.3106
Uzbekistan	Sum	585	649.087

For export, Fobos is offering HDPE at prices between \$490 to \$530 per ton on an FCA basis. Further details from Aidar R Gafurov, Director, OOO "Fobos", Tel +7 8432 93-15-43, 93-15-33, Fax +7 8432 93-15-43, 93-15-33. Other products being offered include MEG at \$225 per ton and butyl rubber at \$950 per ton.

Technika has increased the price of polypropylene produced at Tomsk Petrochemical Combine from 8,300 roubles to 9,200

roubles per ton EXW Tomsk, and methanol at \$45 per ton on the same basis. The contact is B R. Akhmerov, Technika, Tel +7 3822420080, Fax +7 3822 421331, E-mail: root@stc.tomsk.su. Prices for polypropylene have been noted lower elsewhere. For example, one trader in Moscow was attempting to sell 1,000 tons of polypropylene at 7,700 roubles per ton before the end of February, or \$310 per ton for export. But prices from the plants are tending to be no lower than 8,500 roubles.

**PVC** OAO "Sayanskkhimprom" at Zima in the Irkutsk Oblast has increased PVC suspension grade availability for export and is looking for opportunities for selling in excess of 500 tons per month. Conditions being offered are at prices of \$350 to \$395 per ton EXW for February and March, prior to VAT. These prices have come down from \$500 per ton in November, indicative of oversupply in the international marketplace. The contact is Ms Tatyana A. Kulichenko, Head of Marketing Dept, OAO "Sayanskkhimprom", Tel +7 39513-33185, Fax +7 39513-33185, E-mail himprom@sayansk.intel.ru.

In the domestic market PVC was being priced from Kaustik at Sterlitamak at 6,500 roubles per ton. Moskontraktprom is offering PVC from AOOT "Novomoskovsk Azot". Methanol is being quoted at \$58 per ton or \$93 ton CIF pre-Baltic port, and urea at \$58 FCA Novomoskovsk. Further details from A.V. Vagirov, Group "Moskontraktprom", Tel +7 095 943 87 40, Fax +7 095 943 8740, E-mail: mkp@df.ru.

**Olefin derivatives** Styrene prices in the Russian market are being noted at 4,000 roubles per ton. Whilst styrene is in surplus polystyrene remains much tighter with prices approaching 15,000 roubles per ton. ZAO "Neftekhimik-Oxo" is offering 2-ethylhexanoic acid from Perm at 14,166 roubles per ton before VAT. Further details from Mr Andrey B. Bikov, Head of Marketing, ZAO "Neftekhimik-Oxo", Tel +7 3422 908-920, 908-620, Fax +7 3422 908-116, 908-155, E-mail: oilchim@pi.ccl.ru. Neftekhimik-Oxo is also offering isobutanol at 2,000 tons per month and normal butanol of up to 500 tons per month. Further details from Andrey V. Glukhov, with contact numbers as above.

In the glycols' market ethylene glycol prices have been heard as low as 4,000 roubles per ton. Rosavto is searching for a supplier of MEG, produced at Nizhnekamsk, of up to 300 tons per month. Further details from Aleksey S. Salnikov, Deputy Director, ZAO "Rosavto", Tel +7 095 924 9285, Fax +7 095 921 3550, E-mail: alexey@rosavto.transit.ru.

**Detergent intermediates** OAO "Nefis" at Kazan is in the market for Sokolan CP-5, or similar products, for detergent manufacture. Sokolan CP-5 is an acrylic acid and

maleic anhydride based detergent intermediate produced by BASF. For further details of requirements please contact Evgenni A. Yanvarev, OAO "Nefis", E-mail: eugene@dionis.kfti.kcn.ru.

The Volgodonskiy chemical plant is seeking buyers for a wide range of products, including Kristall, Lotos and Astra. The Volgodonskiy plant is one of the smaller detergent plants in Russia, with a capacity of 30,000 tpa. Further details can be obtained from Alexander I. Luzhetskiy, OAO "Volgodonskiy chimzavod", Tel +7 86392 9-56-53 or 9-56-52 or 2-09-16, E-mail: irina@icomm.ru.

**Intermediates** OAO "Orgsintez" at Novomoskovsk is offering maleic anhydride and fumaric acid for sale. Further details from Irina Viktorovna Evyagina, OAO "Orgsintez", Tel/Fax +7 8762 4-95-70, E-mail: orgsing@newmsk.tula.net. 1,4-butanediol is being offered from the Novochoerkassk plant in southern Russia at prices of 13.5 roubles per kg, EXW Novochoerkassk. Even if this price does exclude VAT and transport it is still exceptionally low against 1,4-butanediol priced in the world market. Further details about this product and others from Novochoerkassk are available from Vitaly S Ushakov, Novochoerkassk Plant of Synthetic Products, Tel + 7 86352 9-72-80, Fax + 7 86352 3-31-15, E-mail: mark@novoch.ru.

Aniline is being offered by Khimsintez at \$450/ton, inclusive of VAT (NDS) and in quantities of 300 to 400 tons per month. Further details from Aleksander Akkerman, Khimsintez, Tel +7 985-916-6862, Fax +7 985 916 61 09, E-mail: etxim@cityline.ru. Formaldehyde prices in Russia are in the range of 1,000 roubles per ton, with urea-formaldehyde resins at 2,000 roubles per ton. Benzoic acid is being quoted at levels of \$1,050 per ton and sodium benzoate at \$1,550 per ton, both products produced either in Irkutsk or Estonia. ZAO "Kaustik" at Sterlitamak is offering all types of caustic soda, and will consider all forms of payment possibilities. Further details from Mr T E Lugumanov, Head of Marketing Department, ZAO "Kaustik", Tel/Fax +7 3473 25 20 43. E-mail: kaust@str.bashnet.ru.

## Ukraine

### Ukrainian Chemical Output (unit-kilo tons)

Product	1995	1996	1997
Ethylene	164.72	82.93	138.6
Propylene	80.7	35.8	60.6
Benzene	60.19	30.2	51.11
Polyethylene	2 0	0.8	23.1
VCM	179.6	88.7	121.3
PVC	60.4	14.6	15
Ammonia	3,782.4	4,017.5	4,140.9
Nitrogen Fertilisers	1,831	1,904.8	1,926
Phosphate Fertilisers	290	266.3	295.2
Potassium Fertilisers	60	45	56.08
Soda Ash	475.1	375.2	367.4
Caustic Soda	213.4	156.5	156.3
Titanium Dioxide	61.8	50.8	36.8
Methanol	204	79.1	60.8
Acetic Acid	123.1	70.9	65.5
Caprolactam	11.2	8.7	0.7

Source : NIITEKHIM, Cherkassy, Ukraine

Adipic acid is being offered by Himlaborreaktiv at \$950 per ton, FCA Rovno. Further details from Himlaborreaktiv, Tel +380 044 464 89 05, Fax 380 044 435 68 89, E-mail: himv@public.ua.net. For the period January-December 1998 Oriana at Kalush exported 47,000 tons of ethylene to Hungary, compared to 47,700 tons in 1997. Oriana has been facing difficulties recently due principally to the debts incurred to Germany for the construction of the polyethylene plant at Kalush in the mid 1990s. The inability to repay the outstanding debts has had knock on effects on the company's feedstock purchases which has resulted in very low operating rates. VCM production has been functioning poorly which has impacted on BorsodChem in Hungary. BorsodChem has been forced to buy VCM feedstocks from West Europe and other sources.

In late last year the Ukrainian Cabinet of Ministers ordered that a 50% stake of Oriana at Kalush be retained for five years as state owned property and that the stake be transferred to the Shelton joint venture company. Shelton has been given three months to prepare, jointly with the State Property Fund and the Ministry for Industrial Policy, a plan for the restructuring of Oriana and for the repayment of its debt to the Bayerische Vereinsbank for the polyethylene plant. Reports are that Shelton's knowledge of the petrochemical market is limited and this is causing problems for Oriana.

Ukraine is ready to begin buying Azeri crude oil in April from the Georgian port of Supsa, with the first consignment consisting of 80,000 tons of Azeri crude being intended for the Odessa refinery. Azeri oil is reportedly of a higher quality than Urals blend and Ukraine is ready to buy it for domestic refineries. The AIOC began pumping oil through the Baku-Supsa pipeline in December last year. The first flows of oil from the AIOC, which is currently producing 70,000 barrels per day from its Caspian oil fields, will reach in Supsa, the pipeline's terminal in April.

Ukraine plans to increase the purchase of Azeri oil to about 9 million tpa by 2001. As part of this programme Ukraine plans to complete a 667km pipeline from Odessa to Brody on the Polish border to transport Caspian oil from Azerbaijan to Western Europe, and to build a new Black Sea terminal, Yuzhny, by 2001. The new pipeline will connect Yuzhny with the Druzhba pipeline. The Yuzhny terminal is planned eventually to have a capacity of 14 million tpa.

## **JSC FIKO (Ukraine) is looking for new opportunities for**

### **sales of titanium rolled materials**

1. JSC FIKO produces ASTM Grade 2 , Grade 5 ,Grade 9 and GOST Grade VT1-0 Grade VT6, Grade PT3V titanium ingots , sheets ,plates , bars , wire ,tubes, etc.
2. Special offer is titanium tubes and equipment for chemical industry. Dimensions for tubes are as follows: Dia. 0.5-350 mm, thickness 0.5-15 mm, max. Length 9000 mm. JSC FIKO is in position to consider offers for sub-contracting.
3. JSC FIKO can also offer TiO<sub>2</sub>, FeTi.

*Further information can be obtained from :*

**JSC FIKO, 5, Druzhby Narodiv , 252 042 KYIV Ukraine.**

**Export Department : Tel/Fax + 380 44 268 33 79, Fax +380 44 268 3513**

**E-mail: Fedorov@fiko.ru.kiev.ua.**

## **Azerbaijan**

Azerikhimya achieved a turnover for total chemical and petrochemical production of 341.5 billion manats in 1998, 9.2% lower than in 1997. The turnover in 1998 reached only 74.1% of the target set by the company at the start of the year. Azerbaijan's main economic task this year will be to cushion and diversify the economy of the Caspian Sea state from dependence on oil. However, this year will be very difficult due to the low international price of crude.

Partly as the result of weaker opportunities for oil exports refineries in Azerbaijan have been accumulating large inventories over the past few months whilst refinery throughput has been decreasing. Domestic market growth has been strong in Azerbaijan over the past twelve months although there has been a natural slowing down since last August in relation to the side-effects of the Russian economic crisis. Indeed, the Russian economic crisis has helped enforce the view that the main challenge facing the chemical industry in Azerbaijan is to reduce its level of inter-dependence with the Russian chemical industry into which it is heavily integrated in both products and logistical transit.

The Russian market now provides limited opportunities for market sales; sulphanol which was once shipped in large volumes from Azerbaijan is not being sold at all which means that new markets are required. There are other priorities such as improvements in the domestic system of transport to reduce the costs of transshipping chemical products. For example, normal paraffins for LAB production at Sumgait are still supplied from Russia which, after transport costs have been met, often results in making the final product unprofitable.

The longer term prospects for petrochemical projects has been buoyed by the recent announcement that LUKoil obtained a loan worth of \$77.2 million from the EBRD and IFC to develop the first stage of the Azeri, Chirag and Gyuneshli offshore oil fields. At present oil production, which started in November 1997, amounts to more than 10,000 tons per day. This oil is shipped by a pipeline through the Russian territory to the Black Sea port Novorossiysk. Production of crude within ten years is forecast to reach 40 million tpa.

## **Central Asia**

The Uzbek government has drawn up a list of companies for privatisation for the period 1999-2000, including the Fergana refinery (43% of shares to be sold), Elektrokhimprom (45% of shares to be sold), the Samarkand chemical plant (40% of shares to be sold) and Navoiyazot (45% of shares to be sold). The government resolution states that privatisation will be conducted according to individual plans on a competitive basis. Elektrokhimprom produces caprolactam, Navoiyazot produces fertilisers, and the Samarkand chemical plant produces mono-ammonium phosphate and sulphuric acid.

The prospects of petrochemical projects being undertaken in Turkmenistan are being enhanced by the increasing output levels at the Turkmenbashi refinery although the plant is still producing less than full capacity. The pace of project developments in Uzbekistan have slowed down over the past two years in line with reduced FDI. Projects which are seen in the priority category include the construction of polyurethane production facilities, the objective of which is to meet demands of furniture, car, shoes, and other industries.

The polyurethane project under review in Uzbekistan consists of two units, a unit for polyurethane hard grade

production at 500 tpa, and a unit for polyurethane elastic grade at 3,000 tpa. The government's view is that the plant would be well placed to serve the local and regional markets, with no existing production of polyurethane in Central Asia. Block elastic polyurethane is currently produced in Uzbekistan on imported raw materials. The target customers for polyurethane elastic grade include UZ DAEWOO (Korean-Uzbek Joint Venture), and the furniture and shoes' business. Polyurethane hard could potentially be sold to the Samarkand refrigerator factory. In addition to domestic consumption requirements, 40% of output would be geared towards export markets, either in the CIS or the Far East.

For raw materials for polyurethane production Uzbekistan would be dependent on imports, the most important of which would be propylene oxide, at estimated needs of about 3,100 tpa. Propylene oxide is used mainly as a chemical intermediate in the production of polyurethane polyols, which are used to make polyurethane foams, coatings, and adhesives. Other products required include ethylene oxide estimated at 247 tpa, and also orthophosphoric acid, and caustic potash.

Another project under review in Uzbekistan concerns Azot at Fergana which is planning the reconstruction of one of its three ammonia plants. For this project an estimated \$25-30 million is required from a foreign partner. The production balance at Fergana currently consists of ammonia saltpetre, liquid synthetic ammonia, urea, cellulose, etc. Fergana Azot has the advantage of low cost gas from local sources, at current levels of \$41,300 per thousand cubic metres. At present, 70% of ammonia is exported, mostly to Central Asian countries.

## **Kazakhstan**

The US-Kazakh joint venture TengizChevroil (TCO) in western Kazakhstan is planning to produce 12 million tpa of oil by 2001 when the Caspian Pipeline Consortium pipeline is expected to begin operating. TCO recovered 8.3 million tons of oil in 1998 and hopes for 9.3 million tons in 1999. Chevron owns 45% in TCO (KazakhOil has 25%, Mobil 25%, and LUKARCO 5%).

The Kazakh government is continuing to focus heavily on raising revenue from selling stakes in companies. Efforts are being made to sell shares for the Pavlodar refinery in the north east and the Khimprom chemical plant, also at Pavlodar. In November last year a 90% stake in Eastern Kazakhstan Copper and Chemical Plant was sold to Samsung Deutschland GmbH for \$6.3 million.

## **● FORTHCOMING EVENTS**

✧ 2nd Central Asian Republics Refining And Petrochemicals Roundtable, March 15-16 1999, Vienna. For further details please visit <http://www.theenergyexchange.co.uk>.

✧ 7th Central European Chemicals Congress, April 14-15 1999, Budapest. For further details please visit <http://www.firstconf.com/cenchem99>.